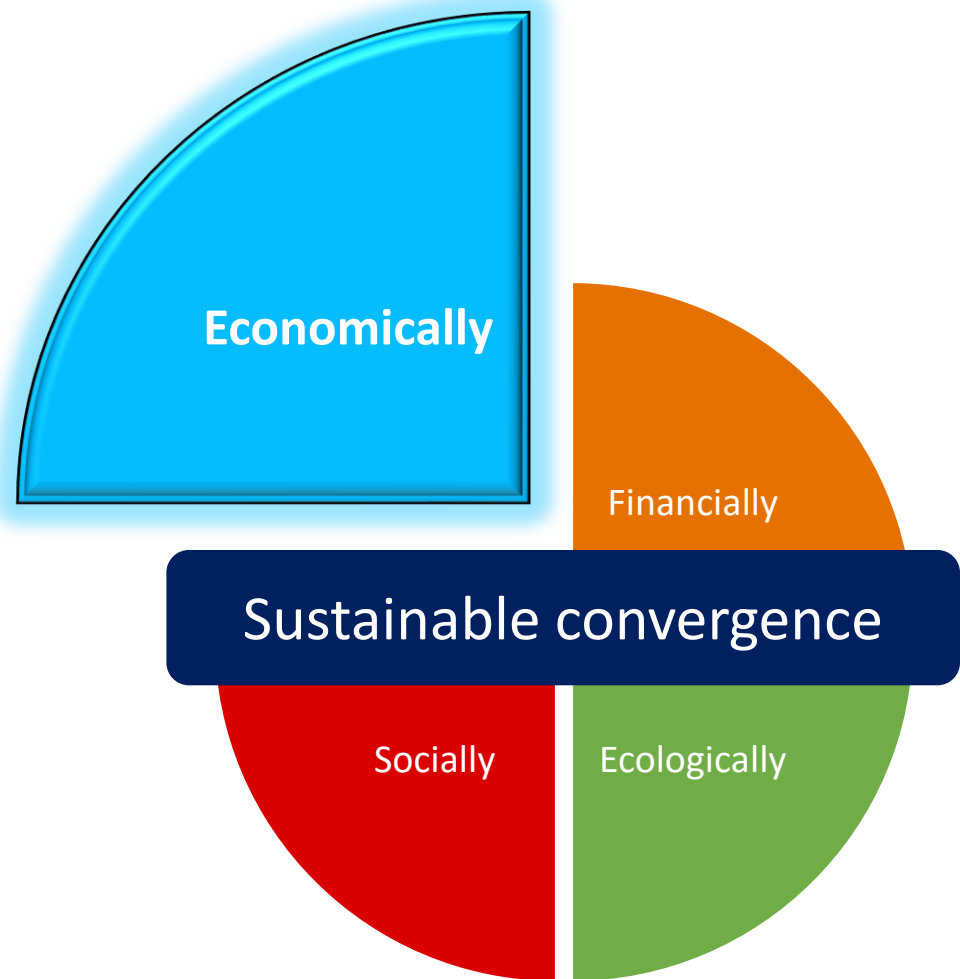




# 180 STEPS FOR THE SUSTAINABLE CONVERGENCE OF THE HUNGARIAN ECONOMY



# OUR AIM: DEVELOPMENT OF PROPOSALS SUPPORTING SUSTAINABLE CONVERGENCE - 180 POINTS



**Despite several attempts, neither Hungary nor the Central East-European region has been able to catch up sustainably**

**Sustainable convergence** has become a complex process

# SUSTAINABLE CONVERGENCE: HIGH QUALITY OF LIFE AND A STRONG HUNGARY



**Sustainable convergence**



## Quality of life

Adequate wages



High quality health care



Competitive education



Family-friendly environment



Internal savings, as opposed to accumulation of debt



Positive vision / thinking



## A strong Hungary

Stable government finances



Security



HUNique



Efficient governance



A balanced energy mix



Strong domestic companies and middle class





# MACRO-ECONOMIC CONDITIONS OF SUSTAINABLE CONVERGENCE

# THE AIM IS TO CATCH UP WITH THE STANDARD OF LIVING OF AUSTRIA



## Megatrends that also affect Hungary



Robotisation and artificial intelligence

Ageing societies

The powerhouses of the world economy  
are being rearranged

Intensifying competition for skilled  
workforce

Changing energy mix

Increasingly global services

Currently: close to 55 per  
cent of the Austrian level



## Supply

- Natural rate of unemployment
- Productivity (TFP)

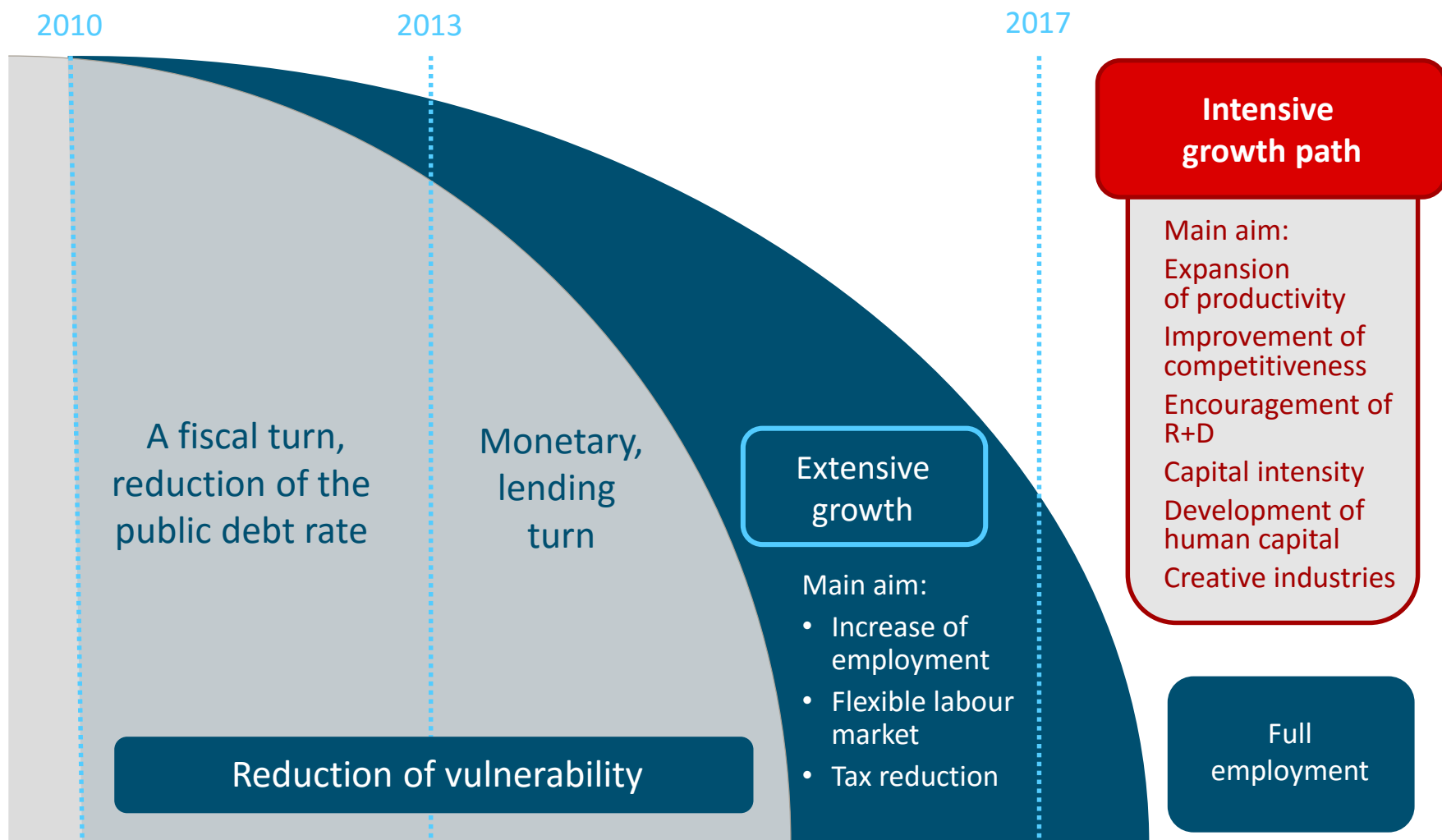
## Demand

- Investment rate
- Export market share
- Decreasing dependence on imports
- Relative prices

