

# GUIDELINES TO A SUSTAINABLE FUTURE

How can Hungary contribute to the achievement of the sustainable development goals?

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# WELCOME

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“As a by-product of the unprecedented technical and economic development of the 20th century, the exploitation of the environment has led us close to the end of the Earth’s resilience and the biological conditions essential for human existence. To be able to make an escape forwards, we need to recognise the limited availability of natural resources and to promote development based on recovery, which requires not only the protection of the resources but also reconsideration of social distribution, economic drivers and the conditions of human well-being. This publication offers a guide for Hungary’s sustainability transition based on data and expertise.”

**Katalin Sipos**

NATIONAL COUNCIL FOR SUSTAINABLE DEVELOPMENT/MEMBER

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“The purpose of this publication is to introduce the objectives and messages of the National Framework Strategy on Sustainable Development in a clear and concise manner, without the complexity of technical texts, in an easily understandable but not oversimplified way. While the concept of “sustainable development” often seems vague, compliance with the criteria of sustainability is our most elementary interest because the proper promotion of sustainability today is the basis of prosperity in the future. We are presenting our objectives, tasks, results and remaining challenges until 2024 below based on the experiences collected through monitoring and analysis in the 6 years since the adoption of the Framework Strategy.”

**Gábor Bartus**

NATIONAL COUNCIL FOR SUSTAINABLE DEVELOPMENT/SECRETARY

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# NATIONAL FRAMEWORK STRATEGY ON SUSTAINABLE DEVELOPMENT (NFFS)

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The prosperity and success of every country depends on how solid foundations they laid for their social and economic activities: how stable is their population, how good is their education system, whether there are extreme inequalities, whether there is a high level of innovation, whether they have an abundant amount of capital goods and whether they adequately protect their natural assets.

The coordination of these tasks is the sustainability policy. In Hungary, the National Framework Strategy on Sustainable Development, adopted by the Parliament in March 2013, defines these strategic objectives and tasks and determines the roadmap for the transition to sustainability at national and global level.

The Framework Strategy concerns each and every person within the society because every decision on the level of individuals, families, businesses, civil organisations and the government should be made with sustainability in mind.

The Framework Strategy defines 34 strategic objectives and 77 tasks (instruments) for the four – human, social, natural and economic – resources until 2024. We will describe these objectives and tasks in detail below by dividing the activities into 12 groups.



# MONITORING REPORTS ON THE IMPLEMENTATION OF THE FRAMEWORK STRATEGY

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Beginning from the introduction of the Framework Strategy, a “monitoring report”<sup>[1]</sup> is compiled every two years, which monitors the national resources through indicators and qualitative analysis, reviews the decisions and actions promoting sustainability and updates the public on the progress made and the areas to improve.

[1] The monitoring reports are available for download at [www.nfft.hu](http://www.nfft.hu).

Excerpts from the third monitoring report (2017–2018):

*“(…), Hungary continues to face a sustainability crisis. None of our four national resources are thriving; the majority of the relevant indicators are not only below the EU average but also worse than in the countries of the Visegrad Group being similarly positioned historically and economically as Hungary. Whereas, today’s poor sustainability results lead to weaker social and economic welfare in the future....”*

# ACHIEVEMENTS IN THE SUSTAINABILITY TRANSITION SINCE 2013

- The number of children per family has grown significantly (it is expressed by the total fertility rate (TFR)).
- In 2011, TFR was the lowest ever recorded: 1.23. It then grew steadily until 2016, reaching 1.49 and remained at this rate until 2018.
- Reaching its highest value in 2013 (28%), the severe material deprivation rate significantly and constantly dropped, affecting one in ten people in 2018. At 10.1%, Hungary is still one of the worst performing countries in Europe but the progress made in half a decade is remarkable.

