



**DRAFT NATIONAL REFORM PROGRAMME OF HUNGARY
UNDER THE EUROPE 2020 STRATEGY**

NOVEMBER 12, 2010

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I. INTRODUCTION

In order to turn the European Union into a smart, sustainable and inclusive economy with high levels of employment, the EU has to address the challenges of global competition in an effective way. The Hungarian Government agrees with the aim of overcoming the limitations of the Lisbon Strategy—as put forward in the Europe 2020 strategy - by setting a limited number of well-focused headline goals, with special attention to implementation and monitoring.

The general approach of the Europe 2020 Strategy as well as its main goal of smart, sustainable and inclusive growth, are also reflected among the economic policy priorities of Hungary, while the key factor of long term success lies in implementation on both European and national levels. As to this latter aspect, it is of utmost importance that the implementation of the 2020 Strategy reflects domestic conditions and economic policy priorities of the respective member states by defining national targets and allowing for different ways of realization. The National Reform Programs to be prepared annually provide an appropriate framework for the individual perspectives.

Hungary intends to contribute to the successful implementation of the Europe 2020 Strategy, to the achievement of the common European headline goals by realizing its national targets that have been defined so as to best reflect Hungary's domestic conditions and priorities. Thus, increasing the level of employment – in accordance with one of the main priorities of the Hungarian Government with respect to the economy – is the most important national target in the Hungarian National Reform Programme.

This draft National Reform Programme (NRP) introduces the Hungarian national targets set as to contribute to the European headline goals, and indicates the key measures proposed by the Hungarian Government. Taking into account the preliminary guidelines of the European Commission for drafting National Reform Programmes under the Europe 2020 Strategy, the NRP first outlines the medium-term macroeconomic scenario, describes the main structural problems hindering economic growth accompanied by planned governmental measures to address them. Furthermore the NRP introduces the Hungarian targets on each field of the European headline goals, indicating the relevant key measures in short or medium term. (It should be stressed that as elaboration of said measures is underway, both their range and content is subject to change in the final NRP, April 2011.) After referencing the horizontal and methodological aspects of the planning process, the draft NRP concludes with a comprehensive table summarizing the available information on the respective measures in terms of content, contribution to the national targets, ministry responsible, budgetary impact, and relationship to the flagship programs of Europe 2020 strategy.

II. MACRO-ECONOMIC SCENARIO

The medium-term macro-economic scenario characterizing the development of the Hungarian economy is outlined hereunder in two versions. The *baseline scenario* (as a kind of *no policy change* scenario) translates the macro-economic forecast resulting from the rules of law currently in force into figures and omits the measures planned for the fulfilment of the national targets and included in the draft National Reform Programme. However, the so-called *normative scenario* planned by the Government takes into account the national targets related to the Europe 2020 Strategy as well as the modifying effects exerted by the key measures necessary for the fulfilment of said targets on the baseline scenario.

1. Baseline scenario

The macro-economic path resulting from rules of law in force in early October 2010 (e.g. tax acts) is translated into figures as the baseline scenario. Based on this, following the significant economic recession in 2009, the year of 2010 will still see controversial developments but as from 2011, with the effects of the crisis weakening, positive tendencies will influence the performance of the Hungarian economy in both domestic demand and foreign trade. The growth rate of the Hungarian economy may stabilize around 3.5% in the middle run.

Due to the strengthening external upswing, primarily thanks to the German and the Asian economies, external demand and, as a result, Hungarian export, too, have showed a considerable (about 10%) expansion in 2010. Import growth has been following the expansion of exports at a slower pace, which is caused by the unfavourable developments in domestic demand. Therefore, this year net exports may significantly contribute to growth. In 2011 the growth of Hungarian export may be slightly reduced by the declining demand in developed countries strengthening their budgetary discipline.

Contrary to this, the growth rate of added value of domestic use will become positive only as from 2011. This year will still see the negative effects of the crisis on private consumption. Thus the still unfavourable labour market environment, increased private debt services and the precautionary savings generated by the crisis reduce the demand of households. However, as from 2011 the income position and the demand of households will improve due to the continuous increase in the employment figures of the business sector, the improvement in wage developments and the measures of the Government. As a result, household consumption will show a 2-2.5% growth in the medium term. As to investments of the total economy, only a slight improvement of around 1% can be expected in 2010 but in the medium term the sector is expected to show a higher growth (5-6%). All this will partly be caused by the fact that on the demand side consumption is expected to revive as from 2011. On the other hand, the historically low capacity utilization does not facilitate any marked growth in investments this year but in the business sector new investments will become necessary next year.

Main parameters of the baseline scenario

	2010 expected	2011	2012	2013	2014	2015
	forecast					
GDP	0.8	2.5	3.3	3.6	3.5	3.4
	<i>volume change on previous year, %</i>					
GDP domestic use	-0.8	2.2	2.8	3.1	2.9	2.8
Gross capital formation	1.4	5.6	5.9	6.9	5.7	6.1
Exports	12.6	7.8	10.0	10.0	10.0	10.0
Imports	11.4	8.0	10.1	10.0	9.9	9.9
	<i>as % of GDP</i>					
Current account balance	0.2	0.5	-0.4	-0.8	-0.9	-0.9
Foreign direct investment	2.7	3.1	3.7	3.9	3.9	3.9
	<i>change on previous year, %</i>					
Real wage per wage earner	2.2	2.4	1.2	2.2	2.2	2.3
Number of employed	-0.1	-0.4	0.7	0.7	0.7	0.5
of which: business sector	-1.2	0.6	0.9	0.9	0.9	0.7
Unemployment rate (15-74), %	11.3	11.1	10.7	10.3	9.9	9.6
Change in consumer prices, annual average, %	4.7	3.4	3.3	3.0	3.0	2.9

2. Normative scenario

The national targets of the Government related to the EU2020 strategy as well as their related effects on the economy lead to significant changes in the baseline scenario. The basis of the new macro-economic scenario is the creation of one million new jobs during the period of ten years – by 2015 400 thousand new jobs will have been created. The improvement in the efficiency of public administration (as well as budgetary discipline) will result in the fact that the increase in employment will take place entirely in the private sector. As the year of 2011 is determined from several aspects and the implementation of the measures necessary for the increase in employment takes some time, real change can be expected in the field as from 2012.

Considering the priorities of the Government and the necessity of significant rise of employment at small and medium enterprises for increasing their production, we expect that small and medium sized enterprises will create the most of new jobs. In the business sector the normative scenario assumes a simultaneous increase of employment and growth of investment in line with improving prospects. All this will be supplemented by the increasing and more efficient utilization of EU funds. In addition, the Government will also implement significant investments as from 2013. Furthermore, the normative scenario also takes into consideration the new tax system to be introduced as from 2011.

Due to the measures to be taken, economic growth may steadily rise – it will increase from the 3-3.5% rate in the next two years to 5% and above. As a result, nominal GDP may exceed by nearly HUF 3,000 billion (7.5%) the level of the baseline scenario.

Based on the presumptions, the biggest change may be expected for investments: from the low 2010 base the volume growth will first reach 7-8% and then accelerate by a rate over 10% by the end of the forecast period. These latter paces are the double of the ones forecasted for the baseline scenario. The investment rate (compared to GDP) will reach 25% by 2014 and then it will rise further. The significant tax reduction and the increase in employment will exert a positive influence on consumption, meaning that in the normative scenario household consumption will increase by a rate of about 4% a year.

The number of employees may grow 2% in 2012 and rise by a rate of 3% per annum as from 2013; thus the unemployment rate may reduce to almost 5% from the present 11%. Such a considerable expansion in employment may significantly increase potential output, meaning that the effect of governmental measures on inflation will be moderate.

Based on the presumptions both exports and imports would increase at a higher pace than in the baseline scenario; the contribution of foreign trade to the GDP growth would remain positive in the entire time horizon but at a declining rate. The balance of the current account will deteriorate (owing to the imports need of investments) and its deficit will be near to 3% of the GDP in 2015. At the same time, the surplus of the capital account (EU transfers) will mainly counterbalance it, meaning that the external financing capacity of the country will remain positive in the majority of the forecast period. The annual inflow of foreign direct investment to Hungary may accelerate and exceed 4% of the GDP as from 2013. The expected growth may be traced back to the fact that the profits resulting from the production generated by foreign direct investments to be implemented in coming years will presumably be re-invested in new projects.

Main parameters of the normative scenario

	2010 expected	2011	2012	2013	2014	2015
		<i>volume change on previous year, %</i>				
GDP	0.8	3.0	3.5	5.0	5.2	5.5
GDP domestic use	-0.8	2.8	3.3	4.9	5.3	5.7
Gross capital formation	1.4	6.9	6.8	8.4	11.6	12.1
Exports	12.6	9.0	10.3	11.0	11.3	11.3
Imports	11.4	9.3	10.5	11.3	11.7	11.8
		<i>as % of GDP</i>				
Current account balance	0.2	-0.2	-0.6	-1.4	-2.0	-2.7
Foreign direct investment	2.7	3.1	3.9	4.2	4.2	4.3
		<i>change on previous year, %</i>				
Real wage per wage earner	2.2	1.3	0.5	4.2	1.9	2.1
Number of employed	-0.1	-0.1	1.8	2.9	2.9	3.0
of which: business sector	-1.2	1.0	2.5	3.9	3.9	4.0
Unemployment rate (15-74), %	11.3	10.8	10.3	8.6	6.9	5.1
Change in consumer prices, annual average, %	4.7	3.5	3.3	3.4	3.6	3.5

III. MACRO-ECONOMIC SURVEILLANCE

In June 2010, sub-committees of the Ecofin Council (the Economic Policy Committee and the Economic and Financial Committee) identified the main structural problems (so-called macro-structural bottlenecks) hindering economic growth of the member states. In the following chapters a short description is given on the macro-structural bottlenecks identified for Hungary, followed by the outlining of the key governmental measures planned to address them.

III.1. Continuing efforts to reallocate public expenditure towards growth-enhancing items and reducing the high level of government debt and government deficit

The general government deficit indicator relative to GDP approved by Eurostat is 4.4% in Hungary, which was the ninth lowest in the EU27 member states in 2009 while the public debt level was 78.4%, the fourth highest in the EU.

The 2010 deficit target is 3.8% of the GDP while, according to current presumptions, public debt will amount to around 80% of the GDP.

The reduction of the general government deficit and public debt is a main element of the Government's economic policy, while another cornerstone is launching and strengthening economic growth.

According to the target set by the Government, the budget deficit will reduce below 3% in 2011, which also means that the medium-term objective (1.5% structural deficit) may be achieved. While the medium-term objective is maintained in coming years – considering that the currently negative output gap will be closed in 2014 – the budget deficit may be around 1.5% of the GDP in 2015. As a result of the above – with no stock-flow adjustment made in the forecast period - the public debt level relative to GDP will probably decrease well below 70% by 2015 from the 78.4% in 2009.

The above deficit and debt forecasts take into account the measures and effects in the medium and long term, which are aimed at restructuring the expenses and revenues of public finances to promote growth.

