

Parliament Resolution No. 1/2014. (I. 3.) OGY

National Development 2030 - National Development and Territorial Development Concept

In order to protect sustainable development and the opportunities of future generations, specified in Hungary's Fundamental Law and to satisfy the requirements of long-term responsible management of our national resources,

- in view of the Hungarian and global challenges and international and common European sustainable development targets,
- in view of Hungary's future vision of becoming the economic and intellectual centre of Central and Eastern Europe by 2030 with a competitive economy that offers secure living to its residents and is based on the sustainable utilisation of resources, with a growing population, stronger communities, better quality of life and environmental status,
- considering that development and sustainability calls for balanced and coordinated preservation and development of all national resources (human, social, natural and economic resources), and therefore satisfying the requirements of sustainable development, represents tasks for each sectoral policy,
- and having regard to the experiences of extensive social

consultations, Parliament has adopted the following resolution:

1. Parliament has adopted the National Development 2030 - National Development and Territorial Development Concept (hereinafter: Concept) attached in the annex.
2. Parliament confirms that
 - a) the principles and strategic objectives of the Concept must be gradually reflected in legislation and sectoral political strategy and program building;
 - b) Parliament and the Government should adopt decisions in view of the measures and tasks recommended in the Concept whenever possible;
 - c) the Concept integrates the Hungarian development goals and objectives and defines their territorial dimensions, which also constitute the basis of the planning documents (partnership agreements, operational programmes) prepared for the 2014-2020 EU planning and budget period, and defines a long-term future vision, development policy objectives and principles for Hungary based on the country's social economic, sectoral and territorial development needs and in line with the EU 2020 Strategy and the commitments undertaken under the National Reform Programme.
3. Parliament confirms that in order to achieve the political objectives and priorities of national development and territorial development, the concept identifies horizontal principles, which are reflected in overall economic environmental and social aspects and which need to be enforced in the development policy, programme planning and implementation and that it also lays down principles for the absorption of resources within the framework of the development policy and for the classification of the beneficiary regions and settlements:
 - a) horizontal principles:
 - aa) inclusion – social cohesion,
 - ab) equal opportunities and strengthening the identity of nationalities,
 - ac) sustainable development - sustainable growth,
 - ad) value preservation and intelligent growth,

* Parliament approved its resolution during its session on 17 December 2014.

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- b) fund absorption principles:
 - ba) enforcement of national goals and priorities,
 - bb) any use of public funds should result in public benefits,
 - bc) partnership and community participation,
 - bd) access to employment,
 - be) quantitative and qualitative preservation of natural resources, preservation and improvement of the status and values of the environment,
 - bf) utilisation of the produced values for the local community, beneficiary principle,
 - bg) funds allocated to territorial development beneficiaries, more specifically for the development of the most disadvantaged sub-regions and settlements should be used according to specific support rules,
 - bh) projects, preferred in terms of territorial development and submitted from most disadvantaged sub-regions and settlements need to be given preference during evaluation in order to promote cohesion,
 - c) principles of classification of beneficiary regions and settlements:
 - ca) the system must be coherent,
 - cb) only measurable, controllable and public indicators are acceptable, which are accessible by all stakeholders and are suitable for a dynamic comparison,
 - cc) the number of used indicators may not be increased without any limitation and only indicators, actually capturing the degree of development settlements and regions and differentiating their categories should be taken into account,
 - cd) the methods used for the calculation of the complex indicator must be simple and transparent in order to enable representatives of settlements and regions to easily control the classification.
4. In order to achieve the national future vision, Parliament sets out four long-term overall development objectives until 2030 in this Concept. The four objectives are dedicated to the whole society and economy, also including the relationship with society and economic environment and the environmental aspects. The overall goals aim at an economic and social turn, as specified below:
- a) value creating and employment providing economic development,
 - b) demographic turn, healthy and renewed society,
 - c) sustainable use of natural resources, value preservation and environment protection,
 - d) sustainable spatial structure based on regional potentials.
5. In order to achieve the overall objectives, Parliament confirms the thirteen specific objectives of the Concept, which consists of seven sectoral policy objectives and six territorial objectives. The specific objectives cover sectoral and territorial topics of national importance. The objectives are addressed to the whole economy, as well as to each sector, regional and local actor, and also outline the key points of development, on which medium-term - focused - development tasks may be based. In the course of building the national development and territorial development policy and achieving the objectives, Parliament applies the principles of the Concept and defines the specific objectives according to the potential breakthrough points and areas demanding a turn, as indicated below:
- a) specific goals for the sectoral policy:
 - aa) competitive, innovative economy,
 - ab) healing Hungary, healthy society, health and sports economy,
 - ac) viable countryside, health food production and supply, development of the food and processing industry,
 - ad) creative knowledge society, marketable skills, R&D&I,
 - ae) value aware and solidary self-caring society,
 - af) good state, service provider state and security,
 - ag) preservation and sustainable use of strategic resources, protection of our environment,
 - b) territorial specific objectives:
 - ba) increasing the macro-regional role of the country,
 - bb) a network of towns with a multi-centred spatial structure,
 - bc) increasing the population keeping capacity of rural regions,
 - bd) development of regions of outstanding landscape value,
 - be) reducing territorial differences, promoting regional cohesion and economy stimulation,
 - bf) interconnected spaces: accessibility and mobility.

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6. Parliament concludes that the primary framework of the development policy consists of the EU Cohesion and Rural Development Policy and the EU development resources available in the 2014-2020 programming and development period. Based on the national needs and specificities, the Concept sets out mid-term strategic focus points (between 2014 and 2020), which contribute to the implementation of the long-term objectives of the country. The national priorities are adjusted to the programming frameworks defined by the European Union, which must be applied in the course of national planning and implementation. The development topics identified under the national priorities also define the thematic areas of the 2014-2020 development programmes that form the utilisation framework of the EU resources, as indicated below:
 - a) patriotic economy, on the basis of small and medium-sized enterprises, in partnership with large companies,
 - b) turn towards full employment and knowledge-based society,
 - c) on the way towards resource and energy efficiency and energy independence,
 - d) demographic and community turn,
 - e) territorial integration, regional and local developments on the basis of the local economy.
 7. Parliament confirms that the 19 county self-governments of the country and the Municipality of Budapest as a regional municipality defined their own objectives, priorities and measures in their respective development plans by consistently applying the objectives of the concept as a mandatory framework.
 8. Parliament requests the Government to monitor the process of implementation of the objectives and priorities defined in the Concept and to prepare reports on implementation every three years, as well as propose reviews when required.
 9. This resolution enters into force on the first day after its disclosure.
 10. The following resolutions shall be revoked:
 - a) Parliament resolution No. 96/2005. (XII. 25.) OGY on the Development Policy Concept,
 - b) Parliament resolution No. 97/2005. (XII. 25.) OGY on the Territorial Development Policy Concept,
 - c) Parliament resolution No. 67/2007. (VI. 28.) OGY on the principles of territorial development support and decentralisation and the conditions of classification of beneficiary regions.

Signed: László Kövér,
Speaker of the Parliament

Signed: István Nyakó,
Recorder of Parliament

Signed: Dr. István Tiba István,
Recorder of Parliament

Annex to Parliamentary Decree No. 1/2014. (I. 3.) OGY

NATIONAL DEVELOPMENT 2030

National Development and Territorial Development Concept

*Prepared on the basis of Government Decree No. 1254/2012. (VII. 19.) Korm. on
the renewal of regional development policy and the elaboration of the National
Regional Development and the new National Development Concept*

PLANNING FRAMEWORKS

Function of the Concept

Starting out from the social, economic and sectoral and territorial development needs of the country, the National Development and Territorial Development Concept (NDTDC) **defines a long-term vision, and development policy objectives and principles**. On the basis of the above, it highlights the **national and policy centres of gravity of the development period of 2014-2020**.

Long-term directions and grounding of the development priorities for 2014-2020

Concept horizon

The **vision and target system** of the Concept cover the period until **2030**. Besides, **the Concept sets development policy priorities for the programming period of 2014-2020**. The latter matches the Europe 2020 Strategy of the European Union and the related programme funding period of 2014-2020.

Long- and medium-term messages

Legislative bases, antecedents

Act XXI of 1996 on Regional Development and Regional Planning provides for drawing up the National Development and Territorial Development Concept. The Concept sets the development objectives taking into account and synchronising the **development needs** and ideas indicated by the **ministries or state secretariats** in charge of the sectors and policies concerned, and by **the county municipalities and the capital**.

The NDTDC is the new development policy framework document of Hungary.

Domestic development policy linkages

The Concept is **aligned with the priority national strategic plan documents**; it defines a common development policy and territorial development direction for the various policies; it is linked to the **strategic plan documents**, and grounds the **planning and implementation of the – development-policy-oriented - policy programmes** designed to realise the priority national objectives. The Concept connects to the **implementation of development programmes funded by the national budget** through the development policy instruments.

European Union linkages

One of the main functions of the Concept is to **designate the domestic development and territorial development policy frameworks, objectives and priorities** and to **orient** the domestic development and territorial development policy integrated in and contributing to the EU 2020 Strategy and the **Common Strategic Framework** setting the framework objectives and framework rules of EU assistance policy for 2014-2020 at **EU level**. The development policy objectives and principles of the Concept represent the **conceptual background of the Partnership Agreement** to be concluded between the European Commission and Hungary for the use of the European Union funds in 2014-2020; the Concept **grounds the content of the domestic operational programmes** for the utilisation of the European Union funds for 2014-2020 and, moreover, it orients the utilisation of the **domestic resources allocated to development**.

NDTDC underpins the Partnership Agreement and the operational programmes

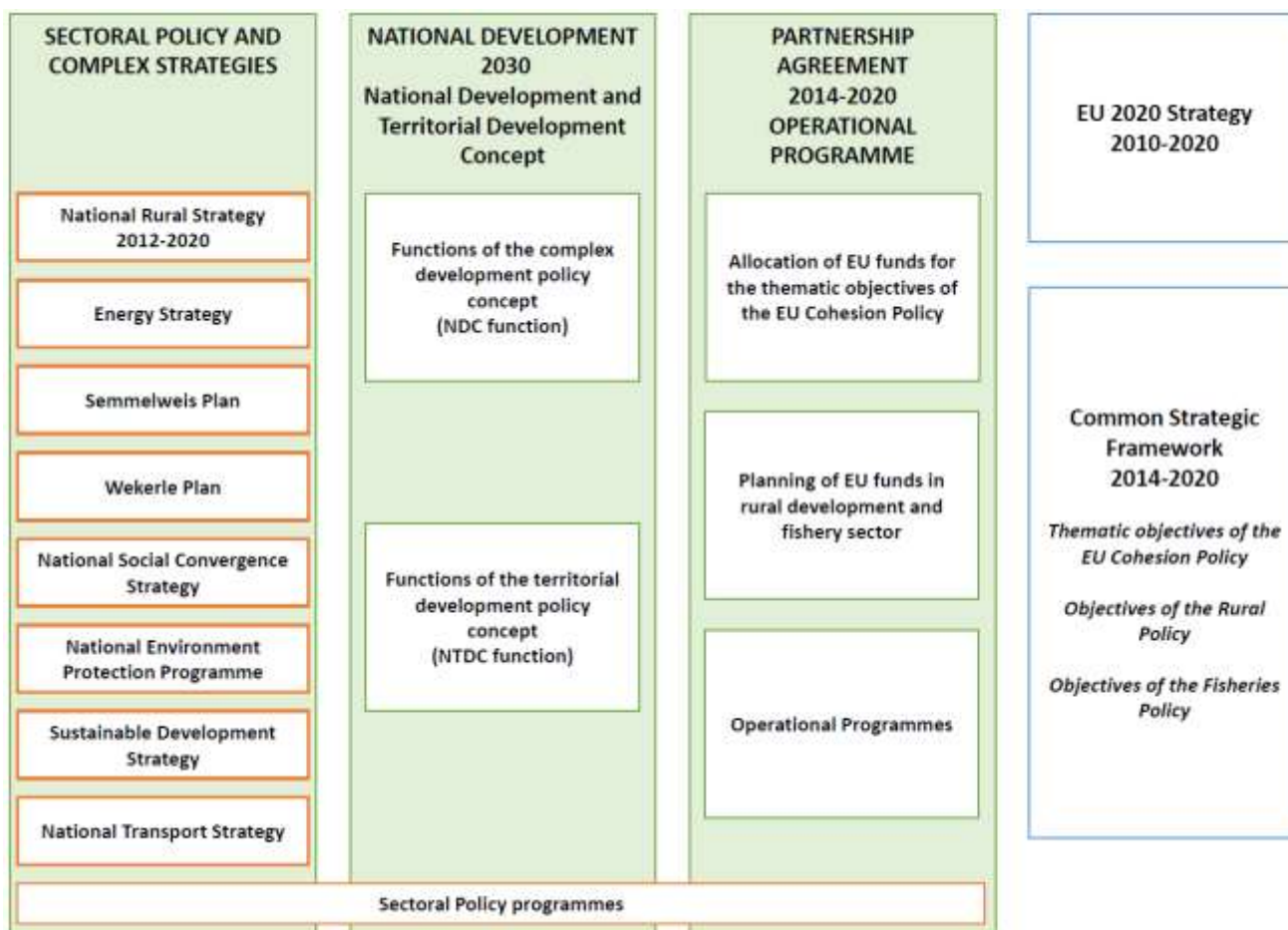


Figure 1: Linkage of the National Development Concept and Territorial Development Concept to EU programming

Assessment of the effects of the previous NTDC and NDC

The analysis of the territorial processes of the 2005-2009 period shows that the territorial development policy objectives have not been asserted sufficiently and the five comprehensive objectives until 2020 of the National Spatial Development Concept (NSDC) of 2005 and its seven national territorial objectives until 2013 have not been met time-proportionally. Moreover:

- not every principle and objective of the NSDC has been integrated into the sectoral and regional operational programmes of the NHDP (2007 - 2013 EU planning period); they have only been taken into account superficially, quasi as guidelines,
- the preparation of regional-level development concepts and programmes was less relevant in practice,
- the competitiveness of the regions has not improved; catching up came to a halt; the degree of spatial cohesion has not been satisfactory; the social disparities have increased, but the condition of the environment has improved gradually and the environmental impact decreased,
- the NSDC had little effect on sectoral planning and line policies because, all things considered, the sectoral and spatial contents reached the level of sectoral planning, of the strategies only partially and incompletely,
- the special region types and their respective targets defined in the NSDC were, for the most, not conspicuous in the sectoral policies and/or were practically not integrated into domestic development policy,
- the enforcement of principle of subsidiarity was hindered by the failure to delimit clearly the tasks and competences involving several territorial levels,
- spatial development policy could not assert fully the principles of efficiency and concentration,
- the principle of the spatial, landscape, approach was embraced in practice to a smaller extent; often, the specific projects did not match the local needs and potentials,
- the institutional system of spatial development was characterised by overlaps, duplications and low efficiency,

- the spatial planning system was not reformed; feedback and transparency were not realised,
- little spatial concentration and few special interventions tailored to specific areas were realised,
- the government intention needed for realising the spatial development policy objectives was missing,
- the relationship of the NSDC and the NDC remained unclear.

In consideration of the above and relying on experience accumulated in the previous terms, NDTDC, the new document based on national strategy, defines a realistic guideline for the implementation of an effective development policy.

1. Challenges and trends determining our development chances

1.1 Hungary's place in the world

In order to strengthen our position in the global environment and **to be successful in international competition, it is crucial to identify our potentials and build on them deliberately.** Hungary's geographic location has given its people a stormy history, favourable natural potentials, variegated external impacts and a set of diversified relations. These factors have contributed also to our development: as a gate area between the European and sometimes even the global large regions, cultural areas, our intellectual and cultural values and material assets have been enriched by tapping the most extensive sources. This has resulted in a **special and unique culture**, with many factors due to inner development, such as the county system and a settlement structure including small farms. All in all, Hungarian society has become individualistic, insisting on its proper traditions, but also inventive, often divided, yet inclusive. And, a population capable of building on its assets, but also willing to adjust, renew and develop in the modern world, will always have a future.

We can build on our geographical and cultural potentials

Our geographical location on the European continent makes several roles possible. Globally, we belong to the Transatlantic area; within the Transatlantic Area, we are Europeans, and within Europe sometimes Central, at others East Europeans. **Acting as a link between the decisive large ethnic groups, cultural and religious blocks is a traditional role that we can make use of.** As for our own region, Central Europe in the broad sense, we are bound to it by a community of interests and by solidarity rooted in the vital regional issues. Our connection with the European Union and the Transatlantic area is strengthened by contractual bonds and by our active participation in the functioning of the Union.

The role of meeting place in the heart of Europe has great potentials

Our natural values, although not outstanding in many respects, are nevertheless favourable on the whole. Central Europe and the Carpathian Basin within it are excellent places to live and also to pursue economic activities thanks mainly to the lack of extremities. Hungary has quality arable land that could secure the livelihood of even a much larger population than the current one, and our diversified traditional agriculture is well adapted to a system of production respecting the environment. The thermal and underground waters of the country are outstanding assets offering security and also excellent grounds for an extensive and profitable water cure culture, but also for energy production on quite a significant scale.

We have good natural potentials

Creative people ought to be our most prominent economic asset, but under the impact of the social traumas and distorted development of the 20th century, the traditional values focusing on creativity and inventiveness shifted in favour a new system that is less and less appreciative of diligence, performance and norm-abiding behaviour. Externally imposed social and ideological constraints hindered the recognition of our proper interests and values. **However, our colourful and variegated history actually demonstrates the possibility to be reinforced in our national identity and culture while being also helpful and supportive members of the European and global environment.** On the other hand, the cultural specifics, rich intellectual and cultural heritage, language, music and architecture of the country promote the development and preservation of cohesion and identity in the globalising world, while the development of our significant built heritage, modelled on the relevant international practice, i.e. focusing on the historical monuments and the values, in order to make it presentable and integrate it into tourism, will boost economic development.

Creative people are our most significant resource

1.1.1 Hungary's place in the world map: from buffer area to Central European meeting place

Hungary needs to design its geopolitical preferences and medium- and long-term development concepts in view of the fact that the country lies in the Carpathian Basin location and it is a Member State of the European Union, but also **in line with the global changes** experienced the world over. Global restructuring in the past years reshuffled the international power relations in line with the economic performance of the countries/country groups. The global political movements of our era are shaped mainly by the **economic advancement of the Asian continent** led by China and India, the **quest for solutions in the United States** and **crisis management in Europe**, a continent in relative decline, **stagnation**, and looking for the best ways of progress and integration. After the disintegration of the bipolar regime, globalisation among other things **irrevocably put the world on a course leading to multi-polarity**. In this context and considering its geopolitical potentials, Hungary may set itself one of the following strategic directions:

The global processes need to be taken into account in designing Hungarian development strategy

- Stronger **contacts with the West and with the Central European countries**; key areas:

North Atlantic area and the EU, its regions of growth	Country group of the Visegrád area	Our Carpathian Basin neighbours
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Our geopolitical orientation is shaped by the new power and economic order and trends

Objectives: to strengthen the established relationships, integrate into the supplier chains of the export-oriented Western countries scoring successes in the developed markets in order to ease the Hungarian capital and capacity shortage, consolidate the Central European economic centre area; exploit of the regional market opportunities of the Carpathian Basin, export services; identify new market niches and emerging market segments, promote the exports of technology- and knowledge-intensive SMEs.

- Within Europe, opening up to the **non-EU countries**; key areas:

The Balkans	Russia and Ukraine	Other CIS countries
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Objectives: to extend the foreign trade relations, deepen sectoral co-operation, join the modernisation programmes; make the Hungarian businesses exploit the economic growth potential.

- **Territories outside Europe**: deepening of the relations established with the emerging economies - Asian, Middle Eastern South American regions:

China, India	South Korea, Indonesia	Central Asia, Mongolia	Middle East and	South America Brazil, Chile, Argentina
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Objectives: to make Hungarian foreign trade and the international financial positions of the country more proportional; to channel the expansion of the emerging countries towards the EU, to attract investment.

Hungary's future lies in participation in networking and in its meeting point function

Strengthening the meeting-point function of Hungary is a key component of our geopolitical vision, since it means **the transition from being a buffer area**, the result of our geographical potentials, i.e. being part of Europe and located at the fault line of different cultures, **to becoming a Central European commercial, transportation and innovation hub of global relevance**, significant on a European scale.

Hungary's main strategic objectives:

- By 2030, Hungary will become one of the most competitive Central European countries in the areas considered its breakout points.
- It is unavoidable to create the Central European business gate area in the fields of the services, logistics and innovation:
 - **Eastern gate** of the innovation zone of **Western Europe**,
 - **Western gate** of the **Asian** economic force field,
 - centre of the **Central European** North-South economic and growth axis,
 - central position suitable for playing an important and essential role in the EU Strategy for the Danube Region.
- The geographical diversity of Hungarian foreign trade will be extended through the expansion of economic relationships with third countries.

For the sake of dynamic and lasting domestic economic growth it is essential to make the foreign trade and international financial relations more proportional relative to the current and new economic relationships. The **processes of globalisation**, the unfolding, but already visible new trends need to be monitored, and Hungary needs to adjust to them as fast as possible and in line with its potentials and economic objectives. To do so, as a precondition, Hungary must promote the dynamic growth in particular of the economy producing goods and services with **high innovation, knowledge and added value content**; use its natural and cultural heritage - in line with the relevant international practice - as a resource; lay the relevant bases and ensure the high-level management of the processes influenced by the market and the state.

It is hopeless to excel without knowledge and innovation

The restructuring of the global economy and the maturing of global cooperation bring about the **realignment of the global economic centres and the enhancement of urban competition at global level**. The regions and towns as venues both compete and cooperate with one another. The most competitive among them can adapt to the challenges of globalisation by exploiting their territorial potentials and by establishing functional networks. It is a priority task of Hungarian strategists and political decision-makers to ensure that Hungary should find the way to the network of towns acting as global, regional and other territorial centres. **It is highly important to be aware of the local potentials and to put them to use in innovative ways in the global economy, following the satisfaction of the local needs**. The most competitive settlements of the country should integrate into the various large regional urban networks through enhanced **collaboration and cooperation**.