- The dominance of child poverty has vanished but the rate of poverty among children used to be 4 to 5 times higher in previous decades than among the elderly.
- Hungary has one of the highest fixed capital formation rates in the EU, which indicates the constant and significant increase of capital goods. In 2018, Hungary's fixed capital formation was 25.5% compared to the EU average of 20.5%.
- Employment has risen substantially. While the employment rate relative to the working age population used to be one of the lowest in the EU, Hungary managed to catch up with the EU average (73.7%) quite effectively by 2018 (71.9%).
- Since the adoption of the Framework Strategy (2013), Hungary's gross public debt to GDP ratio has steadily decreased.
- The value of 70.8% posted for 2018 is lower than the EU average (80%). By 2017–2018, the difference fell below 5 percentage points while the poverty rate went down in general in Hungary.

*In summary, out of the four dimensions of sustainability there were primarily two where significant improvements have been made since 2013: human resources (demographics, poverty) and certain areas within the economic resources.*

# OUR CHALLENGES WHERE SUSTAINABILITY HAS NOT YET BEEN ACHIEVED

- In the area of the increase of knowledge capital, Hungary is severely lagging behind both in terms of quantity and quality: young people in Hungary spend less time in education (compared with other countries in Europe) and are less able to use their competence and skills in practice.
- The health status of the Hungarian population is poor caused by the low level of health consciousness, the high prevalence of behaviours adversely affecting health, high environmental risks (e.g. air pollution) and the low efficiency of the healthcare system.

- We relatively fall behind in the field of social capital (compared with the other EU countries) as well: the activity level of civil organisations is lower, the level of trust toward other people and our institutions is weaker and the corruption rate is high.
- We keep destroying and losing our natural resources.
- Between 2008 and 2018, there was no improvement in the natural resource productivity of our economy (rating as the worst performing country in the EU) and we have been using more and more natural resources to support the economic growth that began in 2013.
- Our performance at minimising climate change, that is reducing greenhouse gas emissions is good compared to 1990 but our emissions rate has slightly risen since 2013. In the last decade, Hungary was the third most active country within the EU to increase man-made land cover, that is to reduce the rate of biologically active areas.

*While the gap between Hungary and the EU has been widening especially in natural resources and the social capital within the four dimensions of sustainability since 2013, there are huge challenges in education and health within the human dimension as well.*

# RECOMMENDATIONS FROM THE MONITORING REPORTS TO IMPROVE THE SUSTAINABILITY TRANSITION

- The promotion of value-based, value-preserving and ethical behaviour, mutual and strong trust among the members of a nation, the promotion of health, personal fulfilment in a community, personal responsibility, the emphasis of positive values and the acquisition of knowledge should play a critical part in the transition towards sustainability.
- The institution of preliminary sustainability assessments should be introduced in order to improve the long term impacts of public policy decisions.
- Sectoral policies should be constantly reviewed in order to promote the achievement of the objectives and philosophy of the Framework Strategy.
- A sustainability shift, and simultaneously a change in our economic policy direction, is required in the short term in order to protect our natural heritage and to improve the quality of education.



# THE 12 POINTS OF NATIONAL SUSTAINABILITY

The 34 strategic objectives and the assigned 77 tasks of the National Framework Strategy on Sustainable Development may be divided into 12 groups. These groups were designed to offer the clearest and most readily comprehensible topic groups where all of the strategic objectives may be incorporated.

Even the title of these areas has been chosen to indicate the related challenges and tasks but these groups are in no way substitutes for the detailed analysis and data presentations of the Framework Strategy and the Monitoring Reports.

“The 12 points of national sustainability” is meant to serve as a summary of equivalent worth of the strategic objectives and tasks highlighting the most important data and messages. The presentation of the Framework Strategy in 12 points could be useful for those who would like to obtain a deeper understanding of the various dimensions of sustainability and become active participants of the sustainability transition in their own profession, work (business sector, education or local governments) or in their everyday lives. Below, we will describe the key objectives and challenges of these 12 areas, which encourage every person within the society to come together and cooperate.