Measure	Status and schedule of implementation	Minister responsible for implementation
Submitting and adopting the 2011 budget bill envisaging the reduction of the general government deficit relative to GDP below 3% (and the maintenance of the medium-term objective as from 2011)	Submission to the Parliament by 29 October 2010. Adoption by the Parliament by 23 December 2010. Effective as from 1 January 2011.	MNE

III.2. Maintaining a viable and stable financial sector by reducing the risk from over-exposure to foreign denominated credit

In agreement with the recommendation of the Commission, Hungary makes efforts to reduce the risks resulting from the high ratio of foreign exchange denominated loans of households to maintain financial stability on macroeconomic level. The goal set by the country is to maintain a stable financial sector. While strengthening the role of supervisory and regulatory authorities the country wishes to achieve the above goal through reducing the high stock of foreign exchange loans to households, which facilitates the reduction of the risk premium, meaning that financing the public debt may become cheaper.

At the end of the first half of 2010 Hungarian households' outstanding amount of loans was nearly HUF 10,600 billion, accounting for 40% of the GDP. Within this amount foreign exchange denominated loans totalled to about HUF 7,300 billion (38% of the GDP). Such a high ratio compared to total bank lending (70%) is only present in the Baltic-states.

Owing to the crisis, the increase in the stock of foreign exchange loans to households stopped in late 2008 and since then the stock has been slowly declining, but as the stock has been reducing at a slow pace merely, resulting risks – e.g. open foreign exchange position – may continue for a long time.

Based on Act XC of 2010, no mortgages can be registered for foreign exchange loans with effect of August 2010. Therefore, no new foreign exchange loans can be raised. However, the management of the existing stock is a steady duty – this is why the bill aimed at easing the position of persons having foreign exchange denominated debts was submitted to the Parliament and this is why the Government plans to establish an asset management institution (to find a solution for resulting financial stability and social problems).

Measure	Status and schedule of implementation	Minister responsible for implementation
Suspension of extending mortgage loans to households denominated in foreign exchange	Adopted by the Parliament, in effect	MNE
Package of measures for the improvement of persons indebted in the foreign exchange scheme	On the agenda of the Parliament	MNE
Establishment of an asset management institutions	Under preparation	MNE

III.3. Ensuring full utilisation of the economy's labour potential through raising the participation and employment rates

Low level of employment, the most serious structural weakness of the Hungarian economy has been identified as a macro-structural bottleneck to growth. Specific challenges in various sectors and on different levels of the economy have to be addressed in a coordinated way in order to considerably and steadily increase the level of employment, realize one of the most important objectives of the Hungarian government.

In the short run, one of the key challenges is to tackle the increased unemployment arisen due to the crisis. Recently an increasing number of people have been compelled to contact the employment centres and the composition of job seekers has also changed noticeably (the rate of newly unemployed has risen, mainly as a result of downsizing in more developed regions). The short term priority is to support active job seekers in finding employment as soon as possible.

The significant inequalities in regional and territorial employment constitute a serious problem in Hungary for a long time, afflicting both national and ethnic minorities. This territorial disintegration is extreme also in international comparison and enhances the problems of the labour market.

A further difficulty for the supply side of the labour market is, that certain (disadvantaged) groups of the society face a rather heterogeneous mix of problems on the labour market:

Young career starters have more and more difficulties in finding jobs when they enter the labour market.

Employment of older workers – which is indispensable in the medium term for the sustainability of social services with special regard to the pension system – is hampered by several factors: there is a limited demand for their employment, they have difficulties adapting to changing needs of the labour market, their knowledge and skills are often obsolete and their health condition is poor.

Low employment level of the low- and unskilled is one of the main reasons for the unfavourable labour market situation in Hungary. Owing to the structural change in the economy, labour market demand is not able to absorb low- and unskilled people, thus their majority became excluded permanently as a consequence of the lack of employment opportunities. Their reintegration and activation – after many years of inactivity -is a huge challenge for economic and social policy.

As for parents raising small children, the reconciliation of work and family life is a serious issue. In this respect, one of the main elements of the governmental policy is to promote employment while encouraging the raising of children, improving child care facilities and harmonizing the requirements and needs of employers and employees with children.

Specific measures are also needed for managing the disadvantages of disabled people on the labour market.

Furthermore, the relatively high ratio of undeclared work is also a challenge for Hungary.

In accordance with the headline goals of the Europe 2020 Strategy, Hungary sets a national target to increase the employment rate, therefore the planned key measures on employment are described in the chapter (IV.1) on the national targets.

III.4. Development of the business environment

As to the development of a favourable business environment (especially) for small and medium enterprises, the following two fields deserve particular attention:

Reducing administrative burden

Joining the 23 member states of the European Union, in 2008 the Government set the target of gradually reducing the administrative burdens of enterprises due to domestic regulations by at least 25% until 2012. Having completed a comprehensive study on burdens and related risks (identifying certain data provision obligations and determining the respective and national costs through assessing the frequency of obligations and the parties afflicted) it can be stated that the administrative costs for enterprises in relation to data provision concerning state regulations amount to about HUF 2,100 billion, of which HUF 800 billion can be considered as actual burdens (meaning that such would not be incurred in usual proceedings). This latter amount accounted for 3% of the GDP in 2008. Based on international surveys, this indicator (compared to the GDP) is 1.9% for Denmark, 1.6% for the United Kingdom and 2.3% for the Netherlands.

Apart from the assessment of the situation based also on international experience, no actual measures have been executed until the spring of 2010. One of the pillars of the economic policy of the new government is the reduction of administrative burdens hampering enterprises, which is also reflected by the First Action Plan announced in July. The introduction of the 10% corporate tax rate or the abolition of the communal tax contributes not only to the decrease of tax burdens but also to the reduction of red tape.

In the fourth quarter of this year work was restarted to establish a simpler, more predictable and more supportive regulatory environment. Currently work is in the preparatory phase, in the course of which both legislative activities and application of the regulation already in force (by the authorities) are reviewed. The aim is to provide a wide and steady consultation platform to reduce administrative burdens. In the sector of small and medium sized enterprises administrative burdens are to be reduced by further HUF 150 billion by 2011. The government's objective is to turn Hungary into one of the most business-friendly countries of the European Union by 2020. The reduction of administrative burdens is a comprehensive and horizontal plan which the Hungarian Government expects to result in strengthening the sector of small and medium sized enterprises and the creation of new jobs in line with the Program of National Cooperation (elements of the program already introduced: simplification of official licensing procedures, increasing the limit of corporate income tax replenishment obligation).

In addition to the reduction of administrative burdens directed at enterprises, the reduction of administrative burdens of the population indirectly contributes to the establishment of a more favourable business environment, also.

Promoting favourable conditions for R&D and innovation activities

Measures aimed at the improvement of overall competitiveness of the government (public services), and the general business environment (reduction of administrative burden, simplification of the tax system, and reduction of the tax burden of enterprises) simultaneously serve the goal of establishing favourable conditions to innovation activities.

Facilitating the R&D and innovation activities of enterprises (especially SMEs) in Hungary is in the focus of the main strategic documents of the government (New Széchenyi Plan, Research-, Development and Innovation Strategy, National Environmental Technology Innovation Strategy , and the actual NRP), thus the approach is reflected in the allocation of funds as well. Favourable conditions for SME innovation activities are also supported by a restructured tendering system, enhanced quality and extended range of innovation services (provided by a new National Innovation Agency) and by further measures of demand side stimulus in the medium term (pre-commercial procurement).

Spatial distribution of R&D capacities and activities in Hungary reflects serious territorial imbalances – activities are concentrated in the Central-Hungarian region, which, as a “phasing in” region, is entitled to continuously decreasing funds. To address the issue an integrated system for distributing domestic and EU funds will be established.

The promotion of knowledge transfer among actors in the R&D sector and services to be provided by the National Innovation Agency will facilitate a direct link between publicly financed R&D and industrial-economic requirements, which, in addition to the expanding knowledge/technology transfer, will also contribute to the enhanced mobility of researchers.

Measure	Status and schedule of implementation	Minister responsible for implementation
Reduction of administrative burden, smart regulation, improving the competitiveness of the business environment with respect to regulation Reduction of the administrative burdens of the citizens	reduction of the administrative burden by 25% until 2012	MNE, MPAJ
Competitiveness Program	until the end of 2010	MNE
Renewal of the documents of the Strategy of Science, Technology and Innovation Policy (R&D&I) and that of the institutional system	until the end of 2010	MNE, MNR
Establishment of the National Innovation Agency from the National Office for Research and Technology	2010-2011	MNE
Pre-commercial procurement tenders	until the end of 2011	MNE, MND

III.5. Improving the contribution of the education system to human capital formation

The Government identified the disparities between the composition and structure of human capital trained in the educational system (i.e. labour supply) and those of the demand on the labour market as a factor hampering growth. In addressing the mentioned bottleneck, measures related to the national target on the field of education, by increasing the overall level of qualified workforce. Furthermore harmonizing vocational training with requirements of the labour market contributes also significantly to tackling the issue.

The new National Core Curriculum under elaboration gives more focus to the development of key competences – such as sense of initiative and entrepreneurship- necessary for economic and business activities. Necessary knowledge covers the ability to recognize both personal and professional opportunities and challenges, as well as comprehensive practical understanding of the functioning of the economy, including the world of finance.

The preparation for adult life is a primary task of development, an important element of which is vocational guidance. Its general goal is to provide assistance to students' school and career choices. It consists of the development of self-knowledge based awareness-raising of one's personal skills and abilities and of activity- and experience-based learning about the most important careers, occupations and the opportunities, respective ways leading to them through performing activities and gaining experience. Furthermore, it prepares for the possibility that one may be enforced to change his/her career many times in his/her lifetime. School has to provide a comprehensive picture of the world of work adapted to the age of their students and according to their possibilities. To this end, conditions, activities are to be provided which may enable students to try their abilities, deepen their knowledge in the field they are interested in in order to develop their self- and occupational knowledge.

Career orientation and counselling have to be made available for everyone: both the young and older generations should be offered the opportunity of receiving guidance including information on learning possibilities, supporting them in decision-making based on their personal abilities, knowledge and interests as well as the requirements of the labour market.

The vocational training system can be operated efficiently if it is in line with the employment policy targets, i.e. the educational system provides graduates (specialists) with appropriate qualification in appropriate number demanded by the economy. Accordingly, training policies should be developed in coordination with the employment policy.

Not adequate number of skilled workers and the discrepancy between the structure of educational output and requirements of the labour market hamper the competitiveness of the Hungarian economy. The rate of students in vocational training schools finding jobs in fields other than their profession or not finding jobs at all is high: this indicator rose to 60% from the 35-40% observed before 1990. Hungary will contribute to the achievement of the EU headline target by reducing the rate of school drop outs from vocational training schools to 25% by 2020. The intended result can be achieved through providing skilled labour force required by the economy. Further measures are aimed at improving the internal efficiency of vocational training and rational utilisation of resources. Introduction and extension the scholarship scheme in vocational training schools in the professions required by the economy will establish and maintain the motivation of students and reduce the number of those dropping out, while increasing the number of graduates in professions in shortage. The early start of professional practical training and the general introduction of three-year vocational training programmes will result in the reduction of the period of learning, the increase in the term of

practical training and the increase in the number of skilled workers. The development of vocational training is closely related to the increase in the employment rate: the chance of skilled and qualified people to find jobs is much higher than that of unskilled people.