We need to exploit intensifying global urban competition

Globalisation has widened the concept of accessibility. Global accessibility now comprises the quality infrastructure (transport and ICT), access to the basic raw materials, drinking water, information, the frequency and intensity of the existing relationships and also networking. **Accessibility in the global sense requires concerted local, regional and national development policies implemented through the cooperation of the public and the private sector**.

Accessibility in a new sense

Hungarian geopolitics should, in the meantime, pay attention to the **strategic concepts of the global company groups**, and identify their (potential) interfaces to the domestic objectives. These complex giant companies acting at global level are becoming increasingly powerful actors of the local and the global economy due to their capital- and investment-concentrating effects, and also the concentration of, mostly up-to-date (specialist), knowledge associated with their activity.

Cooperation with the global company groups is inevitable

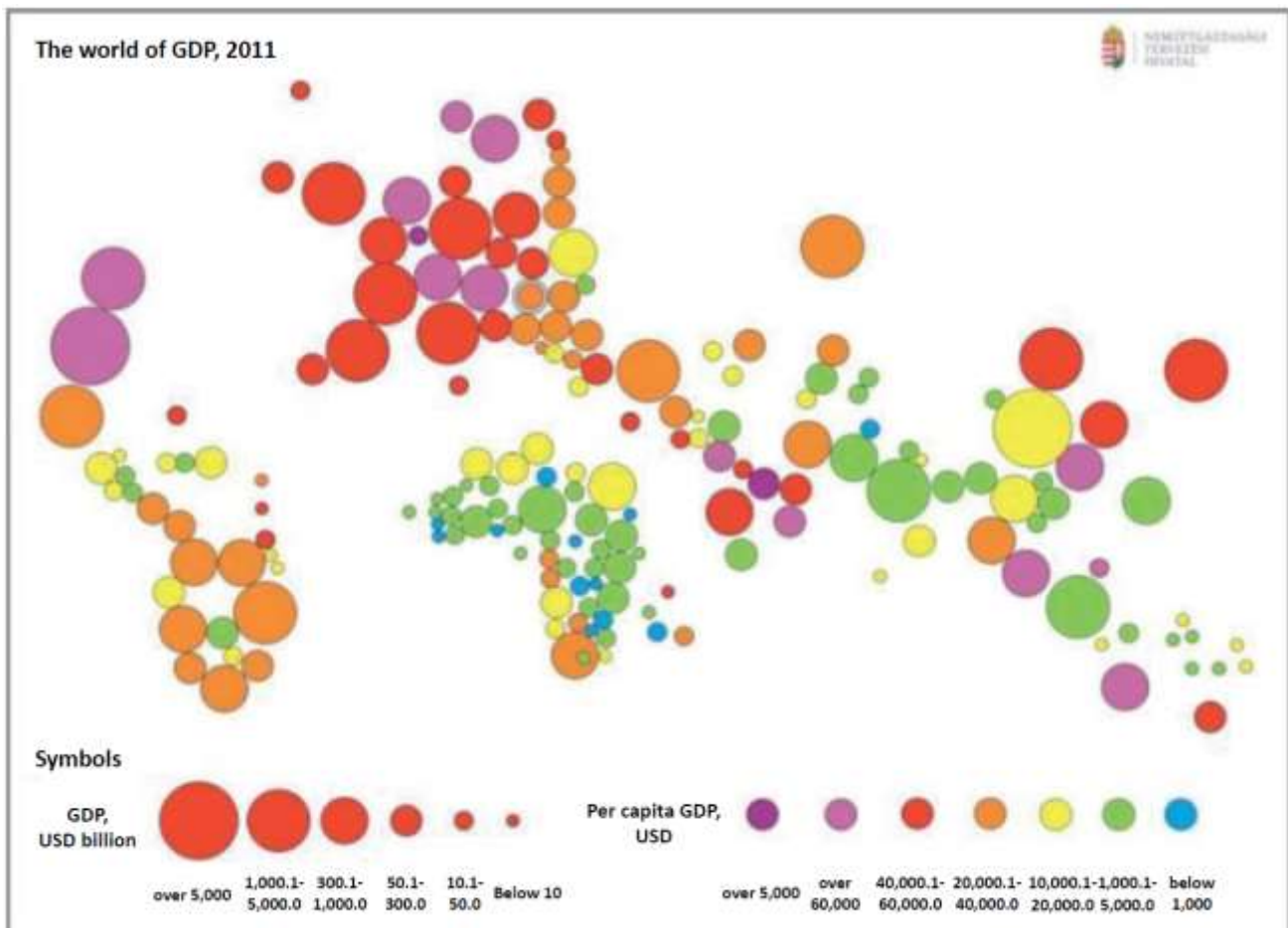


Figure 2: Total and per capita GDP by country, 2011

1.1.2 Hungary in Europe

European integration has gathered strength gradually in recent years, typically along two dimensions: firstly, integration has deepened and common European thinking has determined the development of the Member States in a growing number of fields and, secondly, a broadening range of countries have joined the common policies. Thus the biggest wave of enlargement of the European Union, taking place in 2004, continued in 2007 and in 2013. The number of the Member States of the European Union, fifteen until then, increased significantly and Community policy had to and will have to face ever new territorial challenges as a result.

Intensifying European integration

Similarly to the other new Member States, the changes that took place in the founding Member States of the European Union over fifty years occurred in Hungary over a much shorter period. Moreover, European integration has brought about outstanding changes in the former Socialist countries - as in the case of transition from a closed plan economy to an open market economy over a very short time, while their frequent cultural differences prevailed - that affected the very bases of the economic and social circumstances. **To promote Hungary's integration into Europe and in particular its closer environment and to shift towards a more competitive and sustainable cooperation structure are essential requirements of economic prosperity and well-being in the short as well as the long term.** The enlargement of the European Union increased the elbow room of competitive producers and traders; labour as well as products and service are free to move across the borders, and the Member States operate within a common legal framework in most senses. These factors exert a major influence on the domestic and European opportunities of the domestic economic actors and of the various regions and towns. European integration helps answer the global challenges, but one must not disregard the principle of subsidiarity either: anything that can be solved more efficiently at national level shall be accomplished as soon as possible in national competence.

Integration is much faster in the new Member States

1.1.3 Catalysing Central European cooperation

To achieve a better geopolitical position, Hungary's primary task is to aspire to intensify cooperation with the neighbouring countries and to play the most significant role in the East Central European region. This ambition is crucial, since an East Central Europe built on well-reconciled interests can acquire a much more favourable position on the geopolitical stage than small countries struggling with similar concerns, but left to their respective devices. **Catalysing Central European integration** is the tranche of Hungarian geopolitics where we could really exert some influence. A good example is the **Visegrád Cooperation** enlarged by Romania and Bulgaria, representing a significant step forward towards East Central European integration.

Closer cooperation is needed with the neighbouring countries

The Western Balkan region is an important area of EU enlargement policy. European integration is the primary opportunity for the countries of the region to overcome stagnation following the war on the Western Balkans. One of the central issues of Hungary's Balkan policy is to promote the active and efficient utilisation of the EU funds (particularly the pre-accession funds, IPA) available for the Balkan countries, through the transfer of experiences accumulated inter alia during EU accession, the use of the EU funds, institution development and democratic transition.

Experience transfer to the Western Balkan countries

The **dynamic Western Balkan market**, its growth potential, energy and raw material resources, demand for food and other traditional goods, the remaining privatisation portions, the necessary infrastructure developments and the possibility to take part on internationally funded projects offer many favourable connection points to the Hungarian economic actors, several among whom enjoy a comparative advantage due to their local knowledge and cultural similarities relative to the other, mainly West European, rivals. It is in the primary interest of the Hungarian (foreign) economy to have as favourable a share in the catching up of the Balkan region as possible.

Connecting to catching up in the Balkans is a priority task of the Hungarian (foreign) economy

The macro-regional strategies of the European Union, such as the **Strategy for the Danube Region** and its original model, the Strategy for the Baltic Sea, enhance the territorial, economic and social cohesion of the large region through projects initiated by its countries and civil sectors. Its economy, security policy and the ethnic Hungarians make Hungary interested in "green" development of the Danube Valley that preserves its current landscape and natural as well as built heritage, using them as resources, and realises the transport policy and economic development objectives of the Strategy for the Danube Region in full compliance with the environmental protection criteria.

Hungary needs to play a significant role in the macro-regional strategies of the EU

1.1.4 Cooperation in the Carpathian Basin

The increasing interdependence of the various regions generates a growing need for closer ties also in our direct environment. In addition to their common past, the **countries of the Carpathian Basin** are closely linked by their similar levels of economic development, standards of living, high exposition to external economic effects typical of all of them, and the fast-growing social tensions of the past decade are also common, as well as their problems related to a common natural environment. Nevertheless, the economy of the Carpathian Basin cannot be considered uniform: there are significant reserves for the expansion of trade between certain countries, and their similar potentials tend to make them each other's rivals in global competition, something that can only be eased by deliberate, planned cooperation. **The countries of the Carpathian Basin need to cooperate closely** in several, primarily economic and logistics-trade areas; they need to exploit more their common assets, potentials and history and boost thereby the sustainable competitiveness of the region. The elimination of the local- or regional-level barriers hindering cooperation will promote the better utilisation of the human, cultural, economic and natural resources of the cross-border regions, reducing thereby their peripheral quality and social exclusion.

Coordinated development policy based on the common potentials in necessary in the region

The threatening global challenges such as the climate change, other environmental crises, the demographic changes, migration and the energy supply issues also demand concerted action. The need for Carpathian Basin cooperation manifests itself in the protection and control of the external, European Union, borders, implying significant national security risks, that will remain topical also after the EU integration of the Western Balkans due to the trafficking of drugs, arms and humans in the Balkans and in Central Europe. A significant burden is imposed in this regard on our south-eastern borders, which makes Hungary a lead actor of this national security area. The deepening the European integration of our southern and eastern neighbours is particularly important for Hungary for, beyond the fading options of cross-border territorial development, the **presence of the Hungarian ethnic minorities there is a special resource** for creating cohesion in our broader region.

Apart from the primacy of the search for synergic contacts based on common, inter-ethnic interests, **Hungary has a special potential and also task** in cooperation taking shape in the Carpathian Basin: because of their language and contacts overarching the entire region, Hungarians could function as highly efficient links in the area. Ethnic Hungarians represent the so far little used resource through which the Hungarian economy could contribute to cooperation with the best results. The conditions of cooperation in the Carpathian Basin and in Central Europe have never been so favourable in the past century as in our days. Therefore, efforts should be made **to deepen the partnership relations with the neighbouring countries to secure mutual benefits**, and to implement development programmes that can be supported jointly.

Good external conditions for cooperation in the Carpathian Basin

The medium- and long-term objective is to assert the following main features of the **Carpathian Basin economic region**:

The Carpathian Basin economic areas can promote the progress of the national economy

- high-level integration of the countries of the region into the force field of the Western European countries;
- partial substitution of imports from far-away markets by regional products through the enhancement of intra-regional vertical integration;
- increasing balancing of the dual economic structure, typical of the countries of the region, through the cooperation of the local and global economic actors based on mutual benefits;
- creating coordinated infrastructural and labour market conditions promoting integration in the Carpathian Basin;
- growth of the exports of domestic businesses directed to the neighbouring countries;
- increase of the amount of working capital invested by the Hungarian economy in the neighbouring countries;
- greater share of Hungarian economic growth originating from the increase of the gross national product;
- through resources and market planning on the scale of the Carpathian Basin, the domestic small and medium-sized enterprises contribute efficiently to job creation and export growth;
- with the consolidation of the positions of the Hungarian economy in the neighbouring countries, the status of Hungarian economic actors across the borders may improve.

Irrespective of the nationalities involved, the various forms of **cross-border cooperation** (cross-border counties, Euro regions, European Groupings for Territorial Cooperation) can contribute to the consolidation and intensification of cross-border urban axes, intra-settlement and, in the final analysis, Carpathian Basin relationships, the establishment of the Carpathian Basin economic area, the development of the deprived cross-border areas, the preservation of the built heritage and the natural assets and, furthermore, the grounding of concerted environmental protection, tourism, cultural and public health, as well as health care organisation programmes.

Cross-border cooperation is given a key role in networking

1.2 Our economic resources, economic challenges and trends

1.2.1 Global challenges: transforming economic power balance, debt crisis, new relationships

The global economic developments of the past years had a major impact on the European economy. The European governments must make increasing efforts to preserve economic growth, and this is underpinned by high public debts, financing difficulties in the national economies and the marked influence of money markets. Due to the shift of the centres of gravity of the global economy, the **EU economy faces growing competition by the emerging economies**, and its significant unemployment rates generate a high level of internal tension. Despite the setback of consumption in the developed countries due to the economic crisis, consumerism thrives and it is spreading also in the emerging countries, inducing **insatiable demand** in many respects. In the years and decades to come, **Europe will have to face many economic challenges**. These include keeping public debt under control, raising employment, securing adequate incomes, preserving economic competitiveness to secure growth meeting the sustainability criteria, and managing the expected energy crisis.

Restructuring global economy, intensifying competition

As a consequence of the economic crisis starting in 2008, **by the second half of 2011, the debt crisis features had manifested themselves in full size in some countries of the European Union**, triggering another foreign economic downtrend in 2012, strongly reflected by the performance of the money markets. The debt crisis hit hardest the peripheral members of the Euro zone (Greece, Spain, Portugal, Italy, Ireland), but it had a major indirect effect also on the entire Euro zone and the EU countries. The debt problems lead to increasing market volatility and higher financing costs accompanied by the ailing of the European banking system with all of its economic, political and social dimensions (constraints) and the need for fiscal correction.

The debt crisis has a significant effect on the euro zone

Because of its open economy and inherited high public debt, **Hungary is extremely exposed to the global economic developments**, the money market movements, and the economies with which it has the tightest economic bonds. The employment rate is critically low, earnings lag far behind the corresponding level in Europe, and their purchasing power has kept eroding due to the increasing inflation. The economy is split into a global enterprise sector integrated in the global economy and a local business sector associated with the former or active in the local economy. The productive economy of the country is decisively of the basic material producing or supplier type, characterised by activities with low added value, and the local economy is weak. However, we have several resources that could serve as the basis of economic development, provided that they are strategically exploited, such as the favourable geo-strategic position of the country, its innovation potential, the agrarian and food economic potential, available labour, and a vocational and higher education system that is capable of supplying qualified labour. **The key to our economic development is the change of the economic strategy paradigm**, based on the sectors and activities producing high added value, the competitive sectors, vocational training and higher education laying their bases, the local economy providing an internal market, productivity and employment growth and on keeping value created in the national economy and on entrepreneurial and consumer consciousness.

The economic strategy paradigm needs to be changed

Vocational training and higher education are being restructured to ensure the match between the structure and quality of labour and the economic and social requirements and needs, and provide for an employment rate approximating the EU average.

It is a priority to raise the number of professionals with natural sciences, technical, doctoral or higher degrees, high qualifications, to be able to secure the human basis of the innovations that will determine our future development.

Hungary has economic resources that would make it able to hold its ground/improve its positions in global economic competition in the long run. Deliberate and focussed economic development can strengthen the sectors, the economic activity and product ranges ensuring Hungary's presence in the realistically accessible global market niches. It is highly important to keep the values produced in the country from its own resources and the profits they generate on site, to the benefit of the country.

Our economic resources and values:

- ❖ Due to its geo-strategic position, Hungary could act as an economic node (HUB) in several economic segments.
- ❖ We have a significant labour potential in the physical as well as the intellectual trades.
- ❖ Our targeted talent support and development programmes promote the unfolding of the talents.
- ❖ The Hungarian agrarian and food industrial potential based on the natural resources makes both self-sufficiency and exports feasible, with quality food production.
- ❖ Hungary has significant drinking water, mineral and thermal water and raw material reserves.
- ❖ Domestic manufacture could be increased in several product categories covered currently from imports, e.g. vehicle industry, manufacture of machinery, light industry, on the basis of our manufacturing traditions and innovation.
- ❖ The engineering and vocational training background necessary for the development of our industry, manufacture and the agrarian sector, can be provided, potentially.
- ❖ Our productivity could be enhanced significantly by the return of Hungarian researchers, doctors, skilled workers employed currently abroad.
- ❖ The innovation capacity of our universities and research institutes could act as the basis for manufacture producing high added value and for the development of the R&D sector.
- ❖ We have "Hungaricum" products that are able to hold their own in global competition.
- ❖ Energy dependence can be reduced by the intensification of local energy production/generation and supply.
- ❖ We have currently unused industrial premises, sites, plants suitable for economic activities, and our industrial parks have significant untied capacities.
- ❖ We have favourable transport potentials in the economic and geographical sense in the Central European region.
- ❖ By exploiting the resources inherent in our cultural heritage and by using them according to the international practice, based on the value of historical monuments, we could give tourism a new impetus.
- ❖ The cross-border areas have high social, settlement network and economic development potentials for local and regional cooperation.

1.2.2 International exposure of the Hungarian economy

The Hungarian economy is extremely open: in 2011, the rate of its product and services exports to the GDP was 91.3%, on of the highest in Europe. Hungary's rate of imports to the GDP was also high at 84.6%. That is, besides being export-oriented, Hungary is **one of the most import-dependent countries of Europe** due, among other things, to the **very high import rate of its export production**. Related issues include Hungary's high demand for raw materials and the fact that there are few competitive Hungarian businesses characterised by high productivity in the supply chain.

An internationally exposed, export- and import-oriented economy has been deployed

Our foreign trade is rather concentrated both geographically and in terms of the branch structure and the size of the exporter companies, and that is a serious risk. More than three quarters of Hungarian exports go to the European Union, to Germany, Romania, Slovakia, Austria and Italy in the first place. As for our imports, more than two thirds originate from the European Union. **Germany is our No.1 trade partner** on the export as well as the import side, contributing one quarter of all exports and all imports, respectively. Within the foreign trade of commodities and services, the biggest share of both exports and imports alike originates from two categories, the group of **machinery and transport equipment** and that of **manufactured goods**. Since the international exposure of the Hungarian economy is thus characterised by dependence on international trade and dependence on exports, domestic economic development is greatly influenced by what happens on our export markets. Economic slowdown there impacts on domestic development. Dependence on the external economic relations raises the value of the international competitiveness of the Hungarian economy and, in parallel, that of strengthening the local economy in order to ease exposure. **Hungarian foreign trade took a favourable turn in January-October 2012:** the volume of exports increased by 2.4% and that of imports by only 1% and, for example, **our exports to China rose by 20.5% in HUF terms, while our Chinese imports remained practically unchanged.**

Hungarian foreign trade exhibits a marked unilateral concentration

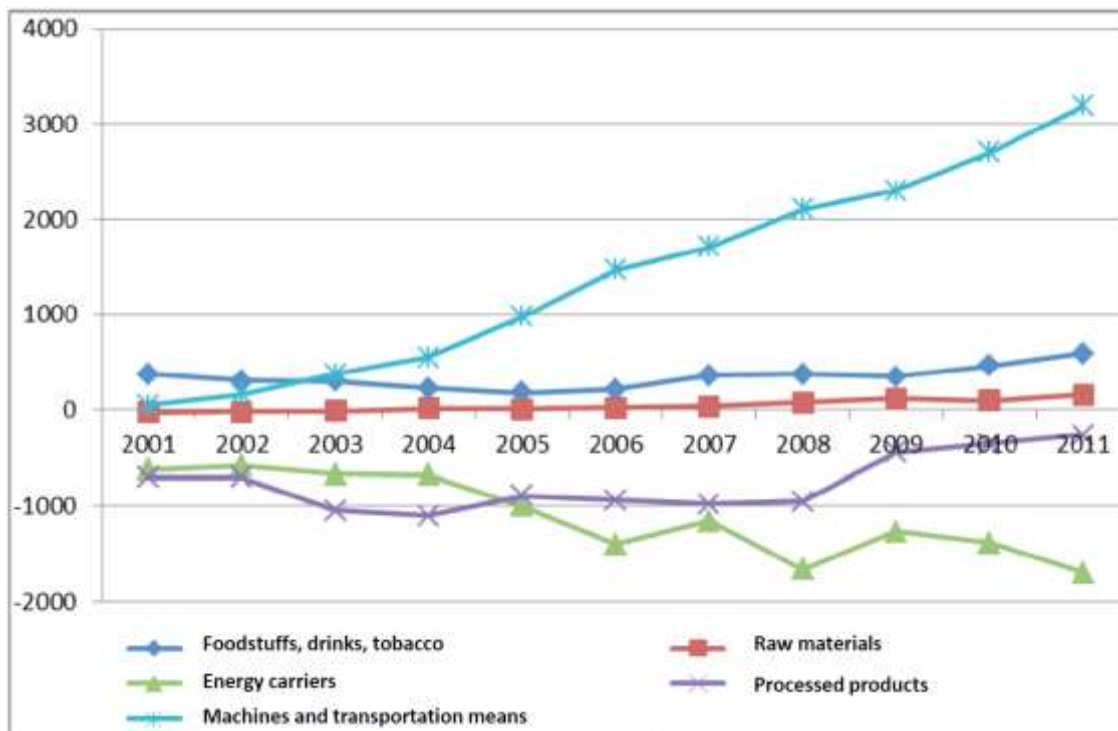


Figure 3: Development of the foreign trade balance, 2001-2011, at current prices, by main commodity group (HUF billion) (Source: HCSO)

Hungary's international exposure is further increased by the significant **external loans** drawn earlier to finance its public debt. The rate of public debt owned by foreigners is excessive.

Excessive external debt

The vulnerability of the state is further enhanced by the **outstanding level of the total external debt** - the debt of households, enterprises and banks included. This is due among other things to the upswing of loans denominated in foreign currency in the past decade, and the financing of the public debt from external sources. Our **external indebtedness** is indicated by the fact that the gross external debt stock of the country corresponded to 101.7% of the GDP in 2011.

The past 2-3 years, however, brought a favourable turn in the restoration of the external balance of Hungary. In 2012, the current account balance that had turned positive in 2010 **corresponded to 1.6% of the GDP (based on preliminary data)**. In 2011, the balance deteriorated somewhat, to 0.9% of the GDP, i.e. it was 1.6 percentage point less than the GDP-proportionate figure for the previous year. Since Q2 2009, the real economic surplus has always exceeded the revenue deficit. The underlying reason was probably the **decline in import demand** due to the global economic crisis, whereas **the volume of exports showed dynamic growth**. In 2010, the capital balance surplus also increased considerably: in 2011, the surplus corresponded to **2.4% of the GDP**, so Hungary's net foreign borrowing/lending needs improved as well.

