Second Monitoring Report on the National Framework Strategy on Sustainable Development 2015–2016

Annex 2

Status report on Hungary based on the Sustainable Development Goals of the United Nations

This annex is the extract, summary of the monitoring report following the structure of the system of the Sustainable Development Goals adopted by the UN's General Assembly in September 2015.

Status and trend symbols:

	**Good status** (in absolute or relative terms) and **no downward trend**
	**Above-average status** (in absolute or relative terms) but **further measures are needed** to achieve long term sustainability
	**Poor or below-average status** (in absolute or relative terms) but **upward trend**
	**Poor status** (in absolute or relative terms) and **not improving** (unchanged or declining) **trend**
N/A	**Insufficient data for assessment**
N/R	**Not relevant**

	**1 End poverty in all its forms everywhere**	
	The rate of poverty and social exclusion had gradually grown (from 2008) until 2013 but has continued to fall since then every year. The rate of population exposed to poverty or social exclusion fell by 8.5 percentage points from 2014 (31.8%) to early 2016 (26.3%), which is the lowest value in the last 10 years. While this improvement is primarily the result of the lower rate of people living in severe material deprivation, the rate of severe material deprivation remains extremely high compared to other EU countries, despite this positive trend.	

	**2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture**	
	The most striking change happening between 1990 and 2016 was the immense rise of areas removed from agricultural production – from 11% to 20% –, which is almost entirely the result of the growth of residential areas and infrastructure. The share of the various land use methods has not changed significantly either between 2013 and 2016; cropland having the lowest ecological value has the highest share (47% of the total utilised area). Soil fertility is declining in Hungary as well due to the intensity of the agricultural activities. Agriculture is on average affected by an unsustainable level of technology development: the proportion of organic farmland is the lowest in the EU (2.3%) and the populations of farmland birds are substantially decreasing (83.2% compared to 1999).	

	**3 Ensure healthy lives and promote well-being for all at all ages**	
	Principal progress toward this strategic objective has not been made. Life expectancy at birth is nearly 5 years lower than the EU average. In the area of deaths preventable by optimal medical care, Hungary is positioned as one of the last countries in the EU. One-fourth of deaths in people under 65, 8600 cases, could have been avoided by optimal health interventions. The healthcare infrastructure remains underdeveloped and the emigration of healthcare workers to foreign countries continued. These trends, phenomena have some negative	

	impact on mortality rates. The principal causes of the loss of healthy life years are the diseases of the circulatory system (21%), cancer (20%), musculoskeletal disorders (10%) followed by mental and behavioural disorders and injuries (9%).

	**4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	
	The acquisition of new knowledge and the problem solving skills of our students continued to deteriorate and remain below the EU average while students have improved in reproducing the information learned at school. Students' abilities to practically apply their knowledge are declining; according to the 2015 PISA test, over 25% of the students are functional illiterates (performing below level 2). The rate of early school leavers has further grown; while Hungary's indicator had been below the EU average until 2013, it has been above it since 2013. The constant growth of the rate of the students in higher education was disrupted in 2015 and decreased in 2016 (33%) slowing down our progress to meet the indicative target of 40% defined by the EU by 2020 and positioning Hungary in the last 30% internationally. However, the growing rate of children attending preschool is a very positive improvement resulting from the statutory obligation and the increased capacity of preschool facilities. Our education system remains very selective being the second most selective across all OECD countries. One of the problems is that many parents decide to transfer their children to a different school based on their performance at a young age leading to the continued presence of quality gaps between schools. One of the areas where Hungary fares the worst across the OECD countries is the ability of schools to reduce differences in social backgrounds. Wages paid to teachers – particularly to fresh graduates – remain low leading to staff shortages in many schools.	

	**5 Achieve gender equality and empower all women and girls**	**N/A**
	In Hungary's public policy mandate system, the improvement of gender equality is addressed in other strategies; the Framework Strategy does not include a related specific sustainability objective. Based on relevant UN indicators, Hungary is above the global and the EU average in the field of gender equality while ranking quite low on the UN's human development index primarily explained by the very low rate of female representation in economic and political power. In other areas, gender disparities are on the level of the European average and the issues defined in the UN's targets 5.3 and 5.6 are not relevant.	