Reduction of the number of drop-out students and those postponing their graduation, as well as the increase in the interests of institutes and students together with the development of the pedagogical culture in **higher education** will contribute to the improvement of the efficiency and effectiveness of higher education and, as a consequence, to the improvement of the quality of the educational system. Through the improvement of foreign language knowledge of highly qualified people, the competitiveness of persons with tertiary level of education or equivalent will grow. Practice oriented short-cycle courses, expansion and development of higher-level vocational training and pathways between higher education, other segments of higher education, the educational system and the world of work will facilitate the opening of the higher educational system to the labour market and to non-traditional target groups (older people, persons working and pursuing studies, those updating or increasing their skills, disadvantaged people).

In addition to the mainly quantitative headline target (increasing the share of population having completed tertiary or equivalent education), the steady improvement of the quality of higher education is particularly important for Hungary.

Measure	Status, schedule of implementation	Minister responsible for implementation
Development of the institutional system of vocational training, early vocational training (increase the share of practical training and starting at grade 9, introduction of dual training in high scale, introduction of the scholarship system in vocational training schools, improvement of the financing and evaluation system, career tracking, career orientation)	Developments are in progress, they are expected to be completed by 2013. Early vocational training: The elements of the measure are partly elaborated and partly require changes in legislation. Planned introduction of early vocational training: 2011/12.	MNR, MNE
Participation in compensatory vocational training education for those who have not finished primary school	The elements of the measure are elaborated and based on legislation already in force. Schedule of implementation: continuous	MNR
Supporting training programmes, aimed at increasing the willingness of disadvantaged groups to take part in training and supporting in-work training at enterprises	Training courses were introduced for similar target groups earlier too – based on their experience adjustment is needed. Some programmes are ready to be launched shortly.	MNE
Widening higher-level vocational training through the improvement of the Bologna system	Time horizon: from 2010 to 2020	MNR
Reduction of study time overhanging and drop out in higher education	Time horizon: from 2010 to 2020	MNR
Development of foreign language skills in higher education, teaching foreign languages, teaching in foreign languages	Time horizon: from 2010 to 2020	MNR

IV. THEMATIC COORDINATION

Hungary intends to contribute to the successful implementation of the Europe 2020 Strategy, to the achievement of the common European headline goals by realizing its national targets that have been defined so as to best reflect Hungary's domestic conditions and priorities. The following chapters introduce the Hungarian national targets, accompanied by a short evaluation of the current situation in the specific areas and the outline of relevant measures planned by the government to address them. (It should be stressed that measures and strategies described here are currently being developed thus both the range and content of said measures may be subject to change before the finalization of the NRP in April.)

IV.1. EMPLOYMENT

The Europe 2020 Strategy sets the target of increasing the employment rate of the population aged 20-64 to 75 % in the European Union as compared to the present (2009) employment rate of 69.1% in this age group.

The Hungarian employment rate has been among the lowest in the European Union (60.5% in 2009) the rate even lags behind that of the countries in the region on the same level of development. Trends of recent years have been discouraging as well: the global economic crisis has led to decreasing employment but the Hungarian employment rate had stagnated at a low level even in the years before the crisis.

The Hungarian Government set the expansion of employment as the primary target of its economic and development policy, which also indirectly supports the achievement of several goals: it shall boost economic growth, improve the balance of public finances, stabilize the financing social security system and facilitates the catching up of disadvantaged groups and regions, too.

Based on the above considerations, **Hungary set its national employment target in the 20-64 age group to 75% by 2020, which corresponds fully to the EU headline goal.** The above figure shows that the Hungarian Government considers the increase of the employment rate to be its top priority and it also reflects the goal of the government's program to create 1 million new tax paying jobs by 2020.

The Hungarian Government intends to achieve the employment target through the coordination of all relevant sectoral policies thus serious efforts will be made in the field of employment and other policies as well (e.g. tax policy, development of the business environment, education, education and training of adults, sectoral economic policies, social policy,).

The direction of measures and interventions necessary for the achievement of the target and to be demonstrated in the NRP do reflect the intention of the Government to handle employment policy in an integrated way with other sectoral policies. Therefore, integrated policy as well as sectoral strategies are being elaborated to address the employment target, and the result of this process will be demonstrated in detail in the final NRP to be submitted in April 2011.

These strategic recommendations and measures supporting the achievement of the employment target will comprise the elements of the tax system that are linked to employment as well as to the

sectoral economic policies of strategic importance, which facilitate increase in labour demand. The Hungarian Government aims at stimulating the development of industries that, as possible break out points of the economy, may play an important role in increasing employment (e.g. development of the green economy and investment in the environmental industry, increasing rural employment through agricultural, rural development, food and environmental programs).

On the other hand, the strategic recommendations and measures contributing to the achievement of the employment target will extend also to policies influencing labour supply, like employment policy, education and training policy, pensions and policies affecting the situation of disabled people, social services, as well as child care facilities and provisions.

Realignment of the cohesion fund also plays a significant part in achieving the employment target.

Planned Governmental Measures for the achievement of the target mainly between 2010 and 2012 :

Measure	Status, schedule of implementation	Minister responsible for implementation
Establishment of a competitive tax system	Under preparation	MNE
Programs of the New Széchenyi Plan (health industry, green economy, and housing program, development of enterprises, R&D&I, transportation - transit economy)	Under preparation	MNE, MND, MRD
Strengthening the work incentives in social services	Under planning	MNR, MPAJ
Adjustment of the educational system to labour market requirements	Under planning	MNR
Facilitating the reconciliation of work and family life (expansion of child care facilities, development of nursery services and capacities and alternative caring, modernization of the child care rules, supporting innovative projects at company or on local level, spreading flexible/atypical employment opportunities)	Under planning	MNE, MNR
Active labour market policies and complex programs	Under preparation, launch as from 2011 continuously	MNE
Supporting the rehabilitation and employment of people with altered working abilities	Under preparation, launch as from 2011 continuously	MNE, MNR, MPAJ
Transformation of the public work	Under preparation, operation of the new system as from 2011	MNE

Measure	Status, schedule of implementation	Minister responsible for implementation
Increasing the transparency of the labour market, tackling undeclared work (Measuring undeclared employment, , reducing taxes on labour, stimulating flexible working arrangements, adjustment of the conditions for simplified and casual employment to the requirements of employers, strengthening labour inspections, development of labour inspectorate, information campaign and attitude development on informal work)	Implementation of certain elements of the measure is already underway.	MNE
Development of the institutional system for vocational training	Implementation of the measures has already been started, developments are planned to be completed in 2013.	MNE
Supporting training programs,	Under planning based on the experience gained in programs formerly implemented. Launch as from 2011 continuously	MNE
Increasing rural employment through agricultural, rural development, food and environmental programs.	Under planning, launch as from 2011 continuously	MRD

IV.2. RESEARCH & DEVELOPMENT & INNOVATION

According to the relevant EU headline goal, by 2020 3 percent of the EU's GDP should be invested in R&D activities, as compared to the current level of R&D expenditure, that is 1,9 percent.

As to the value of the indicator, the performance of Hungary – resembling other Central-East-European countries of similar level of development and economic structure - lags far behind the EU average as the R&D expenditure is hardly over 1% of the GDP. At the same time, recent data show positive tendencies: since 2004 the rate of R&D expenditure has been slightly growing (in 2009 it rose to 1.15% of the gross domestic product) while the traditionally low rate of R&D expenditure of the business sector has also shown a gradual increase.

The Hungarian Government recognizes innovation as a driver of sustainable growth. The newly developed research, development and innovation strategy (RDI) contributes to the overall economic goals by establishing an effective RDI policy with emphasis on a favourable environment for R&D and innovation activities, promotion of value-added original products and intellectual export. Beyond the objective of strengthening the innovation performance of the economy in general, the strategy focuses on encouraging innovation activities in the business sector including also non-technological innovation.

Although the foreseen measures promoting research, development and innovation are mainly horizontal, it is important to emphasize the significance of certain sectors or territorial aspects. (As reflected in the plans regarding eco-innovation, development of creative industries or establishing a more balanced territorial distribution of innovation activities by enhancing competitiveness of major cities via cluster programmes.)

Based on the above, **Hungary intends to increase its R&D expenditure to 1.8% of GDP by 2020** while further increasing the share of the business sector .

The governmental measures planned for the achievement of the R&D target will comprise of comprehensive review of R&D&I policies and support schemes, launch of new programs, transformation of the related institutional and monitoring system as well as improvement of the relevant regulatory environment.

Planned Governmental Measure for the achievement of the target between 2010 and 2012:

Measure	Status, schedule of implementation	Minister responsible for implementation
Renewal and implementation of the strategy for science, technology and innovation (research, development and innovation, R&D&I)	The R&D&I strategy until 2020 is expected to be adopted in late 2011, The implementation (and monitoring, assessment) of the R&D&I strategy runs until 2020. The National Environmental Technology Innovation Strategy is expected to be adopted in the first half of 2011	MNE, MRD, MNR
Establishing a unified R&D&I supporting system	The elaboration of the unified R&D&I supporting system started in the	MNE

Measure	Status, schedule of implementation	Minister responsible for implementation
	<p>second half of 2010 together with designing tenders for the New Széchenyi Plan–.</p> <p>The sub-measure for the establishment of a stimulating R&D&I regulatory and tax policy environment may be implemented as from the first half of 2011.</p>	
Restructuring of institutions related to innovation and R&D policy	The transformation of the institutions is expected to be completed by the end of 2011	MNE

IV.3. CLIMATE CHANGE AND ENERGY EFFICIENCY

The European headline goal for 2020 in the field of climate change and energy efficiency is composed of three indicators: one is to increase the share of renewable energy sources to 20 percent (of the final energy consumption of the EU), to reduce overall energy consumption by 20 percent, and to reduce greenhouse gas emissions by 20 per cent (compared to 1990 levels). The commitments undertaken by Member States differ as laid down in part by Community directives.¹

In Hungary the share of renewable within final energy consumption was 6.6 per cent in 2008, placing us within the bottom third among EU Member States (EU average in 2008 was 9.2 per cent), and falls behind the other Visegrád countries in this respect. In spite of the low value the indicator shows an upward trend, further growth could be accelerated by simplifying licensing and regulatory procedures.

In accordance with/to relevant provisions of the Kyoto Protocol, Hungary is required to reduce greenhouse gas emissions by 6 per cent by 2012 by comparison to the average of the 1985-87 period, actual emissions in 2008 were 36.1 per cent below in the baseline as a consequence of the economic restructuring following the change of political regime. Consequently, reaching the emission reductions target by 2020 does not require any particular action on the part of the government in addition to the proposed measures relating to renewable energies and energy efficiency.

People are already exposed to the negative environmental effects of climate change (inland waters, floods, drought, etc.), while the clean-up of the resulting damages has a significant impact on the budget as well. With regard to the fact that these events are likely to increase in frequency and extremity, prevention and preparation should be first priority. In addition to actions strictly related to energy, measures enhancing environmental safety, facilitating the efficient management of natural resources and aiming at environmental development will also be designed in this context..