Improving foreign-trade balance, turn in the restoration of the external balance

1.2.3 The dual nature of the Hungarian economy amplifies the value of the domestic small and medium-sized enterprises

One of the negative aspects of the developments following the systems change in Hungary is the **dual economy**, the duality of the large enterprises and the domestic small and medium-sized enterprises competing in the global market, putting a brake on employment and competitiveness and thus on growth as well. Employment and competitiveness could not improve due to the global economic crisis of 2008; **the foreign-owned multinational companies** have also felt the effects of the crisis, and it intensified further the vulnerability of the SMEs. Despite the negative developments, the domestic **SMEs keep providing** the biggest part of **employment**.

The domestic SMEs have a significant employment potential

Foreign companies carry an outstanding weight also relative to the corresponding international rates: foreign owners have an increasing and, since the systems change, a significantly rising share in corporate property. In the category of businesses active in other than the financial services, foreign-owned companies produced 49.1% of added value and more than 80% of exports and two thirds of manufacturing in 2009. In the business sector, **foreign capital owns half of the means of production**, producing almost half of added value with one quarter of all the employed. The profitability of foreign businesses exceeds that of the domestic ones by far, and exports contribute a bigger part of their revenues than in the case of their domestic peers.

Significant weight of foreign-owned companies

Contrary to the preliminary expectations, **the appearance of foreign capital was not concurrent with the development of the Hungarian-owned small and medium-sized enterprises acting as their suppliers**. Machine production, producing the most dynamic growth, was heavily import-dependent from the start, and the range of suppliers in Hungarian ownership expanded but slightly. That is, the foreign capital inflow did not encourage production expansion and modernisation by the other sectors, and relies mainly on labour from among the domestic resources.

The supplier SMEs failed to develop

Working capital investments were the drivers of economic growth and re-industrialisation after the systems change: they assisted economic restructuring and the naturalisation of advanced technology, technique and enterprise culture. Given the outstanding significance of their production value and employees, foreign investments have become a decisive factor also of the territorial restructuring of the country. In 2010, foreign capital relocated primarily to Central Hungary and to the Western Transdanubian and Central Transdanubian Regions. The main forces of attraction there were the proximity of the West, the adequate transport infrastructure, and the foreign language skills and training of the labour supply.

Foreign investments arrived primarily to the developed areas

Territorial concentration eased due to the spatial dispersion and spread of foreign capital. The best examples are foreign companies settling down along the gradually emerging motorway network. The relocation factors include, in addition to the transport infrastructure, the favourable geographic position, the range and quality of the existing services, the industrial parks and the infrastructure they offer, other services/advantages and support provided by the municipalities, and the already existing industry.

To integrate Hungarian companies deeper in the production chain, strengthen their position in the domestic market and **promote the further expansion** of those among that that are present in the export markets with their competitive products are expectations of long standing. The techniques applied so far to strengthen the supplier role of the domestic companies have not been really effective. This may be solved by clustering that could facilitate the entry of the SMEs to the international market, brand-building and efficiency improvement. Besides the clusters, the chambers of commerce could also contribute to mediation towards the multinational companies by organising supplier fairs. In addition to the integration of the domestic companies into the supplier chain, assistance should be provided to reviving the previously terminated industries for which there is a demand in the market, such as vehicle manufacture. It would be reasonable to set up an organisation assisting the market entry of the domestic SMEs by forging foreign trade links for them. Web-based market research and the development of market networking are also important.

The empowerment of the domestic companies may begin

The Hungarian government passed several legal regulations in the interest of a shift; codified the relevant objectives in the Fundamental Law; restructured the system of economic development support and this has led to a significant reduction of the number of tenders and the simplification of the application system and the relevant institutional system. Integration would be feasible through the enhancement of the development options of Hungarian-owned small and medium-sized businesses, the encouragement of the supplier links; developments require the coordination of the sectoral and territorial strategies.

Simplifying the application system

In Hungary, the **number of active enterprises decreased** by 0.4% in 2003-2006 and by another 1.1% in 2006-2011. The picture is diversified by the growth of partnerships by 9.2% and then a further 14%. The decline of the number of active enterprises was due to the measurable decrease of sole proprietorships, by 9%, in 2003-2006 and by as many as 11.4% in 2006-2010.

Significant decrease of sole proprietorships

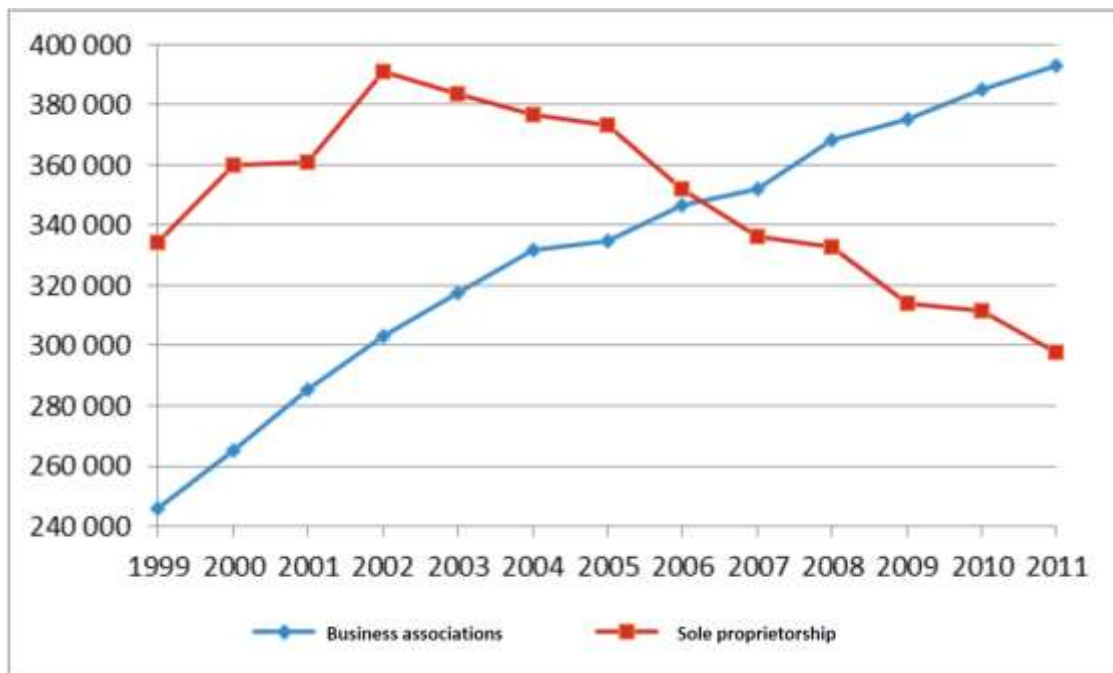


Figure 4: Development of the number of enterprises active in Hungary (no.) (Source: HCSO)

The domestic small and medium-sized enterprises currently face several barriers hindering their further growth. These include **the lack of resources, lack of the necessary management skills** as well as excessive administration and bureaucracy and the still high rate of withdrawals. Under their combined effect, **few business organisations are capable** today in Hungary **of making a competitive appearance** in either the domestic, or the international markets. The problems of long standing are the cause of the dual nature of the Hungarian economy, reflected clearly by the figures of the real economy.

The emergence of the dual economy is due to the scarcity of the resources of the domestic SMEs

According to input-output tables for 2008, the GDP was HUF 26 543 billion at market prices, and **almost three quarters of it were produced by Hungarian-owned companies**. As for the number of the employed, the share of the domestic companies was 80%. Despite their bigger role in employment and in the production of the gross domestic product, the domestic enterprises **operate less efficiently than the foreign-owned ones**. The productivity indicator based on the GDP contribution and employment share of the Hungarian- and foreign-owned sector, respectively, was on average three times higher for the foreign companies than for the Hungarian ones. This trend is visible not only at aggregate, but also at industrial level.

Domestic performance is less efficient than that of the foreign-owned sector

In the **foreign-owned sector**, the **GDP share** of every industry **exceeds its employment role**. The comparison of the Hungarian- and foreign-owned industrial sector is particularly striking and a good illustration of the productivity differences. The only significant **deviation** from this trend **manifests itself in real estate**, contributing 8.3% of the GDP, and 0.9% of employment overall. The corporate sector carries the largest weight in terms of both employment and GDP contribution.

The Hungarian-owned sectors play a bigger role in employment

Inter-enterprise cooperation, the establishment of local economic relationships and organisations and networking are emphatically needed for competitiveness. Currently, the low level of networking and the fundamental lack of trust among the SMEs have negative effects on economic competitiveness. **Business confidence is essential for a competitive economy**; therefore, promoting the establishment of mutually advantageous business partnerships is an important development policy issue.

Marked distrust among the enterprises

1.2.4 Investments are led by the tertiary sector

The sectoral distribution of investments mirrors the position occupied by each sector in the national economy. **Within the investments of the national economy, the services sector plays the biggest role** (HUF 2245 billion, 53.8%, 2012), followed by the industry (HUF 1682 billion, 40.4%, 2012) and then the agriculture (HUF 240 billion, 5.8%, 2012). A survey of the counties shows that the weight of agriculture depends primarily on the potentials of the production sites. The territorial structure of the industrial investments, on the other hand, is the result solely of the social-economic potentials. The areas characterised by a favourable economic structure, an advanced infrastructure and a good geographical position have a strong ability to attract capital and, therefore, most capital went to these regions. More than half of investments was realised in the services sector, in a spatially more concentrated way than in the industry or in the agriculture. **In Hungary, the preferred areas of the services investments are Budapest and County Pest.**

Outstanding investment role of the services sector

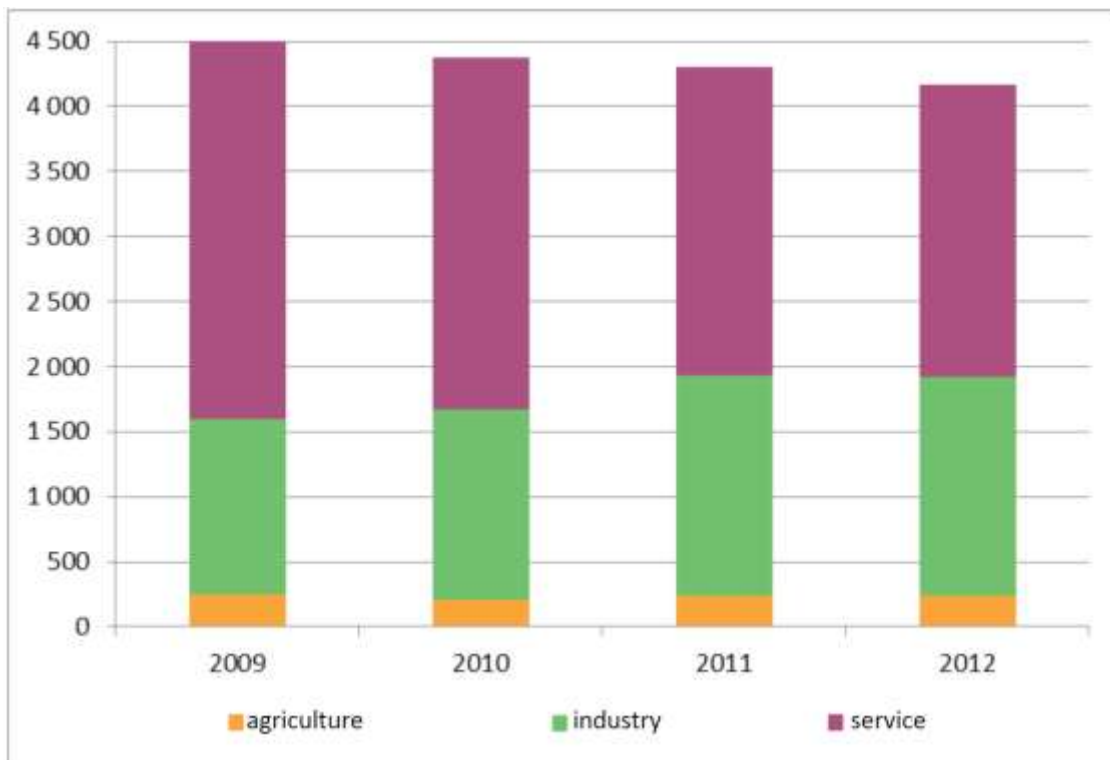


Figure 5: Performance values of the investments of the economic sectors (at current prices, HUF billion) (Source: HCSO)

1.2.5 Our competitiveness situation

In the early 2000s, Hungarian economic growth exceeding 4% annually was among the best in the region. In the second half of the decade, however, it was the most modest and after 2009 it suffered one of the sharpest drops among the Visegrád Countries. **The catching up of the Hungarian economy came to a halt: in 2011, the per capita GDP relative to the EU average hardly exceeded the corresponding level eight years earlier.** Over the same period, every other country of the region was characterised by faster economic growth and substantial catching up and, therefore, Hungary's previous advantage over Poland shrank to the minimum, and although our backlog relative to the Czech Republic did not change substantially, Slovakia spectacularly outperformed Hungary in the middle of the decade. Note that the loss of Hungary's relative catching up potential has been visible since 2003 - that is, well before the fiscal restrictions starting in 2006 -, when the Hungarian economy still expanded relatively dynamically, at 3-4% annually, but much slower already than the other countries of the region.

The development of the GDP indicated that the Hungarian economy came to a halt.

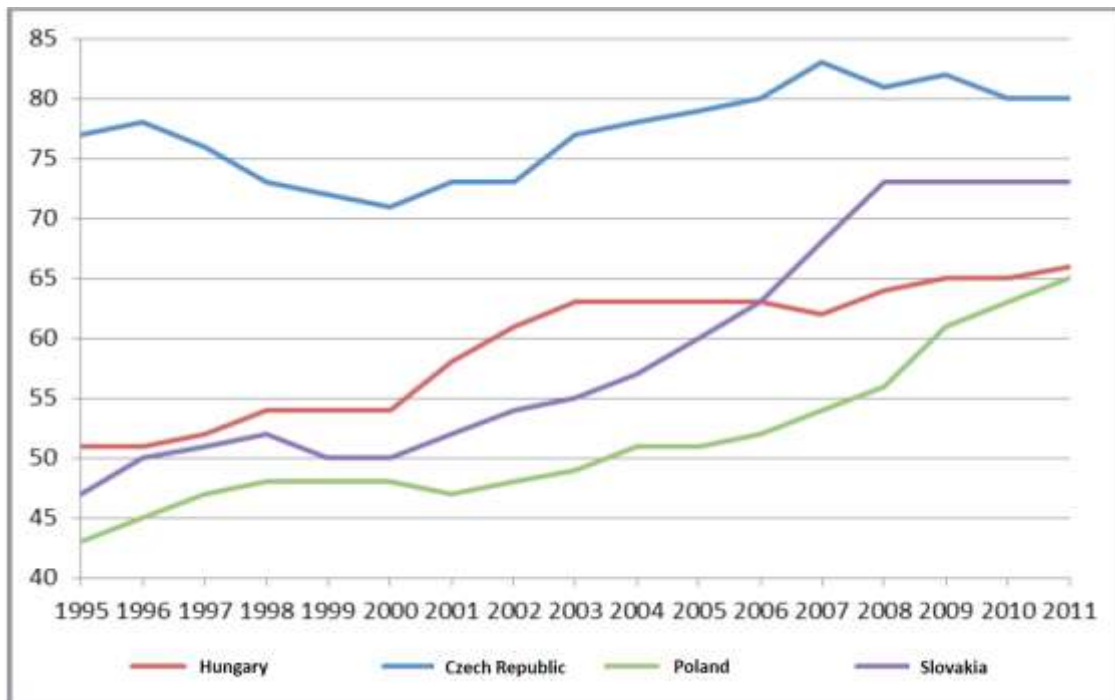


Figure 6: Development of per capita GDP (at purchasing power parity) (EU average = 100) (Source: EUROSTAT)

Another important index of the competitiveness of an open economy is how successfully it sells, i.e. exports its products abroad. Hungary is one of the most open economies of the European Union, and it managed to increase its exports continuously over the past decade (except for the year 2009, when the global trade volume overall shrunk significantly in the wake of the unfolding global crisis). Moreover, the growth rate of Hungarian exports exceeded that of the imports of the European Union, that is, the share of Hungarian exports increased in its main export sales market. The pace of growth, however, was slower than in the other Visegrád Countries: in the past decade, **the share of Poland, the Czech Republic and Slovakia, respectively, in the imports of the Union expanded faster than that of Hungary.**

Expanding exports

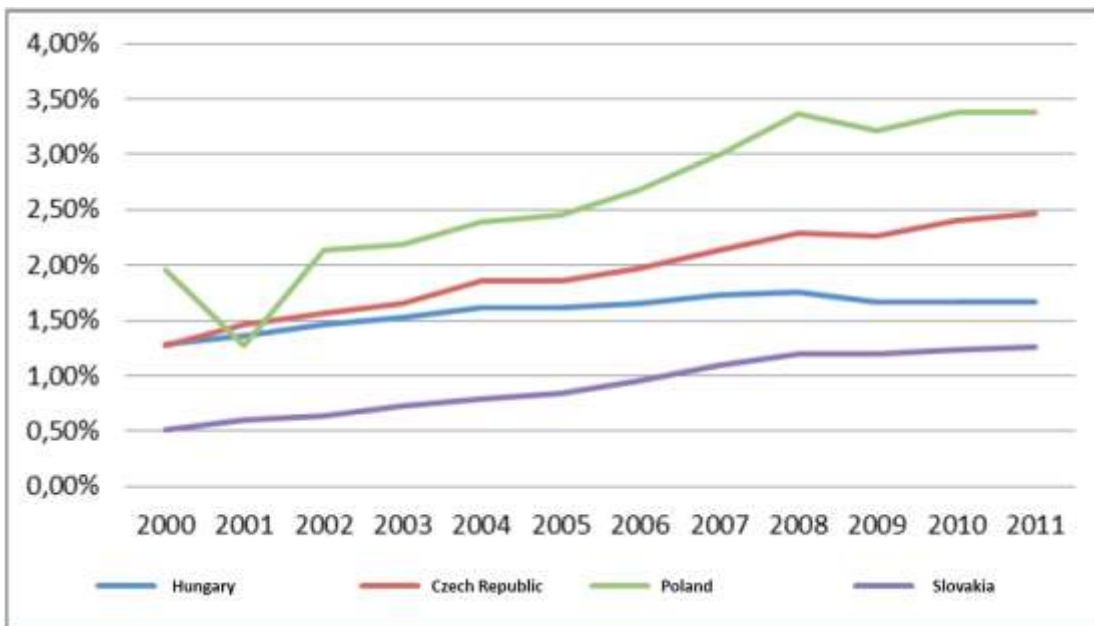


Figure 7: Development of the share of total EU imports (Source: EUROSTAT)

The above phenomena suggest that **the deteriorating performance of the Hungarian economy is attributable not so much by some economic trends, but rather to structural reasons and problems of competitiveness.** This is confirmed by surveys of international prestige comparing the competitiveness of individual countries. **Hungary ranks 50th in the IMD 2013 competitiveness order, five positions lower than in the previous year.** From 2005 to 2009, Hungary's ranking fell by ten positions. Considering the countries of the region, Hungary is still in the middle group. Slovakia, the Czech Republic and Poland (and the Baltic States) precede Hungary, whereas Slovenia, Romania and Bulgarian come after it. In the **global competitiveness index** (Global Competitiveness Report, 2012-2013) **of the World Economic Forum (WEF) released in 2012,** Hungary is 60th, representing a **slide back by 12 positions** over its 48th position in the previous year. According to the **rank order of Doing Business published in October 2012, Hungary dropped from its 51st place in 2011 to the 54th.** Five of the East Central European Member States of the EU (the three Baltic States, Slovenia and Slovakia) precede Hungary. Note that only two countries of the region (Estonia and Slovakia) managed to improve their ranking last year, one (Lithuania) stagnated and all the others slid back.

Hungary's competitiveness indices are improving

To measure **sectoral competitiveness,** one should examine primarily the development of **productivity and labour cost per unit of output,** based on the OECD (Organisation for Economic Coordination and Development) database. Generally, the value added per employee indicator is used to measure productivity by sector.

Productivity is a key index

In the 10-year period under study, 4 of the 10 Hungarian industrial branches of national relevance (automotive and vehicle industry; electronic industries, telecommunications; health industry; pharmaceuticals industry; tourism; agriculture; food industry; construction and building materials industry; logistics; machinery and tools manufacture; chemical industry) **experienced a declining productivity trend relative to 2000.** The **performance of the food industry was the worst,** its productivity fell by 27% over 9 years, followed by that of tourism and then the automotive and vehicle industry. **The agricultural sector improved fastest,** almost tripling its productivity in the reference period, but the electronic industries and the manufacture of machinery and tools also recorded significant growth. **The logistics sector was the most stable,** keeping its performance close to its level of 2000 throughout the period, with minor fluctuations. On the other hand, as compared e.g. to the Eastern Austrian regions where the logistics sector underwent very significant development over the past ten years, stagnation in Hungary cannot be considered good performance.

Our key industries showed highly volatile performance in the past decade

Considering the costs of labour, the competitiveness situation of the priority sectors projects quite a different picture than for productivity. **The indicator improved in only two of the 10 industries under study relative to 2000. Amelioration was fastest in electronics**, where the indicator value moderated by almost 28% relative to 2000, but it should be added that the costs were imposed on earnings below the average EU wages. **Apart from the above, only agriculture showed an improving tendency. Tourism showed the worst performance in the period under scrutiny: its ULC (labour cost per unit of output) underwent almost 2.5-fold growth.** Considering the significant deterioration of the productivity of this branch over 10 years according to the OECD database, this factor may have played a major role in itself in the increase of the labour cost per unit of output. In logistics, on the other hand, the doubling of the labour cost per unit of output at stable productivity suggests that the costs of labour increased in the sector. The development of the indicator suggests that performance was most balanced in the manufacture of machinery and tools.