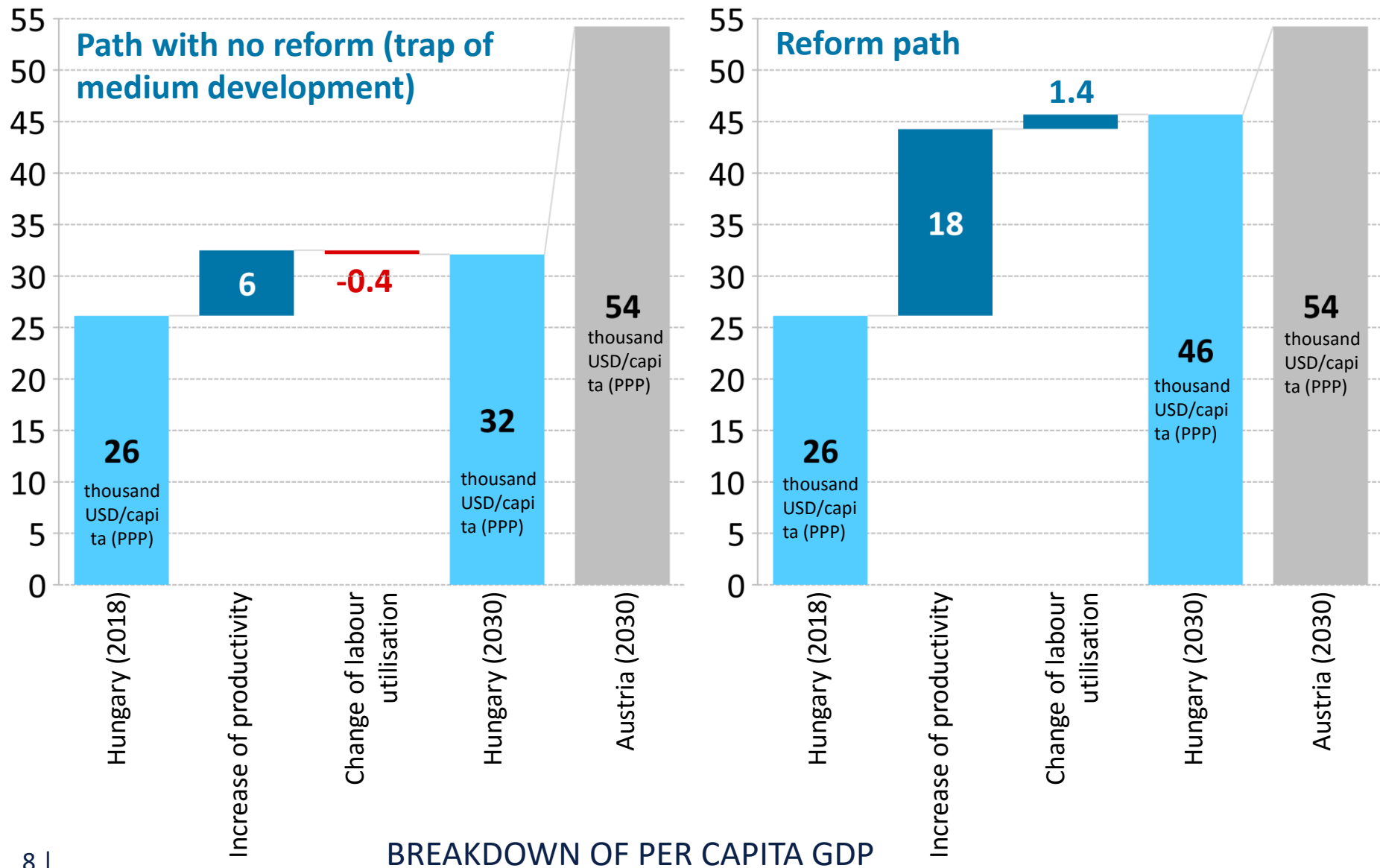
## Incomes

- Current account balance
- Wage share
- GDP-GNI gap

# ASSURANCE OF THE TRANSITION INTO THE CAPITAL AND TECHNOLOGY INTENSIVE DEVELOPMENT STAGE

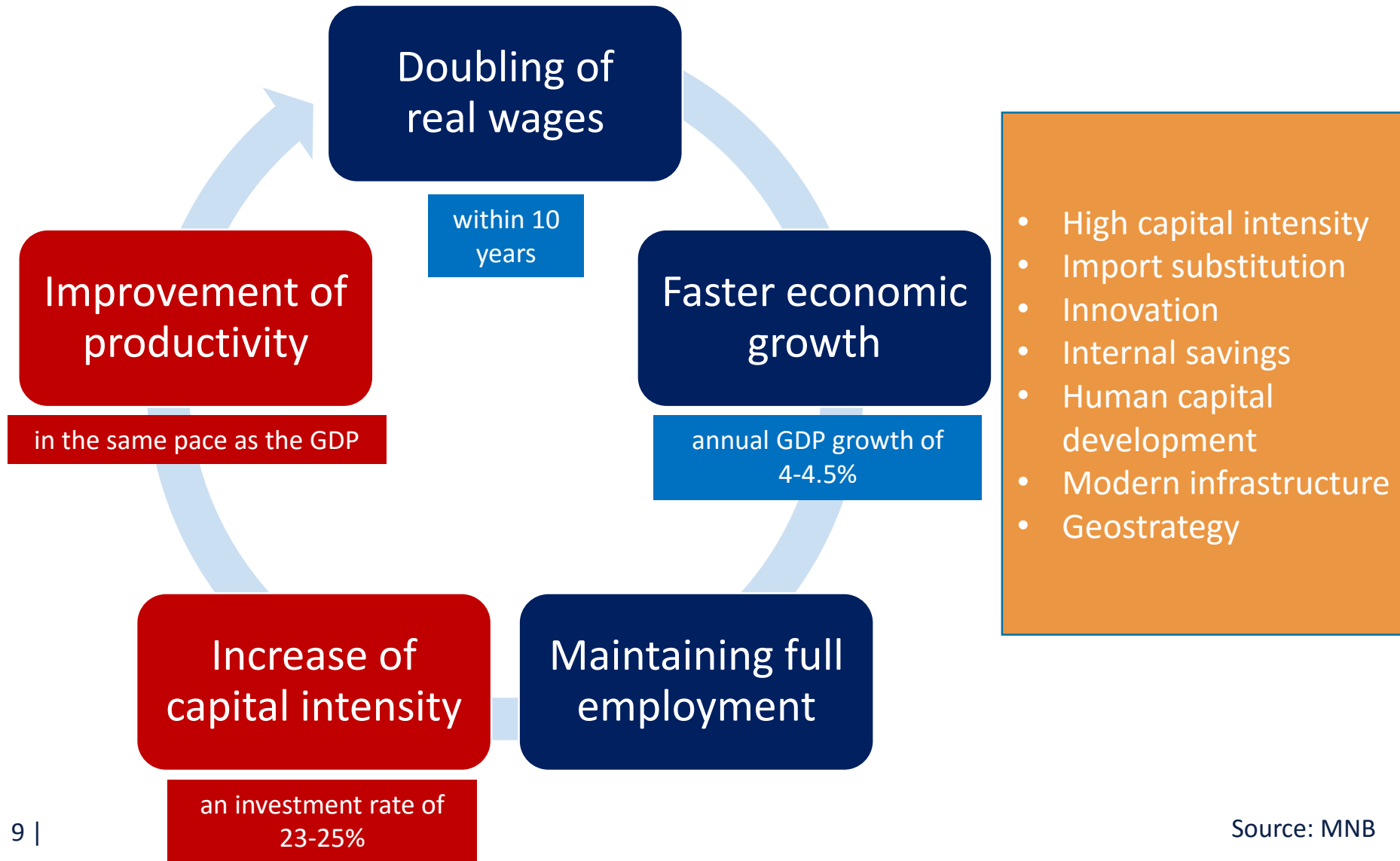


# THE INCREASE OF PER CAPITA GDP IS MAINLY SUPPORTED BY THE GROWTH OF PRODUCTIVITY

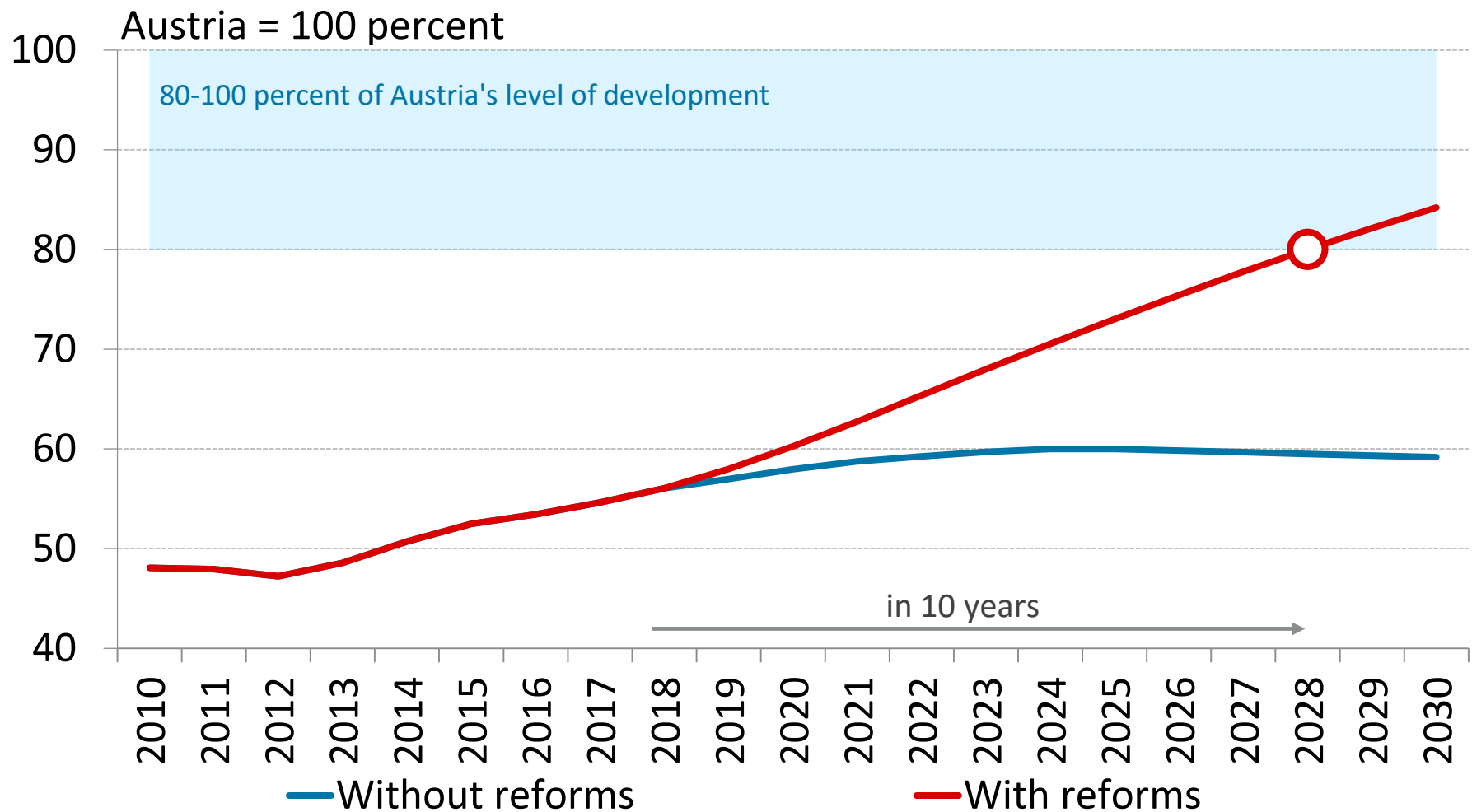




# OUR AIM IS TO MAINTAIN ORGANIC ECONOMIC GROWTH



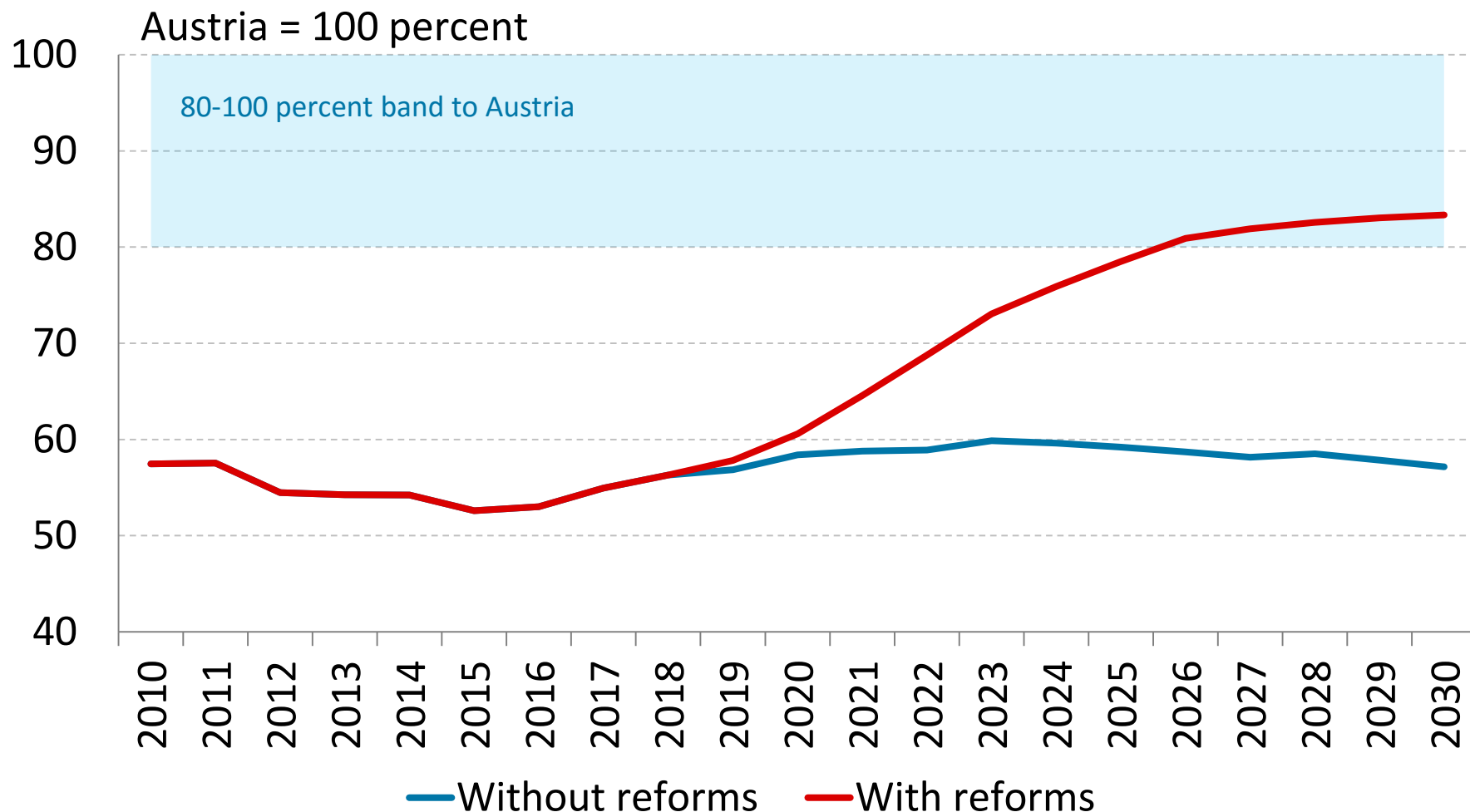
# 80% OF THE AUSTRIAN LEVEL CAN BE ACCOMPLISHED BY ADDITIONAL REFORMS



RELATIVE DEVELOPMENT LEVEL COMPARED TO AUSTRIA

Source: Maddison, Eurostat, IMF, MNB calculation

# THE WAGE LEVEL WILL BE IN THE 80-100 PER CENT BAND ON THE REFORM PATH



WAGE LEVEL COMPARED TO AUSTRIA

Source: AMECO, MNB calculation

# MACRO-ECONOMIC RESULTS FEASIBLE BY 2030



	Path with no reform (Trap of medium development)	Reform path
Relative development level compared to Austria	59%	86%
Average potential GDP growth	1.4%	4.4%
Accumulated increase of net real wages	28%	87%
Level of wage share	58%	57%
Current account balance	Turns into negative	Remains in surplus persistently
Net external debt as ratio of GDP	Remains at current level	Decreases
Inflation	3%	3%
Balance of the budget	-2.0%	0.5%
Government debt	59%	38%

# NEW REFORMS SHOULD GIVE AN IMPETUS TO CONVERGENCE



## Lopsided reforms



Wage load without competitiveness

Rapid growth temporarily, then a setback

Internal and external disequilibrium

Low potential growth

Convergence will stall

## Competitiveness reforms



Wage convergence  
Decreasing dependence on imports

80% of the level of development of Austria

Sustainable convergence

High productivity

Potential growth of 4-4.5 per cent

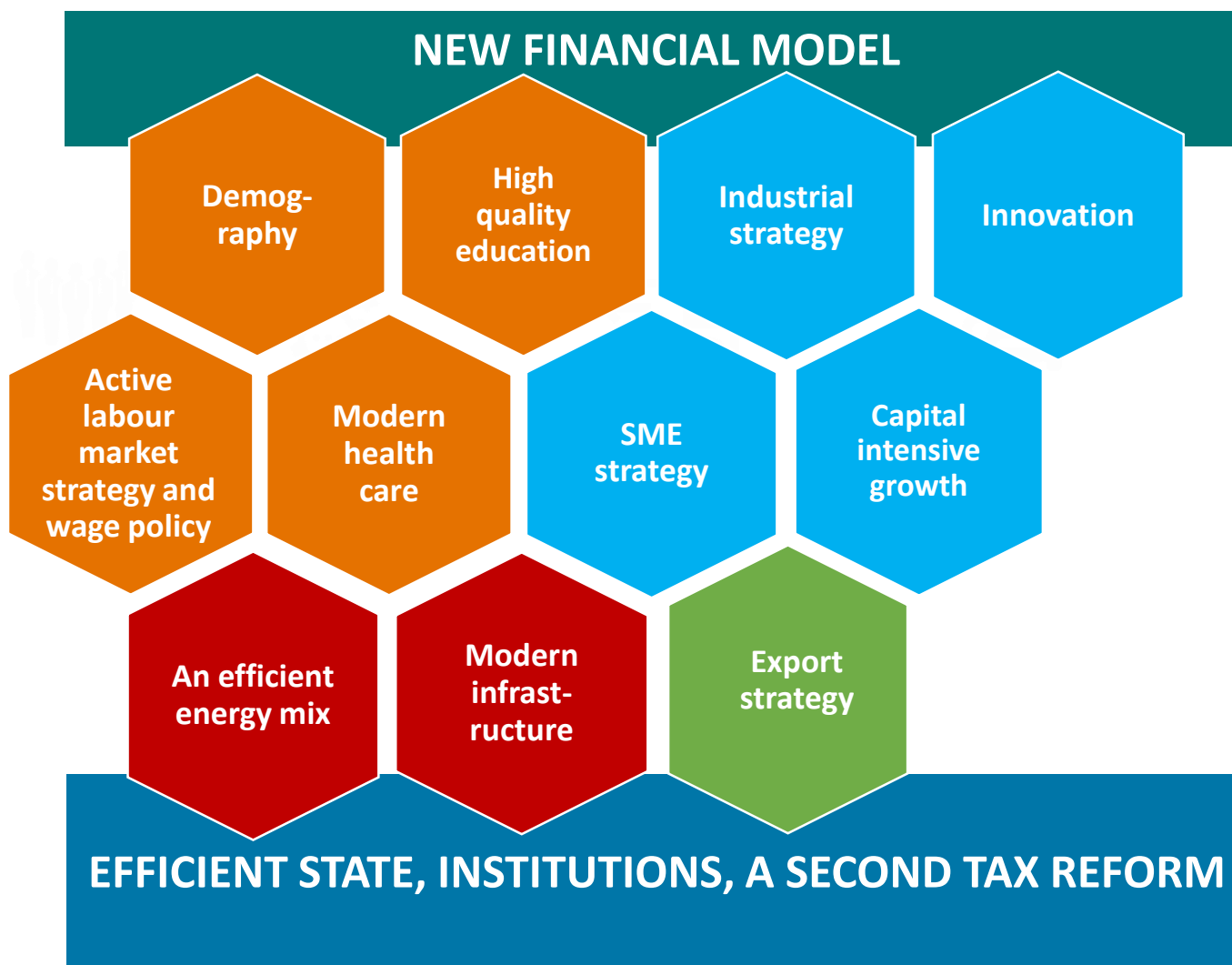


Outward migration of skilled workforce

Low productivity



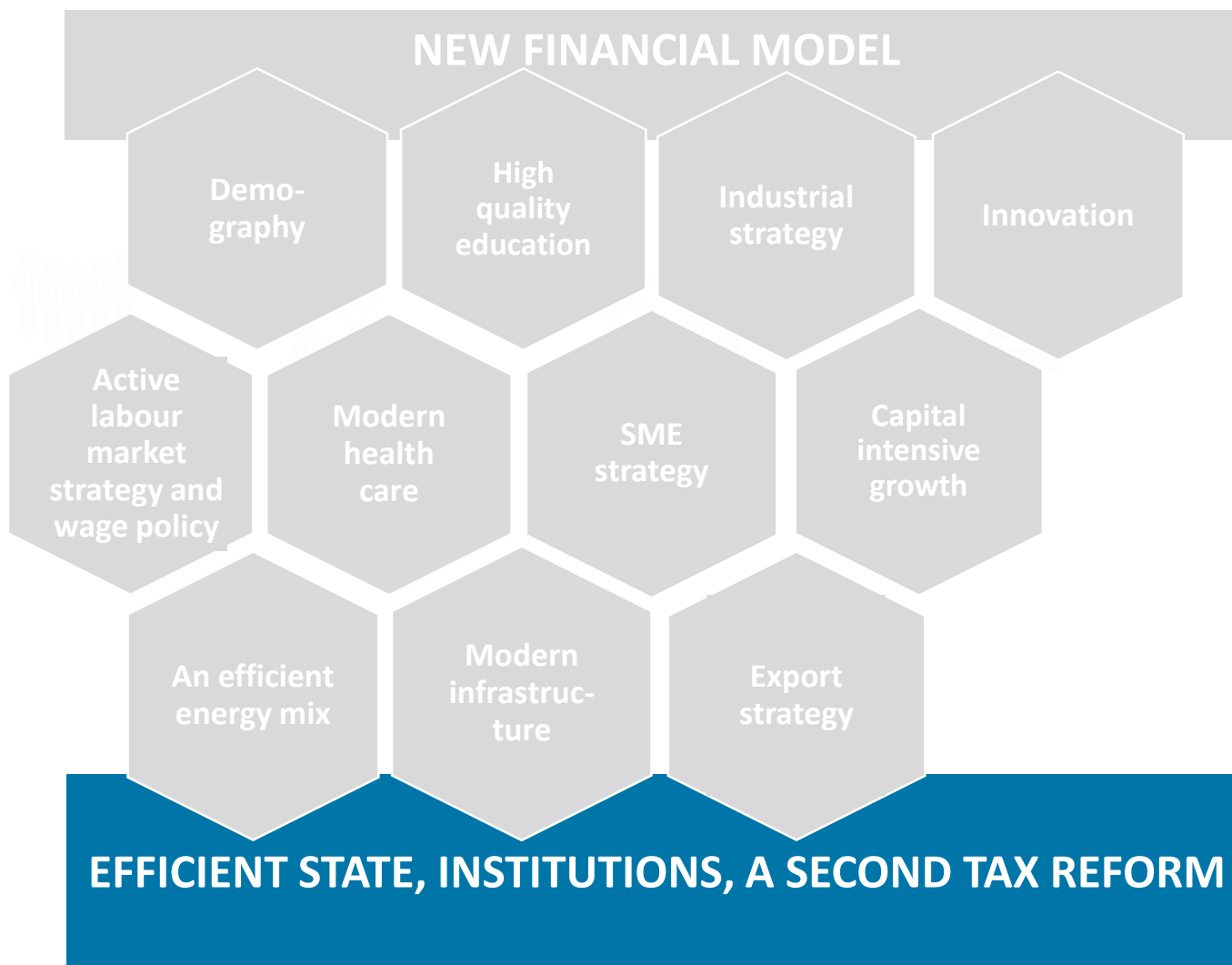
WHERE SHOULD ACTIONS BE  
TAKEN?