# 1. STABLE POPULATION

To maintain stable population demographics in the long term, societies need to avoid sudden population explosions and steady population declines as well. Hungary has been fighting against the decline in its population for four decades. Actions to improve the demographic stability include the promotion of family values, childbirth and child-rearing, the reduction of migration from Hungary and the establishment of immigration policy. (Furthermore, the increase of life expectancy at birth – it is included in a dedicated objective.) The improvement of family values is indicated by the rise in the number of marriages, the number of children born in wedlock and the decrease in the number of divorces. Between 2013 and 2016, the total fertility rate grew significantly but it remains substantially below the population replacement rate. This means that the population continues to decline, also explained by the steady reduction in the number of women of childbearing age and high mortality rates. While the rate of migration from Hungary has fallen and the rate of people returning to Hungary has slightly risen in the last few years, Hungary remains severely affected by the high rate of young university graduates within the people migrating from Hungary. Measures essentially required to minimise migration from and encourage people to return home include the increase of wages paid in Hungary, the availability of scholarships and the introduction of further incentive programmes. Compared to overall European rates, immigration into Hungary remains low.

## Similarities with the international Sustainable Development Goals (SDGs):

1 – no poverty  
8 – decent work and economic growth  
17 – partnerships for the goals



## INSTRUMENTS

“Marriage Week”, Year of the Family (2018), extension of the Family Housing Allowance (CSOK) Scheme, increase of the capacity of day care facilities and preschools, expansion of the fertility treatment programme, financial and legal support for child adoption. Minimum wage raise, increase of market wages. Initial action to align the wages of public servants. Adopted Migration Strategy, Integration Strategy in the development phase.



## 2. QUALITY EDUCATION

The most reliable, sustainable way to a better life is the constant increase of the knowledge capital. Higher levels of knowledge support innovation and through that the improvement of economic performance, help protect the environment, contribute to the widespread adoption of health consciousness and promote almost every other areas of sustainability. The increase of the knowledge capital depends on the time spent in formal education and the quality of education (who are the teachers and what methods do they use). The Framework Strategy aims to improve both of these factors: it promotes the increase of the period of formal learning, the reform of teacher training, the improvement of the prestige of teaching and the reduction of the selective nature of Hungary's education system. The acquisition of new knowledge and the problem solving skills of the students have declined in the last few decades and continue to be below the EU average. The 2018 PISA assessment shows that over 25% of the Hungarian students are functional illiterates. Compared to the average wages of tertiary graduates, the income of teachers is low leading to shortages in teachers in many schools. A further problem is that high achieving young people scarcely choose teaching as a career. The early school leaving rate has been higher than the EU average since 2013. As the steady growth of the rate of the students in tertiary education was disrupted in 2015 and a lower number of students attended higher education institutions in the 2018/2019 academic year, our progress to meet the indicative target of 40% defined by the EU by 2020 slowed down.

### Similarities with the international Sustainable Development Goals (SDGs):

1 – no poverty  
4 – quality education  
17 – partnerships for the goals



### INSTRUMENTS

The education system reform has begun. A number of differentiated programmes (talent management, programmes supporting Roma students etc.) were launched to improve teaching performance. Government spending on education relative to GDP grew and the increase of teachers' wages began in a multi-step process between 2013 and 2017. In order to support disadvantaged children, the government introduced mandatory preschool education in 2015. The government adopted a strategy against school leaving without qualification, which was supported through EU financed programmes in 2015 and 2016.



# 3.ACTIVE, HEALTHY SOCIETY

A key pillar of our national sustainability is an active and healthy society. While 80% of the Hungarian adult population claim that one of the most important ways to promote good health is to actively pursue a healthy lifestyle, this hardly happens in reality. Adverse health effects caused by poor environmental conditions are not yet sufficiently addressed, the improvement of the health status of the public has not yet become a common interest, there are no environmental health monitoring systems and programmes to improve environmental conditions are still lacking. Despite a decline in deaths caused by diseases in Hungary, our indicators are very poor compared with indicators from the EU. The rate of cardiovascular diseases, cancers, musculoskeletal disorders, mental and behavioural disorders and injuries is outstandingly high. The healthcare infrastructure remains underdeveloped and the emigration of healthcare workers to foreign countries continued. These trends, phenomena have all some negative impact on mortality rates.