Competitiveness surveys taking into account the labour costs show a generally deteriorating trend

1.2.6 Manufacture is the driver of the economy

The domestic industry landed in a deep crisis after the systems change; in 1995, the industrial output was at the level of the 1970s. This, however, gave way to **dynamic growth, driven by the large-scale inflow of foreign direct investment**. After the systems change, political stability and the economic reforms made Hungary an attractive destination for foreign investors who, therefore, invested almost HUF 100 billion in the country by 2007. This corresponded to 9.4% of capital invested in the Central European countries. **The economic crisis of 2008 broke this steady development.** After the huge setback due to the crisis, industrial production seemed to return to its dynamic growth course, but in 2011 it came to a halt again, producing nevertheless growth by 5.4% overall. The unfavourable development of the international economic circumstances contributed to the halt to a large extent.

The economic crisis set back the performance of the secondary sector in Hungary

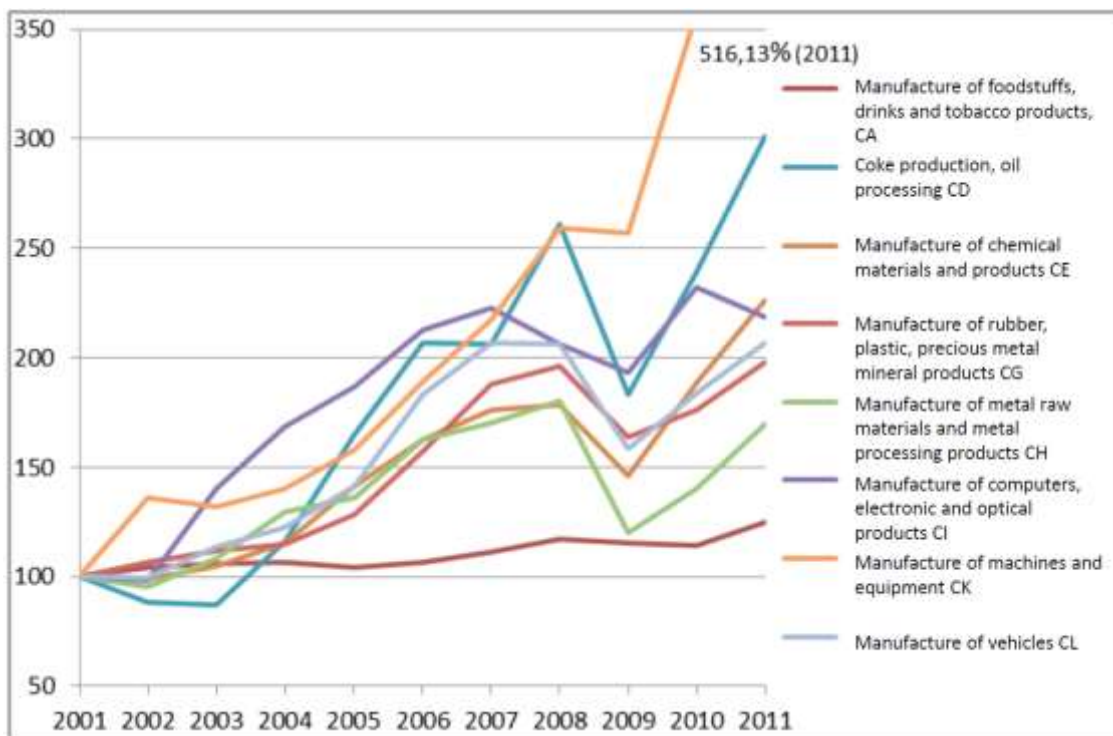


Figure 8: Development of Hungarian industrial sales by key industry (2001 = 100%) (Source: HCSO)

In recent years, the domestic industry **has developed mainly in the field of the more highly automated industries** employing more qualified labour, **and lost ground in the labour-intensive and less automated ones**. In the former, in the context of the catching up of the Hungarian wages with those in the Union - thanks to growing productivity and to experience accumulated in the meantime - Hungarian labour may remain competitive despite the increasing relative wage levels.

The labour-intensive industries were hit hardest

As for the performance of the Hungarian industries, **manufacture is the engine of growth of the economy**. Since January 2005, manufacture has outperformed relative to the other major industrial groups - except for the period of unfolding of the crisis in 2008 - , and recorded growth by almost 4 percent on average. This was due among other things to the export orientation of manufacture: in a favourable international environment, this industry can produce substantial growth.

Manufacture is the engine of the economy

The construction industrial output showed dynamic growth until 2005, but from **2006 on it kept decreasing year on year**. In 2007-2008 - mainly because public investments were cut - the output of organisations active in road and railway construction declined significantly, but in 2009 the impact of the economic crisis affecting also the construction industry was offset by the uptrend in road construction. The number of new homes, exceeding 30 thousand annually from 2002 to 2009, fell by almost one third by 2012 due to the saturation of the residential construction market and the shrinking of the demand due to the crisis. The performance of the building industry continued to decline in 2012: the output was 5.1% less than one year earlier, and its volume was the smallest since 2000 that year. After several years of decline, **the building industrial output fell by more than one third from 2006 to 2012**. During the crisis, more and more attention was paid to renewal, to the renovation of listed or unlisted, but architecturally valuable buildings, to brownfield investment.

The building industry was particularly hard hit by the economic crisis

Currently, **the automotive industry and electronics are among the driving forces of the industry**. These two sub-sectors, highly significant for us, are highly sensitive to the global economic developments, and render the Hungarian economy rather unstable thereby. The number of persons employed directly or indirectly by the **automotive industry** exceeds 100 000. This manufacturing sub-sector has managed to produce a growth rate of 8 percent on average since January 2005, but at the time of the global economic crisis unfolding at the end of 2008, with the contraction of the export markets, its output dropped substantially. The statistical data clearly show the outstanding relevance of this branch **producing an enormous net sales revenue even at the time of the crisis (2008: HUF4 thousand billion, 15% of the industrial output)**. With the improvement of the economic prospects, following a sharp change of direction - due partly to the low basis -, the automotive manufacturing statistics reflected marked expansion. As for the performance of the latter period, from Q4 2010 on, **the sector produced a relatively stable growth rate of around 10 percent**.

Currently, the automotive industry and electronics are among the driving forces of the industry.

The **electronics industry is the most significant sector in Hungary, with the highest potential for growth**. Its contribution to the GDP (5.34%) is higher than that of agriculture or the automotive industry, and well beyond the share of tourism. The **economic crisis of 2008 drove it back to a smaller extent** than the other manufacturing sub-sectors. Production typically involves a high rate of imports, the domestic added value is rather small, and the share of Hungarian suppliers is slim (at 5-10%, depending on the product), since the core activity in Hungary is assembly work for the foreign markets.

The electronics industry suffered less of a setback due to the crisis

The **chemical industry** is a most significant sector of the Hungarian economy, producing more added value than either the electronics or the automotive industry. Quality training and long-standing manufacturing experience give this Hungarian industry **a considerable competitive edge relative to the other Central and East European countries**. Although this is a complex and flexible sector, its special siting factors and high technological costs make its spatial appearance rather concentrated; it is closely bound to the places where universities and research centres are located (Budapest, Debrecen, Veszprém, Miskolc and Szeged play a dominant role).

Hungary has good bases to upgrade its chemical industry

The chemical industry contributed 22% of the revenue of manufacture in 2010; more than the electronics industry. The chemical industrial markets are more stable than those of the automotive or the electronics industry. The development of the environmental protection technologies, the pharmaceuticals industry, chemical mechanical engineering and the manufacture of stainless steel products may imply significant potentials in the future.

The **health industry** is a newly labelled **segment of Hungarian industry; it overarches and links several industries**. The health industry comprises the diversified use of the exceptionally rich thermal and medicinal water resources of the country; health preservation and restoration, and research, manufacturing and service activities to promote health-aware life-styles. **It has highly innovative and research-intensive fields**, with significant and partly unused external market potentials and a most remarkable labour basis that can even be extended. The development and priority treatment of the health industry may be beneficial for the establishment of the large-scale consensus needed for the inevitable reform of the supply and funding system of health care suffering from so many problems. **With adequate solvent demand for its products and services**, the health industry **may turn out to be a real breakout point**. Both the external and the domestic demand must be taken into account and built on. Development should take a course that satisfies the solvent external demand and does not exclude from quality care the less solvent domestic groups either. On the side of development, the health industry needs to be aligned primarily with the tourism development plans and also the R&D, the manufacture of pharmaceuticals and medical devices, the development of medical services and the quality education of the technical staff.

The health industry may be a model area and breakout point of integrated economic development

The pharmaceuticals industry, closely related to the health industry, **is developing most dynamically**: the pharmaceuticals market produced expansion by a steady approximately 10%, annually globally in the past years. **Exceptionally high R&D&I expenditure** is typical of every pharmaceutical company: this is the only way they can remain competitive in the highly competitive market. The pharmaceuticals industry is characterised by higher-than-average productivity and marked export orientation, and it sells two thirds of its output on the external markets. The pharmaceutical industry is one of the Hungarian industries that increased the value of its contribution to the national economy despite the crisis.

Competitive pharmaceutical industry

The biggest investments of the past years went to the automotive industry: the Audi and GM plant developments are decisive also from the point of view of the national economy. **Mercedes started production in 2012 also in its Kecskemét factory**, that has a planned total capacity of 160 thousand cars. The relocation of premium category manufacturers, a guarantee and also a recognition of the high technical and manufacturing skills of the domestic employees, is particularly noteworthy from the point of view of the domestic industry.

The automotive industry is subject to further significant investments

1.2.7 Secure food supply makes the Hungarian agrarian and food economy more valuable

The **agro-ecological potentials** of the country **provide for diversified and quality food production**; accordingly, we have strong **agricultural traditions, the population has a strong affinity for agriculture**, and through the related economic activities, agriculture keeps playing a priority role in the economy and employment of the rural areas and has significant export capacities. This, however, is not reflected in the current state of agriculture. The internal problems of Hungarian agriculture, quite successful at European level in times past, had been visible already in the early 1980s, but the drastic erosion of the sector started only after the systems change. While global agricultural production expanded by 50% from 1989 to 2010, the Hungarian one **dropped by 5-10%**, with significant fluctuations. **The production structure has been simplified**, and it shifted in favour of the large-scale cultures. Hungary does not exploit the potentials of its agrarian economy sufficiently.

Our agrarian potential is favourable, but we only exploit it partially

Similarly to the international trends, the emphasis shifted also in Hungary from basic material production to the phases preceding and following it in the food supply chain, the combined share of which contribute around 10-12% of the GDP. The **share of agriculture and the food industry in the GDP** and in employment, however, shows a significantly **decreasing trend**. In 2011, the combined share of agriculture and the food industry in the employment of wage-earners calculated without self-employment was only around 8%, whereas at around the turn of the millennium it had still exceeded 10%. The ageing of the host society is a major problem. In our days, every third agricultural employee is older than 50, and this may have catastrophic consequences for agriculture in a few years' time, in a decade.

The food economy relying on domestic products is shrinking

In terms of land ownership, the **dual economic structure** that emerged in the past decades shows fragmented small estates, but land use is characterised by growing concentration. The dual structure is present in land use, in the relationship of the farms to the market and in the capacity of adaptation to the latter. Part of the Hungarian agriculture is made up of **large-scale farms** that are efficiency-oriented, provide for employee-type employment and were given ample support through support policy instruments in the past decades, whereas the other part consists of **family economies** and **smallholder farms**, in line with the Western European economic structure, representing a smaller plant size, and highly heterogeneous in terms of productivity, equipment and market competitiveness. The asset and capital supply of the latter lags behind that of the large farms. As for effective market participation, it is important that cooperation based on the European cooperative principles has not consolidated to this day, and that makes it more difficult for the small farms to enter the market, be successful there and adapt to the changing circumstances. Thanks to self-employment and reliance on the family workforce, **individual and family farms have a higher employment capacity**, projected onto the same area, than the large-scale farms and, therefore, they play a priority economic and employment role in the rural areas. This economic structure, built up of smaller mosaics, more flexible and colourful, can be associated with **much more kinds of activities** - local processing, handicrafts, small industry, rural (village, small farm, eco and health) tourism etc. - than the large estate that usually has a simplified management structure. Rural job creation can be enhanced by strengthening these branches. Moreover, the economic structure relying on individual and family farms is better adapted to the conservation of the environmental resources than an agriculture made up of large-scale farms.

The disadvantageous position of the small producers deteriorates rural employment

Local production, processing and sales, the organised introduction of local products into the system of retail trade at local and national economy level may have considerable market potentials. Therefore, besides the deployment of a network-based rural economy, the local sales of products and services produced locally should enjoy tax exemption or relief already in the short term. Moreover, to enhance on-site sales, the animal health and food safety requirements should be rationalised.

Local products are the key breakout points of the rural area

Hungary has **advantageous production site potentials**, an adequate climate for production and **farmers who wish to prosper** through all these. It is a further advantage that, besides satisfying the growing domestic demand for **quality domestic products**, it is also feasible to reconstruct and boost the cross-border market contacts of the country thanks to the former good reputation of its agricultural products. Despite the growing imports, the expanding **agricultural and food exports** produce a positive external trade balance year on year, and the export capacity of the country is also significant. Its **GMO-free agriculture** may also represent a highly significant market advantage for the country. The agro-ecological potentials provide for a diversified product structure: with adequate developments, arable crops, horticulture, the management of meadows and pastures and animal husbandry have remarkable potentials. The **landraces, indigenous species, locally produced intensives species** may be capable of outstanding adaptation enhancing production security that can serve

Our ideal production site potentials carry a global strategic value

as the basis for farming adjusted to the landscape potentials and enhancing them. The relevant gene bank network is available in Hungary.

The importance of agriculture is highlighted by the fact that **this was the sector recording the biggest growth in 2011, producing 24% more added value than one year earlier.** This indicates, moreover, that the sector has a high potential for growth even with its current assets and production structure, provided that crop yields can be made more reliable through e.g. the development and spread of irrigation and the use of varieties of species that are more tolerant to drought and other extreme weather conditions. Production security and effectiveness could be increased further with the help of these two factors.

Irrigation development and the use of drought-tolerant plants are imperative

Food is the factor having the biggest influence on the health and quality of life of the population; it is a **strategic article.** Even now, Hungary is capable of around **120% basic food self-sufficiency.** This level could be **raised to 150%** through the rational and sustainable development of our production potential and, given the expected significant increase of the global food demand, this represents a major economic advantage for the country. The **domestic market loss of the food economy** is illustrated by the dynamic growth of the imports of food industrial products. In the year before Hungary's accession to the European Union, in 2003, food imports (finished and semi-finished goods) in the domestic market amounted to EUR 1.13 billion only, whereas in 2010, the corresponding amount was EUR 3.7 billion already. After the accession, the Hungarian food exports increased, albeit at a slower pace than the imports.

Food is a strategic article, in which we have significant potential

Thanks to new afforestation, the forest area of the country almost doubled in the past seventy years; **in the past 10 years, it grew by more than 5%.** (In the EU, forest land grew by 2% over the past 10 years), but Hungary's forest cover is still well below the corresponding average of the EU Member States (40%). Logging is around 7 million m³ now at annual level, of which around half is timber of firewood quality, contributing decisively to energy generation from renewable resources. Forests are our natural resources playing the biggest role in reducing the effects of climate change; **they bind 12-15% of the domestic carbon emissions.** Afforestation and forest management and in particular the use of semi-natural silvicultural methods **imply a major rural employment capacity.** Through the manual-work-type forest management activities requiring no qualification, the forestry branch was the terrain of significant public works activities in the past period.

Silviculture has a significant employment potential

In line with the European trend, the **big game stock increased** in Hungary in the past 40-50 years and the relevant hunting data also increased proportionally and continuously (2000: 156 thousand, 2011: 288 thousand big game were hunted down). The number of the big wild game exceeds the desirable habitat abundance, so much so that this **causes agricultural and forest management and nature conservation problems at some places.** Habitat changes provide the small wild game unfavourable conditions of living, and this is expected to result in steadily **decreasing small wild game numbers. Hunting tourism is very significant in Hungary:** some 22-25 thousand foreigners visit the country annually for the purpose of fee hunting.

The growing large wild game stock causes agricultural, forest management and nature conservation problems at some places

Hungary has played an important role in the freshwater fish production of Europe due to its hydrographic conditions and traditions. **The importance of fishing** is currently decreasing in our natural waters, **while angling is moving in the foreground.** Although the sector contributes no more than 2.3% of the gross production value of domestic livestock farming, **it is highly significant in rural development, the maintenance of the wetland habitats, in water management and nurturing the traditions.**

Fishery management carries a major potential in rural development.

1.2.8 Expanding trade and services sector

The trade and services sector have become the leaders in Hungary in terms of the number of the employed and also value-creation; the sector contributes two thirds of the employed and the same proportion of added value. In the past period, marked concentration took place in several areas within the sector; **in commerce and in transport and warehousing, the number of active enterprises had been declining steadily and forcefully** already before the crisis of 2008. Since consumption, i.e. the needs of the consumers, have not decreased in merit over the same period, the drop is obviously attributable to the termination or merger of the minor businesses. In trade, this was concurrent with the spread of the big chain stores and shopping malls. It is noteworthy that the internal trade turnover index had started to decline already one year before the crisis, in 2007. The number of retail outlets started to decrease in 2008, whereas the **number of shopping centres tripled in the past 10 years**. To preserve the diversity of the supply and support the domestic small entrepreneurs, it seems more useful to support the expansion of the chain stores only in those areas where a supply shortage is encountered.

Intensifying concentration in the fields of commerce and transport

The number of enterprises active in finance and real estate, on the other hand, has been increasing steadily: in 2010, there were 1.5 more real estate businesses than in 2003. These two areas have a marked share also in GDP production: real estate contributed around 9% and finance almost 5% in 2011. Despite the recession, commerce has kept contributing 10% of the GDP. **Development was most significant in info-communication and the financial and the real estate services,** the fastest-growing services of the past 10 years before the economic crisis.

The financial and real estate services and info-communication developed most forcefully before the crisis

The creative industry (e.g. industrial design, designer clothes, film industry, handicrafts etc.), based mainly in Budapest and its surroundings and as far as some traditional activities are concerned in the countryside as well, can be a breakout point of the services sector. Training and shopping tourism might rely on these special activities. The creative industry boosts the competitiveness of other sectors, i.e. industry and manufacture, the technological sector and the services (e.g. cultural services). Its direct contribution manifests itself in the services, in the form of employee mobility and the possibility of transitions between the various activities. Moreover, no Hungarian brands could evolve - whether in the food industry, medical diagnosis or mechanical engineering – without the assistance of a sound and dynamically developing creative industry. The creative industry supplies consumer goods, not primarily for tourists, but it is also a background industry that determines the value-creating capacity of an area. Other flourishing branches include health tourism and in particular the highly popular dental and cosmetic intervention services. These represent significant economic value, particularly in the Western cross-border counties and in Budapest.

The creative industry and health tourism are potential breakout points

The performance of the services sector **plays an essential role** in enhancing total factor efficiency, productivity, diversity, income-generating capacity, the introduction and positioning of the Hungarian-owned brands and enterprises and the consolidation of the basis and strategic position of exports, that is, **in the achievement of several important goals of the national economy**. The development of the business sector, the improvement of the quality and choice of its services, is inevitable for investment stimulation, for boosting investment in the segments looking for efficiency in particular for resources, and also for the further stimulation of strategic investments in the new, innovative segments.

The services sector plays a key role in the achievement of several national economy goals

1.2.9 Research-development and innovation: one of the main potential breakout points

Overcoming the crisis and building up resistance to similar economic problems depend to a large extent on the capacity for renewal, the **innovation potential**, of the economies of the regions. There are enormous differences in Europe in terms of the spatial distribution of the R&D activities. According to most indicators quoted in the OECD Science, Technology and Industry Scoreboard for 2011, Hungary is underperforms relative to the OECD averages, and **the R&D and innovation activity of Hungarian businesses falls short of the European averages**, in particular that of the SMEs, whereas the latter play an important role in the more innovative OECD economies. Despite their significant weight in the economy, the **ratio of the total corporate R&D expenditure to the GDP of the high tech industries is low** in Hungary: it showed stagnation at an annual rate of around 1% in the past decade, and in 2011, it was 1.2% (HUF 334.6 billion).

Little attention is paid to innovation

The R&D expenditure of the business sector is financed mainly from own sources. In 2010, companies funded more than two thirds of the HUF 185.5 billion allocated to R&D themselves; another 16% was financed from the central budget and 13% from external financial instruments. Corporate R&D activity is rather unilateral in terms of the sectors concerned: almost one third of the R&D expenditure originates from the four big domestic pharmaceuticals companies.

Corporate R&D is highly concentrated sectorally

Certain **weaknesses** of Hungarian **science policy** keep preventing the further development of the best undergraduates and researchers. These include **underfunding and funding uncertainties**, almost systematic fluctuations, **in the R&D&I sector**, infrastructural disparities and the low number of researchers. This is the reason for Hungary's poor position in any comparison judging the performance and capacities of the R&D&I basis from the point of view of the competitiveness-boosting effect of innovation. The position of the country is indicated by the fact that it employs around 1% of all researchers of the EU25, but the number of researchers per 1000 persons is only 65% of the EU25 average. For researchers employed in the business sector, this ratio is even worse at 61%. The low number of degree-holders with natural sciences or technological qualifications is indicative of longer-term problems. The ratio of PhD students preparing for becoming researchers in these fields is 0.13% in Hungary, whereas the EU25 average is 0.49%. The quality of natural sciences education and the average performance of the students in Hungary generally corresponds to the OECD averages, but in terms of the **ratio of the best-performing students** representing the reserve pool for researcher training, the country is **at the bottom of the list**.

Certain components of the domestic innovation system are underdeveloped and/or of low efficiency in international comparison, and their interconnectedness and the intensity and quality of cooperation are insufficient. In the OECD countries, most degrees are issued in the technological and scientific fields. Hungary lags far behind the countries considering technological development important in this respect, despite the high domestic and also international demand for its medical, chemist, physicist, mathematician and engineering professionals. The territorial concentration of the national innovation system is well demonstrated by the fact that approximately half of the research sites operates in the Central Hungary Region where more than 60% of researchers are employed and close to two thirds of all R&I expenditures are put to use. The real problem of the spatial structural, however, is the total absence of small regional and territorial connections and interactions that makes the territorial innovation systems deficient and fragmented. Young talents need to be encouraged to implement their ideas in Hungary. Therefore, it is imperative to insert in the innovation system components that will promote their autonomous work, let them work of their own research topics and set up their own research teams.