# 180 STEPS FOR THE SUSTAINABLE CONVERGENCE

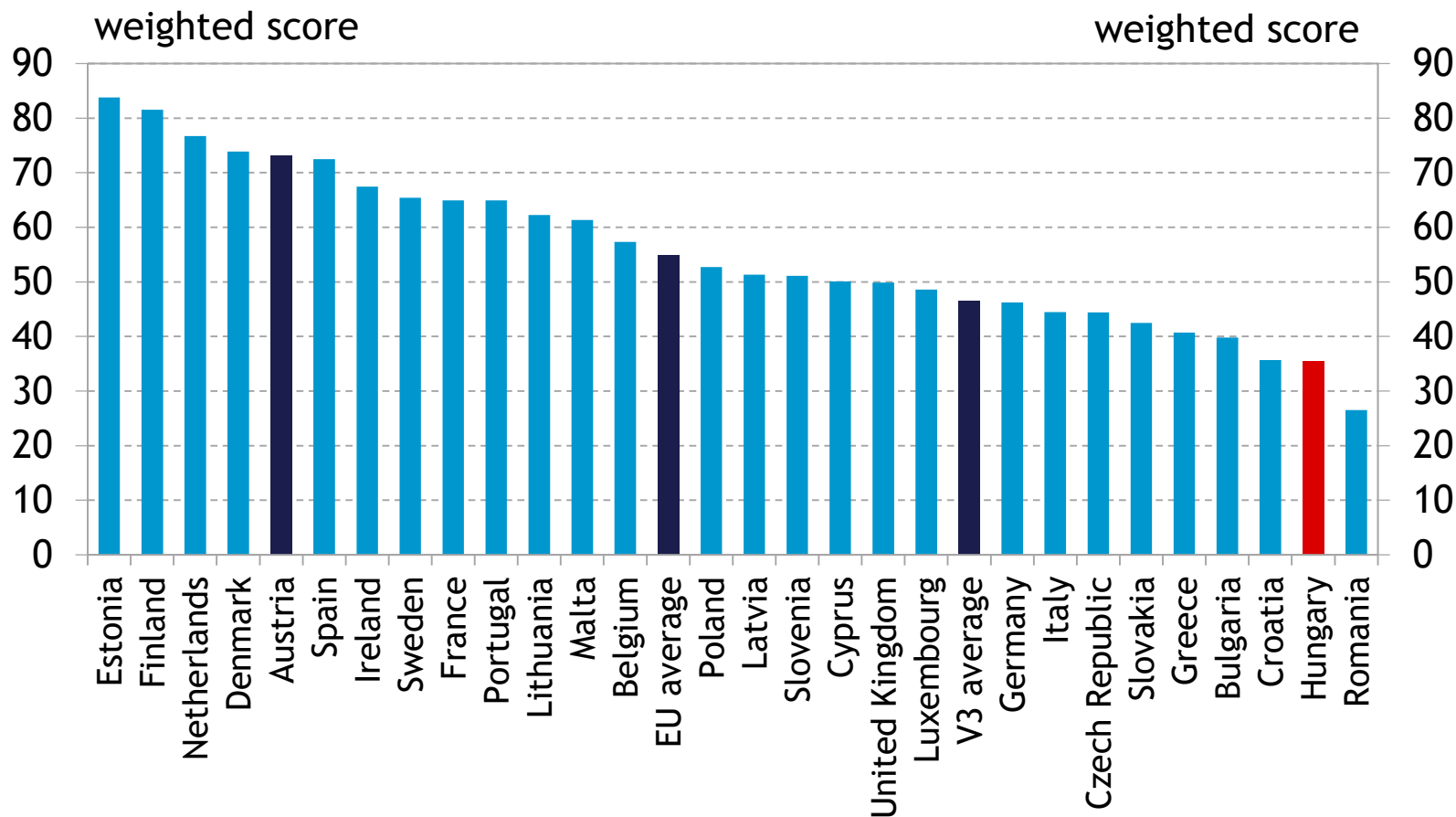






# EFFICIENCY OF THE STATE

# ASSESSMENT OF THE SITUATION IN THE FIELD OF DIGITAL PUBLIC SERVICES HUNGARY FALLS SHORT OF THE EU AVERAGE



EU DIGITAL ECONOMY AND SOCIETY INDEX (DESI) –  
DIGITAL PUBLIC SERVICES PILLAR

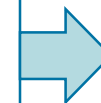
2017

# MAIN OBJECTIVES: AN EFFICIENTLY FUNCTIONING STATE



Reduction of the number of hours spent preparing tax declaration to the EU average (annually)

270 hours



170 hours

Further reduction of the rate of the hidden economy to the level of the EU average

22 %



18 %

To reach the EU average in the EU-DESI indicator by the development of e-governance

35 %



55 %

# PROPOSALS: EFFICIENT STATE, SMALLER BUREAUCRACY



1

Increasing the number of public administration affairs manageable on-line

2

Wage bill management and performance measurement instead of headcount management

3

Roll-out of the new classification and compensation system introduced in government offices to the entire public administration sector

4

Raising average wages, reduction of bureaucracy

5

Interconnection and automation of data stored in databases, in order to speed up processing

6

Enhancement of mobile applications for simpler processing

7

Increasing the pre-completed parts of electronic forms and data sheets

8

Establishment of an electronic reporting system pre-completed by the tax authority, covering several tax types



**9**

Development of a taxpayer-friendly, transparent web site, expansion of the scope of matters suitable for on-line processing

**10**

Further roll-out of online cash registers and the Electronic Public Road Trade Control System

**11**

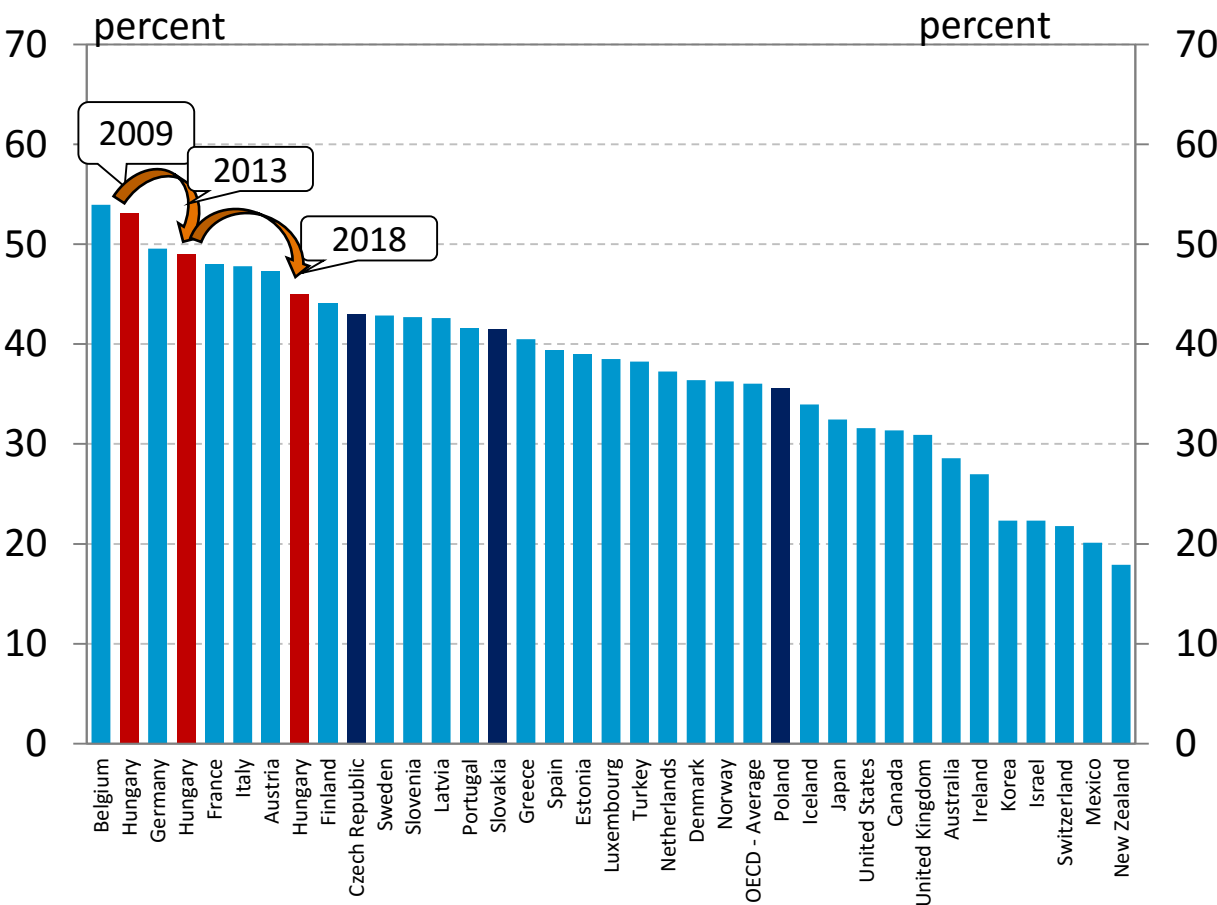
Development of the tax office, increasing its efficiency



# A SECOND TAX REFORM



# ASSESSMENT OF THE SITUATION: TAXES ON LABOUR ARE HIGHER THAN THE REGIONAL AVERAGE



- Over the recent years **taxes on labour have decreased significantly**, but they still can be considered high in regional and international comparison.
- The tax burdens of families with children have already **approached the regional level**, owing to the family tax benefits introduced in 2011.

AVERAGE TAX WEDGE IN 2016 IN OECD COUNTRIES AND IN HUNGARY BETWEEN 2009 AND 2018

# MAIN OBJECTIVES: A SECOND TAX REFORM FOR FULL EMPLOYMENT



Further reduction of the tax wedge, at least to the regional average

45%



40%

The employment rate should exceed the EU average (15 to 74 demographic)

59%



63%

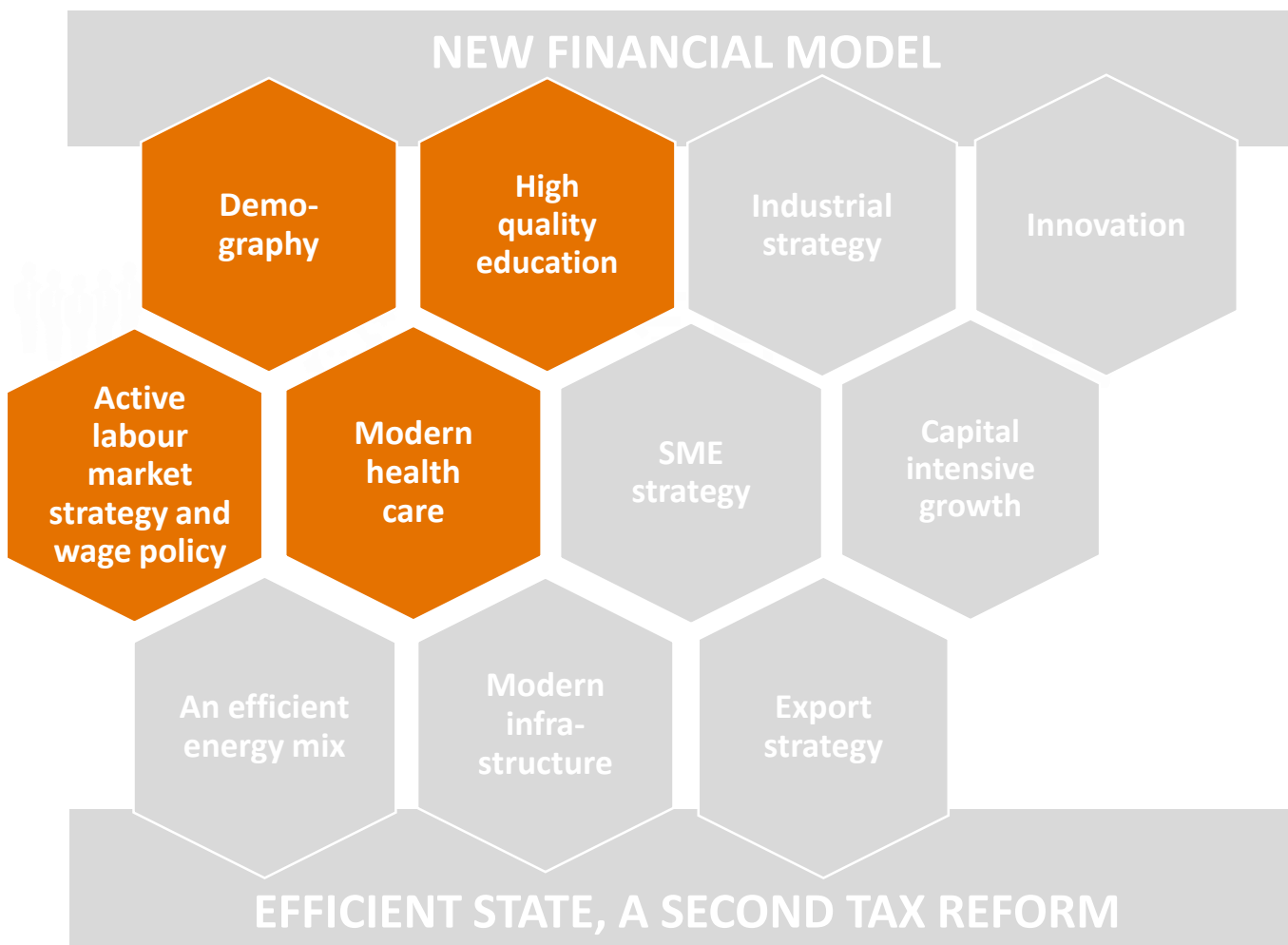
Encourage people working abroad to return home

At least +100 thousand persons

# PROPOSALS: A SECOND TAX REFORM FOR FULL EMPLOYMENT



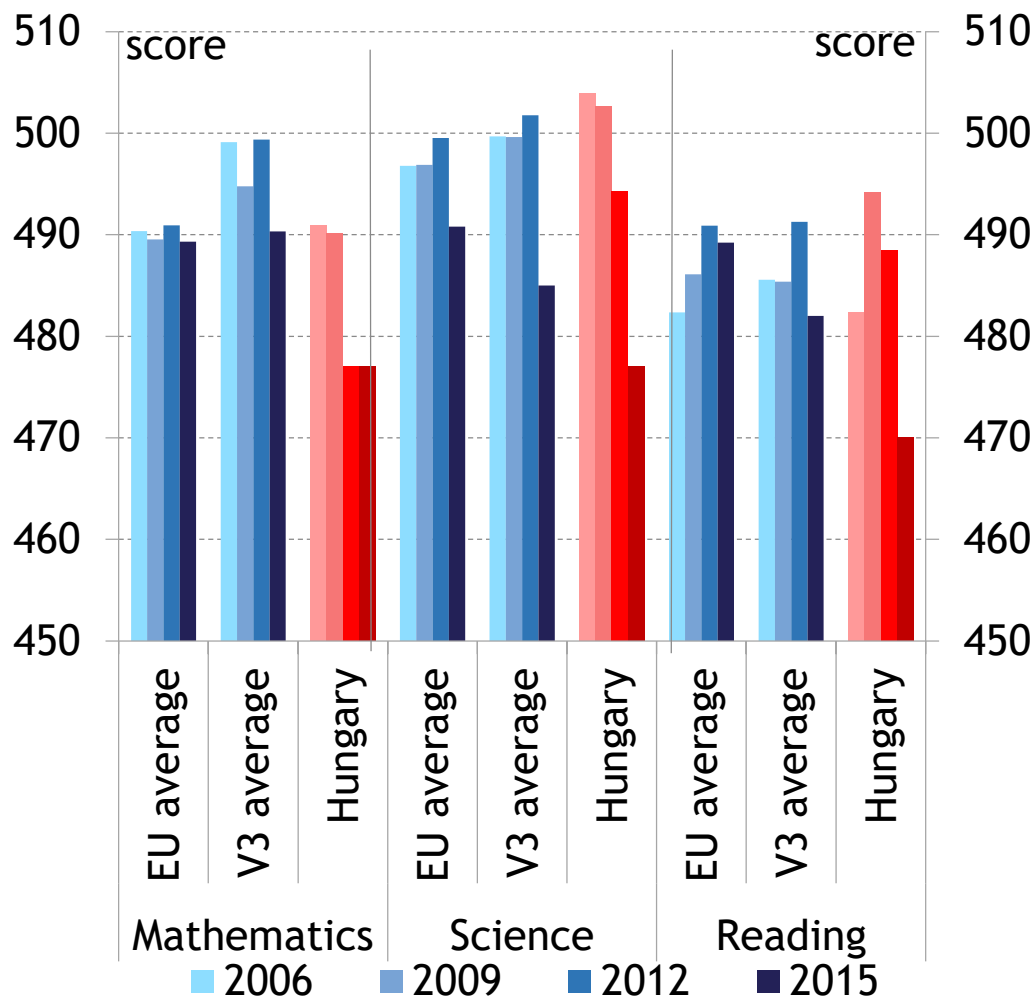
- 1 Continue the reduction of taxes on labour
- 2 Strengthening the funding focus on education and health care, encouraging lifelong learning through taxation as well
- 3 Extension of the Job Protection Action Plan (MAT) to minimum wage
- 4 Extension of the Job Protection Action Plan (MAT) to the taxes payable by the employee
- 5 Expansion of the unskilled employees category of the Job Protection Action Plan
- 6 Encouraging the employment of persons close to retirement age