## Similarities with the international Sustainable Development Goals (SDGs):

- 1 – no poverty
- 2 – zero hunger
- 3 – good health and well-being
- 4 – quality education
- 6 – clean water and sanitation
- 9 – industry, innovation and infrastructure
- 17 – partnerships for the goals



## INSTRUMENTS

Enhancement of the prevention capacity of basic health care, involvement of pharmacists in health development activities, healthy food programme in public catering services in schools, actions to reduce smoking. Improvement of screening programmes launched previously (colorectal screening by family doctors, cervical screening by health visitors), better access to available medical tests (cancer tests) and infrastructure developments, enhancement of basic healthcare services (new regulations, new sources of funding), improvement of health care management.



# 4. KNOWLEDGE-BASED SOCIETY

The ideas of the knowledge-based society and the more efficient use of knowledge within the society and in the economy dominantly refer to the more efficient, practice oriented use of existing systems, methods and knowledge. While Hungary's innovation performance remains below the EU average, the efficiency competence of large corporations controlled by foreign owners is not transferred across companies with Hungarian owners, mostly due to the lack of professionals skilled to adopt innovations. School studies should include much more opportunities for students to obtain corporate/market experience and practice. As a comprehensive goal, students should have skills and competence at the end of their studies beyond the core competencies that facilitate further development in their career and lifelong learning. This goal is promoted through dual vocational education and training: the restructuring of the secondary school system led to a stronger vocational education and training system, students in secondary vocational schools are required to take school-leaving exams in their vocational subjects and the social status of skilled workers in general improved. It is crucial to further promote innovation and the innovation capacity within the society.

## Similarities with the international Sustainable Development Goals (SDGs):

4 – quality education  
 8 – decent work and economic growth  
 11 – sustainable cities and communities  
 12 – responsible consumption and production  
 13 – climate action  
 17 – partnerships for the goals



## INSTRUMENTS

The government introduced the dual training programme, renewed the secondary education system and supported the knowledge transfer between higher education and businesses through EU funding. Companies had access to the Fund for Growth and the Market-based Lending schemes to promote innovation and growth.



# 5. EQUAL OPPORTUNITIES

Allowing people to harness their talents and fulfil their potential to benefit others is in the best interest of every society. This allows individuals to realise their full potential and provide for a wide variety of services enhancing welfare available to others. Actions promoting equal opportunities encompass the reduction of the selectivity within the education system and the decrease of poverty and social exclusion.

Hungary's education system is the second most selective across all OECD countries and schools are unable to reduce the social differences between students. However, the growing rate of children attending preschool is a positive improvement resulting from the statutory obligation and the increased capacity of preschool facilities. The rearrangement of the social structure is clearly reflected by the steady decline of the rate of poverty and social exclusion since 2013: in 2018, 19,6% of Hungary's population was exposed to poverty or social exclusion, which is a significant improvement of 6 percentage points compared to 2017. While the dominant exposure of children to poverty vanished, the risk of child poverty remains high but the gap between child and adult poverty is not as wide as before. Despite an enormous improvement in the severe material deprivation rate, the proportion of these people remains high compared to other EU countries.

## Similarities with the international Sustainable Development Goals (SDGs):

- 1 –no poverty
- 2 –zero hunger
- 3 –good health and well being
- 4- quality education
- 5 –gender equality
- 6 –clean water and sanitation
- 7 –affordable and clean energy
- 8 –decent work and economic growth
- 10– reduced inequalities
- 11– sustainable cities and communities
- 16– peace, justice and strong institutions
- 17– partnerships for the goals



## INSTRUMENTS

Public employment programme, reduction of the debt burden, rise of income from work, educational policy focusing on desegregation, integrated education of Roma and non-Roma children, mandatory preschool education, preschool development programme and increase of capacity.



# 6. SOCIAL COHESION

In order to increase the human capital, the infrastructure of trust should be further reinforced, to improve trust between the people and towards institutions, transparency should be enhanced, the amount of easily accessible information should be raised and the opportunities of stakeholders to be engaged in decision making should be expanded.

Within the Hungarian society, the culture of cooperation and the values promoting sustainability should be reinforced.

Another key component of social cohesion is the promotion of opportunities for people to engage in productive work and the reduction of the rate of people living in unemployed households.

Higher employment rates helped reduce the risk of more people facing extreme poverty.