Hungary's targets for 2020 are to increase the share of renewable energy sources by 14,6 per cent, 10 per cent of overall energy savings, and an increase in greenhouse gas emissions by not more than 10 per cent compared to 2005 levels.

The proposed improvement of energy performance, outlined in the proposed actions directly concerns the general public through the remodelling of residential buildings. This action may indirectly result in the reduction of the country's dependence on energy imports concomitantly with the higher share of renewable energy resources.

With a view to achieving these objectives, the Government plans to launch considerable energy savings programmes and green economic development projects through the planned actions published in government programmes and through the New Széchenyi Plan.

If successful, these programmes may contribute to an increase in the level of employment, as well as to putting innovation-based investment projects – and Hungarian intellectual capital in general – to the forefront. Growing energy plants in the least advanced micro regions could create new jobs and generate local energy sources, hence reducing the number of those living in poverty.

¹DIRECTIVE 2009/28/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

In addition to restructuring the institutional background (streamlined provisions) the Government plans to take the following measures:

Government measures between 2010 and 2012 in order to achieve the proposed objective:

Description	Status and timetable of implementation	Minister in charge of implementation
Regulatory incentives for the promotion of renewable energy sources (feed in tariffs for green electricity, distribution of biogas)	Under preparation, bill for the amendment of the EEA is prepared for Parliamentary debate. Amendment of Decree No. 7/2006 (V.24.) TNM other incentives and regulatory changes proposed for the first half of 2011, second half of 2011.	MNE, MND
Launching a program for the promotion of investments with a view to enhancing the use of renewable energy sources and the development of the related industries within the framework of the New Széchenyi Plan – Green Economy	Transformation of NESP, GIS and EEOP within the framework of the New Széchenyi Plan. Opening new plans during the first half of 2011	MNE, MND, MRD, MPAJ
Streamlining authorisation procedures	Assessment of authorisation procedures is currently in progress, drawing up timetable for 2011, drafting bills for amendments of legislation by the second half of 2011.	MNE, MND, MRD
Launching information, educational and extension programmes	Under preparation, system proposed to be set up during the first half 2011	MNE, MND
Introduction of a limited green tax scheme for the central budget	from 1 January 2012	MNE
Setting up the Green Bank	The time required for establishing this type of financial institution and for the foundation of the bank is 8 to 12 months. Setting up the related funds and introducing banking services and products, and making them functional could require an additional 6 months	MNE, MND
Agro-energy programme, reducing energy consumption within the agricultural industry, sustainable production of biomass	Restructuring of NHRDP is currently in progress, opening new plans during the first half of 2011	MRD, MNE, MND
Complex remodelling of public buildings using energy-efficient technologies	Timetable: setting up working group – October 2010 - drafting and developing measures for the new Action Plan – October – December 2010 - compiling the working version of the	MNE, MND

Description	Status and timetable of implementation	Minister in charge of implementation
	new Action Plan – January 2011 - approval of new Action Plan by the European Commission – 30 June 2011 Implementation: by 2020	
Developing a data disclosure and data processing system designed for measuring the energy consumption and energy efficiency of buildings owned by the State or local authorities	October – November 2010: Drawing up questionnaire. Preparation and adoption of legislation. Designating and appointment of the intermediate body. During the first phase survey is limited to buildings under State management. October – November 2010: Receiving and processing data. Making statements. 2011: If the system is declared operational and efficient, it will gradually be used for more public buildings. Implementation: by 2020:	MNE, MND, MRD
Complex remodelling of multi-unit residential buildings, residential buildings built by industrial technologies, as well as conventional residential buildings using energy-efficient technologies, and promoting the use of energy-efficient technologies for new constructions	Timetable: setting up working group – October 2010 - drafting and developing measures for the new Action Plan – October – December 2010 - compiling the working version of the new Action Plan – January 2011 - approval of new Action Plan by the European Commission – 30 June 2011 Implementation: by 2020:	NGM/NFM
Support for the complex remodelling of industrial buildings (specifically SMEs), and buildings designated for public functions, other than public institutions using energy-efficient technologies	Timetable: setting up working group – October 2010 - drafting and developing measures for the new Action Plan – October – December 2010 - compiling the working version of the new Action Plan – January 2011 - approval of new Action Plan by the European Commission – 30 June 2011 Implementation: by 2020:	NGM/NFM
Developing the National Strategy and Action Plan for the Energy Performance of Buildings – including the continuous development, consultation and updating of strategic elements	October – December 2010: Drawing up the National Strategy and Action Plan for the Energy Performance of Buildings, and presenting it for social dialogue. Implementation: by 2020:	NGM/NFM

IV.4. EDUCATION

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

In Hungary, share of the population aged 30-34 having completed tertiary or equivalent education is 23.9 per cent based on 2009 data, which is 8.5 per cent behind the 32.3 per cent EU average. Recent data however shows positive tendencies: during the past twenty years the share of people moving on to higher education from secondary education has grown significantly. There is a risk however, related to the migration of workers with higher education to the labour markets of other EU Member States.

Hungary intends to increase the share of the population having completed tertiary level education or equivalent to 30.3 per cent by 2020. As the indicator concerns the 30–34 age group in 2020, and the 20–24 age group in 2010, the majority of this age group has already been enrolled in higher education institutions, consequently, the number graduates until 2020 is already determined to some extent. Therefore, in order to further improve the situation, measures are required to enhance the successful completion of ongoing studies of those already attending tertiary or equivalent education, or to impel young people who did not previously participate in such education to enrol to such classes by 2020.

In order to increase the share of population having completed tertiary education or equivalent we plan to effectively reduce number of students overly postponing graduation and drop-out in higher education. Effective and efficient completion of higher education stands in the interest of the whole society, therefore the motivation and possibilities of higher education actors in teaching and in learning should be improved through financial, pedagogical means and student support services available

Delayed obtainment of the tertiary degree (diploma) often results from the lack of the required certificate of foreign languages; therefore we aim to improve teaching methods of foreign languages, thus develop the foreign language skills of students. To this end, we plan to improve the conditions of language training for institutions and students, promote student and teacher mobility as well as international cooperation.

The third objective we set for achieving the level of education (tertiary or equivalent) required by modern labour market is to expand the spectrum of higher-level vocational training and to increase the number of students participating in these programmes. This is also essential to attract and maintain foreign investments to Hungary.

Reducing drop out rates depends largely on the success of students considered disadvantaged for socio-cultural and socio-economic reasons. This requires approximately 20,000 students for each age group and at least 12 to 13 years of uninterrupted pedagogical care. The share of disadvantaged people among those of school age is growing, which aspect is closely related to children living in poverty as well. The reasons for early school leaving are very complex (poverty, socio-cultural disadvantages, problems relating to employment and housing, especially problematic when

aggravated by regional disadvantages), therefore, their elimination requires the concerted efforts of several different sectors (primarily education, employment, social, child welfare, child protection, healthcare, local government) sectors. The education sector is to pay particular attention to help children with multiple disadvantages – including Roma children – to seek pre-school education at the earliest possible age, to reduce any failures of children at early school years, and to this end to enhance the role of day-care services, or to develop all-day school care, furthermore, to improve the pedagogical tools available to teachers working with students with multiple disadvantages and/or overage children who, in many cases, have to deal with social, behavioural and learning difficulties.

Complex programmes have already been established previously as well, which should be carried on pending some corrections (e.g. support for most disadvantaged micro regions), moreover, a complex and targeted scholarship scheme designed to assist students with multiple disadvantages is already in progress, furthermore the development of a programme for the elimination of run-down housing facilities comprising housing, training and employment elements is also under way.

As far as the related sectors are concerned, cultural institutions offering informal types of learning and out-of-school facultative programmes also have a major role. Furthermore, in connection with the headline target it should be taken into account that, while maintaining demographic balance, the statistics of the previous 10 years show a decline of 2.5% (2000: 13.9%, 2009: 11.4%), but stagnation in the past few years.

Based on the above, Hungary plans to reduce the school drop-out rate to 10 per cent by 2020.

The Government measures proposed to reduce the **school drop-out rate** cover, among others, kindergarten care, promotion of success at school of disadvantaged children and those with multiple disadvantages ; tasks relating to the educational success of students with special educational needs; duties concerning vocational training, helping students of compulsory school age, who have already dropped out of school to return to the public education system, the introduction of a control model with a view to improve the efficiency of public education and an assessment and evaluation system to improve its effectiveness..

Government measures between 2010 and 2012 in order to achieve the proposed headline target:

Description	Status and timetable of implementation	Minister in charge of implementation
Increase the share of population having completed tertiary education:		
Expansion of higher-level vocational training through the improvement of the Bologna process	Time horizon: between 2010 and 2020	MNR
Enhancing the timely obtainment of a diploma for students with overtly postponed graduation	Time horizon: between 2010 and 2020	MNR
Development of foreign language skills in higher education, teaching foreign languages, teaching in foreign languages	Time horizon: between 2010 and 2020	MNR
Reducing the school drop-out rate:		
Measures to prevent early school drop-out, taken in kindergarten care, with particular attention to	Certain elements of these measures are already available, developed based on relevant legislation.	MNR, MPAJ

Description	Status and timetable of implementation	Minister in charge of implementation
increasing the number of disadvantaged children – including those with multiple disadvantages – to seek pre-school educational care at the earliest possible age, and to provide help with their transition to the school system.	Legislative changes are recommended with respect to less efficient components. Timetable of implementation: continuous, while additional segments will be introduced as part of the new public education act until February 2011	
Measures designed to improve the rate of success of disadvantaged children and students, including those with multiple disadvantages, in school, using integrated education and training methods for their further integration (programmes promoting the closing the gap of public education institutions, supporting further education)	Certain elements of these measures are already available, developed based on relevant legislation. Legislative changes are recommended with respect to less efficient components. Review of the programmes for professional aspects is currently in progress with a view to improving their efficiency and effectiveness. Timetable of implementation: continuous, while additional segments will be introduced as part of the new public education act until February 2011	MNR, MPAJ
Improvement of the vocational training system, advanced vocational training (increase of the term of practical training and its start at grade 9, introduction of dual training, introduction a scholarship scheme in vocational training, improvement the financing and evaluation system, carrier tracking, career orientation)	Development programmes are currently in progress, expected to be completed nation-wide by 2013. Advanced vocational training: Certain elements of these measures are already elaborated, others require changes in the relevant legislation. Date proposed for the introduction of the advanced vocational training scheme: 12/2011	MNR, MNE
Participation in compensatory vocational training education for those who have not finished the primary school	All elements of these measures are already elaborated, based on relevant legislation. Implementation is continuous	MNR, MPAJ
Introduction of a control with a view to improve the efficiency of public education institutions, assessment and evaluation functions	Certain elements of these measures are already elaborated based on relevant legislation. Legislative changes are recommended with respect to less efficient components. Timetable of implementation: continuous, while additional segments will be introduced as part of the new public education act, in the annex for the control if institutions, until February 2011	MNR

IV.5. REDUCING THE NUMBER OF PEOPLE LIVING IN POVERTY

The relevant headline target of the Europe 2020 Strategy is to reduce the number of people living in poverty or social exclusion by 20 million. The 120 million people affected covers – with some overlap – three different groups of the population: 1. people living on income below the poverty threshold (60% of the median income of each country), 2. people living in material deprivation (deprived of basic necessities, living under poor housing conditions, or in over-indebtedness), and 3. people living in households with low work intensity (where the work intensity of the active household members is below 0.2 on a scale of 0 to 1).