# HIGH QUALITY PUBLIC EDUCATION

# ASSESSMENT OF THE SITUATION: THE BASIC SKILLS OF YOUNG PEOPLE FALL SHORT OF THE REGIONAL AVERAGE



RESULTS OF PISA SURVEYS

Based on the results of international tests (PISA, TIMSS, PIRLS), the Hungarian students acquire the specified study contents, however, **they cannot use properly what they have learned in cases taken from real life.**

It is important that the Hungarian educational system should efficiently reduce the **disparities arising from the social and economic background of the students.**

# MAIN OBJECTIVES: HIGH QUALITY PUBLIC EDUCATION



The PISA results should exceed the EU average for every school subject

475  
points



490  
points

The rate of early school leaving should be lower than the V3 average

12.4%



6.4%

At least a medium level English language certificate by the end of public education

Every student

User level digital skills

Every student

## PROPOSALS: ELEMENTARY LEVEL EDUCATION THAT CREATES THE NECESSARY FUNDAMENTALS FOR EVERYONE



1 In lower elementary school, special focus on skills development

2 Elaboration of a new National Curriculum focusing on skills development and practical skills

3 Increasing the number of teachers

4 If needed, introduction of a foundational grade 0 in primary schools

5 Provision of regular advanced courses for the teachers (both on curriculum and on teaching methodology)



## PROPOSALS: MORE TARGETED, MORE EFFICIENT SECONDARY LEVEL EDUCATION



- 6 Implementation of the secondary school curricular reform: review of the required materials, increasing the role of optional subjects
- 7 Introduction of required general subjects (fundamental economic, social, legal and psychological skills)
- 8 Introduction of competence-based secondary school admission tests
- 9 In addition to the centrally defined study contents, provision of more flexible curricula
- 10 Strengthening work-study courses (dual training)
- 11 Reduction of (early) school leaving without qualification

## PROPOSALS: AT LEAST A MEDIUM LEVEL ENGLISH LANGUAGE CERTIFICATE BY THE END OF PUBLIC EDUCATION



12

It should be possible to take secondary school admission and school-leaving exams in English, in every subject

13

State support to extra-curricular foreign language activities, language exam preparatory courses, provision of venue

14

Education in two or more languages in each Hungarian region

15

Promotion of subtitled films and series

16

Support to foreign student exchange programmes

17

Keeping foreign students in Hungary (support to learning Hungarian, scholarships)



**18** Integrating programming into the teaching of mathematics

**19** Increasing the weight of natural sciences and IT in secondary school admission exams

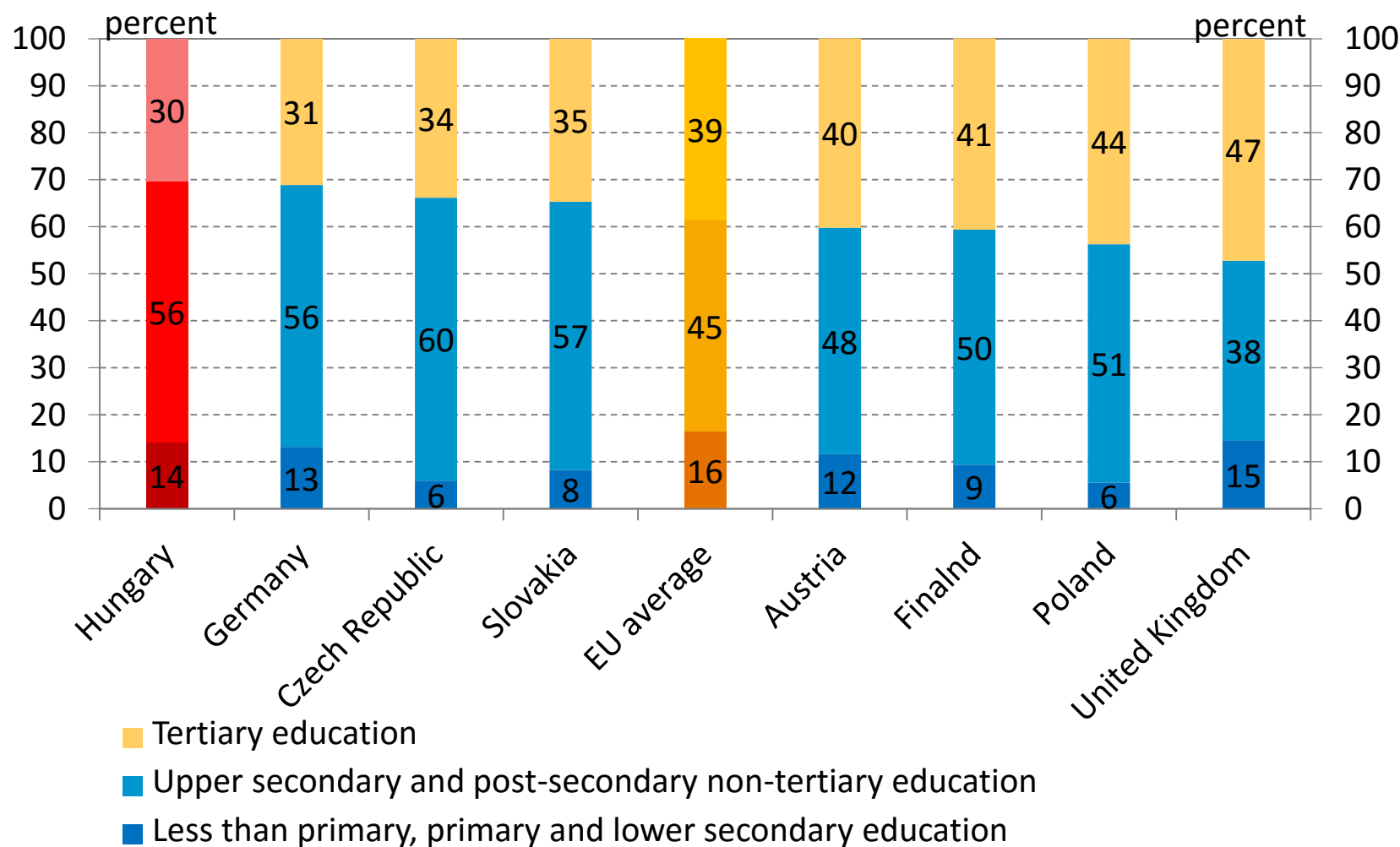
**20** Development of digital study contents

**21** Development of IT assets in schools



# INTERNATIONALLY RECOGNISED TERTIARY EDUCATION

# ASSESSMENT OF THE SITUATION: THE TERTIARY EDUCATION ATTAINMENT RATE FALLS SHORT OF THE REGION



Distribution of the 25 to 34 demographic according to highest educational qualification

# MAIN OBJECTIVES: INTERNATIONALLY RECOGNISED TERTIARY EDUCATION



Increasing the international  
recognition of Hungarian universities

ONE TOP50 university  
ONE more TOP100  
TWO more TOP200

The rate of the tertiary skilled should  
exceed the EU average in the 25–34  
demographic

30%



40%

State expenditure on tertiary  
education as a ratio of GDP should  
reach the EU average

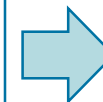
0.8%



1.3%

The ratio of science graduates should  
exceed the V3 average in the 20 to 29  
age group

12.2 /  
thousand  
persons



18.4 /  
thousand  
persons

# PROPOSALS: INCREASING THE INTERNATIONAL RECOGNITION OF HUNGARIAN UNIVERSITIES



1

Strengthening the ties between tertiary education and companies

2

Channelling market needs and private capital into education

3

Intensified competition among institutions

4

Support to dual degree programmes

5

Support to publications in English (English translation of Hungarian journals, international research cooperation)

# PROPOSALS: INCREASING THE RATE OF THE TERTIARY QUALIFICATION



6

Widening the enrolment base of tertiary education (organizing school career afternoons in public education, widening the scope of English language courses)

7

Increasing the capacity of dormitories

8

Expanding the academic and social scholarship systems

9

Increasing the opportunities for partial training abroad (international scholarship programmes)





**10**

Strengthening the system of scholarships dependent on academic performance

**11**

Making the teaching profession more attractive (expansion of the career path models, outsourcing of administrative tasks)

**12**

Development of the infrastructure and equipment of institutions of tertiary education

# PROPOSALS: INCREASING THE RATIO OF SCIENCE GRADUATES



**13** Obligatory secondary school final exam in science (other than mathematics)

**14** Increasing the quality of the teaching of sciences in public education

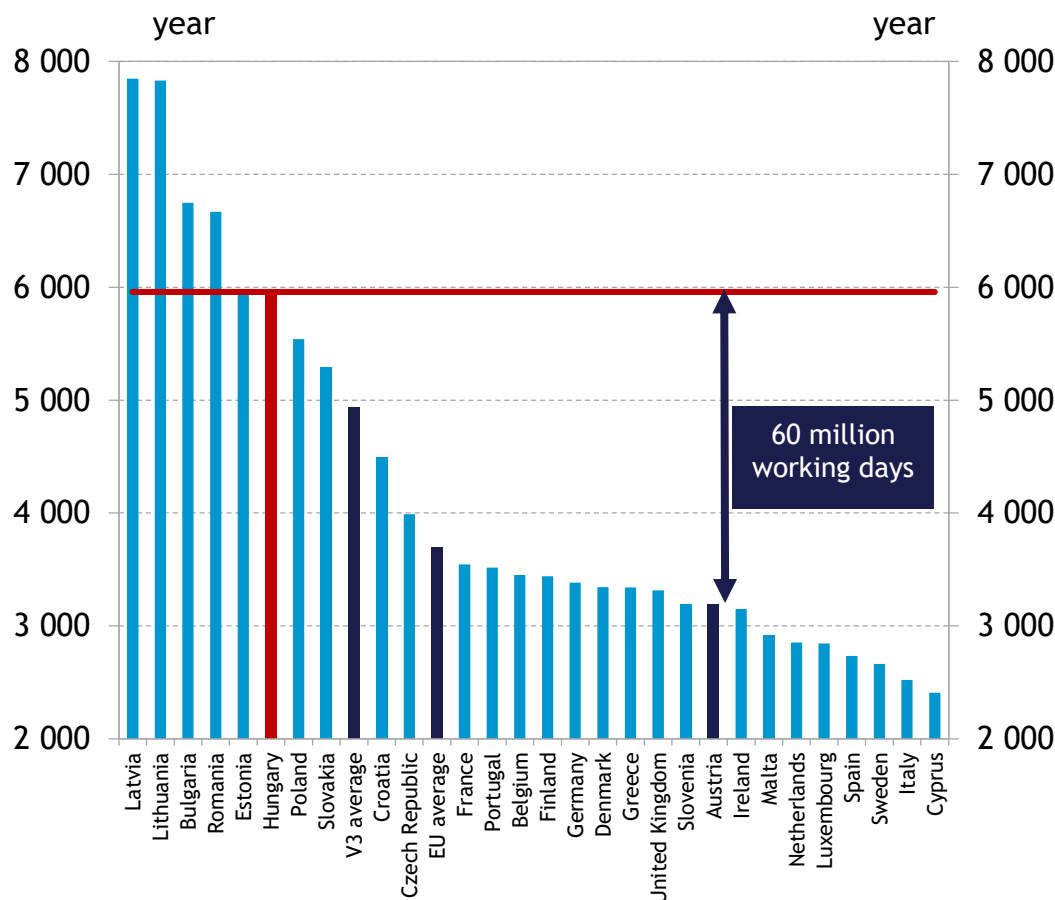
**15** Promotion of more conscious career planning for secondary school students

**16** Reduction of dropout rates in university courses (more practical curricula, work-study courses)



MODERN HEALTH CARE

# ASSESSMENT OF THE SITUATION: THE HEALTH CONDITION OF THE POPULATION MEANS A COMPETITIVE DISADVANTAGE



AVOIDABLE LOSS OF YEARS OF LIFE IN THE CASE OF DEATHS UNDER THE AGE OF 70

**45 percent of Hungarians aged from 18 to 64 suffer from high blood pressure disease and nearly 14 percent are diabetic.**

Similarly to countries of the region, the health condition of the Hungarian population **falls short of the Western European level.**

Inadequate health condition **reduces the productivity of labour force** and time spent working.

Premature death **reduces the number of economically active persons capable of work in the population.**

# MAIN OBJECTIVES: MODERN HEALTH CARE



The ratio of health care spend of households should decrease below the level of the Visegrád countries within total health care expenditures

28%



18%

Healthy life expectancy should be the highest among the V4 countries

60.1  
years



63.7  
years

At least one screening test annually, according to gender, age group and risk factor

Every citizen

- 1 Establishment of a state financing system based on actual costs
- 2 Expansion of the application of performance-related funding methods
- 3 Review of performance volume limits
- 4 Establishment of a transparent remuneration system
- 5 Strengthening of professional and financial control
- 6 Professional review of the necessity of prescription medicines

## PROPOSALS: IMPROVEMENT, RATIONALIZATION OF CARE PROVIDED BY THE STATE



7

Development of minimum conditions, professional and financing protocols

8

Strengthening the functions of the general practitioner system

9

Increasing the capacity of one-day active treatments

10

Increase of rehabilitation and long-term nursing capacities

11

Standardised measurement and publication of the performance of health institutions and the satisfaction of patients