The Hungarian innovation system is not sufficiently coordinated, and it is beset by quality and HR problems

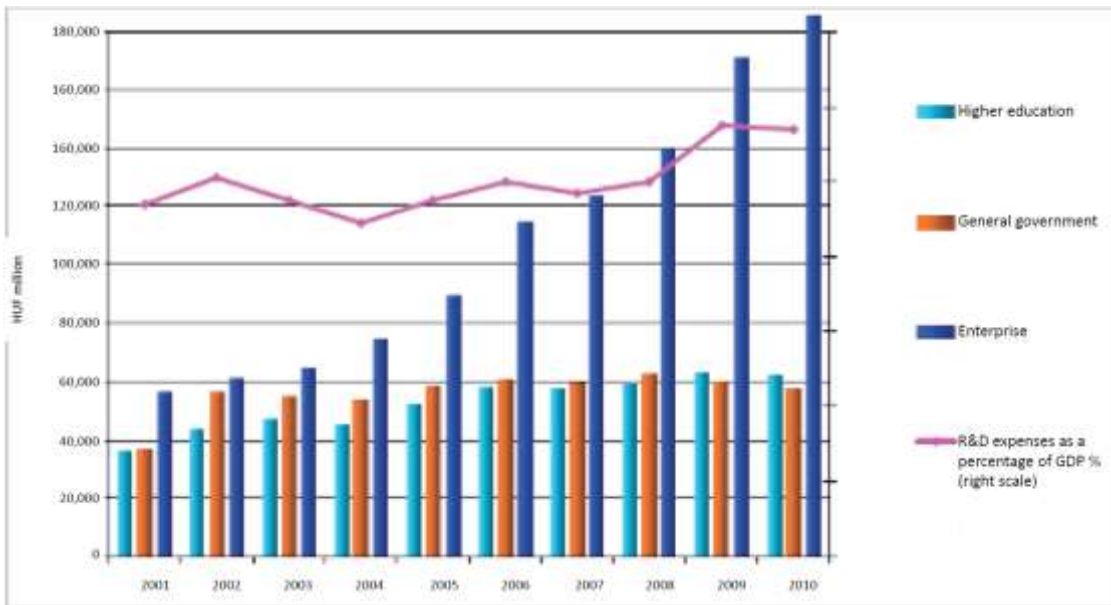


Figure 9: Development of the expenditures on research and experimental development (Same period of previous year=100)

The decision to set up the CERN data processing centre in Budapest is a major professional achievement that can have important rippling effects. The No.1. Central European information investment will process, for example, the results of LHC, the biggest particle accelerator of the world.

CERN research centre in Budapest

1.2.10 Energy dependence vs. sustainable energy policy

The European energy demand had been increasing until the economic crisis and, in parallel, the total energy consumption of the EU rose by an annual 0.4% up to 2007. Under the impact of the crisis, however, consumption has not regained the level of 2007 to this day, although the revival, sooner or later, of economic growth (and in particular, industrial consolidation and the concurrent expansion of the consumption articles) will generate further demand. The energy policy of the Union will have to face the challenge implied by the fact that **the energy demand has been covered, to a growing extent, by imported energy**, intensifying the dependence of the region and the vulnerability of its economy. In order to respond to the challenges, Europe is to **increase energy savings and energy efficiency** in the first place, and also raise the share of renewable energies, to diversify energy generation and procurement, and establish a single internal energy market.

Intensifying energy consumption supplied by an increasingly obsolete and inflexible energy system

In Hungary the overall composition of energy consumption is less favourable than the EU average. In 2011, the **ratio of the renewable sources of energy to energy consumption overall was low (9.1% as opposed to the EU27 average of 13%)**. At the same time, **the country is highly dependent on energy imports**. Besides progress towards energy independence and the EU 2020 objectives, the EU Energy and Decarbonisation Roadmap highlights a similar line of development by envisaging 85% carbon dioxide emission reduction in the energy sector for the Member States by 2050. However, apart from the decisive share (42%) of nuclear energy, Hungary strives to satisfy the energy demand, showing dynamical increase before the crisis of 2008, mainly by obsolete and low-efficiency power plants using fossil fuels. Although the **use of the renewable sources of energy** has increased lately (**2010: 8.8%**), **it is still well below the corresponding EU value, and it falls short of the ratio that would be feasible technically right now**. The renewable sources of energy are used mainly to produce thermal energy for heating, domestic hot water, electricity and, to a growing extent, fuels.

Lack of small-scale developments

Unfortunately, the technological means to raise the share of the renewable sources of energy in power generation, such as smart grids to even out their fluctuating performance if they were used in larger quantities, are missing. The review of the regulatory system and the implementation of pilot projects needed for adopting the innovative grid solutions spreading in the EU are in progress already. However, **the autonomous, small-scale energy systems** that would reduce the load of the central system and increase supply security, and could also boost the development of the local economy, are lacking.

68.5% of electricity generated from renewable sources is based on biomass meaning firewood burnt in the former coal-fired power stations for the most, a solution that is not viable in the long run for reasons of economy and sustainability. Currently, wind energy seems the most effective sustainable source of electricity in Hungary; the first wind farm was put in operation in 2000, and the total capacity of such farms has attained 329 MW and their share 13.4% by now. Hydroelectric power plants contribute 9.7% only, and no development of merit can be expected in this field at national level, although there are some upgrading options in the small-size local systems. With the modernisation of waste management, biogas utilisation has also become an increasingly realistic and profitable solution, but the relevant possibilities are hardly exploited yet. Hungary's **geothermal potentials are outstanding** not only in European, but also in international comparison. The geothermal potential of the country is estimated at min. ~60 PJ/year (altogether, around 343 000 PJ), of which currently only 3.6 PJ/year (2010) heat is utilised for energy purposes. The larger-scale, power-plant-level utilisation of geothermal energy guaranteeing the return on such investments and their long-term operation are limited by the expensive nature of the mandatory re-injection obligation introduced to reduce the environmental impact, and by the necessity of complex utilisation.

The use of the renewable sources of energy has started, but it is in a very early stage

Another decisive component of energy consumption in Hungary derives from the energy demand of buildings responsible for **40% of the total energy consumption**, using two thirds of that volume for heating and cooling purposes. Gas heating has become quite widespread recently, but it is less and less sustainable financially and, moreover, it implies excessive vulnerability, since natural gas is supplied to Hungary almost exclusively by Russia, and domestic production is not significant any more. Therefore, it is imperative to support the spread of alternative heating/cooling arrangements - district heating based on renewable energy, heat pumps, photo-thermal and photo-voltaic solar panels – that can reduce Hungary's vulnerability to fuel imports. Around 70 percent of the 4.2 million Hungarian buildings is in need of renovation and actually re-building in one case out of ten. Since a significant part of the building stock definitely wastes energy, its renovation, modernisation and the construction of new, energy-efficient, buildings promises the greatest energy savings. Besides thermal insulation, the renewable sources of energy could also play a bigger part in this field, e.g. through the use of heat pumps, solar collectors, solar panels, and buildings that are at least partially self-sufficient energetically. The more modern use of energy would imply major savings for the central budget already in the short term through the termination of the allowances provided for district heating and the price of gas, detrimental economically as well as environmentally, and it would have a positive effect on employment and the domestic demand. The economically cost-effective and energy-efficient new constructions could contribute, with a well-targeted state programme, to creating as many as 50-80 thousand jobs annually.

Wastefully outdated building stock

1.2.11 Mobility and accessibility at the service of the economy (Transport)

The transport sector produces 6-8% of the gross national product, but it also exerts an indirect influence on the income-generating capacity of other sectors. The quality and efficiency of the movement of goods and services is a **key component of the competitiveness of the productive sectors**. In addition, certain **mobility needs** have emerged due to the changed social-economic framework conditions, representing basic needs to be satisfied at high level.

Importance of the transport sector

The **transport sector employs some 300 thousand persons directly**, corresponding to around 8% of employees, but as a matter of fact, 80% of society is its active subject or participant due to participation in individual and public transport. Besides their significant impact on the national economy and the quality of the environment, the transport services are worthy of attention because of their effect on the quality of living and on the economic-social adaptability of society as in the case of the mobility option affecting the choice/alteration of one's workplace.

A factor influencing the quality of life and social and economic mobility

The network of motorways constituting the backbone of road transport must satisfy the domestic traffic needs, but it is also part of the international transit road network. The construction of the motorways that are also part of the important international transit road networks to the Hungarian borders creates, potentially, excellent opportunities for economic development. However, the **quality features (load-bearing capacity, accident hazard) of the domestic road network, and the low accessibility of the motorway network** do not satisfy the growing transit and domestic traffic needs. Owing to low density, it takes one and a half hour to get to the nearest motorway in some small regions, and that is a major hindrance to economic growth there (e.g. in Békés County). The road network is often in a poor condition due to the deferred maintenance works, and it deteriorates even further under the impact of the highly increased heavy freight traffic and the permissible axle loads. The proportion of roads in poor or inadequate condition is particularly high in Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Jász-Nagykun-Szolnok, Heves, Nógrád, Somogy, Baranya and Zala counties.

Centralised transport infrastructure leaving the geo-strategic position of the country unexploited

In the upper section of the Danube, the lack of river bridges and related roads is a problem, whereas in the lower section there are no feeder road connections to the existing bridges. Besides the above, the development of the more deprived areas, settlements is greatly hindered the deficiencies of the transport network within the region. Roads bypassing the settlements, relief and connection roads are missing at many places, but access to the territorial centres, the county seats is also a frequent problem. It is a priority task to modernise the road network both in order to establish the connection network of settlements and also to promote the (re)location of enterprises. The easing of the highly Budapest-centred road network is a problem of long standing. **The radial road structure ought to be replaced by a grid structure** having a much higher development potential. Several plans have been developed to that effect, one of the most important ones being the construction and interconnection of motorways M4-M8, and the construction of M9.

The development of the peripheral areas is hindered by poor accessibility

The decline in the number of passengers experienced because of the uptrend in private vehicle purchases in the 2000s could not be counterbalanced by the spreading and little controlled suburbanisation (in Budapest, Debrecen, Szeged or Pécs, for example). Moving has been promoted by almost limitless access to housing (construction) loans and could have brought about the increase of interurban passenger traffic, but public transport has kept losing weight because of the availability of preferential car loans. This trend may change even in the short term due to the economic crisis of the past years and the increasing fuel prices. The number of transported passengers fell by 11.5% from 2001 to 2012. The service had been used by an annual 756 million in 2001 and by only 670 million in 2012. In line with the above, the service line/railway performance realised by the transport service providers decreased in coach/bus traffic, but the corresponding railway figures rose by more than 20%, despite the replacement of traffic along 30 railway lines by buses. As for the passenger kilometres travelled, there was practically no change until 2011, it was between 25 and 26 billion in the period under study, but in 2012 the corresponding value was only 23 billion already. The average travelling distance has kept increasing year on year, as a clear sign of the intensifying - but in European comparison still low - mobility of the population, and also indicative of

The organisation of public transport does not promote mobility

employment and schooling away from home. The deteriorating financing position of the public transport companies does not make it possible to upgrade the vehicle pool or to use denser timetables, or even to preserve the existing, justified, ones, in the more dynamically developing areas. The specification of the organisational conditions of the transport associations, on the other hand, is in an embryonic state.

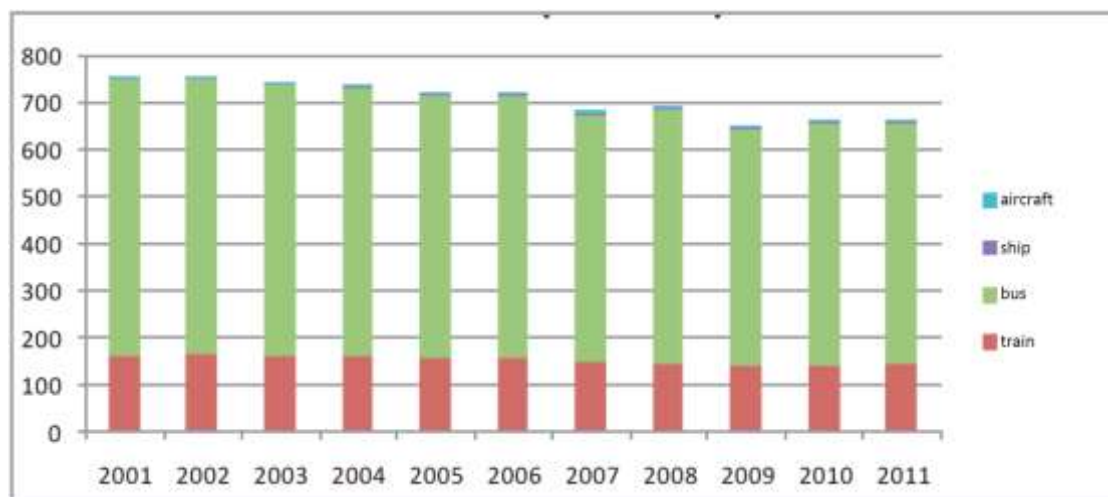


Figure 10: Number of passengers in interurban passenger transport (Source: HCSO)

Local public passenger transport dropped by even more than interurban traffic. The number of transported passengers fell by 18%, the passenger kilometres travelled by 23% from 2001 to 2012. Note the **relatively stable position of rail transport**, which demonstrates the need to preserve these branches. The development runs parallel in this case as well with the growing use of cars.

Wasteful transport habits, erosion of public transport as an alternative

The volume of **freight transport had shown rapid growth** from the beginning of the decade until **2008** (from 207 to some 344 million tonnes), followed by sharp decrease by 2012 (to 249 million tonnes). The trend is similar in freight tonnes per kilometre: its value doubled from the beginning of the decade to 2008, and declined until 2012, albeit at a slower pace. **Road transport plays the lead role in freight transport**; it is followed by railway, pipeline and, finally, water transport. In the period from 2001 to 2012, the role of road traffic kept increasing (from 48 to 67%), while transport by rail declined (drop from 29% to 18%). The above trends mean that the negative environmental quality impact of the transport sector has been increasing. Water transport has stagnated at around 4%, while transport by pipelines fell to half of its share of 19% registered in 2001.

The economic crisis has not left the volume of freight transport unaffected either

Ineffective potential is obviously present also in air traffic, besides river transport. The issue of the **navigability of the Danube** determines the volume of **freight transport** that could be increased significantly through the modernisation of the domestic shipping fleet, the use of environmentally friendly equipment and by making the domestic port network EU conform. There are similar unused potentials in navigation along the River Tisza. With the termination of the domestic airline, Budapest-centred **air traffic** is expected to decline, but new airlines may gain ground in the market opening up as a result, and the range of destinations accessible from Budapest may even expand. In addition to the appreciation of the role of the **regional airports** (primarily Sármellék, Debrecen, Pécs and also Pécs-Pogány, Szeged, Nyíregyháza), the logistical utilisation of the currently still unexploited airports must also be taken into account (former military airports, e.g. Kalocsa-Foktő, Taszár, Mezőkövesd, Kunmadaras). Airport development must be based on a strategy that is well-grounded from the points of view of environmental protection, territorial development, economy and transport.

Untapped potentials of river shipping and air traffic

Logistics was among the fastest-developing sectors in Hungary in the past years; its role in serving international freight transport is particularly important. Due to its geographical position, Hungary has a very important role to play in the European space and in particular the transit economy. The country connects West and North Europe with the countries of the Balkan Peninsula and, in a larger perspective, Europe and Asia. The further development of the transit economy, the improvement of the relevant services e.g. through the construction of appropriate rest areas, has enormous potentials for us. Logistics centres have been created along the main road and railway nodes and at the junctures of these and of the Danube and Tisza ports. **These are relatively new institutions and hence most are still under construction/development**, as e.g. BILK (the Budapest Intermodal Logistics Centre) terminated at the end of 2011.

Logistics is one of the fastest-developing sectors

1.2.12 Info-communication has become a decisive sector also in Hungary

Access to information has obviously become a special economic factor. **The info-communication infrastructure underwent rocketing growth after the systems change, and it has kept developing to this day.** The internet access of the population has kept improving: in 2012, 70.6% of the population used the internet, and the share of households with internet access was 68.6%. Regional gaps, however, exist also in the ICT sector. Internet access is quite widespread in the big cities and the more developed areas, but the rate of internet users is lower than average in the rural and the more deprived small regions.

The ICT sector has become a strategic branch

In the telephony area, the use of mobile phones overcame that of the line-based networks within a period of less than 10 years, reducing thereby the territorial discrepancies of the relevant national infrastructure. Technological development **has brought the mobile applications into the foreground**: mobile instead of wired internet access and mobile devices instead of PCs are spreading gradually. Information society, however, means not only access to the info-communication systems, but also their use and integration into social and economic life. It is important that both the population and the economic actors be able to use modern information and info-communication services. The role of the so-called e-business is increasing continuously. **It is inevitable for the businesses of our days to be present on the world wide web** (e-commerce and other services), The spread of the various forms of electronic case administration has brought about quality change in public administration, and it is a typical example of the use of the information technologies in social life. The tendency is clearly shown by the **further increase of the number of internet subscriptions** despite the crisis, **to more than 5 million by the end of 2012**, while the number of mobile internet subscriptions reached 3 million. Data traffic over the mobile network expanded by one third relative to the previous year. The development of info-communication promotes the new forms of talent support and the development of the relevant networks.

Increasingly diverse and location-independent applications

1.2.13 High territorial concentration of tourism

Due to its location, natural potentials and cultural heritage, Hungary can offer favourable conditions for tourism. Its most important natural endowments include the **medicinal and thermal waters**. The conditions are perfect for **water, eco-, equestrian and bike** tourism, and for the **expansion of village and cultural tourism**. The involvement of the cultural institutions operating in historical or architecturally significant modern buildings as tourist attractions also promotes the strengthening of cultural tourism (Big Culture Programmes). However, only a small part of the cultural and historical potentials of the country has a unique, internationally competitive appeal. This is so because despite the European, international quality and values of the Hungarian built heritage, it cannot fulfil its significant role in tourism because of its status, conditions, the lack of scientific restoration works and the small proportion of the stock than can be presented currently to the public.

Good potentials for tourism

Hungary has a significant backlog in this field relative to the international practice and average - a situation that has to be changed. The products and attractions to be built on the above are **world heritage sites**, palaces, castles, memorials of **religious tourism**, special **architectural assets**. The Hungarian **gastronomy, wine and pálinka (brandy) culture are world famous**.

Budapest is the No 1 reception area of tourists in the country, but despite its positive features, it is only a second-line destination among the big European cities. **Lake Balaton** is the second most important internationally sought tourist area in the country. In the field of **health and health care tourism, the health resorts** are important and, moreover, the UNESCO **world heritage sites** have an outstanding appeal. As for the **continuous resort areas** characterised by favourable geographical conditions and cultural and economic appeal, the following excel in terms of tourist visits: Danube Bed, Lake Velence area (Vértes Mountains, Váli Valley), the Mátra-Bükk and the Sopron-Kőszeghegyalja mountains, Lake Tisza, and the Mecsek and the Villányi Mountains area. In the future, the restructuring of the system of the Hungarian institutions of tourism will have to be promoted by the tourist destination management (TDM) organisations supported also by the administration.

Budapest is the No1 reception area

Ecotourism, a form that is becoming increasingly significant, comprises every form of tourism that focuses on the natural areas, the environmental values, as opposed to mass tourism specifically for the purpose of recreation. Hungary's ecotourism potential gives an opportunity to **preserve the local values** and provide the rural population a livelihood and economic advantages by cultivating it. **Health tourism is an exceptionally dynamically developing sector in Hungary**; the health awareness of the population is gradually intensifying, and people are willing to spend more on their own health and that of their family. Nevertheless, health tourism is still **driven by the visits of well-to-do foreigners** coming mainly for dental and cosmetic treatment offered at a good price. For 18% of foreign guests spending at least four nights in the country, the main motive for travelling here is medical treatment and wellness tourism. The western border region of the country and Budapest are highly popular among the foreign guests, so this segment, too, is characterised by very strong concentration. **Something of an eastern opening is perceptible also in the field of health tourism**: the number of Russian-speaking guests is dynamically increasing, especially at the middle- and high-end hotels near the famous spas.

Eco- and health tourism may be new breakout points

According to the tourism data, 21.8 million guest nights were registered in 2012 by the domestic commercial accommodation services, of which 6.6 million were spent by the guests at hotels. A total of 6.6 million guests stayed at hotels in 2012, mainly in the capital and in the Balaton region, for 2.5 nights on average. **From 2001 to 2012**, the number of the guests of commercial accommodations rose by 38% and the number of guest nights by 17%, that is, the **average duration of their stay decreased** (from 3 to 2.6 days). The number of foreign guests rose by 36%, but the number of their guest nights spent in Hungary increased by 4.6% only. In terms of guest nights, Germany, Austria and the United Kingdom have remained the most important sender markets, but the neighbouring countries carry an increasing weight in the tourist inflow.

The neighbouring countries play a growing role in the tourist inflow

The number of domestic guests rose by 40% from 2001 to 2012, and that of the corresponding guest nights by 34%. Over the same period, **the ratio of guests nights of residents** to guest nights overall increased: in 2001, it was 41.6% and in 2012 48% already. The development of domestic tourism is a priority as money spent by the tourists is channelled to the economy of the country this way. In 2012, the commercial and private accommodation sites offered a total of almost 555 thousand places in the country, almost half of them in the Balaton/Budapest destinations in combination, indicating **high territorial concentration**. Within the total accommodation capacity, hotels (25%) and camping sites (16%) are the most decisive types.

Expanding guest night numbers

The **national trends suggest a shift in favour of the higher-quality accommodations**. Tourism continued to increase - in terms of the number of tourists and the guest nights alike - despite the economic crisis; in particular, guest traffic at hotels increased. also in 2012. A further increase would be induced by developing and making presentable the valuable pieces of our built heritage, attracting increasing masses also at international level, and the realisation of major axes of tourism.

1.2.14 Economic recession undermining the employment rate

In the wake of the economic recession concurrent with the systems change, the Hungarian labour market transformed significantly in the first half of the 1990s: as opposed to almost full employment in the years preceding the change, at the nadir in 1996 hardly more than 50% of the active-age population was employed, and more than half of the unemployed failed to find a job for more than 12 months. **From 1997 on, the employment rate showed slow growth** until the global financial crisis that resulted in another drop.