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

Hungary is committed to reducing the level of poverty among families with children, the number of people living in severe material deprivation, and the number of people living in households with low work intensity by 20% each. Taking the overlaps into consideration, this means, that Hungary plans to reduce the numbers affected by the three indicators by approximately 5 per cent / or by 450 to 500 thousand people, to 23.5 per cent by 2020. In accordance with the general macro-economic scenario and the scenario relating to increasing the rate of employment we expect minor improvement between 2010 and 2012 in the indicators mentioned above, which is expected to intensify later on.

In achieving these goals the measures described in relation to the employment and educational targets play an all important role, as well as the measures relating to the improvement of the rate of employment of those considered particularly disadvantaged (the implementation of coordinated employment, education, cultural and social programmes), to the enhancement of early development and childcare services, the maintenance of the family support system, the handling of the indebtedness of households, with special yet non-exclusive attention to the roma population. . Moreover, socio-cultural programmes designed to enhance social integration and active participation play a great role as well. Regional concentration of poverty constitutes a fundamental problem, therefore, in the process of defining the relevant measures the closing-up disadvantaged areas and the elimination of regional and social segregation is of particular importance.

Government measures between 2010 and 2012 in order to achieve the proposed national target:

Description	Status and timetable of implementation	Minister in charge of implementation
Measures for addressing household indebtedness - Review and amendment of the regulations relating to home maintenance support system	time limit for preparation: 2 months time limit for acceptance: 1 month	NMR, MPAJ, NME

	implementation: continuous	
Improving the employment rate of those considered disadvantaged through the coordination of employment, education and social programmes	time limit for preparation: 6 months time limit for acceptance: one half to 1 month implementation: may be estimated in possession of the detailed plans	MNR, MPAJ, MRD, MNE
Maintaining the level of welfare benefits to families	depends of the 2011 budget	MNR, MPAJ, MNE
Enhancement of early development programmes, expansion of childcare services - Development of and access to day-care services for children	time limit for preparation: 6 months (calculating with EU tenders) time limit for acceptance: 1 to 2 months implementation: 1.5 to 2 years (calculating with EU tenders)	MPAJ, MNR
Expansion of the provision of free food for children programme	The measure affecting the 8th grade of elementary education is planned to be adopted in 2011, further expansion constitutes long-term action	MPAJ, MNR

V. HORIZONTAL AND METHODOLOGICAL ISSUES

The Hungarian Government considers the adequate preparation of the National Reform Program of 2011, including elaborate description of the underlying measures as an important task. To this end, the Ministry of National Economy (MNE), in its capacity as the appointed national coordinator of the Europe 2020 Strategy, plans to organise thematic workshops in the upcoming period concentrating on the areas of national targets and macro-structural bottlenecks, for composing a detailed list of proposed actions. Moreover, relying on the work already in progress, we plan to carry out the assessment of macroeconomic impacts of those proposed actions with a view to laying the groundwork for deciding upon the final measures. The Government shall decide, based on this list, about the measures to be included in the final version of the National Reform Programme, the drawing up of which has to commence during the first quarter of 2011.

The final version of the National Reform Programme is being prepared in accordance with cohesion and structural policy priorities, taking into account the horizontal principles set forth in these policies. The proposed measures are designed to enhance social and regional cohesion, contribute to environmental sustainability; reduce poverty and social inequalities, promote solidarity and coherence of communities, and contributing to combating all forms of discrimination, in particular among the roma. We intend to use the funds made available to Hungary from the structural funds and from the Cohesion Fund in accordance with the priorities of the New Széchenyi Plan, that recognizes the Europe 2020 Strategy. The majority of the proposed measures is directly connected to the previous Lisbon objectives (as reflected in earmarking), whereas some of the other actions are designed to address local needs of development while supporting the goals of the Community's competitiveness strategy.

Adoption of the final National Reform Programme is to be preceded by a thorough, nation-wide consultation along the lines of the following principles:

- Consultations should facilitate the improvement of the Government's proposed measures
- The proposal for the adoption of the NRP by the Government, should include a report on the main obstacles, controversies explored during the consultation process including recommendations for addressing them.
- The consultation process should contribute to the demonstration of a well-founded economic policy of the Government that is in line with goals and values of the European Union.

In addition to the opportunity for presenting one's opinion on the ministry's website, MNE is keen on establishing strategic partnerships with organisations willing to participate in mutual cooperation with respect to the Europe 2020 Strategy. In the framework of the partnership programme, MNE intends to consult organisations representing broad social interests, or active in areas relevant to the Europe 2020 Strategy. (Civic bodies/non-profit organizations, religious organisations, professional and scientific organisations, self-governing bodies of minorities, advocacy groups, public bodies, universities.)

EXECUTIVE SUMMARY OF THE MEASURES PROPOSED IN THE DRAFT NATIONAL REFORM PROGRAMME:

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Active labour market policies and complex programmes	<p>Providing services, incentives and support to unemployed people in order to increase their activity (Preserving their linkage to labour market, encouraging and helping job-search and re-enter into the labour market, improving employability and reducing the length of the period on social allowances).</p> <p>Providing tailor-made help for the disadvantaged groups that face multiple difficulties in entering into the labour market is crucial in order to improve their employability and finding a job. Within the framework of the active labour market policies, the emphasis has to be on supporting employment at enterprises (especially at SMEs) instead of promoting participation in public work schemes. Besides, the aim is to provide resources on the most effective way to the beneficiaries and target groups (namely, the unemployed people and companies they will working for). In order to encourage work and help entering into the labour market the system of active labour market policies will be transformed according to the following:</p> <ul style="list-style-type: none"> - increasing the proportion of employment-related support - revision of the conditions for direct wage support, - making the system of employment-related support more transparent and streamlined, - better aimed vocational trainings; , - supporting enter into the labour market instead of public work (and strengthening the employment potential of SMEs,) - better co-ordination of employment programmes financed by national and EU resources improving their aiming and effectiveness. 	<p>Increasing employment rate</p> <p>Reducing the number of those living in poverty/ social exclusion</p>	Under preparation, operating as of 2011 on a regular basis	MNE	Agenda for new skills and jobs Youth in action	For active measures 40.5 billion forints had been allocated from the central budget for 2011, plus an approx. 5.8 billion forints allocated for contribution allowances. The cost estimated for complex programmes co-financed by the ESF is around 26 billion forints for 2011, while the contribution allowances co-financed by the ESF estimated to cost around 5.5 billion forints.
Supporting the rehabilitation and employment of disabled people	<p>Due to the restructuring of the disability benefit system, rehabilitation allowance had been introduced for people with partly-limited work ability, intended to encourage their participation in rehabilitation programmes in order to promote their return into the labour market.</p> <p>For people on rehabilitation allowance and disabled job-seekers PES has to provide employment rehabilitation services and support to help remain or re-entry into the labour-market.</p> <p>Within the framework of the programme, tailor made services and supports (e.g. training, development of work ability etc.) will be provided to help them remaining in the labour market. As part of the programme, individual rehabilitation plans will be drawn up. Participants will be provided re-trainings (suitable to their health damages) and opportunity for acquiring work experience.</p> <p>The motivation and employment capacity of employers will be supported by providing services and counselling while the employment of disabled people by supporting the establishment of adapted workplaces and wage subsidies. .</p>	<p>Increasing employment rate</p>	Under preparation, as of 2011 on a regular basis	MNE, MNR, MPAJ	Agenda for new skills and jobs	The costs of SROP 1.1.1 – co-financed by the ESF – estimated to 5 billion forints for 2011

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Transformation of the public work system	<p>Introducing comprehensive public work programmes for unemployed persons.</p> <p>The existing – complicated and sometimes inefficient – system of public work will be replaced by a transparent, more simple and better established system of National Public Work Programmes, that appreciates the value of work and is more cost-effective.</p> <p>The new programme opens the access of certain funds for enterprises as well. Apart from employment, training will also be available for participants - co-financed by the EU. According to plans, the local employment centres will have a more important role in controlling the entry into public work schemes.</p>	<p>Increasing employment rate, Reducing the number of those living in poverty or social exclusion, Stronger linkage between education/training and the labour market</p> <p>Indirectly contributes to the goals of energy and climate policies</p>	<p>Under preparation, new scheme rendered operational as of 2011</p>	MNE	<p>Agenda for new skills and jobs</p>	<p>Analysing the budgetary impact of the programme is currently in progress. At this time, 86 billion forints has been allocated from the central budget for 2011.</p>
Improving the transparency of the labour market and tackling undeclared work	<p>Tackling grey and black economy can be achieved by creating an economic environment where neither the employer nor the employee is interested in entering the hidden economy. Therefore, taxes and indirect wage costs should be reduced, while labour inspections has to be strengthened. A strategy combining the means of sanctions and incentives has to be introduced, that contributes to promoting regular employment and improving national competitiveness.</p> <p>The complete set of measures contains the following elements: 1. improved means for measuring undeclared employment, 2. analyzing the possibilities for reducing taxes on wages; 3. paving the way for introducing flexible forms of employment, making adjustments in the conditions for simplified and temporary employment to accommodate the requirements of employers; 4. strengthening labour inspection development of the labour inspectorate body; information campaign on undeclared work.</p>	<p>Increasing the proportion of regular employment that, indirectly, contributes to reducing the number of those living in poverty or social exclusion.</p>	<p>In progress: Detailed set of measures:</p> <ol style="list-style-type: none"> 1. Under preparation, implementation in 2011 2. Personal income tax rules, 2011 3. Simplified Employment Act and its implementing decrees (01.08.2010); work performed in households, ongoing. 4. The development project of OMMF was launched in the spring of 2010 within the framework of SROP 	MNE	<p>Agenda for new skills and jobs</p>	<p>Tax revenues are likely to increase in consequence of the increase in registered employment. Social transfers from the central budget to the unemployed may be reduced. Strengthening the employment organisation and concurrently increasing the awareness of workers and employers is carried out within a project co-financed by EU funds, with a sum of 3.7 billion forints earmarked until 2013.</p>
Promoting the reconciliation of work and family life	<p>The government aims at ensuring real opportunity for reconciliation of work and family life in order to incentives raising children and helping families.</p> <p>To encourage raising children and promoting the employment of parents with small children (reconciliation of work and family life) the Government plans to take the following measures:</p> <ul style="list-style-type: none"> • Further development of the child care services, improvement of crèches and nursery schools, development of other alternative forms of child care and, increasing their capacity, • Amendment of the rules on child-care; • Supporting innovative projects at local and company level, • Dissemination of flexible/non-standard forms of employment. 	<p>Increasing employment rate</p>	<p>Under preparation, as of 2011 on a regular basis</p>	MNE, MNR	<p>Agenda for new skills and jobs</p>	<p>Assessment of budgetary impact is currently in progress.</p>
Improvement of the vocational training system	<p>Improvement of the vocational training system covers the complete set of teaching materials used for training, the materials used during exams, development of the system of exams and the assignments required for the integration of vocational qualifications into the National Qualifications Framework (OKKR). Parallel with the improvement of the vocational training system, the so called dual-training systems will be introduced as well, where students receive theoretical training in vocational schools set up in regional integrated vocational training centres, while practical training is provided on real jobs. In tune with the renewal of professional training, requires to enhance the length of the practical training significantly moreover, students in the 9th grade should be given the opportunity to start learning the skills regarding for their chosen trade. Increasing the number of students in vocational schools and reducing the number of drop-outs, adjusting the number of graduates with labour market demands and enhancing the prestige of vocational training in general are equally served by the expansion of the scholarship scheme.</p> <p>Once the carrier monitoring system is in place, trends in the carriers of graduates of vocational schools can be monitored through a single system nation-wide, including practical use of their</p>	<p>Increasing employment rate, Reducing the number of those living in poverty or social exclusion, Stronger linkage between education/training and the labour market</p>	<p>Implementation in progress, estimated date of completion is 2013</p>	MNE	<p>Agenda for new skills and jobs Youth in action</p>	<p>Funding for ongoing and proposed actions and measures is provided from the SROP and from the training allotment account of the Labour Market Fund (MPA). In the MPA the amount allocated for vocational training and adult education is 33 billion forints for 2011.</p> <p>Co-financed by EU funds (SROP 2. priority):</p> <ul style="list-style-type: none"> - sum earmarked for the career guidance system until 2013: 2.8 billion forints, - sum earmarked for the further development of vocational training and