This social process contributed to the decline of the number of people living in severe material deprivation.

## Similarities with the international Sustainable Development Goals (SDGs):

- 1 –no poverty
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- 16– peace, justice and strong institutions
- 17– partnerships for the goals



## INSTRUMENTS

Public employment programme, reduction of the debt burden, rise of income from work, substantial raise of the minimum wage, free food for children in need in preschool facilities, integrated children programme, mandatory preschool education, complex developments to remove disadvantages faced by people living in segregated areas, micro-regional work start model programmes



# 7. GOOD GOVERNANCE, INCLUSIVE SOCIETY

“Good governance” is an essential instrument for the increase of the social capital, which entails trust, the rule of law, anti-corruption approach and security as its key features. Hungary remains in the lower middle section among European countries with trust levels below the EU average. Trust is diminished by the occurrences of rent seeking, abrupt changes in laws and regulations (frequent restructuring of institutions and changes in duties and powers) as well as by the rhetoric of political public discourse and political communication causing polarisation. While measures introduced to eliminate the grey/black economy led to reduced tax evasion, rent seeking continues to have a fundamental impact on the Hungarian economy, constantly fostered by the high number and selectivity of EU grants, the excessive degree of central redistribution and the placement of certain services under government control. Every year, Hungary’s government spends public funds worth nearly HUF 1900 billion on public procurement. Gratuity remains an unavoidable concern in the health sector.

## Similarities with the international Sustainable Development Goals (SDGs):

- 1 –no poverty
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- 5 –gender equality
- 6- clear water and sanitation
- 7 –affordable and clean energy
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- 10– reduced inequalities
- 11- sustainable cities and communities
- 16– peace, justice and strong institutions
- 17- partnerships for the goals



## INSTRUMENTS

Trust building dialogues in interest type groups, generation and adoption of action plans on corporate social responsibility, adoption of the National Anti-corruption Programme, electronic road freight monitoring system (EKÁER), extension of the mandatory use of online cash registers, modification of the public procurement law to include stricter requirements.



## 8. DISSEMINATION OF THE SUSTAINABILITY VALUES

Parties that play an important role in the dissemination of the sustainability values are educational and cultural institutions as well as (also called “intermediary”) organisations. The number of civil organisations is lowering in Hungary. The preservation of our heritage and the strengthening of our national identity are promoted to an increasing extent through funding and support for Hungarians living and Hungarian organisations located outside of Hungary intending to allow Hungarians living beyond the borders of Hungary in larger enclaves or in dispersed communities to stay in their home countries and to strengthen the Hungarian identity of the diaspora focusing mostly on Hungarian language education, vocational and other training, NGOs and businesses run by young people and families outside of Hungary. While there has been remarkable progress made in the development of cultural institutions, certain areas in the protection of the cultural heritage (such as the protection of the built heritage and landscape protection) have experienced some negative trends lately. As a positive outcome of Hungary’s consistent sustainability policy, a network of “Green Kindergartens” and “Eco-Schools” started to develop with their number and level of coordination constantly rising. Due to the long years of their consistent efforts, these institutions have become one of the main pillars of awareness raising. In addition to this, the demonstration and communication of good examples together with the creation of responsible media platforms require continuous commitment and support.

### Similarities with the international Sustainable Development Goals (SDGs):

3 – good health and well-being  
 4 – quality education  
 5 – gender equality  
 6 – clean water and sanitation  
 7 – affordable and clean energy  
 10 – reduced inequalities  
 11 – sustainable cities and communities  
 12 – responsible consumption and production  
 13 – climate action  
 14 – life below water  
 15 – life on land  
 16 – peace, justice and strong institutions  
 17 – partnerships for the goals



### INSTRUMENTS

The two permanent channels through which public funds continue to be provided to civil organisations are the National Cooperation Fund and 1% of the personal income tax dedicated by tax payers for special purposes. To stimulate the activities of Hungarian communities in foreign countries, the Kőrösi Csoma Sándor, the Petőfi Sándor Programmes and programmes to support vocational education and training in foreign countries were launched. The budget of the Bethlen Gábor Fund established to support organisations located outside of Hungary is also rising. A number of government and civil programmes have begun lately such as the “Warm Homes” and the “Smart Heating” programmes. New programmes include the “WasteLess”, LIFE, BISEL and trainings related to climate protection.