**12** Tax benefits for corporate healthcare packages

**13** Tax benefits for private health insurance companies

**14** Targeted encouragement of contributions to and payments from mutual health organisations

**15** Support to invoices of prevention and service funding

**16** Increasing the data reporting obligations of private service providers



## PROPOSALS: THE MOST EFFICIENT SOLUTION - PREVENTION

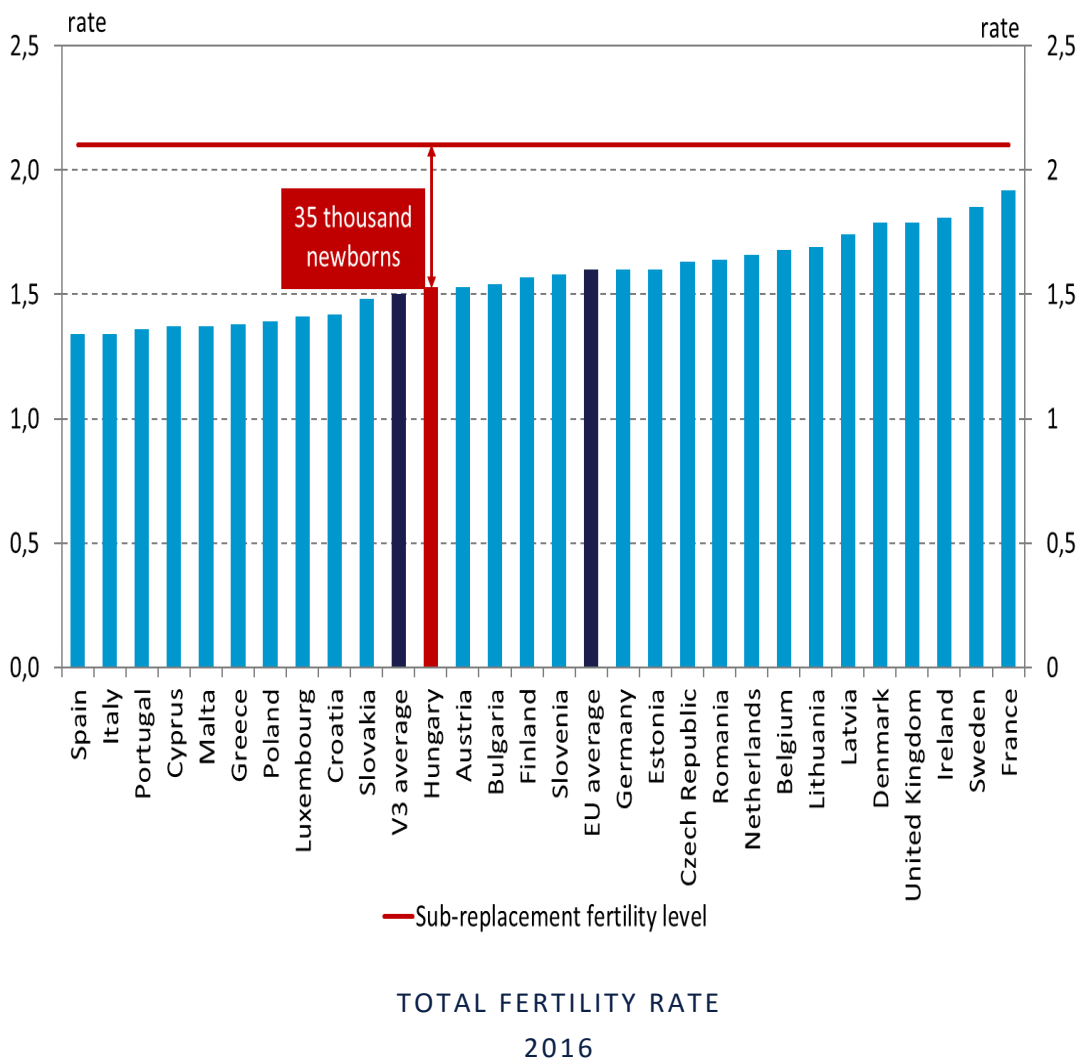


- 17 Support to regular physicals and screening tests
- 18 Introduction of medicine price adjustments based on patient compliance
- 19 Development and systematic implementation of a comprehensive mental health package
- 20 Support to grassroots sports, corporate sports clubs
- 21 Support to stress management trainings
- 22 Development of telemedicine



# DEMOGRAPHY

# ASSESSMENT OF THE SITUATION: THE RATIO OF INACTIVE POPULATION WILL INCREASE SIGNIFICANTLY



Despite the improving fertility rate, the **necessary demographic turn** has not yet happened in Hungary.

Until 2060 the **old age dependency ratio** will be **doubled** in Hungary.

Currently none of the Union countries has reached the **fertility rate of 2.1**, the **minimum rate necessary for social reproduction**.

# MAIN OBJECTIVES: DEMOGRAPHIC REVERSAL



Raising the total fertility rate

1.5



2.1

Every child in Hungary should have an accessible nursery place

40  
thou-  
sand



93  
thou-  
sand

# PROPOSALS: MORE HUNGARIAN CHILDREN SHOULD BE BORN



- 1 The employment-related elements of the financial family support system should follow the dynamic increase of wages
- 2 Promotion of parenthood (awareness raising, raising awareness of family support elements, support for preparatory trainings)
- 3 Simplification of the return of women to the labour market after childbirth (more nursery places, establishment of a family-friendly workplace environment)
- 4 Family-friendly development of public education (extension of on-call service until the end of working time, support to summer camps)
- 5 Family-friendly development of the services of the financial system
- 6 Constant review of the elements of the family support system, analysis of their efficiency

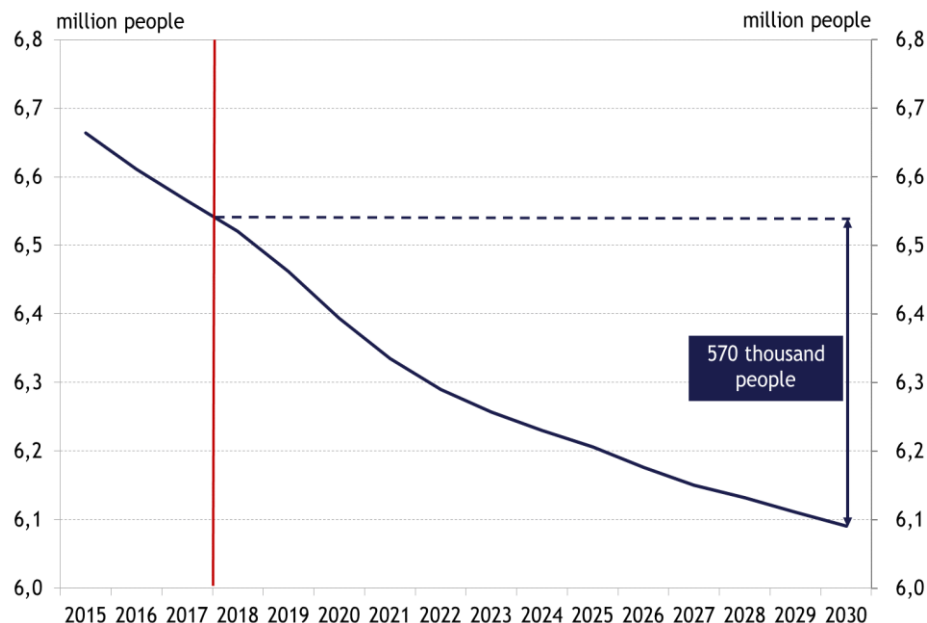


# ACTIVE LABOUR MARKET AND WAGE POLICY

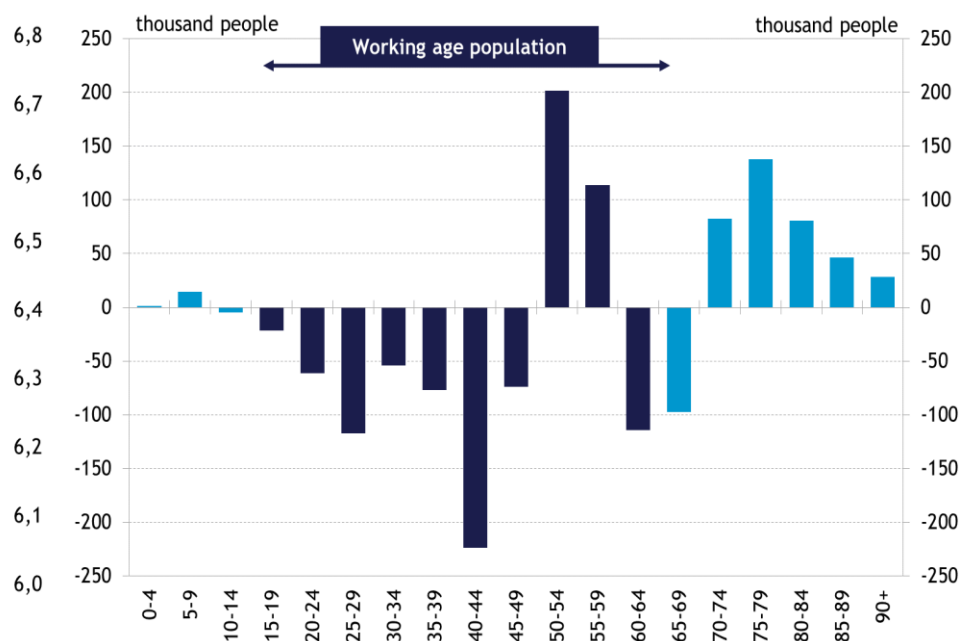
# ASSESSMENT OF THE SITUATION: THE DEMOGRAPHIC LIMITS OF THE LABOUR MARKET ARE BECOMING MORE AND MORE EFFECTIVE



NUMBER OF RESIDENTS OF WORKING AGE IN HUNGARY



CHANGES IN THE AGE GROUPS OF HUNGARY BETWEEN 2018 AND 2030



Forecast, baseline version

**The population of working age will have decreased by 570 thousand until 2030, according to the forecasts. In 2060, 1.4 million less persons of working age will live in Hungary if no further action is taken.**

# MAIN OBJECTIVES: MORE EFFICIENT UTILIZATION OF LABOUR FORCE RESERVES



Increasing the number of employees  
in the private sector

3,350  
thousand  
persons



3,600  
thousand  
persons

Approaching the level of wages of  
Austria

55%



80%

Encouraging people working abroad to  
return home

At least +100  
thousand  
persons



# PROPOSALS: MORE EFFICIENT UTILIZATION OF LABOUR FORCE RESERVES



1

Increase of the ratio and efficiency of retraining programs for public employees

2

The state should pay the wages of public employees taking up employment, if the employer will continue employing them for at least the same length of time

3

The permitted upper limit of the amount of earned income should be raised in the case of persons taking up employment below retirement age or while receiving pension

4

Support to the mobility of the labour market

5

Targeted reduction of working time partially or entirely by social contribution tax compensation and/or wage compensation paid by the state in the vulnerable groups (persons raising minor children, students of tertiary education, relatives of persons requiring permanent care, persons above 55 years)

6

Trilateral wage agreement for several years

7

Long-term raise of minimum wage,  
announced in advance

8

Introduction of a territorial “compensating mechanism”  
offsetting the “absorbing effect” of the labour market,  
attracting digital nomads

# PROPOSALS: ENCOURAGING PEOPLE LIVING ABROAD TO RETURN HOME



**9** Increase of wages paid in high-demand jobs in the state sector

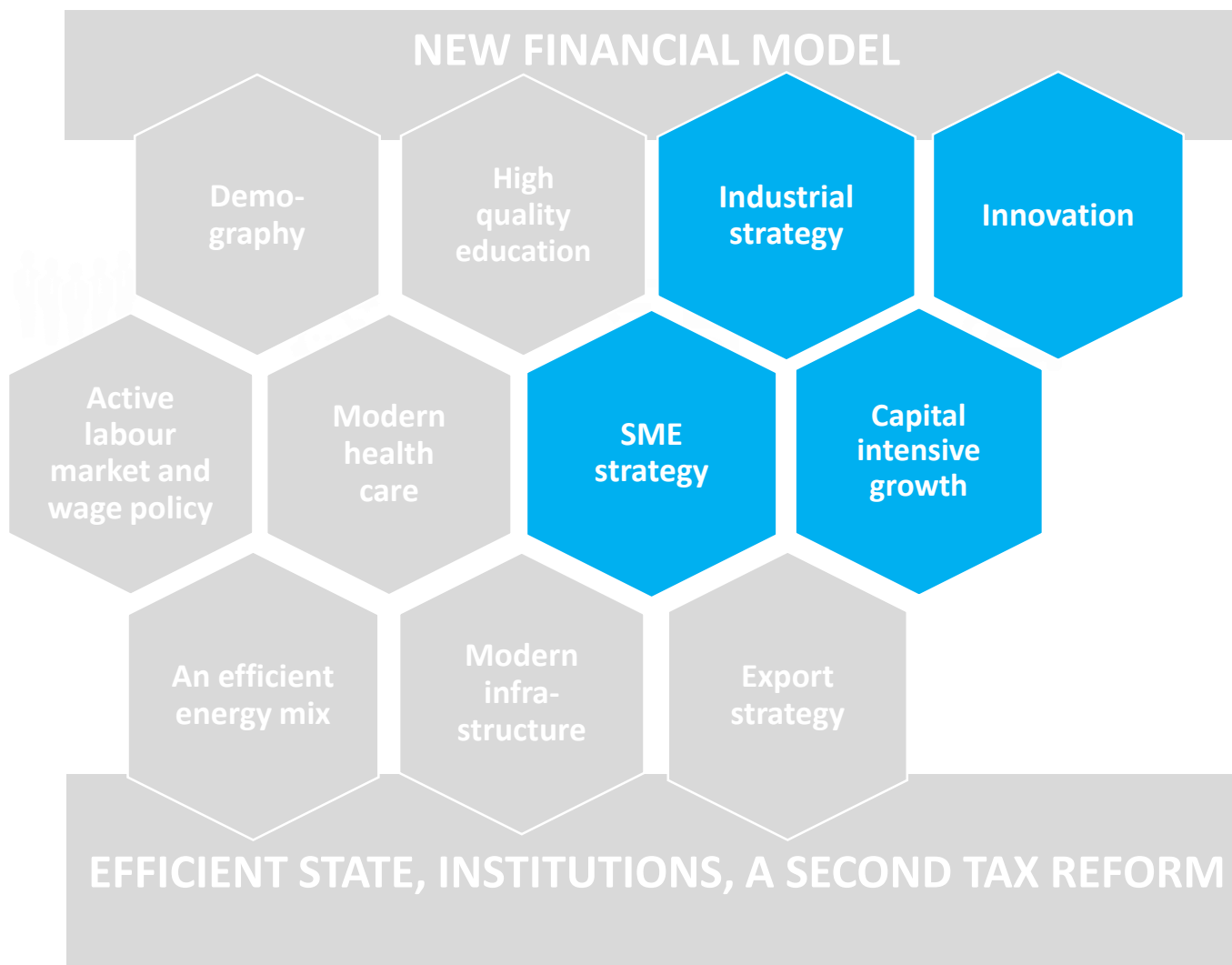
**10** Increasing the awareness of family support elements, calling attention to the educational and healthcare system supported by the state

**11** Supporting recruitment by Hungarian companies abroad (recruitment costs should be decreased tax liability, tax benefits on employees encouraged to return home)

**12** Increasing the international competitiveness of tertiary education (support to foreign partial and enhanced trainings, increasing the number of majors available in English)