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
	<p>knowledge, the professional expertise of those quitting, and the view of employers concerning these aspects. All this information and feedback will be made available to graduates yet to choose a carrier, as well as to vocational training and adult education institutions, including their owners, and the local, regional and nation-wide representatives of the relevant trades.</p> <p>The improvement of the career guidance system is intended to reduce the number of those choosing the wrong carrier or trade. This particular measure is intended to promote a vocational training system where demand has a decisive role.</p> <p>When completed, the carrier guidance system will be available to all young persons and adults about to choose a carrier, whether for the first time or otherwise, it also helps to reduce the number of drop-outs, provides assistance for integration into or entering the labour market, and it is useful in all phases of transition (work-learning-work)</p>					the carrier monitoring system until 2013: 4.6 billion forints
Increasing employment in rural areas through agricultural and rural development programmes, and food and environmental programmes.	<p>Complex micro regional programmes financed by the EMVA and by structural and cohesion funds; under LEADER: setting up public work programmes, social land programme, social cooperatives, and public benefit organisations of municipal governments, etc., hence improving the ratio of employment in rural areas; direct and indirect impact of environmental protection projects financed from the EEOP, other environment-related projects and investments on creating new jobs. The demand for skilled and other workers in the construction industry through the country is extraordinary during the immediate future, whereas on the long run employment is projected to stabilise also among the jobs requiring lesser skills (in the case of water utilities, from maintenance to customer services, in the case of waste management, from the collection of wastes through power plants, to producing secondary materials).</p>	<p>Increasing employment rate</p> <p>Reducing the number of those living in poverty or social exclusion</p>	<p>Initially, the proposed measures shall cover the ongoing and proposed rural development and environmental programmes during the period between 2011 and 2013.</p>	MRD	<p>Agenda for new skills and jobs; European platform for combating poverty</p>	
Training programmes	<p>1. The primary goal regarding disadvantaged adults - as a precondition for the participation in vocational training - is to acquire basic education level and key competencies that is followed by obtaining vocational qualifications in accordance with labour market needs.</p> <p>2. The aim of employees' training programmes is to enable them to keep their jobs and to be able to meet professional challenges in a rapidly changing surrounding. Due to the improvement of the competitiveness, skills and competencies of workers, the competitiveness of tend to improve the competitiveness of companies in tandem, as well as their willingness to adopt technological achievements, plus it encourages employers to provide training for the employees on a continuous basis.</p> <p>3. Programmes designed to support the development of special skills and key competencies (such as languages, information technology) help, through encouraging lifelong learning, to persuade adults to continue learning, and to improve their language skills and knowledge of information technology, which are commonly expected nowadays. Assistance for training courses should be differentiated and own contribution should be demanded so as to ensure that the aid is considered a supplement, and not a replacement for private funds, and hence to increase demand for training over the entire spectrum.</p>	<p>Increasing employment rate, Reducing the number of those living in poverty or social exclusion, Stronger ties between education/training and the labour market.</p>	<p>Programmes are currently under preparation, expected to be launched as of 2011 frequently. In the process of planning training programmes, previous experience from programmes implemented for similar target groups should be taken into consideration as well.</p>	NGM	<p>Agenda for new skills and jobs</p> <p>Youth in action</p>	<p>Cost estimate for programmes for the training of undereducated workers is 5 billion forints for 2011</p> <p>Cost estimate for corporate training programmes in connection with the special sectors of the New Széchenyi Plan 2 billion forints for 2011</p> <p>Cost estimate for the development of key competencies 3 billion forints for 2011</p>
Renewal and implementation of the Strategy for Science Technology and Innovation (R&D&I strategy)	<p>The new RDI Strategy currently in development is based on the best practices of member states with similar conditions, and extends the scope of innovation policy to non-technological innovation as well (innovation in a broad sense). The groundwork for the implementation of new RDI strategy is laid down in the New Széchenyi Plan (programme 5: Science – Innovation – Growth) along the lines of its new priorities. (also taking into account the National Environment-technology and Innovation strategy)</p> <p>The RDI strategy concentrates on directly applicable R&D, and innovation activities of enterprises. Main elements of the strategy are introduced under the heading of united RDI support scheme and restructuring of the institutions related to innovation.</p>	<p>Objectives concerning research and development, business environment promoting innovations and R&D activities</p>	<p>The RDI strategy up to 2020 is expected to be approved by the end of 2011.</p>	MNE, MNR, MRD	<p>Innovation UnionResource efficient EuropeDigital Agenda for Europe</p>	<p>80 million forints ("Renewal of innovation policy" allocation chapter proposal, 2011)</p> <p>The funds required for the KFI strategy up to 2020 is not currently known.</p>

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Unified RDI support scheme	<p>A refocusing of the current scheme is necessary, with two points of emphasis: The effectiveness of the current scheme is low due to its fragmented nature, in addressing this shortcoming focused, concentrated strategic planning of the various programmes is necessary. A further aspect of importance is the dominance of technological innovation in the strategy, where we propose to include adaptive innovation among its priorities and restructure funds accordingly. .As for the objectives, promoting the currently untapped R&D and innovation (including adaptive innovation) potential of the SMEs is on the forefront aiming to enhance the competitiveness of the local economy, relying on the achievements of eco-innovation and creative industries. The regional imbalance of the RDI support system should be given special attention. In the interest of balanced development, we propose to support R&D&I activity at the regional level, as well as cooperation and networking (poles, clusters). At the same time, ways should be found for better coordinating the use of funds in order to remedy the situation where Budapest, representing two-thirds of the nation's R&D capacity, had been disqualified in the case of several tenders as a potential project site due to the limited availability of ÚMFT funds for Central Hungarian Region. The revenues of Fund for Research, Technology and Innovation (innovation contributions and budgetary subsidies) should be maintained, and appropriated in the future in conjunction with NFT II. EU funds available for co-financing, in addition to those funds (for example, focused on KMR areas). In accordance with the above, we propose the change the name of the Fund as follows: Research, Development and Innovation Fund</p>	<p>Objectives concerning research and development, business environment promoting innovations and R&D activities</p>	<p>Setting up the single RDI support system including arrangements made in connection with the financial assistance available through the New Széchenyi is under way since the second half of 2010, and it is expected to be operational as of 2011. Implementation of the action for introducing an RDI legislative and tax environment for incentive purposes is set to begin during the first half of 2011</p>	<p>MNE</p>	<p>Innovation Union Resource efficient Europe Digital Agenda for Europe</p>	<p>Analysis and assessment tasks in 2011 worth several tens of millions of forints, funded from the NHDP TA account, and by the Research, Technology and Innovation Fund.</p>
Renewal of the institutions of Science Technology and Innovation	<p>Restructuring the institutional system of innovation policies shall be done efficiently and cost-effectively, and according to an agency approach so as to promote the activities of Hungarian SMEs relating to innovations, and shall support their entering international markets and joining networks. To this end NKTH is to be converted into a customer oriented agency for providing innovation services at the regional and international level alike (modelled after TEKES of Finland or Enterprise Ireland). In order to be able to render decisions based on facts, it is necessary the assess KFI activities (and KFI tender activities) on a regular basis, as well as the analysis and evaluation of the data and information obtained in this fashion. To this end, a new-approach knowledge base is deemed necessary so as to learn about and evaluate the performance and efficiency of the components and participants of the innovation system. Additionally, the Tét Observatory – that is to be established for this purpose – participates in international statistical developments and experiments, so as to create an information system that has the capacity to provide sufficient knowledge to better understand the ongoing processes. Consequently, this way it promotes good governance, a KFI policy enhancing competitiveness, and the formation of the research strategy of companies and research institutions.</p>	<p>Objectives concerning research and development, business environment promoting innovations and R&D activities</p>	<p>Restructuring the TTI institutional system is expected to be completed by the end of 2011.</p>	<p>MNE</p>	<p>Innovation Union</p>	<p>Strategic government body – for secretarial duties approximately 50 million forints per year. National Innovation Centre – annual budget around 2.5 to 4.5 billion forints per year, depending on the final assignments. Setting up a single KFI monitoring and evaluation system – annual budget of NIÚ Innovation Analysis Centre and Observatory estimated around 100 million forints per year.</p>
Launching a program for the promotion of investments with a view to enhancing the use of renewable energy sources and the development of the related industries within the framework of the New Széchenyi Plan – Green Economy	<p>The strategic planning, transformation and effective implementation of the single Green Economy assistance scheme requires the development of a monitoring and evaluation regime capable to process all aids and similar funds in a uniform fashion. Taking into consideration that the priorities and competencies of the Green Economy are in many cases horizontal (affecting the agricultural sector, environmental protection, tourism, the health industry, transportation etc.), tenders and aids and similar funds may, in certain cases appear independently (e.g. energy-efficiency programme, environmentally-oriented technological development, technological development for waste management), or in affiliated form in other cases (e.g. tourism-related project involving renewable energies, greenhouse for gardening using thermal energy).</p>	<p>Increasing the share of renewable sources of energy within final energy consumption, Increasing the rate of employment, combating poverty. Improvement of business environment. Objectives concerning research and development, business environment promoting innovations and R&D activities. Improving ties between the educational and the employment systems</p>	<p>3 months (starts in January 2011)</p>	<p>MNE, MNR, MRD</p>	<p>Innovation Union Youth in action Resource efficient Europe Industrial policy in the age of globalisation An Agenda for new skills and jobs European platform for combating</p>	<p>Amount of capital required for the tender section of the plan from State resources is 60 billion forints</p>