	**6 Ensure availability and sustainable management of water and sanitation for all**	
	Hungary has abundant supplies of water even in European comparison. The share of communities with waste water collection services is constantly rising simultaneously with the rate of households supplied with waste water treatment services. Based on quality criteria of surface waters, Hungary ranks in the middle among EU member states by aggregate values for surface water bodies. Hungary is among the first third of countries based on ecological status. Out of our large lakes, the ecological and chemical status of Lake Balaton, Lake Fertő and Lake Velence is good. Water bodies classified as poor, i.e. where withdrawals cause constant decrease in water reserves, are traditionally critical issues in Hungary's water management. Meteorological changes combined with the extraction of groundwater exceeding natural replacement and water extraction due to mining threaten the condition of shallow water bodies. One of the most critical water quality problems in Hungary is eutrophication. As the current structure and soil management practices of Hungary's agriculture representing a high proportion of land use nationally do not support water retention, they significantly contribute to the high frequency of droughts and floods.	

	**7 Ensure access to affordable, reliable, sustainable and modern energy for all**	
	Our energy intensity relative to GDP had halved in 15 years until 2013. This represents lasting and significant detachment with the change of primary energy use in Hungary. Meanwhile, the energy consumption started to rise from 2014; the former positive trend in energy intensity turned into stagnation; the year-on-year growth of primary energy demand in 2015 (5.8%) significantly exceeded GDP growth (2.9%) interrupting – hopefully only temporarily – decoupling. Based on the current trends, we are making great progress to meet the 14.65% requirement of the RED Directive as the rate of renewable energy sources in the final energy consumption exceeded 14% in 2015. In the meantime, the use of renewable energy sources is low in Hungary compared to the EU average placing Hungary in the last third across EU member states. Renewable energy sources are disproportionately composed: four-fifth of our current subrate of 14% of renewable energy sources used is produced by the agriculture and over 50% are used in power plants and as firewood in households. Solar energy production in 2014 was below 60 TJ (0.008% of final consumption) while the use of wind power was around 2.9 PJ (0.4% of the final consumption). In the period between 2009 and 2015, the share of renewable energy in gross final energy consumption was only 6-7% placing Hungary ahead of Cyprus and Luxembourg only in the EU. Biomass used to produce energy in households causes further energy, social, ecological	

	and health problems related to PM10 generated by its use.

	**8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	
	Public debt as a percentage of GDP has continued and is expected to further decrease. The government deficit remained steadily and is projected to stay below 3% in the near future. While the current growth rate of Hungary's economy is around 2-3% (3.1% in 2015 and 1.9% in 2016), the pace of approaching the EU average has slowed down stalling at 67-68% of the EU average in recent years. The structure of the Hungarian economy, which is extremely open globally, has remained dual including mostly highly productive large multi-national companies and domestic micro and small-sized companies with poor productivity and low levels of added value. The number of employed people aged 15–64 years has increased by roughly 250 000 since 2014. The unemployment rate decreased from 7.8% in 2014 to 5.1% in 2016. In the meantime, one of the key problems preventing economic growth in Hungary is the inadequately educated workforce (identified as the most problematic factor in WEF GCI). The number of unqualified young people entering the labour market is rising causing difficulties in their livelihoods and restricting their job prospects (the employment of unqualified workers is below the average in Hungary). The highly skilled labour force is also affected by the emigration of younger generations and better qualified workers.	

	**9 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**	
	Research and development (R&D) spending relative to GDP remained unchanged standing at 1.40% in 2013 and 1.39% in 2015. Internationally low R&D spending does not only prevent Hungary to align its economic development with other countries but can also stimulate the migration of highly qualified workers to foreign countries. For several years, environmental investments have continued to represent around 3% of all the business investments.	

	**10 Reduce inequality within and among countries**	
	In Hungary, the rate of people living in relative income poverty had grown between 2007 and 2014 and then fell by 0.5 percentage point between 2014 and the beginning of 2016. Despite this decline, Hungary dropped in the ranking of EU countries but continues to report a better income poverty rate than the EU average. As in Hungary's public policy mandate system, the issue of reducing inequalities among	

	countries is addressed in the International Development Cooperation Strategy, it is not evaluated in the monitoring report on sustainability.