Employment deficiencies, challenges

In European comparison, **employment is critically low** in Hungary: **in 2011, it was only 60.7%**. A similar decline occurred after the systems change in every post-socialist countries, but in the majority, the employment rate had approximated the pre-1989 level by 2009. In Hungary, on the other hand, the initial sharp decline was followed by only slow and moderate growth until 2007, when the employment rate attained 62.6%, and the decline recurred after the onset of the crisis. Our backlog relative to our regional rivals is almost 5 percentage points on average.

We are far from achieving the employment rate of 1989

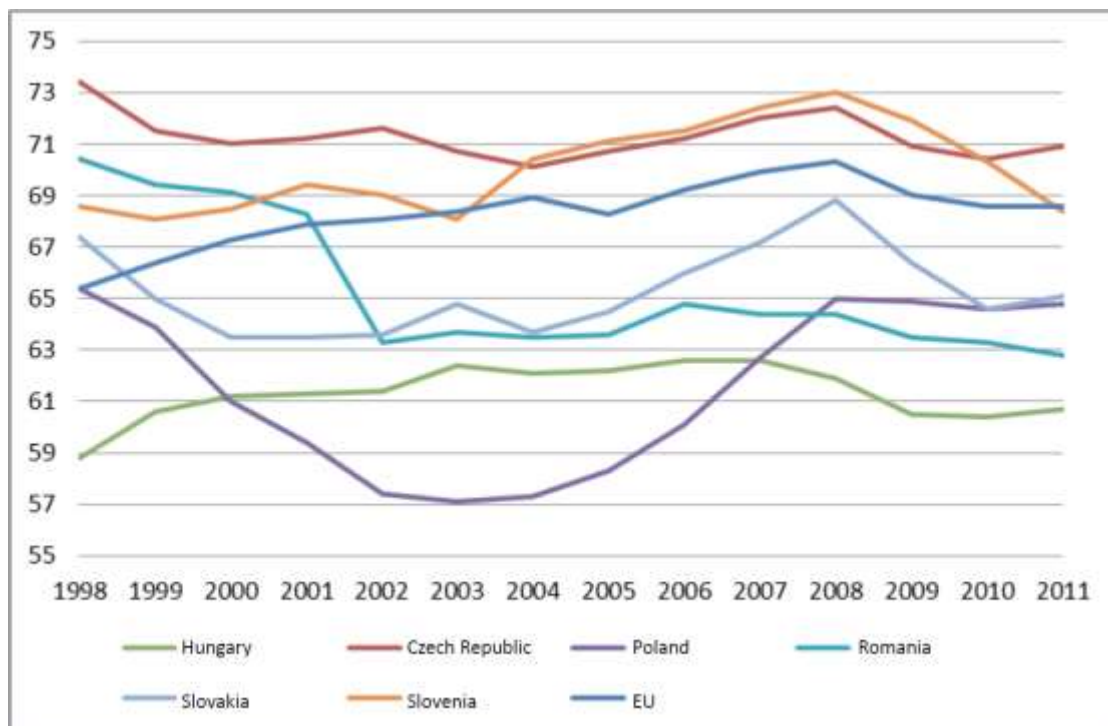


Figure 11: Development of the employment rate of the age group 20-64 from 1998 to 2011 (%) (Source: EUROSTAT)

The sectoral structure of employment clearly shows the uninterrupted growth of the **services sector**: by 2010, almost **65% of the employed worked in there**. In parallel, the share of those employed in the industrial sectors and in agriculture, respectively, underwent moderate decline.

Expansion of the services sector

The proportion of industrial employment exceeds by far that of agriculture (**2012: 29.8%**).

Typically,

Besides agriculture, the sharp decline of the labour demand due to mechanisation is most obvious in the industry, albeit the decrease observed in the past few years was extraordinarily slow. **The employment contribution of the secondary sector** is highest in the regions **with industrial traditions, re-industrialised** after the systems change, i.e. in Fejér, Nógrád and Komárom-Esztergom counties, and it is lowest in Budapest. **Its contribution to the gross value added** matches its employment role: **it was 31.3% in 2010**, and manufacture provided 70% of it.

the demand for labour decreases due to mechanisation

The permanently high unemployment rate of the **areas without employers** (Borsod, Nógrád, Szabolcs: higher than 15% since 2009), the social allowance system acting against seeking employment and the deficiencies of the school system **have led by now to the emergence of social groups and areas that cannot satisfy the labour market needs**. Employability is hindered by digital, and also large-scale (adult population: around 25%) functional illiteracy. The changes of the housing market in the past period, the high level of indebtedness of the population and the depreciation of their property undermine the mobility of a further part of the labour supply that would be able to succeed in the labour market elsewhere.

Worsening situation of the peripheral regions

The domestic employment problems manifest themselves particularly strongly **among the Roma whose labour market position is the most disadvantageous**. Economic restructuring after the systems change hit particularly hard the branches employing a significant number of employees with Roma identity, so they suffered what can be called massive job losses (according to certain estimates, 55% of jobs filled by the Roma were lost in the early 1990s, as opposed to 33% of all jobs). The majority failed to re-enter the labour market afterwards, so their employment problem became permanent and the difficulties were inherited by the next generations, leading to acute social tensions in certain areas. The **employment rate** of the Roma population **is less than half, and its unemployment rate three to five times higher** than that of the non-Roma population. Although the Roma represent around 7% of the population, only 2-2.5% (75-90 thousand) among the employed are of Roma origin, but they make up 25-30% (100-130 thousand) of the registered unemployed. Employment discrimination hitting the Roma imposes severe limits also on the employment of Roma people with qualifications that would give a good chance otherwise of success in the labour market.

Unused employment potentials of the Roma minority

In Hungary, **the most vulnerable groups in the labour market** are those with low qualification, with changed working ability, persons older than 50, young career-starters and women with young children. Several regulatory factors exert a negative influence on the relevant labour demand. The components of the inflexible regulations include high contribution payment on employment, the relatively high minimum wage, the administrative burdens associated with employment (e.g. for hiring and dismissing labour), and the low level of employer support for the atypical forms of employment such as part-time work and remote working. It is inevitable for the fullest possible social integration of **persons with disabilities** to increase their presence in the integrated and the sheltered labour market. According to the population census of 2001, their employment rate was only 9%. The population census of 2011 put their number at 456 638 (4.6% of the residential population).

Employment of the special labour market groups

To improve the critical employment situation, the Hungarian government instituted as of 2010 a **tax and benefit system stimulating employment**, creating resources to offset the reduction of taxes on labour by increasing the consumption and the value added tax. The New Széchenyi Plan has priority importance in job preservation and the generation of further jobs. Moreover, thanks also to the extensive public work programmes, the population of the employed increased significantly, by 59 thousand in the first quarter of 2012.

Employment-stimulating tax regime

Status/year	Measurement	2000	2012	Change, 2000 = 100 %
Employed	Thousand persons	3832.0	3877.9	0.6
Unemployed		263.2	475.6	80.4
Economically active		4095.2	4353.4	5.7
Economically inactive		2745.5	2927	-8.5
Population aged 15-64		6840.7	6715.7	-1.8
Participation rate, %	%	59.9	56.9	7.4
Unemployment rate		6.4	10.9	70.3
Employment rate		56.0	50.6	2.0

1. Table 1: Key indicators of the economic activity of the population (Source: HCSO)

Sector	2000 headcount	distribution (%)	2005 headcount	distribution (%)	2012 headcount	distribution (%)
Agriculture	255.5	6.7	194.0	5.0	200.3	5.2
Industry,	1304.0	34.2	1264.0	32.4	1156.5	29.8
Services	2296.7	60.3	2443.5	62.6	2521.0	65
Total	3809.3	100.0	3901.5	100.0	3877.8	100.0

2. Table 2: Distribution of the employed by sector of the national economy (Source: HCSO)

1.2.15 Aid policy

For Hungary, one of the biggest sources of aid is development aid received from the European Union. Under the current financial budget (2007-2013), **EUR 24.9 billion was envisaged for Hungary**. Hungary receives significant EU aid in the current planning period, but there are several obstacles hindering their drawing **that aggravate their utilisation considerably**. Hungary's economic performance until 2020 will be determined to a considerable by the amount of EU resources put at its disposal in the 2014-2020 budget period which is in the planning stage now. Hungary should endeavour to ensure that the sectors treated as priority ones by the Government should benefit from the coming multi-annual financial budget in appropriate extents, and that access to the resources concerned be as favourable as possible.

EU contribution is the main funding source of the current aid policy

The ratio of the state subsidies to the gross national product is outstanding in Hungary in EU and also in regional comparison. An analysis of aids to the industrial and the services sector (disregarding the crisis management measures) shows that **Hungary's 1% GDP-proportionate value is more than double that of the EU27 average**, and much higher also than the 0.55% value of the newly acceded countries.

The ratio of state aid to the GDP is outstanding

In terms of the instruments, it can be stated that Hungary - similarly to the EU27 average - **allocates nearly half of the aid to direct support, spends a similar, but somewhat smaller proportion on tax advantages**, and the **share of the other instruments is much smaller**. Considering the newly acceded countries, the proportions are different there: the ratio of direct support is more significant at almost two thirds, and tax advantages amount to 31% only. In Hungary, on the other hand, the proportion of tax advantages is 47% and, moreover, more than 90% of it goes to foreign companies. Besides the tax advantages that are more likely to have short-term effects, it is recommended to consolidate the small and medium-sized enterprises by governmental instruments in order to strengthen the domestic economy. Granting major tax advantages may be a great help primarily for investors relocating to areas in a deprived economic and social position, characterised by high unemployment.

The high rate of tax advantages is not typical of the other newly acceded countries

Assistance granted on the basis of ad hoc governmental decision, based on financial assistance to investors realising investments of priority importance from the point of view of the national economy, is a decisive element of the domestic aid policy. From 2003 to 2010, the Hungarian government contributed around HUF 100 billion non-repayable subsidy for the realisation of these investments in Hungary.

Investments realised on the basis of ad hoc government decisions play a major role

1.2.16 Summary economic strategy messages

Hungary is an extremely open economy; the ratio of its foreign trade balance to the GDP is among the highest in Europe. Therefore, from the perspective of growth, our priority objective is to maximise the net exports (the differential of trade exports and imports of the domestic economy), to be realised by **integrating Hungarian companies deeper in the production chain, strengthening their position in the domestic market and promoting the further expansion** of those among them that are present in the export markets with competitive products. Furthermore, we must endeavour to tighten cooperation between the small and medium-sized enterprises, the domestic and international multinational companies and revive the manufacturing industry. It is essential for growth to start up the internal engines of the economy, and to **strengthen and support the special, knowledge-based industries producing high added value** (bionics, health industry, pharmaceuticals manufacture, manufacture of medical equipment and devices, environmental industry, IT sector, creative industry etc.).

Export based on strong domestic companies

Employment growth is essential for economic recovery; therefore, one of the short-term priorities is the consolidation of the **innovative economic branches having a bigger employment potential** and, over and beyond these special industries, to develop R&D&I in general and attract the corporate research bases of big capital to Hungary. At the same time, the balance needs to be found between these sectors and those producing high added value, but not necessarily employing masses. **The discovery of new markets** (opening up to the East), the reinforcement of the foreign trade relationships are important tasks of the near future, **the same as assistance to the social economy and public work programmes**. In the long run, **innovation, the development of the industries based on innovation and the development of the food economy** may be breakout points of the country.

The better exploitation of the potentials requires long-term planning

Economic strategy tasks needed in medium term	Economic strategy areas grounding long-term development
<ul style="list-style-type: none"> • development of economic sectors and activities providing employment • assistance to the economic sectors with major employment potential • identification of the market expansion options, market expansion (e.g. opening to the East) • support for the social economy • reinforcement of the local economy • recultivation of greenfield areas 	<ul style="list-style-type: none"> • market re-positioning • development of the innovative, competitive sectors producing high added value, based on domestic production, research • establishment of the vocational training, higher education and adult education background and the system of talent support • export-oriented development of agriculture and the food economy, providing for the internal market, for employment and the supply of healthy foodstuffs • consolidation of the network economy and the local economy • development of tourism

1.3 Our social resources, social challenges and trends

1.3.1 Global challenges: growing global and falling Hungarian population

The No. 1. social challenge is **the fast and significant growth of the global population** that is expected to reach 9 billion by 2050 according to the projections. Population growth means, globally, also the increase of poverty and the extremely uneven distribution of incomes, implying a further economic-social challenge at global level. As opposed to global population growth, **Europe is characterised by the ageing of the population** due to permanently low fertility rates and increasing age. Most European countries no longer attain the 2.1 fertility rate needed to reproduce the population as people are more and more reluctant to have children since the 1970s. The trends are particularly negative in the Central and East European countries. In 2010, six of the 27 Member States of the European Union were characterised by natural demographic decline, enhanced in some cases – Lithuania, Latvia, Romania and Bulgaria - by losses due to international migration. In Germany and Hungary, migration gains decelerated the process to some extent. Population growth in the other countries is propelled by immigration to West, South and North Europe – explained mainly by job search -, but that is conducive to **increasing social tensions**. The negative demographic trends and changes represented one of the priority social-economic problems of the European countries in the past twenty years. The intensifying challenge of the decades to come is ageing: parallel with the increase of life expectancy, the age composition of the population will increasingly shift in favour of the older ages.

Characterised by global population growth, growing social tensions

In the majority of European societies, besides low fertility, the cancerous and cardio-vascular diseases, the endemic by-products of civilisation, play an outstanding role in the decrease of the population sizes. Both causes of death play a lead role in the East Central European area. This is due to a large extent to unhealthy ways of life, to the territorial disparities, the deficiencies of the health care system and to the environmental health hazards.

East Central European predominance in the growth of tumoral diseases

Hungary is basically facing the same challenges as Europe, but **its position is much worse than that of the other European countries in terms of certain indicators** (e.g. demographic decline, public health situation, vulnerable social groups).

The Hungarian

Hungary's population has been shrinking for decades, and this is now accompanied by ageing. The headcount and share of Hungarians living in the Carpathian Basin has also declined, in particular the number of ethnic Hungarians living in the diaspora has been crumbling continuously. The social trends indicate that the country has lost its good position occupied in the European territory – and particularly among the Central East European countries – at the turn of the millennium. Moreover, its social resources have weakened, often to the extent of depletion, over the past 10 years.

population is in a downward social spiral

National and community identity has weakened despite our exceptionally rich and unique cultural heritage including, among other things, the Hungarian language, our ethnographic traditions, the intellectual heritage of the Hungarians, our archaeological and built heritage. A moral crisis is observable in society due to the marked differences in value judgements. The traditions are strong, but the same is true of the negative stereotypes. The quality of education has decreased, the occupation and career choice of the youth is not sufficiently oriented, the positive vision and mutual trust at national, local and individual level are often missing. Due to the high costs of living concurrent with low incomes and relatively few job opportunities, the outflow of the potential labour supply continues.

National and community identity has weakened

The key to our social development is a **change in socio-strategic attitudes**, based on a positive national, local and individual vision, competitive knowledge, occupations securing a living, employee skills needed in the economy producing high added value, vocational training and higher education adjusted to economic development, self-employment, profitability enhancement and value-creating work. This, in turn, requires a **demographic turn, and the proactive treatment of social ageing** and, moreover, work- and family-friendly social arrangements, solidarity with the vulnerable social groups, and the consolidation of national and communal trust is also imperative.

A change of the socio-strategic attitude is needed

Hungary possesses social resources and assets that make social renewal and value-creating economic development possible and reinforce, once strengthened, also Hungary's global, international, position. By preserving and multiplying these assets and implementing a deliberate and coordinated social policy, Hungary could once again leave the rear and join the vanguard of the region.

Our social resources and assets:

- ❖ Hungary has a cultural and built heritage and traditions representing significant value; their potential part in preserving the population and promoting social cohesion and catching up, and social and economic development is a most valuable asset.
- ❖ Our system of education and training and the network of research institutes provide a good basis for creating a knowledge-based society.
- ❖ The talents identified by the talent support programmes will become model examples for the youth.
- ❖ Our competitiveness is enhanced by the fact that Hungarian work morale is characterised by respect for work, diligence, adherence to the norms and responsible work.
- ❖ The typical “survival capacity” of the Hungarian population is an important trait in many life situations.

1.3.2 Demographic decline threatens our survival as a community

Demographic decline, due mainly to the number of births, very low (even) in comparison to the European average and to high mortality, has been typical in Hungary for decades. In 2011, Hungary had a population of 9 million 985 thousand, 191 thousand – corresponding to the headcount of a big city – less than in 2001. The population size decreased in the past 10 years in almost every area of the country except Budapest, and Pest and Győr-Moson-Sopron Counties. From among the counties, the population of Békés County decreased most (by 10.4%), but the populations of Nógrád, Tolna, Jász-Nagykun-Szolnok and Borsod-Abaúj-Zemplén County, respectively, also dropped by more than 7.5%.

Demographic decline may become permanent

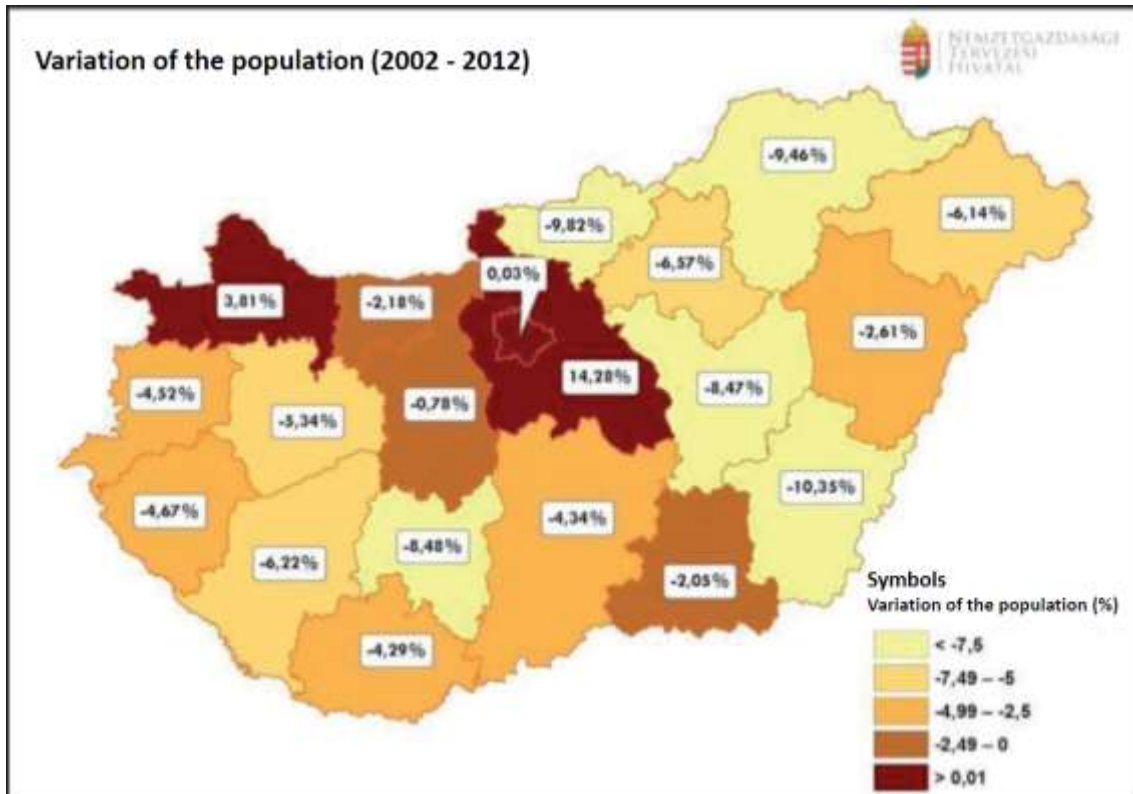


Figure 12: Development of the resident population, by county, 01 January 2002 to 01 January 2012 (Source: HCSO)

Hungary's **fertility rate** is currently **one of the lowest** in the European Union. Moreover, we belong to the group of countries where the fertility rate has not increased in recent years either (2009: 1.33; 2010: 1.26). The number of live births has not attained 100 thousand since 1998; the decrease of 28% recorded from 1990 to 2010 occurred while the number of women aged 15 to 49, of childbearing age, had kept increasing until 2001. Hungary has very low fertility rate in spite of the fact that, in terms of the amounts allocated to family allowance, the country is in the vanguard in Europe. The Hungarian system supports parents who want to care for their children under the age of 3 at home, but the **number of places at child-care institutions (nursery, kindergarten) is often insufficient**, and that acts against the willingness to start a family.

One of the lowest fertility rates in the European Union

The low fertility rate and the steady **decline of the willingness to start a family is explained partly by the postponement of childbearing age** to 28.3 years of age on average among Hungarian women (2011). This is higher by almost 5 years than it was in the 1970-1980s. In 2012, **most children were born of mothers aged 30-34**, corresponding to almost one third of all births, but women aged 35-39 also tend to give birth more frequently than in the previous years. The data, however, suggest that it is less and less likely for a late first child to be followed by siblings: almost half of children born in 2011 was the first child in the family, 30% the second, and only 20% were born in families with 3 or more children.

Decreasing willingness to have children/starting a family delayed

According to the social age tree, **the most populous age-group among women is that of the 35-39 year-old**, the generation of the grand-children of the so-called Ratkó era (the first “baby boom”). This age-group is still of child-bearing age, but within a few years, the child-bearing generations are expected to shrink considerably and it will be impossible to slow down the processes of ageing and of decrease any more. Fortunately, the number of planned/desired children is still relatively high, that is not always the case e.g. in Western Europe any longer and, therefore, **one cannot overestimate the importance of efforts made in the next 2-3 years to promote child-bearing. For, subsequently, the demographic turn will no longer be a realistic option**, as the number of women under 30 already shows continuous decline and, moreover, with the current trends, there is risk that the younger generations will postpone child-bearing to a later age and stop after the first child.