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
					poverty	
Introducing a confined, green tax scheme for the central budget	The entirety of energy taxes fragmented under the existing regime and State aid paid from the central budget must be handled – in accordance with Community legislation – within the central budget free of any cross-financing arrangements. To this end, it is necessary to review the taxation scheme related to domestic sources of energy, concerning trade, distribution and use of such sources of energy. In the process of reviewing the taxation system, a green bank / fund shall be established using identifiable resources, for the purpose of laying down the conditions for the State's role in the implementation of the proposed green projects.	Increasing the share of renewable sources of energy within final energy consumption, Increasing the rate of employment.	from 1 January 2012	MNE, MND	Innovation Union Resource efficient Europe Industrial policy in the age of globalisation European platform for combating poverty	Administration costs only
Setting up the Green Bank	Green Economy is a key government priority that could function as a major factor in the efforts to revive Hungary's crisis-stricken economy, and in the sustainable growth of gross domestic product and long-term competitiveness. The Green Bank is a key component of the State's role implemented through a targeted economic policy, where:- it is capable to create – by way of effective financial means – an economic environment to divert economic developments and investments in the direction set by government regulations (safety of energy supply, creation of new jobs, environmental and climate protection etc.)- it develops community infrastructures of key importance through public investments, while expanding influence and control by way of obtained ownership rights.- it provides adequate financing constructions to ensure access to the funds available and their effective use through a targeted redistribution system.The Green Bank contributes to the environmental awareness of the general public and players in the business community, where establishing a specialised financial institution the Government's commitment to find solutions for environmental problems and for providing a healthy environment is apparent.	Increasing the share of renewable sources of energy within final energy consumption	The time required for establishing this type of financial institution and for the foundation of the bank is 8 to 12 months.Setting up the related funds and introducing banking services and products, and making them functional could require an additional 6 months.	MNE	Innovation Union Resource efficient Europe Industrial policy in the age of globalisation European platform for combating poverty	Amount of capital required for the bank's foundation from State resources is 300 billion forints
Agro-energy programme, reducing energy consumption within the agricultural industry, sustainable provision of biomass	Maximising the contribution of the agricultural sector to renewable sources of energy through setting up common objectives and strategies.	Increasing the share of renewable sources of energy within final energy consumption	Restructuring NHDP is currently in progress, opening new plans during the first half of 2011	MRD, MNE, MND		
Complex remodelling of public buildings owned by the State or local authorities using energy-efficient technologies	This programme is designed for the complex remodelling of public buildings and institutions using energy-efficient technologies (exterior finishes, remodelling energy supply systems and engineering equipment for energy savings, thermal energy produced from renewable sources, or establishing capacities for the generation of electricity). The goal of complex remodelling projects is to use energy-efficient technologies in connection with climate protection objectives, with the use renewable energies, and the certification of the energy performance of buildings.	Increasing the rate of energy efficiency	Timetable: setting up working group – October 2010 - drafting and developing measures for the new Action Plan – October – December 2010 - compiling the working version of the new Action Plan – January 2011 - approval of new Action Plan	MNE, MND	Resource efficient Europe	Funding required for the tender part of the project: 67 billion forints

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
				by the European Commission – 30 June 2011 Implementation: by 2020		
Complex remodelling of multi-unit residential buildings, residential buildings built by industrial technologies, as well as conventional residential buildings using energy-efficient technologies, and promoting the use of energy-efficient technologies for new constructions	<p>This programme is designed for improving the energy efficiency of buildings (exterior finishes, remodelling energy supply systems and engineering equipment for energy savings, thermal energy produced from renewable sources, or establishing capacities for the generation of electricity) whose maintenance is tied to an increasing number of consumers (buildings built by industrial technologies, residential buildings built of pre-fabricated elements, multi-unit residential buildings). Remodelling housing complexes carry the long-term objective of creating a sustainable living environment (park) so as to improve the quality of life of the inhabitants.</p> <p>Remodelling conventional residential buildings (detached homes and condominiums) using energy-efficient technologies.</p> <p>Promoting the use of energy-efficient technologies for new residential constructions and for new public buildings.</p>	Increasing the rate of energy efficiency	<p>Timetable:</p> <ul style="list-style-type: none"> setting up working group – October 2010 - drafting and developing measures for the new Action Plan – October – December 2010 - compiling the working version of the new Action Plan – January 2011 - approval of new Action Plan by the European Commission – 30 June 2011 <p>Implementation: by 2020</p>	MNE, MND	Resource efficient Europe	Funding required for the tender part of the project from CO2 trading, EU funds, from budgetary sources and repayable assistance: 163 billion forints
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 assistance, R&D, quality control, training and education, information and regulations). Discussions concerning the document are held on a regular basis with social and professional partners, on the basis of which the document is updated frequently.	Increasing the rate of energy efficiency	<p>October – December 2010:</p> <ul style="list-style-type: none"> Drawing up the National Strategy and Action Plan for the Energy Performance of Buildings, and presenting it for social dialogue. <p>Implementation: by 2020</p>	MNE, MND	Resource efficient Europe	The funds required for the strategy and action plan up to 2020 is not currently known.
Developing a data disclosure and data processing system designed for measuring the energy consumption and energy efficiency of buildings owned by the State or local authorities.	<p>Developing a data disclosure and data processing system designed for measuring the energy consumption and energy efficiency of buildings owned by the State or local authorities. An electronic questionnaire is to be developed containing fundamental questions concerning the energy consumption of buildings/groups of buildings and the energy-efficiency of the building or buildings. The answers are processed by a background institution, compiling statements therefrom. In possession of such data, the buildings affected can be prioritised with the some buildings designated where projects can be generated using the most cost-effective methods coupled with the shortest time of return. Experts and energy auditors are then dispatched to the buildings selected, whose job is to conduct additional surveys and/or to provide assistance or advice to the building's operator about potential ways to improve energy-efficiency of the building, including the preparations required for the project.</p>	Increasing the rate of energy efficiency	<p>October – November 2010:</p> <ul style="list-style-type: none"> Drawing up questionnaire. Preparation and adoption of legislation. Designating and appointment of the intermediate body. During the first phase survey is limited to buildings under State management. November – December 2010: Receiving and processing data. Making statements. 2011: If the system is declared operational and efficient, it will gradually be used for more public buildings. <p>Implementation: by 2020</p>	MNE, MND	Resource efficient Europe	The funds required for setting up the data disclosure system and for operating it up to 2020 is not currently known.
Support for the complex remodelling of industrial buildings (specifically SMEs), and buildings designated for public functions, other than public institutions using energy-efficient technologies	The objective of this programme is to make assistance available to industrial parks, industrial companies, business associations, specifically SMEs, as well as buildings not designated for public functions (industrial buildings, offices, commercial outlets, indoor markets and fairs, heated waiting rooms and repair shops of railroad stations, sports facilities, healthcare institutions, spas, etc.) for the implementation of energy-efficiency technologies, as the basic goal of USZT is to provide assistance to SMEs for creating jobs. Supporting activities for reducing CO ₂ consumption and energy dependence.	Increasing the rate of energy efficiency	<p>Timetable:</p> <ul style="list-style-type: none"> setting up working group – October 2010 - drafting and developing measures for the new Action Plan – October – December 2010 	MNE, MND	Resource efficient Europe	Funding required for the tender part of the project: 60 billion forints

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
				- compiling the working version of the new Action Plan – January 2011 - approval of new Action Plan by the European Commission – 30 June 2011 Implementation: by 2020		
Expansion of higher-level vocational training through the improvement of the Bologna process	<ul style="list-style-type: none"> - Review and development of short-term training courses and higher level vocational training courses with a view to labour market needs - Increasing participation of specific target groups in higher level vocational training courses - Further development of data collection to facilitate evidence-based policy making - Providing assistance for the selection of trainings by the means of career guidance - Monitoring the carrier of graduates, renewal of the spectrum of higher level vocational training programmes and the content of training courses based on the information received from carrier monitoring 	Increasing the number of people with tertiary level education or equivalent, improving the links between the education system and employment	Time horizon: between 2010 and 2020	Ministry of National Resources	Agenda for new skills and jobs	<p>- Social Renewal Operative Programme No. 4.1.3, priority project: Improvement of higher education services at the system level, phase 2: Further improvement of Graduate Carrier Tracking System (DPR), development of recording systems; preparations and support for the introduction of the National Qualifications Framework (OKKR)</p> <p>Modification of the funding system of higher education institutions, increasing of the number of state funded places</p> <ul style="list-style-type: none"> - In the case of new training programmes, covering the costs of the development of training contents, programmes, teaching materials and methodologies
Enhancing the obtaining of a diploma of students postponing graduation	<p>In-depth investigation of the causes of “overrun” (graduation past the training period) and for dropping out of school: development of the Higher Education Information System designed for monitoring the academic progress of students; collection of information relating to the social and economic background and the living conditions of students; conducting surveys and analyses in tertiary education and using the feedback from the graduate carrier tracking system</p> <ul style="list-style-type: none"> - Compiling and broad dissemination of information on courses available in tertiary education; developing career guidance in secondary education - Motivation of students to complete their studies within the normal training period, through legislative and financial incentives - Motivation of higher education institutions to support their students in completing their studies within the normal training period, through legislative and financial incentives, and by assessment and validation of prior learning - Student support and guidance services aiming to improve the rate of success of students - Targeted assistance for disadvantaged and handicapped students (mentor programme and support for handicapped students). - Talent development in higher education - Development of teaching methods in higher education 	Increasing the number of people with tertiary level education or equivalent, improving the links between the education system and employment	Time horizon: between 2010 and 2020	Ministry of National Resources	Agenda for new skills and jobs	<p>- Social Renewal Operative Programme No. 4.1.3, priority project: Improvement of higher education services at the system level, phase 2: further improvement of the Database-supported Management Information System and the Graduate Carrier Tracking System (DPR), survey of social dimension (joining the Eurostudent survey on the living conditions of students); development of recording systems; support for carrier guidance services; preparations and support for the introduction of the National Qualifications Framework (OKKR); further improvement of the validation system in higher education</p> <p>The development of further details is in progress.</p>