	**11 Make cities and human settlements inclusive, safe, resilient and sustainable**	**N/A**
	Although the monitoring report analyses many aspects that are related to this goal, it does that based on resources and sectors and the disaggregation of these data by human settlements is infeasible due to methodological reasons.	

	**12 Ensure sustainable consumption and production patterns**	
	Lower material consumption and Hungary's growing economy has led to an improvement in natural resource productivity (GDP/DMC) since the previous report but higher increase across the EU has caused Hungary to move away from the EU average. No regulations and more importantly taxes to stimulate a transition to the circular economy have been introduced. While technological developments significantly improving resource efficiency in industries with particularly high material consumption (agriculture, construction industry) were lacking, these sectors remain key participants of economic development programmes or grant schemes and their share in the economy may remain high. Despite the information campaigns organised in an ad hoc manner, the level of environmental awareness of Hungarian consumers remains low with decisions mostly driven by cheap prices.	

	**13 Take urgent action to combat climate change and its impacts**	
	Hungary's per capital greenhouse gas emissions are one of the lowest in the European Union. In the meantime, this result is not only due to some sustainable (improved energy efficiency) or sustainably questionable factors (high ratio of nuclear energy production) but also partially to a non repeatable one-off effect (the collapse of the Socialist economy at the regime change) and some trends not sustainable in the long term (the growing share of electricity imports). Meanwhile, preliminary data published show Hungary reporting a 6% rise in GHG-emissions from 2014 to 2015, which is the highest rate in the European Union.	

	**14 Conserve and sustainably use the oceans, seas and marine resources for sustainable development**	**N/R**
	Not relevant due to Hungary's geographic location.	

	**15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss**	
	Hungary has failed to use the leverage offered by the abundance of natural capital and biodiversity available in the Carpathian Basin compared to the EU average. The trends that have developed and the Western patterns we have adopted since 1990 encouraged the growth of anthropogenic land use at an increasingly fast pace and the associated loss of biodiversity. In contrast to our rich traditions in agriculture, soil fertility is degrading, the rate of organic farming is outstandingly low and the share of the various farming methods is precisely the opposite of the order of ecologically valuable farming methods. Similarly, the size of built-up areas (residential areas, industrial parks, commercial facilities, public road infrastructure) has considerably and steadily grown.	

	**16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**	
	Hungary is an outstandingly safe country where access to fundamental human rights, an independent justice system, institutions protecting fundamental rights and the rule of law is guaranteed. Constant violence, civil wars, open, regular aggression supported or tolerated by the government is unknown in Hungary. However, rent seeking and corruption is an issue, the regulatory environment often and hectically changes, the preliminary impact study of decisions is mostly formal, administrative costs are high (procedures are sometimes difficult and slow) and access to data of public relevance is occasionally needs to be obtained through special procedures. As a result, the level of general trust is one of the lowest across European countries and has been affected by a declining trend lately. On the list of the 10 most important obstacles to doing business, business leaders ranked (based on the survey of the World Economic Forum) corruption second, policy instability sixth and inefficient government bureaucracy eighth.	

	**17 Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development**	**N/A**
	As the targets related to this goal are mostly addressed in the International Development Cooperation Strategy, they are not evaluated in the monitoring report	

	on sustainability. No significant progress to achieve the nationally relevant **targets 17.14 and 17.17** has been made in Hungary. Awareness about the definition of sustainability adopted in the Framework Strategy and its application in the public administration and business decisions is quite rare and unsystematic. The objectives of the Framework Strategy have only selectively, inhomogeneously guided certain policy decisions and the commitment of senior business and political leaders to promoting the aspects of sustainability is predominantly low despite certain good examples. The institutional system of sustainability remains imbalanced: while many provisions of the Fundamental Law, the advocate of future generations, various advisory bodies (NCSD, the National Council for Environmental Protection, the National Competitiveness Council) and the sustainability directorate of the President's Office collectively establish a uniquely rich institutional system for sustainability in global terms, sustainability fails to be a strategic aspect in the executive branch, effective government coordination is lacking and the related parliamentary recommendation has only been formally but not efficiently implemented.