This is the last minute: the number of women of child-bearing age will decrease dramatically in the near future

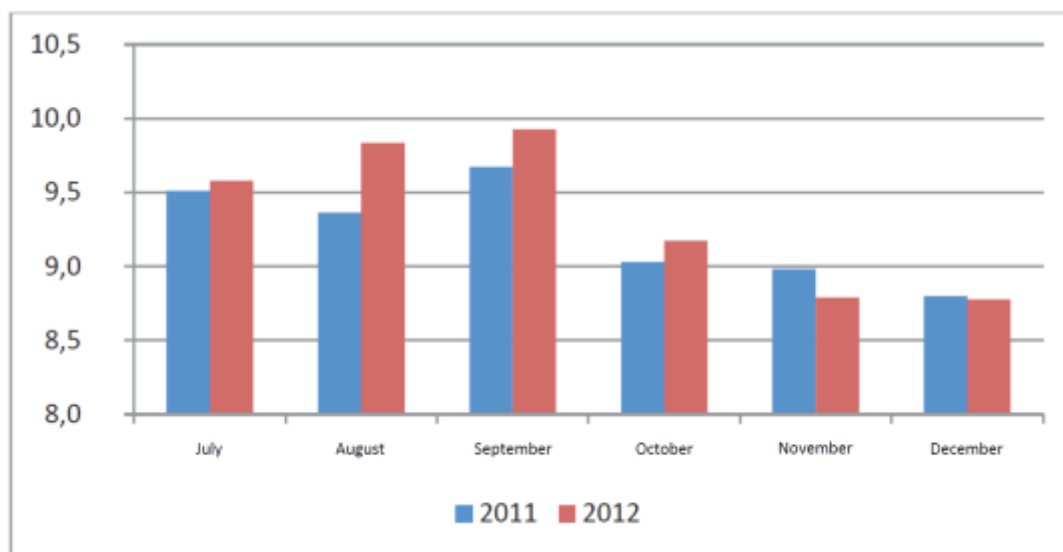


Figure 13: Number of live births by thousand inhabitants, same periods (H2) of 2011 and 2012 (Source: HCSO)

One objective of the new personal income taxation system introduced in 2011 was to further alleviate the burdens of the families; this is the reason why the new system supports already the first child – **to encourage child-bearing** – without any income limit. In 2012, 90269 babies were born, 2220 more than in the previous year. It is an encouraging trend that, according to the data of the HCSO, **the number of live births per thousand inhabitants increased by 0.2 in the second half of 2012** over the same period of the previous year (July-December 2011).

Even the positive family policy measures fail to offset the negative developments

In Hungary, the **number of abortions** fell by almost 60% from 1990 to 2012, but despite the positive trends, the number of abortions per one thousand live births is still outstanding. **Life expectancy at birth** has been improving – with minor interruptions – for decades; currently, it is 78.4 years for women and 71.4 for men, but that still puts Hungary in the last tier of the Union rank order. There are marked differences within the country in this regard: a baby boy born in the Lake Balaton area or in Budapest can expect to live 73.6 years, in the Bodrogköz, the corresponding figure is nearly 10 years less (64.5 years). These marked disparities need to be taken into consideration by all means during the restructuring of the health care system.

Life expectancy at birth is below the EU average

As in the majority of the countries of the European Union, demographic decline is accompanied by the ageing of society, that is, the **growing share of the older people**, due decisively to low fertility and also to increasing life expectancy. Similarly to the trends observed in the EU27, by 2013, the ratio of people aged 65 or older to the total population rose from 13.2% measured in 1990 to 17.2%, and by 2020, more than one fifth of the population is expected to be older than 65.

Ageing society, increasing dependency rate

Because of its social and economic effects and impact on the health care and pension system, ageing is one of the most serious demographic challenges, but its negative consequences can be treated to some extent by intervention into the social developments and by altering the relevant attitude. Since a significant part of the population over 65 is not able to work, the **dependency rate** of the elderly population **keeps deteriorating (currently, it is 25.1%)**, that is, a decreasing number of working-age persons will have to provide for a growing number of old people.

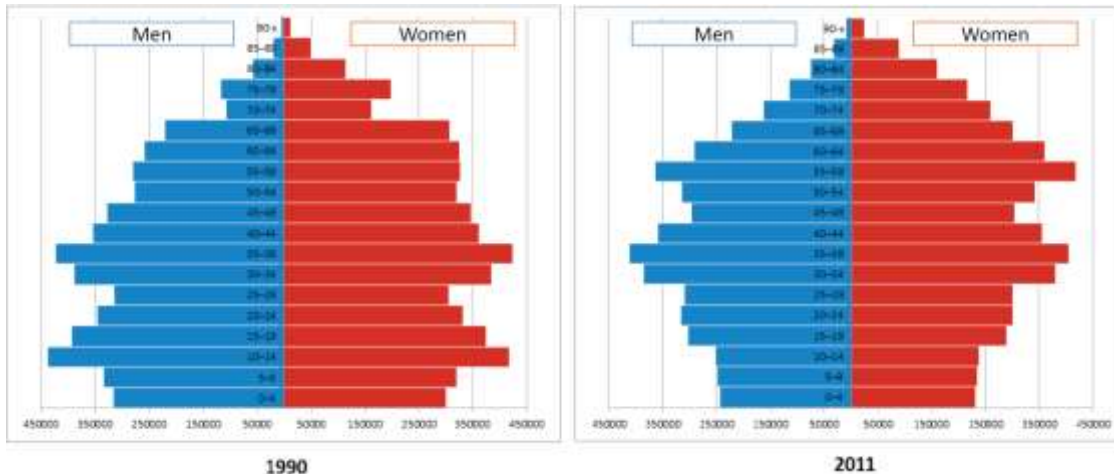


Figure 14: Hungary's age tree in 1990 and in 2011 (Source: HCSO)

According to the prognosis of the Statistical Office of the European Union, **the population count will change (mostly decrease) by less than the EU average (+5%) in every Hungarian regions, except for Central Hungary** by 2030. The demographic crisis hitting Hungary in multiple ways will affect most the rural areas and the external and internal peripheries, characterised by demographic decline and also by the migration exactly of those social groups with higher qualifications that could contribute the most to the development and prosperity of an area or a settlement. The only exceptions to demographic decline are the Central Hungary Region, certain northern and middle parts of Western Transdanubia and the north-eastern small regions of Hajdú-Bihar County.

Multiple demographic problems in the rural areas

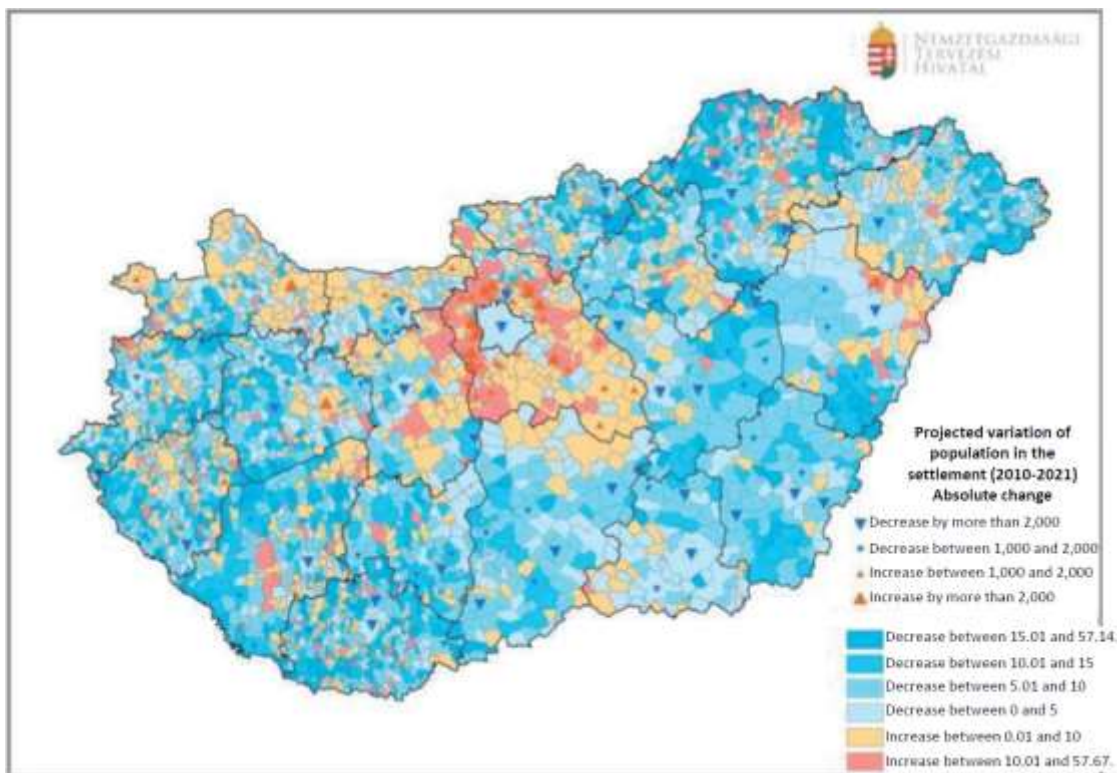


Figure 15: Demographic prognosis (2010-2021) (Source: Prodemo Bt.)

Considering its demographic resources, Hungary's reserves are near depletion. Unless a turn takes place, the already decreasing population of the country is expected to shrink by 10% by 2050, and by 2060, the old-age dependency ratio will exceed the EU27 average. According to the prognoses – without any intervention of merit – the ageing of the population will continue at an accelerating pace in the future and, consequently, by 2050, the rate of the old will approximate 30% in Hungary.

1.3.3 Migration: territorial concentration of the Hungarian population

Cross-border mobility, or the migration of the population as it is commonly known, is a relatively new phenomenon in Hungary and at the moment it has a minor influence only on the development of the population size. Within the Union, Hungary is among the countries having a positive migration balance. The most typical feature of **migration** to Hungary is that the immigrants are mainly ethnic Hungarians coming from the neighbouring countries. **The immigration of Hungarians living abroad** has been a decisive phenomenon from the early 1990s. More than 500 thousand applied for Hungarian citizenship through the simplified naturalisation procedure since 01 January 2011, and more than 430 thousand took the citizenship oath by 01 September 2013. **331 thousand persons of Romanian nationality were given Hungarian citizenship between 2001 and 2013.** In the period concerned, immigrants from the neighbouring countries made up 90% of all immigrants, and Romanian immigrants two thirds of them. The other immigrants arrived mainly for economic reasons, mainly from Eastern Europe, the former socialist countries, due to the historical relationships, and from Central and East Asia, the Middle East and North Africa.

The most significant component of immigration is ethnic Hungarians settling down in the country

The immigrants find employment in shortage areas, **shortage vocations**, of the labour market where the domestic population cannot/will not work. This latter trend matches the global ones, but its rate is very modest indeed. The **challenges and tensions experienced in Western Europe in connection with the integration of immigrants** from other cultures **have so far bypassed the country.** Preventing the occurrence of this phenomenon, however, may be an important task in the future, since Hungarian society is definitely not prepared to cope with immigration of this kind.

Be ready to integrate the immigrants

The aggregate number of **Hungarian citizens appearing in the European countries as immigrants** keeps **rising**. The main reason for the outward migration of the domestic population is job loss and shrinking employment opportunities. Youth migration deteriorates even further the chances of the most deprived areas to break out. **Brain drain** is an important aspect of emigration socially and economically, and also from the point of view of the innovation potential of the country. It means, on the one hand, that part of the productive scientists and professionals move to other, mostly advanced, countries, and so the country of origin that educated them cannot benefit from their achievements. The loss Hungarian health care professionals engaging in work abroad is quite a serious and worsening problem (in 2011, certificates indicative of the intention to undertake work abroad were issued to 1900 highly qualified health care workers), and their replacement is a major burden for the domestic health care system.

Emigration is typical primarily among the youth and the highly qualified

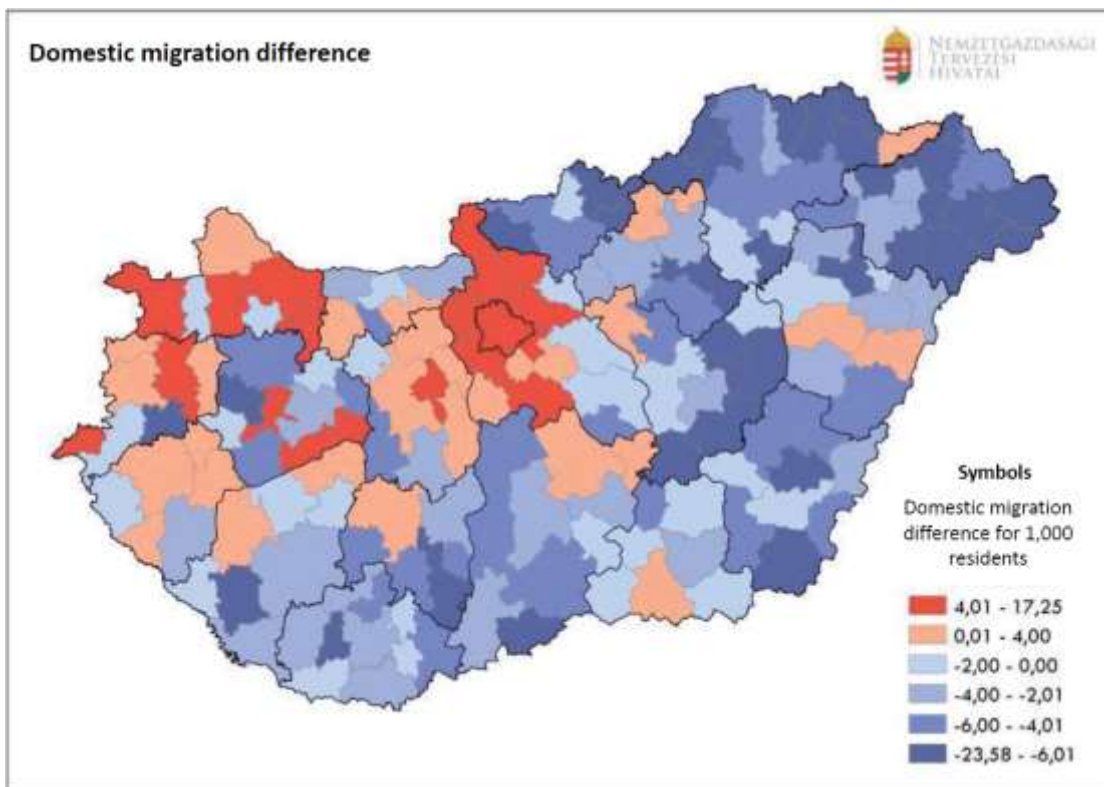


Figure 16: Internal migration balance (2011) (Source: HCSO)

Domestic migration reflects the growing concentration of the population. The **capital and its agglomeration is a preferred destination in the whole country**: young employees go there from the peripheral regions, but also from major and economically strong towns. Outward migration from Budapest had been a decisive momentum of the migratory processes from the 1990s on, but the trend reversed in 2007, and since that time, the migratory balance of Budapest has always been positive, and the population of the capital increased by 39 thousand until 2013.

The domestic population moves to the more developed areas

As for the balance of **domestic migration**, besides Pest County, Fejér, Győr-Moson-Sopron and Vas Counties are the most attractive destinations, and the population-retaining power of the counties of the North Hungarian and Northern Great Plain regions weakened the most. **However, migration affects most the youth, the career-starters**, whereas occupational mobility still implies major difficulties for the elderly and for persons having a family. The migration of the youth, however, aggravates the breakout chances of the most deprived areas.

The emigration of the youth exacerbates the situation of the peripheral areas

1.3.4 Deteriorating state of health – a high-risk factor

The **state of health** of the Hungarian population is **very poor** in international comparison, and much worse than it could be at the general social and economic development of the country. Hungary occupies a leading position in international statistics in terms of certain diseases and causes of death. According to the data of the Hungarian Central Statistical Office (HCSO), in 2012, **average life expectancy at birth** was 71.45 years for men and 78.38 for women, **i.e. well below that in the other Member States of the European Union**. The outstanding mortality of middle-aged men is particularly tragic. The problem is exacerbated by the **correlation of social discrepancies and state of health**, as illustrated e.g. by the 4-6-year gap between the life expectancies of certain social groups. The latter is attributable to social and economic factors determining health, i.e. the different the basic conditions (e.g. income, housing).

Poor state of health, major territorial and social discrepancies, low life expectancy

According to the HCSO data, Hungarian men live 80% and Hungarian women 75% of their lives in good health. Many effects of poor health – reduced capabilities, disability, labour market discrimination, social marginalisation, conflicting family roles, reduced self-esteem, vulnerability – are known. A Hungarian baby boy born in 2008 can expect to live 7.4 and a baby girl 5.1 years less than the European average, and **they will suffer from health problems in 21 and 25%, respectively, of their lives**, unless the current public health conditions are changed. A major part of the diseases originates from chronic non-communicable diseases, due to a significant extent to lifestyle factors (smoking, excessive alcohol consumption, unfavourable eating habits, physical inactivity). Early mortality due to diseases exceeds several times the corresponding average of the developed countries. **More than 90% of deaths can still be assigned today to one of the five main groups of leading causes of death** (diseases of the circulatory system, of the respiratory system, tumours, gastro-intestinal diseases, other causes). The distribution of mortality by the priority causes of death are the following: diseases of the circulatory system: 52%; tumours: 25.7%; gastro-intestinal diseases: 6.2%; respiratory diseases: 4%; accidents: 3.3%; suicide: 1.8%, other death causes: 7% (HCSO, 2012). Early mortality in men (ages 0-64) was due in one third of the cases to diseases of the circulatory system and tumours, in 12-13% to gastro-intestinal diseases and external causes and 4% to diseases of the respiratory system. It is worth noting that early mortality in women (ages 0-64) was due in 43% to tumours, and the relative weight of mortality due to gastro-intestinal diseases was only a few percentages less than for men.

Health problems in part of one's life, typical diseases and causes of death

Cardio-vascular diseases and tumours are an outstanding health burden at individual as well as social level. This circumstance undermines the chances of both sustainable development and the international competitiveness of the Hungarian economy. It exerts a negative influence on both working ability and the quality of labour (the human resources), with serious rippling effects on the families, the communities and society. A major part of the disease burden originates from the chronic non-communicable diseases, due to a significant extent to **lifestyle factors** (smoking, excessive alcohol consumption, unfavourable eating habits, physical inactivity). Unfavourable lifestyles are due to a decisive extent to **psycho-social factors**.

High rate of cardio-vascular diseases and tumours, due inter alia to way-of-life and psycho-social factors

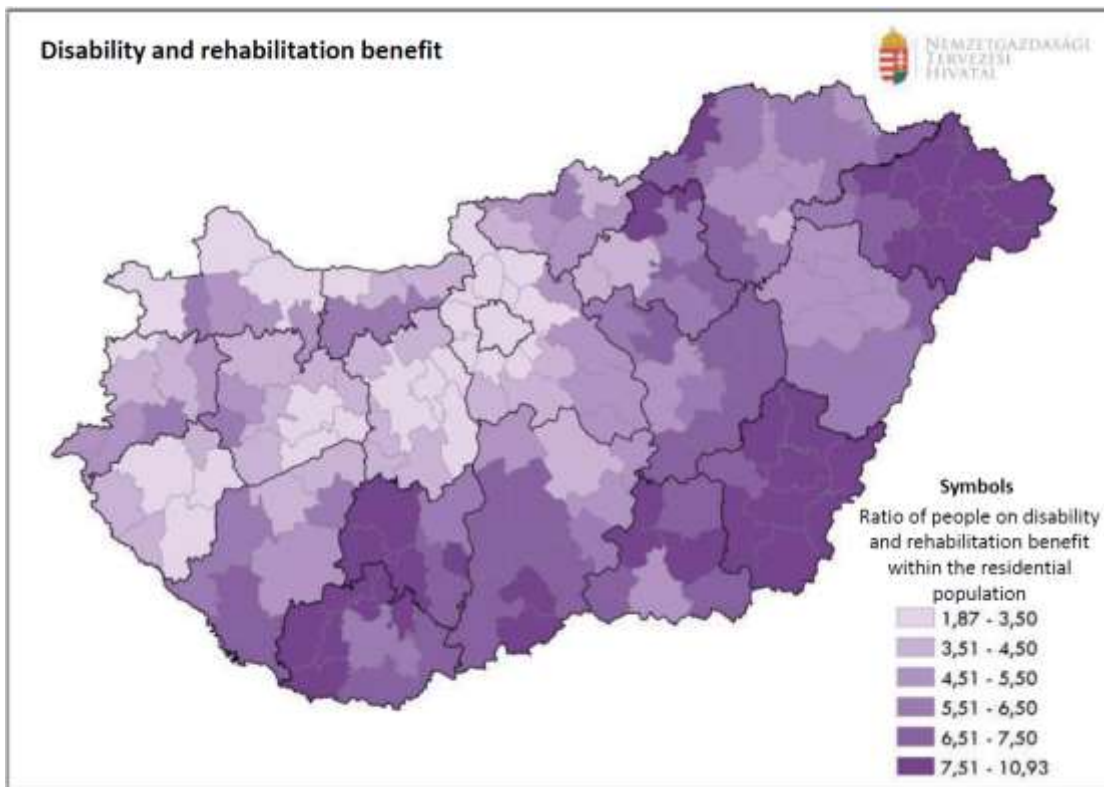


Figure 17: Number of recipients of disability pension (2011) (Source: HCSO)

Disability pensioners occupy a special position in terms of the general health status of the population. Their number was 722 thousand in January 2011 (362 thousand among them did not live to the retirement age limit applicable to them), an outstanding figure relative to both the total population and the working-age one. In several regions, the low rate of employment correlates with the high proportion of disability pensioners, but the underlying motive for their more or less justified assignment to the category of “disabled” is rather the constraint due to the extreme contraction of placement options. This is why the system of disability and accident pensions was transformed as of 01 January 2012. The goal was to strengthen employment rehabilitation and increase the employment rate of persons with changed working ability.

High ratio of disability pensioners

A major role is played in Hungary in the unfavourable development of the sickness and mortality ratios of the age group of 35-70 by the hazardous health behaviours – **smoking, excessive alcohol consumption, drug addiction – and their consequences**. Although alcohol consumption has been declining since 1989, it still 1.5 time higher than the European or the Central European average. **Hungary is one of the Top 10 alcohol consumer countries globally**. The consequences of alcohol consumption manifest themselves in the longer term: those who had suffered from alcoholism before the systems change mostly became alcoholic patients in need of treatment in the past decade.