**13** Simplification of the recognition of degrees obtained abroad

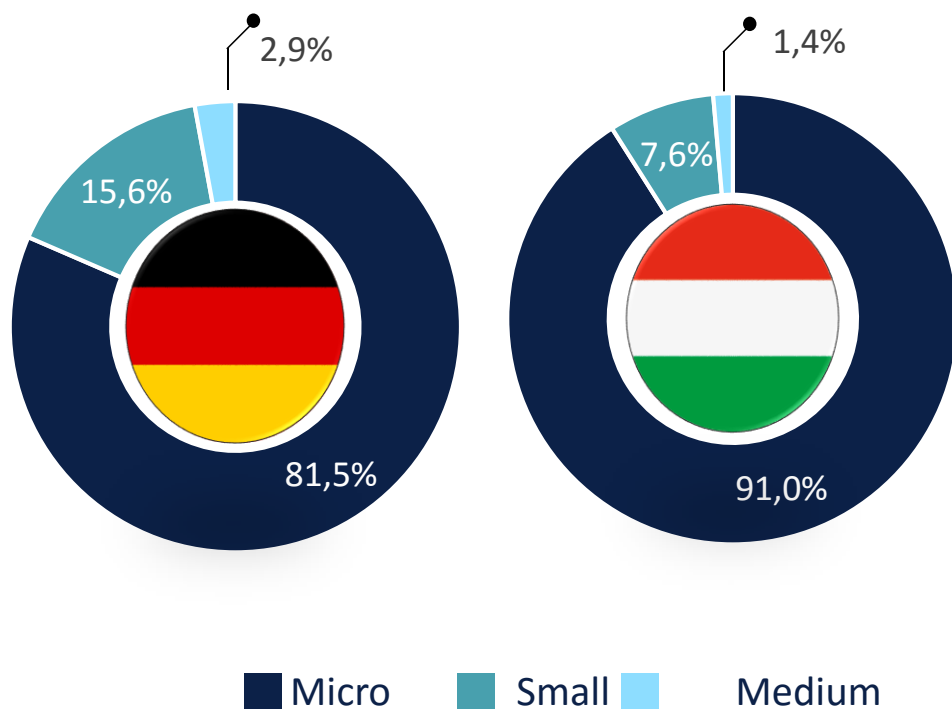
# STRUCTURE OF THE ECONOMY



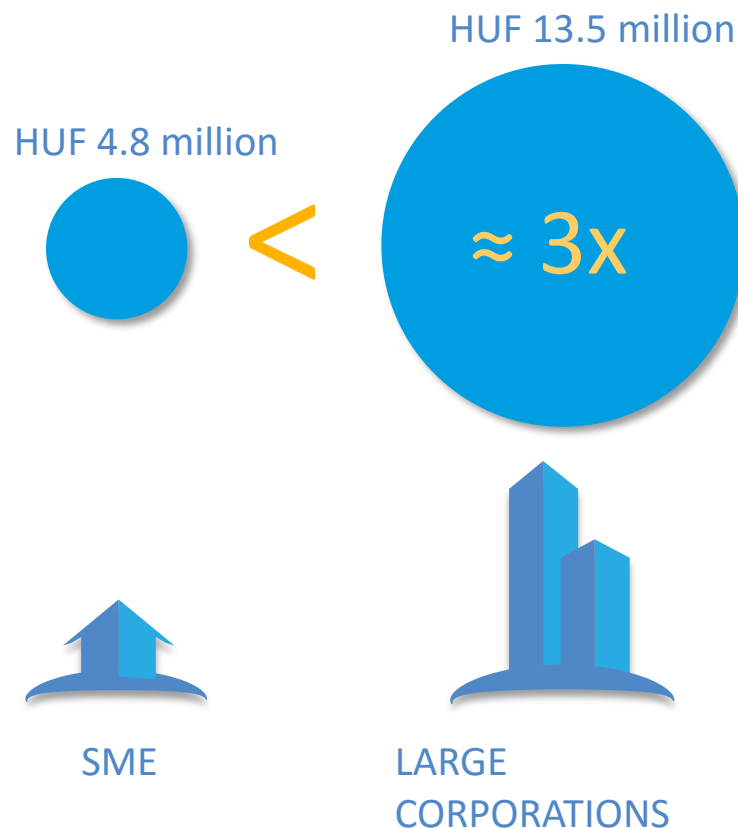


# SME STRATEGY

# ASSESSMENT OF THE SITUATION: WITH THE FRAGMENTED CORPORATE STRUCTURE, THE PRODUCTIVITY OF THE DOMESTIC SME SECTOR IS LOW



THE SME SECTOR ACCORDING TO COMPANY SIZE



LABOUR PRODUCTIVITY

# MAIN OBJECTIVES: SME STRATEGY IN ORDER TO INCREASE PRODUCTIVITY



Better utilization of the potential arising from economies of scale

5000 new small and 1000 new medium companies

An innovative domestic entrepreneurial ecosystem

To get into the top 30 in the GEI\* ranking, and in the top 50 in the GCI\*\* business sophistication ranking

Attenuating the wage disparity between large corporations and SMEs

Reduction of wage duality below 40%

Increasing the rate of persons involved in vocational training

30%

Note | \*Global Entrepreneurship Index \*\*Global Competitiveness Index

## PROPOSALS: BETTER UTILIZATION OF POTENTIALS ARISING FROM ECONOMIES OF SCALE



1

In the case of the development tax benefit available for SMEs, reducing the minimum value of the investment

2

Instant eligibility of investments in the corporation tax base

3

It should be possible to reduce the local business tax base by the value of the investment



4 Support to the operation of clusters

5 Increasing the innovation management capacity of SMEs by establishing a non-profit advisory centre (following the British model)

6 Conditional decrease of contributions payable by SMEs that perform R+D investments

7 Establishment of the Neumann János Fund to support the ICT developments of SMEs

## PROPOSALS: ATTENUATING THE WAGE DISPARITY BETWEEN LARGE CORPORATIONS AND SMES



8

Direct wage and investment development support to SMEs (de minimis)

9

Reduction of taxes on labour (employer's contribution benefits, for SMEs in a targeted manner)

10

Strategic partnership agreements with innovative SMEs

## **PROPOSALS:** INCREASING THE RATE OF PERSONS INVOLVED IN VOCATIONAL TRAINING TO 30 PER CENT



**11**

Training, advanced training costs should be deductible from the corporation tax base for SMEs

**12**

Digital courses tied to specified deliverables

**13**

Encouragement of the acquisition/development of leadership skills

# PROPOSALS: IMPROVEMENT OF THE ECONOMIES OF SCALE OF THE SME SECTOR



14 Support to acquisitions and mergers

15 Reduction of administrative burdens

16 Making liquidation proceedings simpler and faster

17 Efficient capital re-allocation

18 Establishment of a corporate bond market



19

Aspiring entrepreneurs should be exempt from corporation tax for the first three years

20

Tax benefits on share options and profits earned on the sale of these

21

Provision of preferential grant application and borrowing options for young and female entrepreneurs

22

Promotion of university spinoffs

23

Domestic and foreign media programs for the promotion of entrepreneurship

24 Support to university incubators

25 Opportunity to lease university infrastructure

26 Increasing the number of co-working offices in large cities

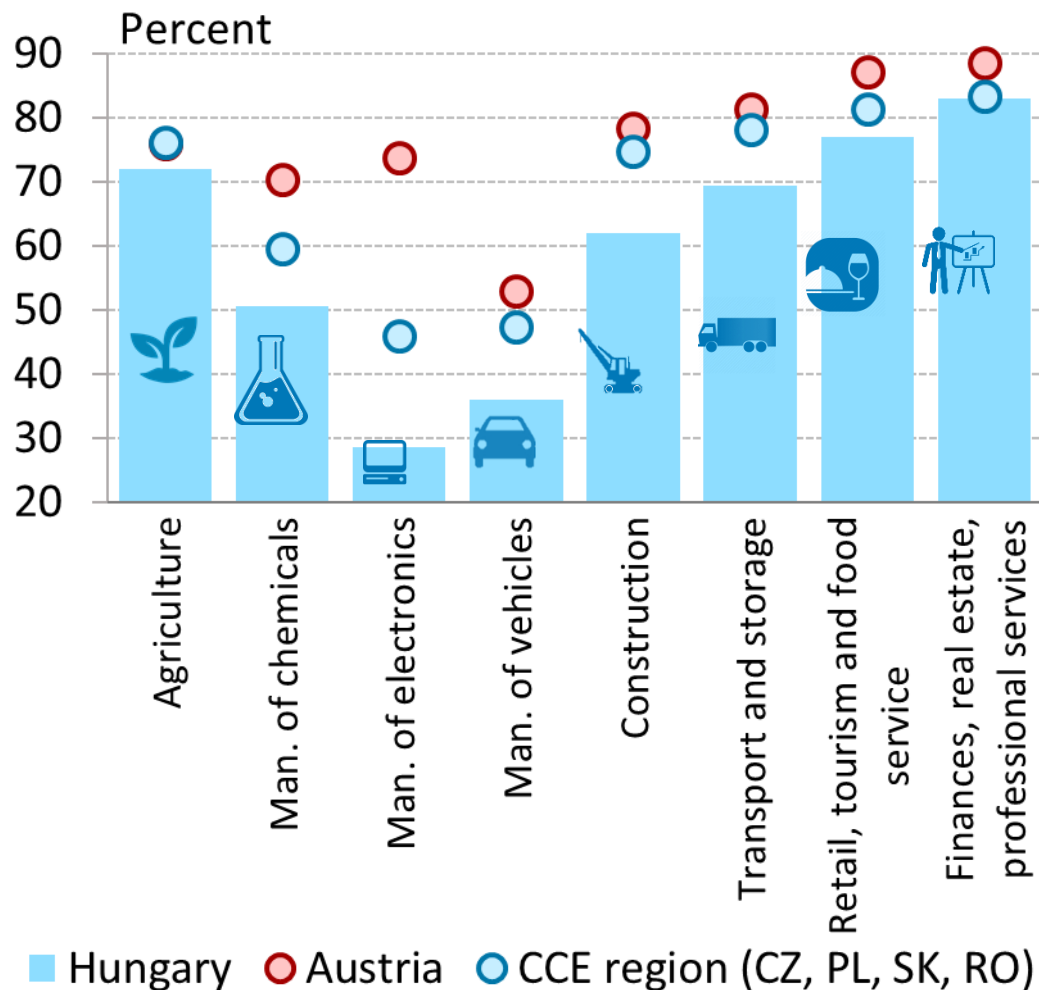
27 Increasing the number of accelerators sponsored by large corporations

28 Organization and support of relevant start-up conferences and meet-ups



# INDUSTRIAL STRATEGY

# ASSESSMENT OF THE SITUATION: THE VALUE CREATING CAPABILITY OF THE ECONOMY IS LOW



RATIO OF DOMESTIC ADDED VALUE  
IN EXPORT (2014)

The contribution of domestic businesses is low in each of the main production and service branches.

Over the recent years FDI has primarily flown into branches of low value-creating capacity.



# MAIN OBJECTIVES: IDENTIFICATION OF STRATEGIC BRANCHES AND DEVELOPMENT OF THE INTERNAL MARKET



Increasing the ratio of innovative services,  
integrated management of services within  
the industry

Share of market  
services within GDP  
+6 percentage  
points

Increasing the value-creating capability of  
the domestic economy

Reduction of  
the import  
ratio below  
60%

## PROPOSALS: REDUCING THE IMPORT RATIO PUT IN PRODUCTION TO 60 PER CENT



1

Individual Government decisions, directing investment aids to large corporations and the resources of structural funds into branches of processing industry that are knowledge-intensive and well embedded within the country

2

In the planning of the next Union support cycle, the support of productive investments from the direction of services should be a priority

3

Support to knowledge-intensive branches of the economy

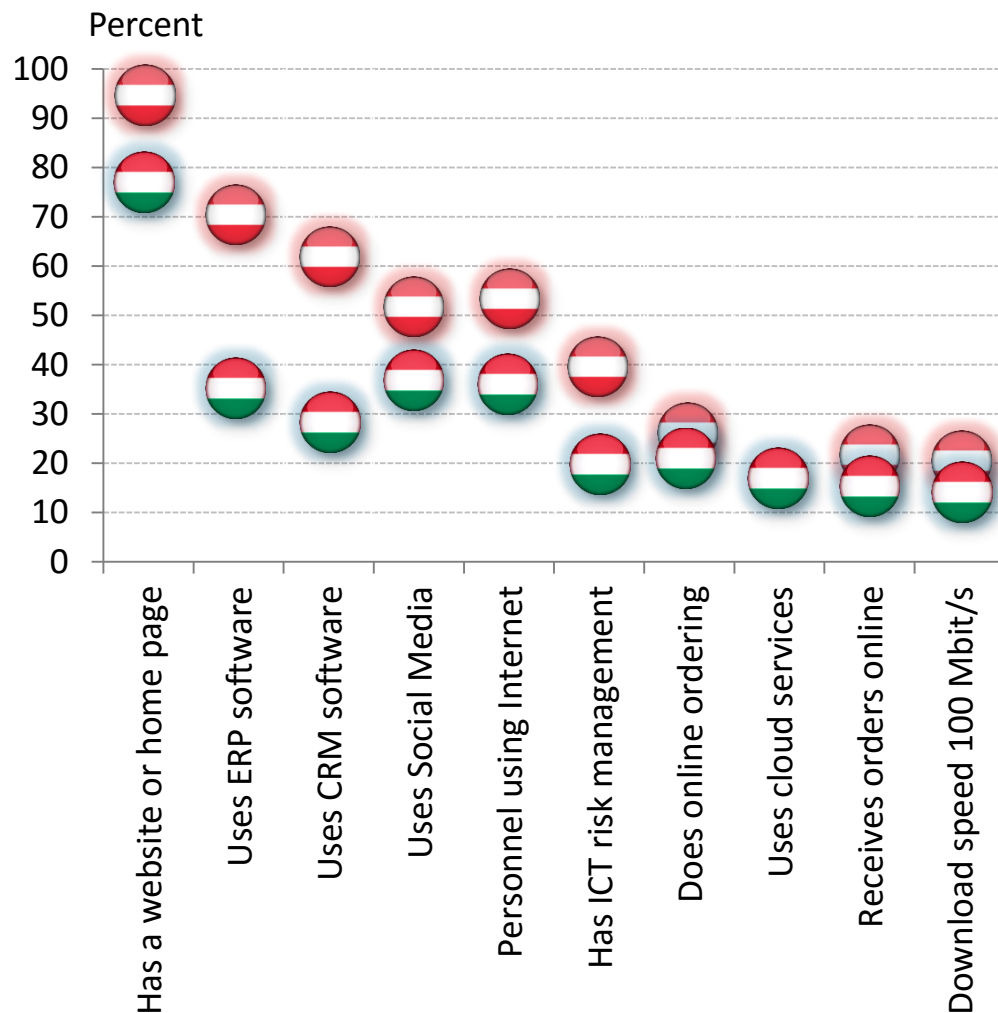
4

Development of the infrastructure of agricultural irrigation



INNOVATION

## ASSESSMENT OF THE SITUATION: THE TECHNOLOGICAL PREPAREDNESS OF DOMESTIC SMES SHOULD BE IMPROVED



RATIO OF SMALL ENTERPRISES  
USING ADVANCED TECHNOLOGY  
(2015)

The basis of production with high value added is **state-of-the-art infrastructure** and **application of high-end technological tools.**

**Only a small number of domestic SMEs apply advanced processes** in their production and service activities.

Note | We have no data on Austria concerning cloud-based services.  
Source | Eurostat

# MAIN OBJECTIVES: ESTABLISHMENT OF AN INNOVATIVE ECONOMY



Increasing the ratio of SMEs engaged in product or process innovation

15%



30%

Increasing the R+D headcount (as a ratio of all employed persons)

0.8%



1.35%

Dissemination of advanced technological solutions among SMEs

Raising the ratio to the level of Austria

# PROPOSALS: INCREASING R+D EXPENDITURES AND PATENT ACTIVITY



1

Raising the R+D expenditures of tertiary education to 0.5 per cent of the GDP

2

Encouragement of enterprises to raise their R+D expenditures by the continued development of the business environment (less paperwork, more benefits for R+D)

3

Reduction of the maintenance fee of patents

## PROPOSALS: INCREASING THE NUMBER OF PEOPLE EMPLOYED IN R+D



4

Extension of the tax benefit to cover researchers with a university degree, working in the private sector

5

Increasing the number of research-development assistant staff by raising their wages further

6

The state would shoulder 50 per cent of the costs of doctoral courses for employees above 30 years

7

Launch of specific postgraduate courses, in order to stop outward migration

## PROPOSALS: WIDER DISSEMINATION OF ADVANCED TECHNOLOGICAL SOLUTIONS



8

Special refund to companies at the start of their life cycles for their R+D expenditure

9

Obligatory company web site (free)