# 9. PROTECTION OF NATURAL CAPITAL

Our future well-being and prosperity importantly depends on the protection of our natural capital, the preservation of biodiversity, the integrity of the typical ecosystem services of the Carpathian Basin and the prevention of climate change. Nature provides for the biological conditions of human existence and supplies the essential raw materials for our economic activities. However, we are exploiting, overusing our natural capital at an extremely fast pace. In terms of climate, Hungary has become highly vulnerable within the EU: the highest temperature records are frequently broken, droughts occur on a regular basis and one-fourth of the population live in areas affected by high risk of heat waves. The conservation status of two-thirds of the species in the EU's Habitats Directive is unfavourable or bad. The condition of habitats is even worse with 87% of the ecosystems rated as unfavourable. As the continuous monitoring of the natural capital assets and ecosystem services is currently unavailable, the observation of ecological constraints may only be assessed in an indirect manner.

## Similarities with the international Sustainable Development Goals (SDGs):

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# 9. PROTECTION OF NATURAL CAPITAL

Sustainable land use is also an increasingly pressing issue as two-thirds of the land in Hungary's territory have very limited ecological value (covered areas or arable land). The expansion of the built-up, residential areas seems practically irreversible; there are few good practices for the rehabilitation of brown-field areas; the failure to reuse land increases the demand for greenfield land which is scarce, which is counterproductive for sustainable development and sustainable land use. The current distribution of land use within the agriculture (the dominant rate of cropland) reduce ecosystem services while intensive production methods adversely impact soil fertility. The upturn in the domestic construction industry poses a risk for the protection of the natural resources. One of the most material-intensive industries is using steadily growing quantities of gravel, sand, cement and whitewash materials. As taxes collected in connection with material and energy use and contaminations are currently very low, the value of the use of natural capital should be correctly defined.

## INSTRUMENTS

Adopted strategic documents including the National Forest Strategy, the National Biodiversity Strategy, the National Climate Change Strategy, the Energy Strategy, the Kvassay Jenő Plan and the National Energy Efficiency Action Plan. The Soil Information and Monitoring System is fully functional. A number of programmes, campaigns have been launch to improve environmental awareness in households and families.



# 10. CIRCULAR ECONOMY

Hungary is the only country in the EU where the natural resource productivity, that is the amount of GDP generated per unit of direct material consumed, did not improve between 2008 and 2018. However, to maintain prosperity and to protect our natural heritage at the same time, we need to consume less and less material to improve the living standards. In other words, we manage to create a circular economy. Industrial symbiosis, biomimicry (nature-inspired technologies), blue economy, circular economy... What these all have in common is that they try to match the experiences and innovations generated in nature in millions of years with technologies developed by humans. The dissemination of sustainable production technologies and the sharing economy can promote the transition to the circular economy. The circular economy is also expected to reduce the exposure of humans to environmental damage. Risk of human exposure to particulate matter in ambient air (PM10) in Hungary is higher than the EU average: PM-related illnesses reduce the statistical life-time by over one year in Hungary. In Hungary, the sources of around 40% of the air pollution are coal and wood furnaces, the burning of garden waste and the use of illegal fuels (e.g. household waste).

## Similarities with the international Sustainable Development Goals (SDGs):

3 – good health and well-being  
 4 – quality education  
 6 – clean water and sanitation  
 7 – affordable and clean energy  
 9 – industry, innovation and infrastructure  
 11 – sustainable cities and communities  
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## INSTRUMENTS

The certification system for environmentally friendly products is fully functional. The EU's circular economy action plan and the SUP directive are expected to have a positive impact on the quantity of and management priorities related to waste.