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Development of foreign language skills in higher education, teaching foreign languages, teaching in foreign languages	<ul style="list-style-type: none"> - Improving the units of higher education institutions teaching foreign languages - Development of the teaching of foreign languages for specific purposes - Expanding the variety of foreign languages taught in higher education (besides Western languages "small languages" or world languages other than the Western ones which are less available in secondary education; the languages of Hungarian minorities and languages of the neighbouring countries) - Granting the right to institutions of higher education for conducting examinations of foreign language skills - Better integration of the requirements for teaching foreign languages or in foreign languages into the conditions of employment and the evaluation of teachers in higher education - Promoting the means of international cooperation for Hungarian institutions of higher education, access to training in foreign languages for Hungarian students, and the mobility of teachers and students alike - Improving the efficiency of teaching foreign languages in public education, examination and development of the training of language teachers 	Increasing the number of people with tertiary level education or equivalent, improving the links between the education system and employment	Time horizon: between 2010 and 2020	Ministry of National Resources	Youth in action; Agenda for new skills and jobs	<p>For the improvement of language teachers, and for setting up a carrier model for language teachers</p> <ul style="list-style-type: none"> - Social Renewal Operative Programme No. 3.1.5 B (public education) further development programme for teachers: improvement of the skills of language teachers - Social Renewal Operative Programme No.4.1.2. B (teachers' education programme): improvement of the skills of students learning to be teachers, including language teachers. <p>The development of further details is in progress.</p>
Expansion of tertiary vocational training through the Bologna process	<ul style="list-style-type: none"> - Review of short-term training courses and the spectrum of tertiary vocational training, introducing additional classes subject to labour market relevance - Increasing involvement of specific target groups in tertiary vocational training - Further development of data collection to facilitate decisions relating to policy issues on a factual basis - Providing assistance for the selection of training by means of career guidance - Monitoring the carrier of graduates, renewal of the spectrum of tertiary vocational training and training courses based on the information received from carrier monitoring 	Increasing the number of people with higher or equivalent education Improving ties between the educational and the employment systems	Time horizon: between 2010 and 2020	MNR	Agenda for new skills and jobs	<ul style="list-style-type: none"> - TÁMOP 4.1.3 priority project: Improvement of tertiary education services at the system level, phase 2: Diploma <p>Further improvement of Carrier Monitoring System (DPR), development of recording systems; preparations for the introduction of the National Qualifications Framework (OKKR), technical support.</p> <p>Modification of the budgetary financing of institutions, through the admission of additional items.</p> <ul style="list-style-type: none"> - In the case of new training programmes, costs of training courses, programmes, teaching materials and methodologies
Measures to prevent early school leaving, taken in kindergarten care, and providing help with the transition to the school system.	mandatory acceptance of children with disadvantaged background for kindergarten care, expanding kindergarten capacities in regions and communities where there is a shortage, in particular the least favoured regions, financial assistance provided in connection with kindergarten care, free meals for children in kindergartens. A targeted programme is launched for providing kindergarten care to children from multiply disadvantaged background, relying on funds from the Structural Funds.	Reducing the number of early school leavers:	Certain elements of these measures are already available, developed based on relevant legislation. Legislative changes are recommended with respect to less efficient components. Timetable of implementation: continuous, while additional segments will be introduced as part of the new public education act by February 2011	MNR	Youth in action, European platform for combating poverty	<p>Kindergarten development programme: 4,150,000,000 forints (kindergarten and school total). Assistance to children from particularly disadvantaged groups for kindergarten care and schooling: 3,620,000,000 forints. Publicly financed meals for children: 7,800,000,000 forints per year total.</p> <p>Increasing kindergarten capacity using EU funds under ROPs from earmarked funds (assistance is to be provided in connection with own contributions of municipal governments)</p>

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Measures designed to improve the rate of success of disadvantaged children and students, including those considered multiply disadvantaged, in school, using integrated education and training methods for their further integration	The purpose of this programme is to prevent students with disadvantaged and multiply disadvantaged background – including roma – from dropping out of school, to reduce any set-backs in school, promoting their academic success, and helping to reduce any socio-cultural disadvantage. To this end we plan to launch programmes funded by the European Social Fund: programmes for institutions of public education relating to convergence, Supporting further education from primary school to secondary education, programmes for least favoured regions. A complex and target-specific scholarship scheme will be set up funded from the central budget and MPA resources.	Reducing the number of early school leavers:	Certain elements of these measures are already available, developed based on relevant legislation. Legislative changes are recommended with respect to less efficient components. Timetable of implementation: continuous, while additional segments will be introduced as part of the new public education act by February 2011	MNR, MPAJ	Youth in action, European platform for combating poverty	Teachers involved in the education of children with multiply disadvantaged background in kindergartens and schools will be eligible for additional remuneration. The funds required annually amount to 3,620,000,000 forints (schools + kindergartens). The Integrated Pedagogical Programme is designed to provide integration learning for talent nurturing or kindergarten education for development. The funds required annually amount to 4,150,000,000 forints total. Integration of the “For the Journey” and “MACIKA” programmes. The funds required annually amount to approximately 2,000,000,000 forints.
Introduction of a control model for overseeing the activities of institutions of public education with a view to improve their efficiency, probing and assessment functions	The purpose of improvements in currently progress in institutions of public education is to guarantee that public education institutions provide the kind of services meeting social and local requirements. To this end, public education institutions are progressing to improve the quality of their services, relying on the findings of self-assessment. Relying on the findings of these procedures the institutions determine their goals and the direction for improving their services fixed in action plans. They shall then assess the implementation of such action plans, and apply the results for the ongoing improvement of their services.	Reducing the number of early school leavers:	Certain elements of these measures are already available, developed based on relevant legislation. Legislative changes are recommended with respect to less efficient components. Timetable of implementation: continuous, while additional segments will be introduced as part of the new public education act by February 2011	MNR	Youth in action	Processing the data of 6th, 8th and 10th graders: approximately 600 million forints annually, on the long term (in 2012) this cost is likely to reach 850 to 900 million forints
Special vocational training courses for those who did not finish elementary school	Parents are eligible to request to have their children admitted for catching-up training for the next academic year – in the stead of primary school studies – at the earliest in the year when the child reaches the age of fifteen. Catching-up training is also available for students having already finished primary school education, who decided not to continue in or enrol for the ninth grade of a vocational school. Vocational schools required to admit students on a mandatory basis are required to provide catching-up training where it is necessary for satisfying the requirement of compulsory schooling. Catching-up training is designed to provide students with the knowledge required for starting vocational training, including theoretical and practical knowledge necessary for joining a vocational training course. Dissemination and support of good practices and successful programmes, for example, the Take-off programme.	Reducing the number of early school leavers:	All elements of these measures are already available as approved, Time required for implementation: continuous	MNR	European platform for combating poverty	Total funds required: 244,890,000 forints per year.
Measures for handling household indebtedness - Review and amendment of relevant regulations	Expansion of housing subsidies, reworking eligibility conditions, improving the selection process and enhancing the form in which it is provided	Reducing the number of people living in poverty or social exclusion	time limit for preparation: 2 months time limit for acceptance: 1 month implementation: continuous	MNR, MNE	European Platform Against Poverty	It is difficult to assess the budgetary impact of this particular programme

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Improving the rate of employment of those considered disadvantaged through the coordination of employment, education and social programmes, and through the enhancement of regional cooperation	Enhancing the role of activities relating the development of employability in the context of social benefits, and establishing closer and more effective ties between employment, social and child welfare services and closer and more effective collaboration between educational and cultural institutions. Financed by the European Social Fund, we plan to launch programmes for the dissemination of integrated intra-sector initiatives featuring complex means: Programmes for least favoured regions, Integrated regional programmes for improving the chances of children and their families to catch up. Furthermore, we plan to start a complex programme along a fresh approach, containing aid for employment and training, and shall launch separately a complex labour market programme, including training, for the employment of people in long-term unemployment.	Reducing the number of people living in poverty or social exclusion	time limit for preparation: 1 to 2 months time limit for acceptance: one half to 1 month implementation: may be estimated in possession of the detailed plans	MNE, MDR, MNR, MPAJ	Timetable for new skills and jobs European Platform Against Poverty	Could be estimated following the clarification of programme plans and budgetary frameworks.
Maintaining the level and improving the targeting of welfare benefits to families	Improving the efficiency of benefit systems, considerable improvements of family tax allowances in 2011, including 8th graders in the free food for children programme within the framework of regular child welfare subsidies	Reducing the number of people living in poverty or social exclusion	depends of the 2011 budget	MNR, MNE	European Platform Against Poverty	
Enhancement of early development programmes, expansion of child welfare services - Development of and access to day-care services for children	The purpose of this programme is to improve the availability of services, providing access to affordable services for parents who are unable to pay for such services or whose financial resources are limited.	Reducing the number of people living in poverty or social exclusion	time limit for preparation: 6 months (calculating with EU tenders) time limit for acceptance: 1 to 2 months implementation: 1.5 to 2 years (calculating with EU tenders)	MPAJ, MNR	European Platform Against Poverty	
Expansion of free food provision for children	Including 8th graders, secondary school students and those receiving regular child welfare subsidies in the free food for children programme	Reducing the number of people living in poverty or social exclusion	The measure affecting the 8th grade is planned to be adopted in 2011, further expansion constitutes long-term action.	MPAJ, MNR	European Platform Against Poverty	
Reducing government deficit below 3%	The goal is to reduce government deficit below 3% in 2011, maintaining mid-term target for government deficit after 2011. Means: budget bill for 2011	Reducing government deficit and the level of public debt	Deadline for Parliamentary adoption is 23 December 2010. Effective as of 1 January 2011.	MNE		
Suspension of foreign exchange based mortgage lending to private individuals		Maintaining stability in the financial sector, reducing risks from exposure to foreign exchange loans	Adopted by Parliament, in force	MNE		
Assistance to holders of foreign exchange loans		Maintaining stability in the financial sector, reducing risks from exposure to foreign exchange loans	Pending approval by Parliament	MNE		
Establishment of an asset management institution		Maintaining stability in the financial sector, reducing risks from exposure to foreign exchange loans		MNE		
Reducing the administrative burden of enterprises	Reducing administration costs, smart regulation, improving the competitiveness of the business environment in terms of regulations	Creating a sound business environment	25% reduction by 2012	MNE, MPAJ		

Description	Detailed explanation	Objective, bottlenecks affected by the measure	Implementation		Relation to the flagship programmes	Budgetary impact
			Status, timetable	Ministry in charge		
Competitive taxation regime		Creating a sound business environment	Under preparation	MNE		
Competitiveness Programme	Contains special measures for finding a solution for major problems relating to competitiveness Systematic survey of the Government's activities, coordination from the perspective of competitiveness	Creating a sound business environment		MNE		
New Széchenyi Plan programmes (healthcare industry, Green Economy, home construction programme, small business subsidies, R&D+I, Transportation – transit economy)	The programmes of the New Széchenyi Plan make a special contribution to reaching the employment target, The New Széchenyi Small Business Programme in itself sets the goal of creating 150 thousand new legitimate jobs.	Increasing the rate of employment, energy-efficiency programme, R&D expenditures, business environment	Under preparation	MNE		
Enhancing the potential of the social security system for providing incentives for employment		Increasing the rate of employment	Under preparation	MNR		
Improving the capacities of nurseries and other alternative forms of care		Increasing the rate of employment	Under preparation	MNR		

LIST OF ABBREVIATIONS

EDOP	Economic Development Operational Programme
EEOP	Environment and Energy Operational Programme
ESF	European Social Fund
IOP	Implementation Operational Programme
MND	Ministry of National Development
MNE	Ministry for National Economy
MNR	Ministry of National Resources
MPAJ	Ministry of Public Administration and Justice
MRD	Ministry of Rural Development
NESP	National Energy Savings Programme
NHDP	New Hungary Development Plan
RDI Strategy	Strategy for Research, Development and Innovation
SIOP	Social Infrastructure Operational Programme
SROP	Social Renewal Operational Programme
TOP	Transport Operational Programme
ZBR	Green Investment Scheme