10

Development of digital infrastructure in the countryside

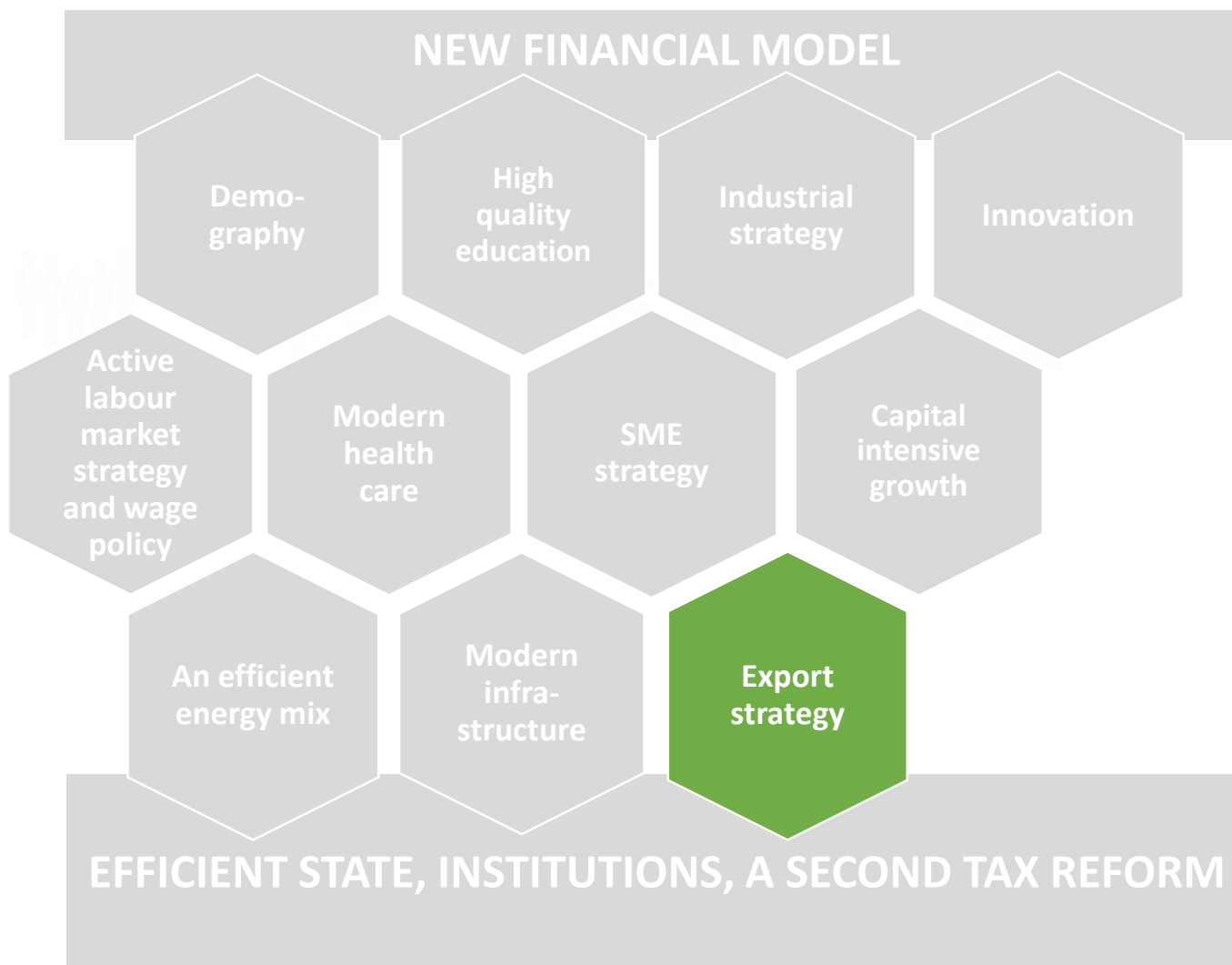
11

Smart city - real time on-line data

12

Tightening of rules applying to the management of ICT risks

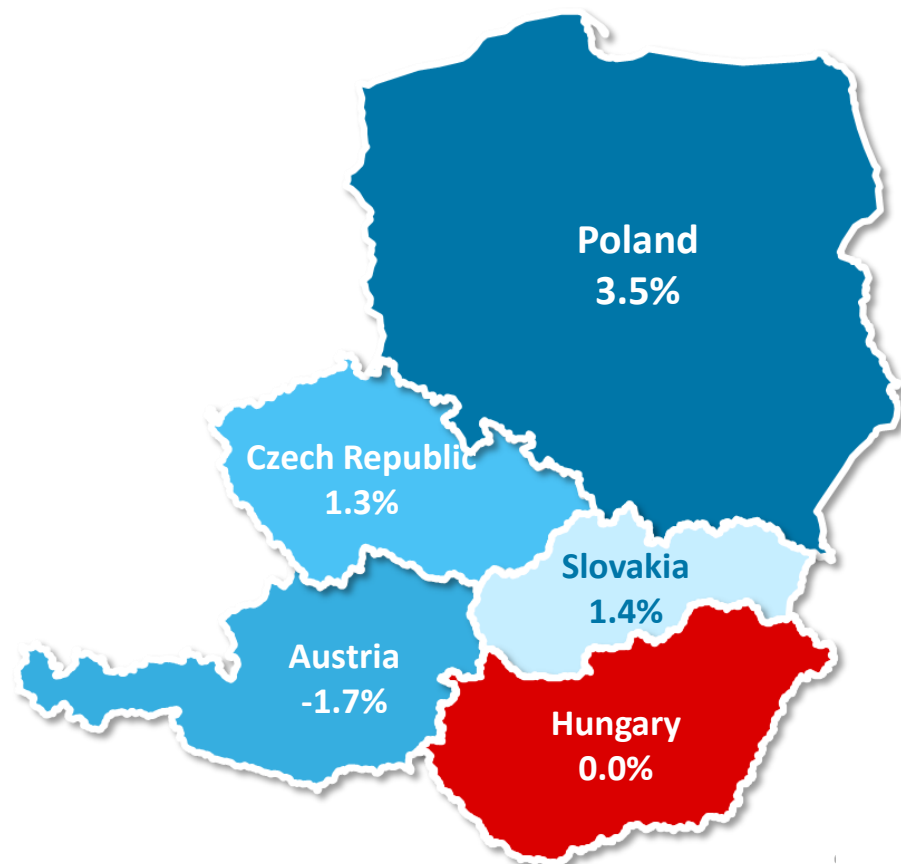




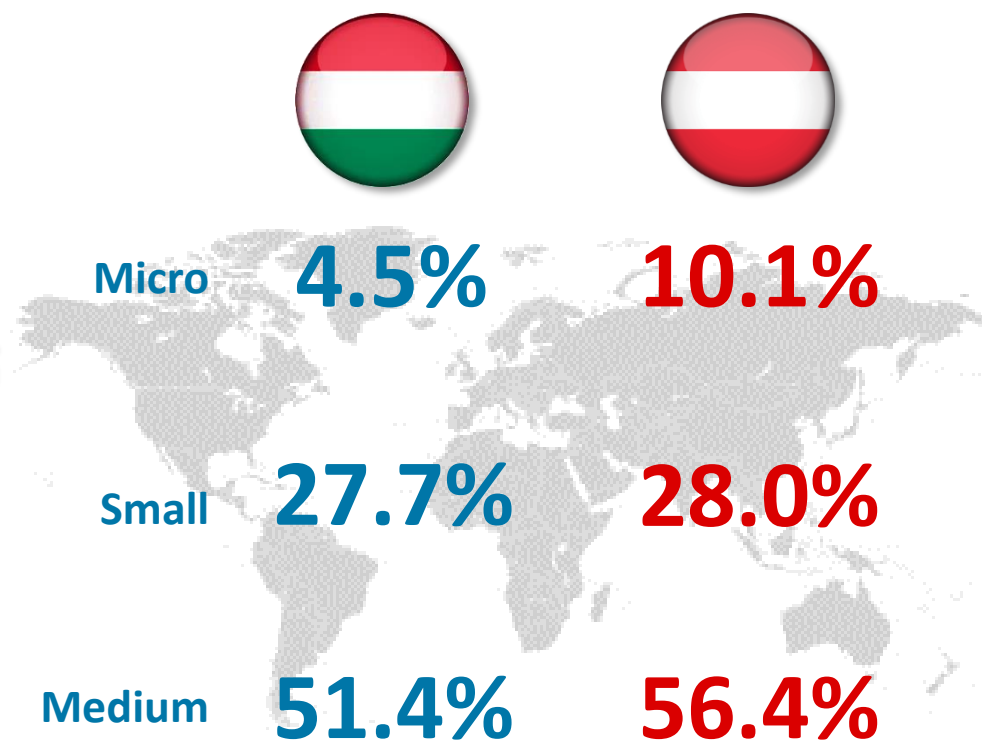


# EXPORT STRATEGY

## ASSESSMENT OF THE SITUATION: THE LOW FOREIGN MARKET ACTIVITY OF SMES POSES A HINDRANCE TO INCREASING OUR EXPORT MARKET SHARE



AVERAGE ANNUAL CHANGE OF EXPORT MARKET SHARE (2006-2016)



RATIO OF EXPORTING SMES ACCORDING TO SIZE CATEGORY (2013-2015)

# MAIN OBJECTIVES: EXPORT ORIENTATION AND RAISING THE FOREIGN TRADE ACTIVITY OF SMES



Raising the foreign trade activity of SMEs

10 thousand  
new exporting  
SMEs

Entering fast-growing new markets with  
stable institutions

South Eastern  
Europe, ASEAN,  
South Africa,  
Brazil, Mexico

# PROPOSALS: EXTERNAL ENVIRONMENT - EXPORT STRATEGY



1

Utilising the geostrategic advantages of One belt – one road (logistic developments, attracting Chinese investment capital)

2

Facilitating entry into fast-growing new markets with stable institutions (South-eastern Europe, ASEAN, South Africa, Brazil, Mexico)

3

Support to domestic foreign traders, a new trading house concept

4

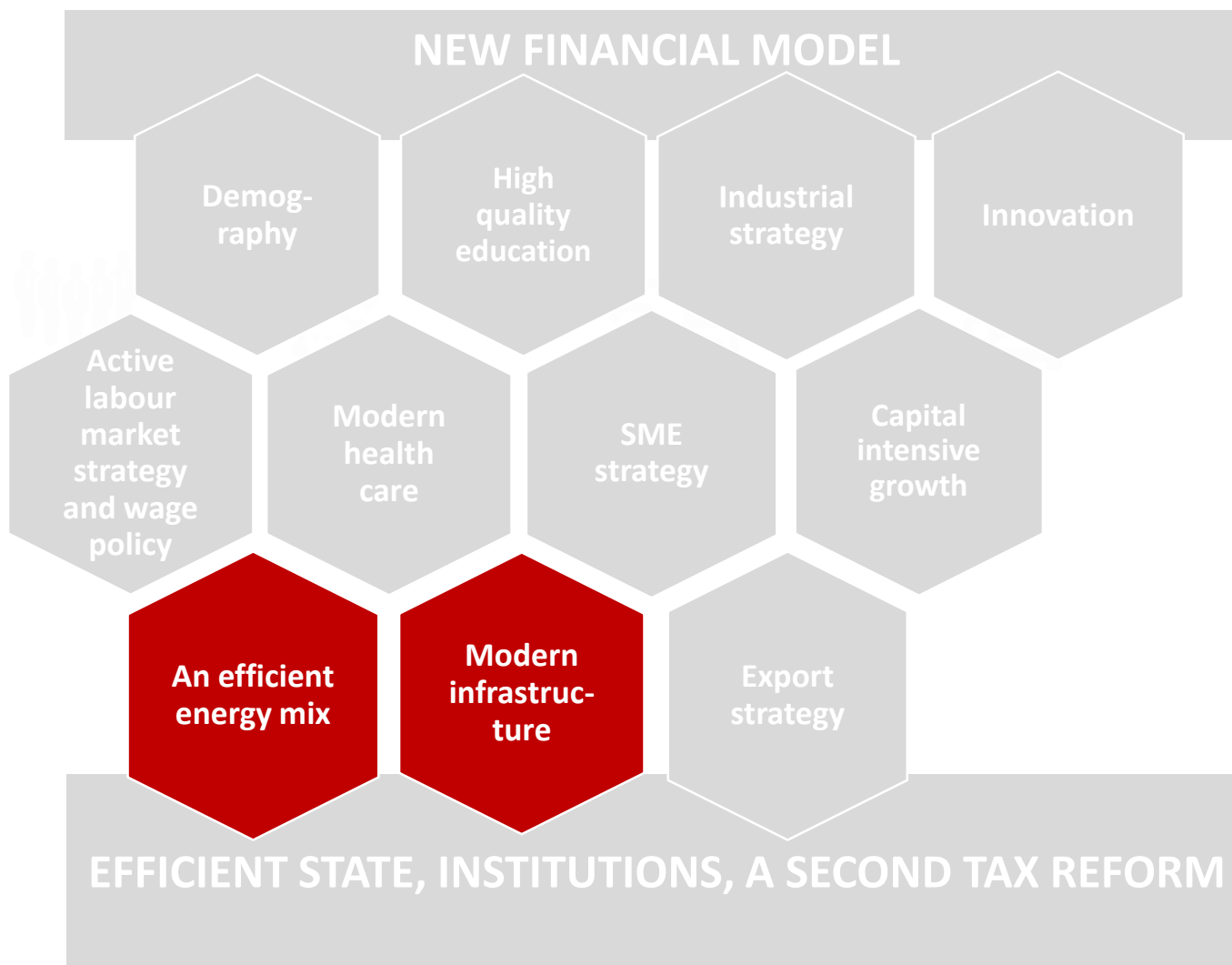
While maintaining goods export, strengthening service export (water purification, environment protection, green energy)

5

Separate of country, sector and product promotion and corporate brand building

6

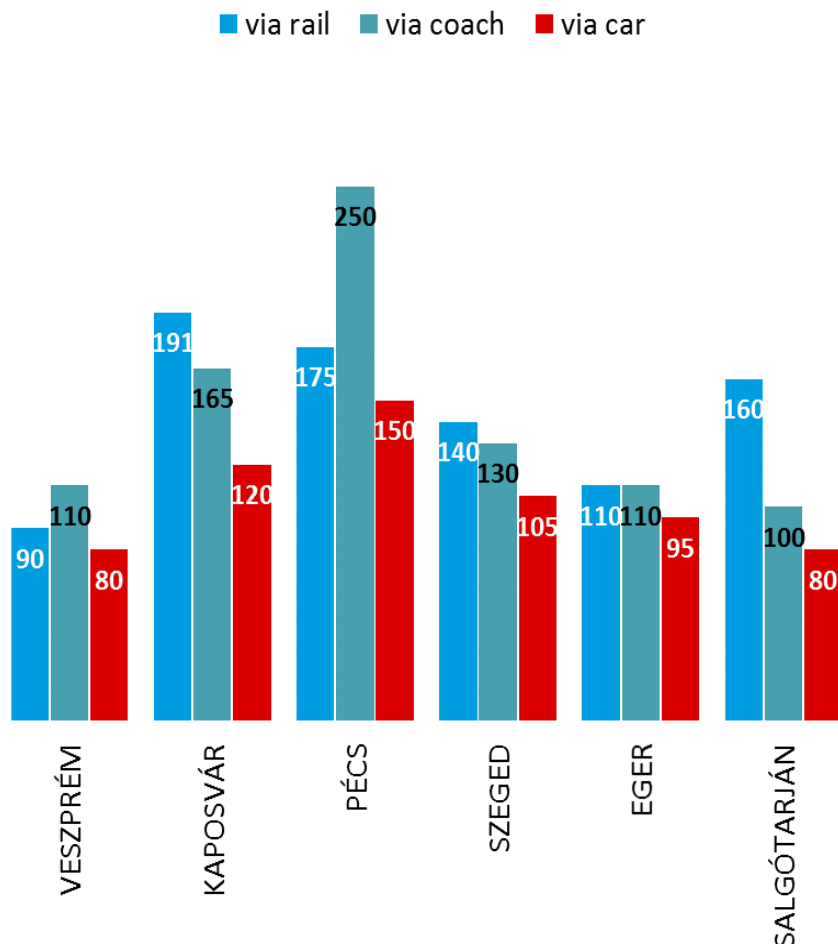
Temporary operation of companies ready for the market in an international co-working office