# 11. SUSTAINABLE WORKPLACE

There is a growing interest in sustainable workplaces, also reflected by employee needs. The government developed the Family Friendly Workplace programme and dedicated 2018 to families under the name Year of the Family. There have been new initiatives launched for the corporate sector including the Family Friendly Company Award by the Three Princes, Three Princesses Movement. In the area of the reduction of business burdens and barriers, sadly, taxes and contributions payable by businesses remain high, primarily affecting SMEs. The tax wedge remains high, around 50%, which is one of the highest values across EU countries. To address this issue, the government performed the largest reduction in taxes in the EU in 2017, which continued in 2018. The employment is steadily rising, outperforming the V3 and the EU average for people aged 20 to 64. The number of people in public employment programmes and working abroad also positively contribute to this rate. The higher rate of employment is the result of increased demand for labour in the private sector, the larger number of people in public employment programmes and of Hungarian citizens working abroad, the raise of the retirement age and national policy and economic programmes.

## Similarities with the international Sustainable Development Goals (SDGs):

3 – good health and well-being  
 4 – quality education  
 6 – clean water and sanitation  
 7 – affordable and clean energy  
 9 – industry, innovation and infrastructure  
 11 – sustainable cities and communities  
 12 – responsible consumption and production  
 17 – partnerships for the goals



## INSTRUMENTS

Public employment programme, reduction of the debt burden, rise of income from work, desegregation education policy, integrated education of Roma and non-Roma children, mandatory preschool education, preschool development programme and the increase of capacity.



# 12. RESPONSIBLE ECONOMIC POLICY

There are two pillars in economic policy that promote sustainability: (1) prudent fiscal and monetary policy and (2) dedication of a reasonable portion of our national income to investments and the careful selection of the areas of investment. The government has pursued prudent budgetary policies in recent years to improve public debt and public fiscal balance. The budget deficit remains below the value of 3% as required by the Maastricht criteria; the public debt to GDP ratio went from 76% to 70.9% between 2016 and 2018. After a period of stagnation, the net financial wealth of households has massively grown in the last ten years while foreign direct investment is also rising (after a temporary decline) in Hungary. The value of gross fixed capital formation, the indicator reflecting investments, rose from HUF 6.96 billion in 2016 to HUF 10.72 billion in 2018. The investment rate is projected to stabilise at its current high rate of over 25%. It is important to add that the growth of the investment rate in Hungary exceeds both the average of the EU countries and all three Visegrad countries.

## Similarities with the international Sustainable Development Goals (SDGs):

1 – no poverty  
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 8 – decent work and economic growth  
 10 – reduced inequalities  
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# 12. RESPONSIBLE ECONOMIC POLICY

It is a top priority for the government to enhance financial literacy and incorporate it into formal education. To that end, the national strategy for the development of financial awareness was drafted in 2017, in harmony with previously launched programmes to disseminate financial and entrepreneurial information. Gradual restoration of generational balance, promotion of long term stability of the pension scheme are key components of sustainability. The pension payments to GDP ratio is lowering. Despite the higher rate of people at or older than the retirement age, the system dependency ratio fell, partly due to the reduced rate of people eligible for pension and to the higher rate of employment. Despite the constant decline of the old age dependency ratio, forecasts on the sustainability of the pension scheme expect a stable pension expenditure to GDP ratio and a stable deficit around 1% of the GDP for the next 40 years. In the meantime, the retirement of generations strongly affected by the problems of unemployment and inactivity requires actions against the increase of the old-age poverty rate.

## INSTRUMENTS

One of the most important elements improving the stability of the pension system was that the stricter criteria required for eligibility for pension payments before the full retirement age and the raises of the retirement age increased the real retirement age by 5 years. The government has adopted stricter criteria for eligibility for elderly care, which also helps improve the stability of the system but in Hungary there is much higher demand for these services than the available care giving system is able to meet at present. The improved system of cash grants to families has also contributed to the reduction of child poverty while the risk of child poverty remains high. SMEs had access to the Fund for Growth and the Market-based Lending schemes promoting their growth. The Development Programme for Small-sized Farms, launched in 2011, continued, to which the Farming Village Programme was added in 2015. The government introduced prudent fiscal policies to improve public debt and public fiscal balance. The promotion of the public's financial literacy has been defined as an objective by the government (National Youth Strategy), the State Audit Office (engagement) and the Central Bank (Social Responsibility Strategy).