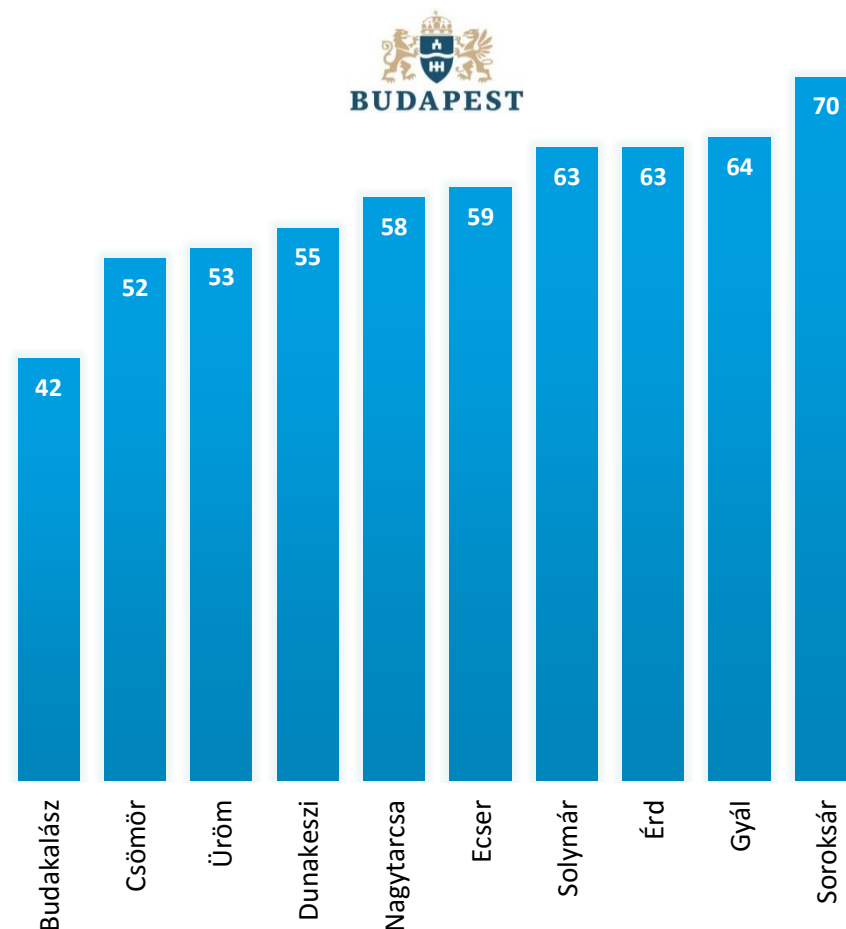


# MODERN INFRASTRUCTURE

# ASSESSMENT OF THE SITUATION: BOTTLENECKS IN INFRASTRUCTURE HINDER THE MOBILITY OF THE LABOUR FORCE



TRAVEL TIME FROM VARIOUS COUNTY SEATS TO BUDAPEST, BY MODALITY (MINUTES)



TRAVEL TIME BY COMMUNITY TRANSPORT FROM THE CONURBATION TO DEÁK TÉR IN BUDAPEST (MINUTES)



# MAIN OBJECTIVES: MODERN INFRASTRUCTURE DEVELOPMENTS



Bringing railway travel times closer to the level of road transport, with special regard to travel in the conurbation

85%

General development of the road network, giving priority to connecting the county seats to the network of expressways

-

Development of the electric network, reduction of reliance on import

-

## PROPOSALS: GENERAL REDUCTION OF RAILWAY TRAVEL TIMES



- 1 Increasing the ratio of electrified railway lines
- 2 Reduction of railway travel time by increasing the speed of the railway network
- 3 Upgrade of the railway vehicle pool
- 4 Increasing freight transport capacities on the railway network
- 5 Development of suburban transport (suburban railway, subway, railway), support to intermodal junctions

6

Extension of M1, M7 into three-lane roads

7

Promotion of roads feeding the motorways to bypass localities

8

Continuous maintenance on the road networks

**9**

Promoting the dissemination of new generation telecommunications networks

**10**

Increasing the ratio of optical fibre telecommunications lines

**11**

Review and upgrade of the power grid

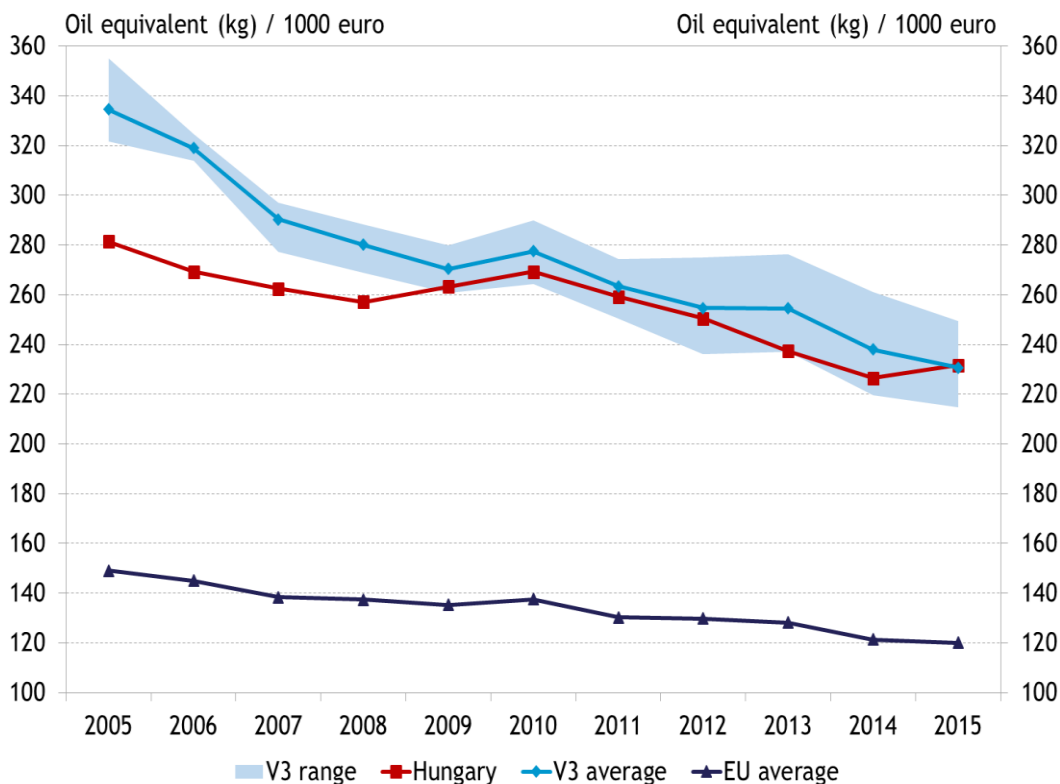
**12**

Establishment of the connections and capacities necessary to meet the probably increasing residential needs (charging of electric cars at home, use of the Internet of things)



# EFFICIENT ENERGY MIX

# ASSESSMENT OF THE SITUATION: THE EFFICIENCY OF ENERGY UTILIZATION IN HUNGARY CAN BE INCREASED



In Hungary energy consumption per one unit of GDP is about twice the Union average.

ENERGY INTENSITY OF THE ECONOMY

# MAIN OBJECTIVES: HIGHER ENERGY EFFICIENCY AND GREATER ENERGY INDEPENDENCE FOR MODERN ENERGY MANAGEMENT



Halving energy consumption per one unit of output

Reaching the EU average

Reduction of the ratio of net energy import below the EU average

< 50%

## PROPOSALS: REDUCTION OF ENERGY CONSUMPTION PER 1000 EUROS BELOW 150 KG UNTIL 2030



1

Increasing the efficiency of corporate energy consumption, by supporting the dissemination of environmentally friendly solutions and energy sparing

2

Renewal of doors and windows

3

Upgrade of heating solutions

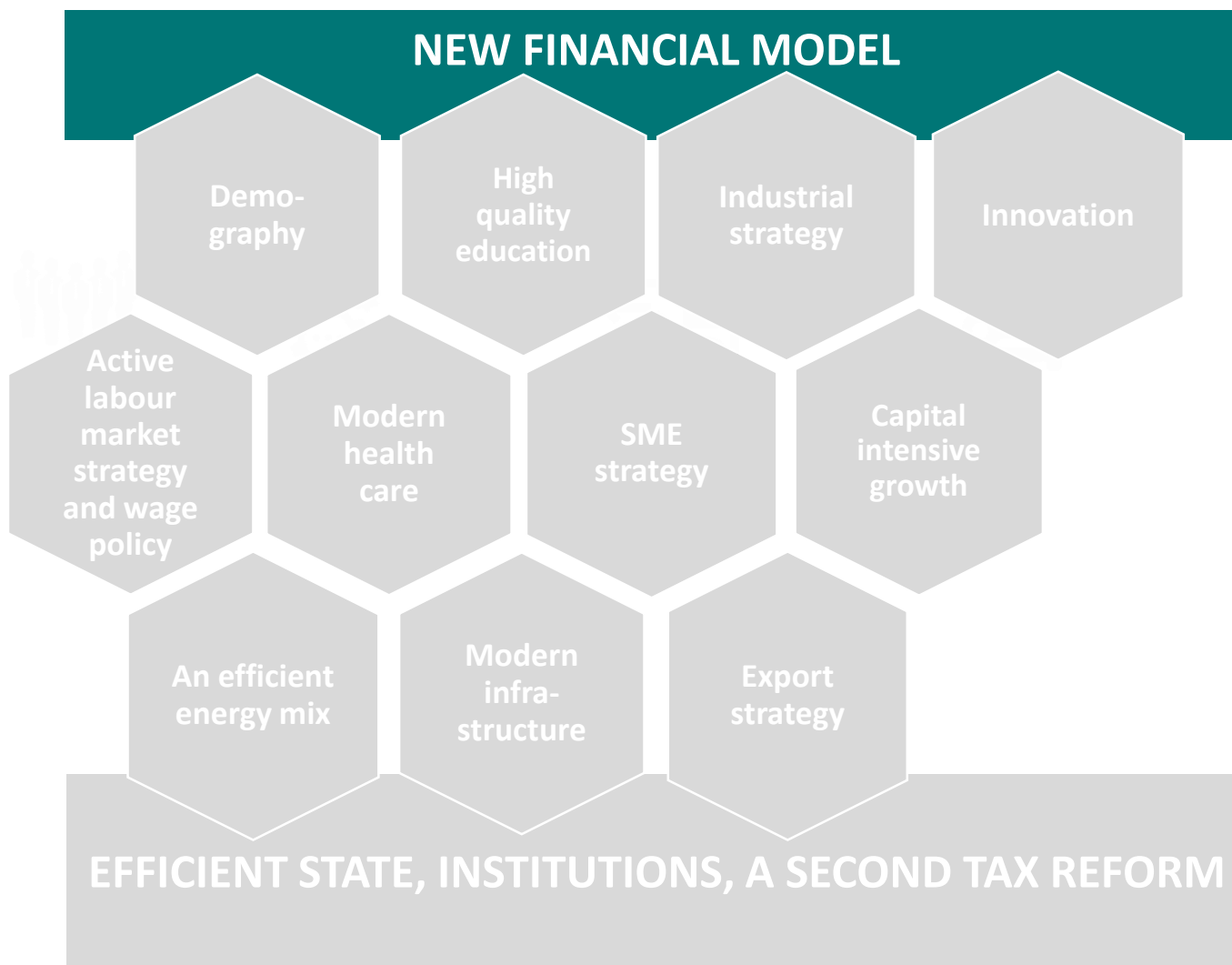
4

Application of higher thermal insulation on walls

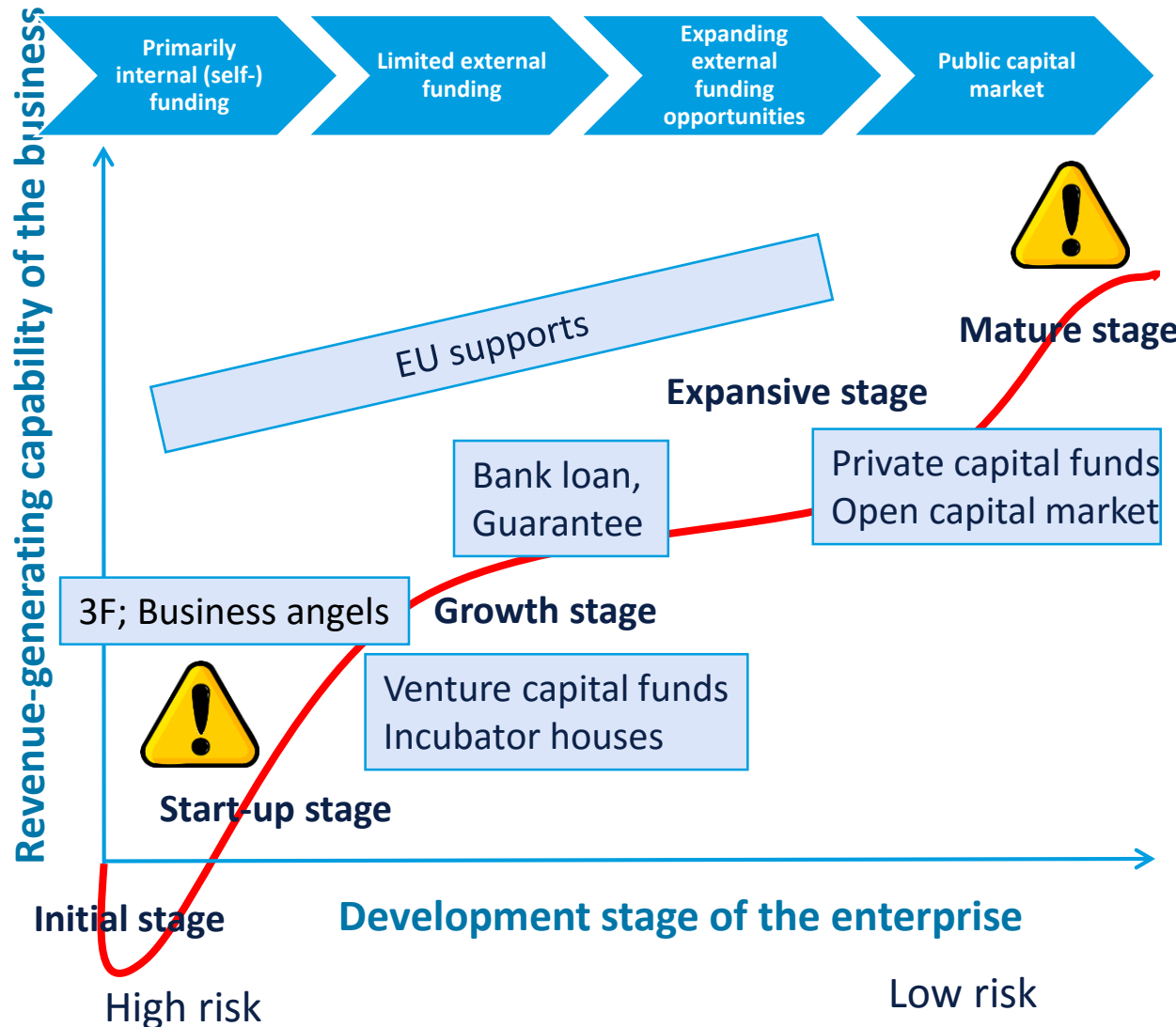
5

Increasing the ratio of environmentally sound energy sources





# ASSESSMENT OF THE SITUATION: RESOURCES ADAPTED TO THE LIFE CYCLE OF COMPANIES ARE NEEDED



- In the early stage the scope of available resources is narrow
- The growth and development opportunities are limited by the high interest rate spread, especially for small loans
- Inclination to financing and opening to more risky clients
- Less EU support will be available after 2020
- In the mature stage a competitive capital market providing the alternative is missing

# MAIN OBJECTIVES:COMPETITIVE FINANCIAL SYSTEM



Special financing sources, supporting environment, exchange of experiences, competences

Development of start-up companies

While increasing efficiency, reduction of surcharges, wider availability of credits

A more competitive banking system

It is important to assist more risky but viable companies with obtaining funding

A more efficient system of guarantees

The capital market should be a competitive alternative for companies wanting to obtain funding

A stronger capital market

# PROPOSALS: DEVELOPMENT OF START-UP COMPANIES



1

Support to clusters, cooperatives and other forms of association

2

Encouragement of angel investments by tax benefits

3

Advanced courses and training to investors. Development of financial, digital, language, marketing and sales competences

4

Broad communication of state-sponsored programs, opportunities

# PROPOSALS: IMPROVEMENT OF THE COMPETITIVENESS OF THE BANKING SYSTEM



5 Reduction of residential surcharges

6 Wider availability of credits

7 Development and deepening of digitalisation

8 Improvement of efficiency

9 Increasing the willingness of banks to lend, opening to more risky customers without jeopardizing financial stability

## PROPOSALS: IMPROVEMENT OF THE EFFICIENCY OF THE GUARANTEE SYSTEM



10

“Reverse” suretyship process, where the guarantee institution will do the rating before applying to the bank for a loan

11

Targeted loosening of the entry (“KO”) criteria, more flexible guarantee percentage.

12

Banks' commitments for the rate of risky placements, guarantee allocation based on additionality (PD/LGD)

13

Shouldering of certain banking processes, reduction of costs

14

Concerted marketing for the promotion of the guarantee



**15** Launch of a trading platforms specialized for SMEs

**16** Opportunity of investment into targeted funds/portfolios, with state participation

**17** Involvement of funds by bond issue, “packaging” of minor issues for efficiency

**18** Deepening of financial literacy



THANK YOU  
FOR YOUR ATTENTION

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