Alcoholism is an endemic disease

Spreading **drug consumption** contributes the deteriorating physical, mental and psychic health of the population and the development of anti-social behaviour. The regular use of illegal drugs brings about significant social damage at the level of the individual, the family, the community and society in the longer term because, apart from its harmful health effects, it erodes the social and communal relationships and weakens social cohesion. **The number of drug users appearing in treatment increased by more than one third over a decade** (from 12 049 to 16 150), the increase being outstanding in particular in Budapest. In 2011, one fifth of secondary school students aged 15-16 had already consumed some illicit drug.

Drug addiction is rapidly spreading

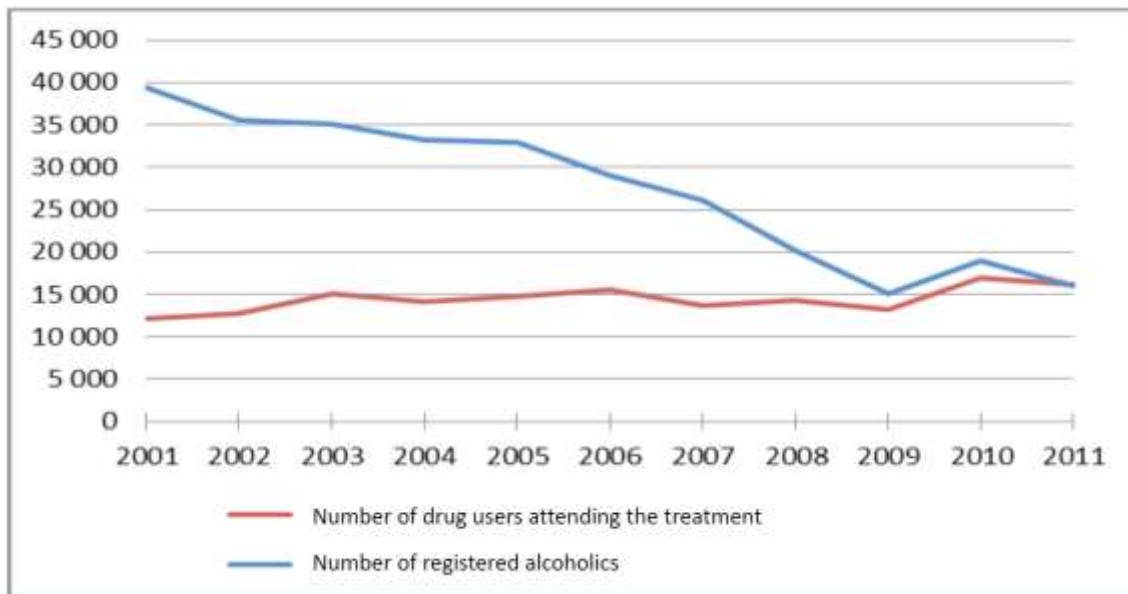


Figure 18: Development of the number of drug consumers and registered alcoholics appearing in treatment, 2001-2011 (Source: HCSO)

Considering the state of health of the population and the economic damage caused by it, smoking is a serious challenge. According to the WHO estimates, 8.8% of mortality is attributable exclusively to **smoking**. The **ratio of smokers** is high in Hungary in European comparison; we are 21st among the Member States. Every third man and every fourth woman is a smoker. In 2010, the number of life years lost due to earlier-than-expected mortality caused by smoking was 340 thousand. Smoking men and women shortened their life by 16 and 19 years, respectively, on average. Two thirds of these losses occurred in the economically most active, “prime” phase of life, between ages 35 to 65. Besides excessive alcohol consumption, early smoking **is also increasing in the younger age groups**. According to the Hungarian data for 2012 of the Global Youth Tobacco Survey, almost 6 of 10 youth aged 13-15 (57%) have already smoked a cigarette (boys: 61%, girls: 52%) and, in particular, 13% of those who have ever been smokers smoked for the first time under the age of 13%. Approximately one quarter of students (27%) are smokers, 7% among them smoke daily. It is important to note, however, that the main causes of the above problems (drug and alcohol consumption, smoking) are probably the hopeless life situations, unemployment, the extreme financial problems and the disintegration of the families. Such problems exist to a much smaller extent in a society with solid moral bases, having faith in their future and characterised by strong cohesion, so the main emphasis should be put on treating these causes.

Smoking is a serious challenge in Hungary

Unhealthy eating habits and the lack of physical exercise also play a part in the development of the diseases. More than half of the Hungarian population over 15 is overweight and every fifth adult is definitely obese. The primary objective of the recently introduced public health product tax is to **curb the consumption of food products that are detrimental to public health** and focus on the encouragement of healthy eating. **The preventive and health protection role of the sports and the bath culture are not adequately exploited either**; the overwhelming majority of the population does not do any sports. Apart from prevention, sports and recreation in a natural environment, outdoors, are particularly efficient ways to preserve a good quality of life and state of mental health, and they strengthen environmental awareness. However, the developments encouraging people to move outdoors and to change their attitude accompanying the traditional means of prevention (healthy eating habits, mastering ways to cope with stress, leisure sports, bath culture) are only effective yet in a narrow segment of the population.

Unhealthy eating habits, little exercise

As for the **environmental hazards to health**, apart from the quality of drinking water – that is not appropriate at some places -, air pollution (dust, high pollen concentration) should be noted as a factor intensifying the spread of the endemic diseases of our days, i.e. allergy and asthma. For the same reason, it is increasingly important to examine the health impacts, spread, pollen emission and cultivation of the plants producing allergenic pollen.

The spread of the allergic diseases has not stopped

Poor mental health has been a traditional problem of the Hungarian population. The decline of the mental functionalities and the high ratio of people suffering from anxiety and depression is typical both among people younger than 65 and among the elderly. The relative risk of mortality due to suicide still exceeds more than twice the EU15 average, despite the decreasing trend of the number of suicides observed since the 1980s.

High ratio of people suffering from mental diseases

Health as a value to be safeguarded and healthy lifestyles **are ranked low by the underprivileged social groups**. This problem is aggravated, on the one hand, by the fact that access to certain options needed for developing and maintaining a healthy lifestyle is rather uneven. On the other hand, the family background and education influence the health-related behaviour of the individual from early age, and it has a marked effect on the development of various forms of behaviour supporting or undermining health and typical in the later stages of life. Moreover, the housing and living conditions of people living in poverty also imply enhanced hazards.

Public health deficits of the underprivileged social groups

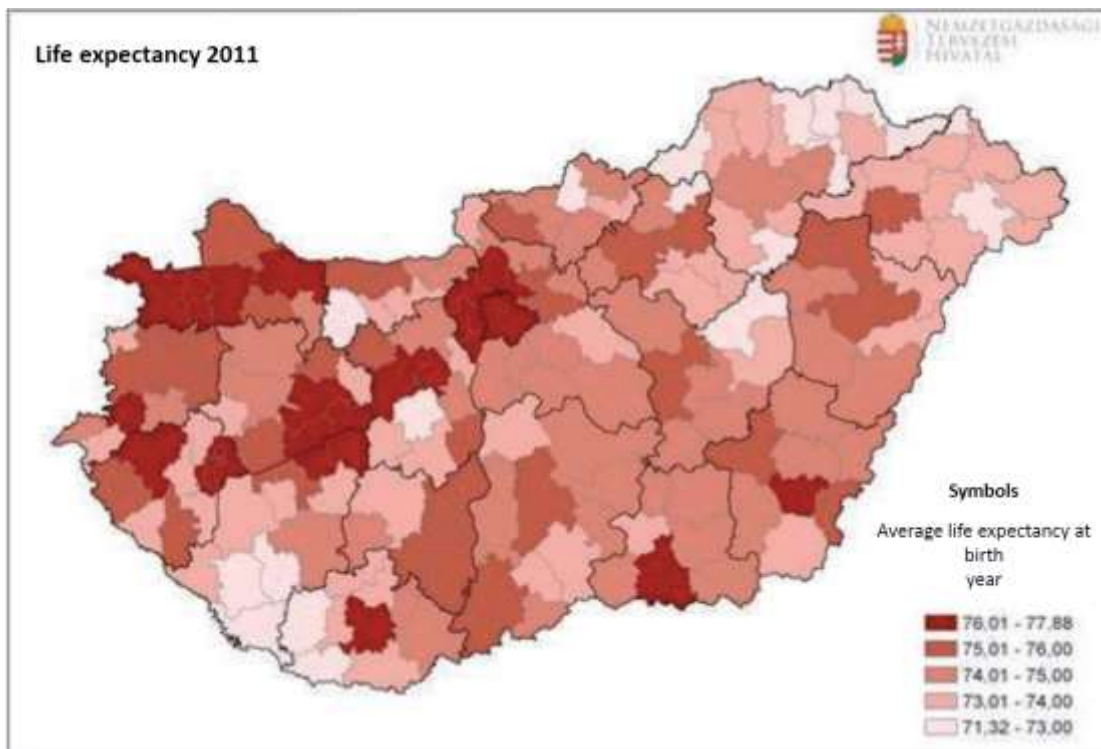


Figure 19: Average life expectancy at birth (2011) (Source: HCSO)

According to the researches, the **state-of-health/health care disparities** between Western and Eastern Hungary **tend to intensify**. In the north-eastern part of Hungary, the one in the most disadvantageous situation (Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Nógrád), on the one hand, life expectancy is shorter by several years and, on the other hand, the ratio of endemic diseases among the social groups/populations in a very poor social situation is several times higher than in the population overall. State-of-health disparities are explained by the social and economic differences and by uneven access to uneven levels of health care services, the lack of prevention and awareness-raising, uneven access to health-related information by the various social groups and the differences in health behaviour.

Intensifying territorial disparities in health care

Through the growth of unemployment, the European **financial and economic crisis** dating from 2008 threatens the physical as well as the mental well-being of the population and the operation of health care system. Its harmful effects **hit hardest the vulnerable social groups** (the unemployed, the poor, the Roma). Unemployment is the predominant direct and indirect factor of hazard to health, especially at times of economic crises. Several effects of the economic crisis (unemployment growth, decrease of incomes, growing food prices, deteriorating conditions of living) trigger high-risk situations for health. Health, prosperity and the economy are complementary concepts in close correlation, so there is no denying that the state of health of the human resources exerts a crucial influence on the economy.

The crisis exacerbates the physical and mental state of the population

The public health indicators highlight major social and territorial gaps in Hungary. The poor state of health of a major part of Hungarian society is the consequence, partly, of a negative trend of several decades, but the territorial and quality discrepancies of the healthcare system, and social differences impacting on the healthy way of life are also reflected in disease susceptibility, the mortality rates and the territorial distribution of the same. In eastern and north-eastern Hungary, unemployment exceeding the national average is accompanied by the worse life prospects.

The public health indicators point to significant social and territorial gaps

1.3.5 Contradictory social values

The social values have been subject to constant restructuring in Hungarian society since the systems change. Besides the importance of material prosperity, security, work and the family, the role of such other values as environmental protection, the freedom of decision-making, individualism, humanism and the greater say of the citizens in the public matters has also intensified. The family, work, friends and acquaintances and leisure are regarded as the most significant values, but certain demographic indicators suggest **the crisis or at least radical transformation of the family- and work-related values**. However, the orally proclaimed value preferences are often impossible to detect in everyday practice and thus in social performance.

Restructuring of the social values

Hungarians basically **appreciate work and sparing, independence and autonomy as general values**. In their opinion, however, it is difficult to achieve autonomy due to some serious, mainly state-related, hindrances. The faith of the Hungarians in being in control of their destiny is low in European comparison. The demand for redistribution is high relative to the EU data, and **the bulk of the population expects the state to moderate the income disparities**.

Low degree of self-care

In Hungary, with the extension of the period of schooling, the youth enter the world of labour at later ages and consequently they start to earn a living later. **Starting a family is also postponed** in career planning: the majority want to create a livelihood first, and will think of marriage and children later.

Value choice and way-of-life challenges facing the families

Another challenge is that both cohabitation without marriage and divorce has become fully accepted in the thinking of the traditionally family-centred Hungarian society. In the past two decades, the **number of weddings halved**. Due to the spread of partnerships, the **rate of extramarital births rose from 29% to 44,5% from 2000 to 2012**, and concurrently the proportion of single parents increased.

The traditional forms of the family bonds are decreasing, people have little time for each other

Another negative factor is that real family upbringing is often missing and people spend very little quality time together. The number of children in a family correlates with social status and income. Those who do not plan to have (more) children usually refer to financial reasons, followed by housing problems and career considerations.

The research data suggest that the division of work within the family has consequences for the willingness to have children. Families where the burdens of family work and child-raising are shared more proportionally between the mother and the father are more willing to undertake the extra tasks implied by having another child. According to the time budget survey conducted in Hungary in 2009-10, 70% of time allocated to household tasks and 69% of those associated with child-raising falls on women. **Hungarian women allocate the most time to child-caring tasks in European comparison.** Nevertheless, the male-female division of labour in the family became more balanced in the past decade.

Division of labour in the family and its correlation with the willingness to have children

The international experience is that **fertility is higher/growing in those countries where the female employment rate is high**, and where women have a chance to reconcile child-rearing and work (part-time employment, nurseries, flexible leave available to fathers). The potential Hungarian parents currently face the dilemma of staying at home and risking re-entry to the labour market or postponing/giving up having children.

It is difficult for women to reconcile child-rearing and work

The self-renewal capacity of society is reflected primarily in the values associated with work. The surveys indicate that good pay and job security come first in the work-related expectations of most Hungarians, whereas responsibility and creativity bring up the rear. These **security-oriented work values** are the impressions of the unpredictability and the anomalies of the economy and the labour market experienced in the past twenty years.

Creativity and responsibility are not the leading work-related values

Paradoxically, the work values promoting social renewal (recognition of socially useful and responsible work, flexibility, creativity and innovation) did not move into the limelight as a result of the **domestic and EU programmes designed to promote employability**. The efficiency of the atypical employment programmes providing for more flexible work schedules was particularly low. Whereas part-time or distant working as options providing for the reconciliation of family and work have been increasing in Western Europe since the 1970s, in Hungary, such arrangements are marginal only. Although the number of women working part-time grew by 80% from 2000 to 2011, their share in female employment is still 10% only. **Atypical employment** depends strongly on the social-economic situation of women: women living in the eastern part of the country, in peripheral small regions, with low schooling and no vocational qualification, raising their children alone have no access to this form. The spread of the various forms of atypical employment is hindered by the fact that the employers dislike the high tax burdens involved and the employees are deterred by the high fix costs.

Low level of atypical employment, particularly in female employment

After the systems change, Hungarian society quickly **adopted the often wasteful, energy-intensive western habits of consumption well in excess of the real needs and demands**. This was a means of expressing one's social and income status; **consumption became a prestige issue** in several respects. Concurrently, **the rate of savings remained low**, and it limited the financial resources of the economy and generated serious financial hazard. The net annual income per taxpayer increased steadily until 2008, and started to decline afterwards under the effect of the global economic crisis. **The decreasing income levels generated the decline of consumption**, encouraging the population to adopt more sustainable consumption habits, but that, in turn, has also weakened the economy due to the drop in purchasing power. In addition, savings have remained at a minimum, especially in the low-income social groups.

Western-type consumption habits, low savings rate

Today, one of the most serious problems of the national economy is **debt due to foreign currency loans**. The exact reasons are controversial, but apparently the crisis cannot be attributed to the irresponsibility of the individuals, their short-term focus and values disregarding the future, but rather to the **lack of financial experience of the population**, the macro-economic policy of the government that made loans denominated in Hungarian forint more expensive and the deficiencies of the regulations and banking ethics. These are the social institutions that can play a major role in grounding and promoting the responsible consumption and savings decisions.

Deficiencies in considering the long-term management perspective; the population is inexperienced in financial matters

Financial security and the acquisition of wealth rank high among the values appreciated by Hungarian society, whereas the quality and services of the environment do not carry adequate weight. The efficiency of the efforts to develop environmental knowledge (e.g. environmental education, mass communication on environmental protection, awareness-shaping activity of NGOs) is often hindered by the means encouraging the acquisition of material values and growing consumption (e.g. advertising, patterns of behaviour mediated by the media). Any change of merit in the value hierarchy is hindered by the eclipse of certain, previously basic, behaviours (thrift, frugality), and the absence of new, alternative patterns, options, and of long-term thinking. Hungarians **judge the relevance of the environmental issues** the same way as most Europeans, putting the climate change in the first place, but the decrease of biodiversity and the non-sustainable consumption habits seem less important to them. The Hungarian population takes less specific action to protect the environment (selective waste collection and management, moderation of the use of energy, reduced use of water, alteration of the consumption habits). A major part is aware only of the topical environmental problems put in the limelight by the media, and they are less sensitive to **the environmental problems of their own residential area**.

Inadequate weight of environmental awareness in the value hierarchy

Religious life, Church communities provide an important framework of community life that assists the individuals and improves the quality of living. In international comparison, **many Hungarians consider themselves religious and believers, but much less practise their faith regularly, in the framework of their Church**. According to the statistics, people practising their religion have significantly more children and raise them conscientiously. Religion mediates and makes visible such core values embodying the social norms as relationships between people (love), attention and responsibility to others (assistance to, acceptance of others), moral discipline and integrity. **The citizens who practise their religion put the interests of the community into the foreground and hence they are useful actors of society**. The religious communities can assist, in particular, social advancement or even the moderation of individualism; promote community-building and help overcome the human crises attributable to the faster pace of our world (psychic stress). Communities organised along the religious dimension (e.g. congregations) are an enormous resource for society trying to solve the most diverse problems – poverty, loneliness, processing of life situation crises -, or tackling public tasks, e.g. child-minding, social and patient care, mental hygienic services. Besides religious faith, faith reflecting positive commitment to the future, the community or other goals is also a social resource that could hardly be replaced. Therefore, encouraging and supporting the exercise of such faith, valuable for society, is an important task.

Religious life may assist in community-building and the processing of the human crises

As indicated by the above, the attitude of the Hungarian population to the social norms is rather contradictory.

Contradictions in moral commitment and norm-abiding behaviour

Hungarians are outstanding in international comparison when it comes to compliance with the rules in general, and their morality is discernible also in the field of economic morals, but they **immediately give up this attitude the moment it is in conflict with their proper interests**. A special **ambiguity** is experienced in Hungary in regard to **compliance with the norms: strong moral commitment** at the level of the proclaimed principles – a major potential resource -, that is less manifest at the level of action, as people experience widespread and “inevitable” **norm-breaking behaviour** around themselves.

The social values keep changing in Hungary, and the concurrent presence of conflicting and contradictory values is quite typical. The family and labour market policies of the past twenty years did not bring about a positive change in the family and labour values and in self-care – as social resources. It is inevitable to introduce social policy measures to boost the physical, mental and moral self-renewal capacities of society in the future, but their effects will only be discernible in the long term.

1.3.6 Social trust and civil activity need to be strengthened

Community responsibility presumes cooperation and that, in turn, requires trust. The **high degree of mistrust** outside the private sector is a major hindrance to value-preserving and -creating cooperation in Hungarian society. Hungarians are suspicious of one another, the political organisations, the public institutions and also enterprises and enterprising; we are in the last third of the European countries in this regard. This **lack of trust in the social and the economic field has a high price**. On the one hand, society is becoming more and more atomized, on the other, the costs of transactions, of institutions preventing abuse, and of the institution of institutional guarantees to enforce the law and to decide legal debates keep increasing. It hinders, moreover, the efficient operation of the businesses and the organisational and technological innovations. The lack of social cooperation is discernible in the relative tolerance of corruption and the low level of public and political activity.

Decline and lack of social trust

“**Particularistic**” trust in the family and the narrower personal environment, on the other hand, is quite high. The majority of Hungarian society trust their family and relatives, their neighbours, friends and colleagues. This family/acquaintance-centred trust **is an important resource of this society**. Let us mention, however, that in our days, this resource is weakening already among the underprivileged, persons living in small settlements and among the old. Despite the relatively high level of trust in friends and neighbours, the **level of social contacts is low in Hungary**. In terms of visiting neighbours and friends, time spent on social events and entertainment, Hungary is the last in Europe, whereas in terms of time spent watching TV, it is in the lead.

Family/acquaintance-centred trust as a positive resource

The **civil activity** of the adult population **has kept weakening** over the past twenty years. Apart from the number of NGOs, the civil activity of a society is indicated by the membership data. In Hungary, one quarter only of the NGO members are active; within the European Union, this is the lowest rate besides those of Bulgaria and Romania. The membership of the NGOs is distributed highly unevenly spatially: half of all the NGO members live in the Central European region (decisively in Budapest). Similarly to civil activity, the political activity rate is also very low.

Weakening civil activity

Voluntary service in the NGOs is a most important social and economic resource. The index composed of the data of assistance to the sick and the disabled, the elderly, the neighbours and the immigrants is lowest in Hungary in Europe. According to the data of the European Values Study, 10.8% of the Hungarian population did some **voluntary work** in 2008, suggesting a declining tendency relative to the 16.4% value in 1991, and the rate of the volunteers to the population is the third lowest in Hungary among the European. The spatial distribution of volunteers shows the predominance of the Central Hungary region.

Volunteering as a social and economic resource is unexploited

Weakened social cohesion has a high economic and social price. Rebuilding social trust is a public, community and individual task at the same time. Trust in one's family and acquaintances, so typical of Hungarian society, is an important potential resource, but the low level of trust in (public) institutions hinders social renewal. Therefore, on the one hand, social strategy considerations make it imperative to renew the public sector and, on the other, the NGOs and volunteering represent major unexploited resources that could be put to use to realise the innovative renewal of society and also to improve the conditions of living and the social role of the elderly whose share is on the rise.

1.3.7 Deficiencies of community responsibility, social groups left to their own

The problems concerning the situation of the unemployed, the poor and the Roma are similar in Hungary to those in Europe. In Hungary, however, the situation of these social groups is **characterised** rather by **lasting vulnerability threatening their livelihood**. In the perspective of the past twenty years, the number of the unemployed attained its nadir in the mid-1990s, but under the effect of the European financial and economic crisis of 2008, the number of the employed dropped sharply again by 2012 (50.6%) and the rate of the unemployed increased (10.9%) within the active population.

Lasting vulnerability of the social groups in the most disadvantageous situation

Ever since the 1990s, the male unemployment rate has always been higher than the female one, but in the past years, the **female unemployment rate** gradually approximated that of men. In line with the European trends, the number of the **career-starter unemployed** has also increased, and the age structure of the unemployed shifted to a growing extent towards these age groups. A certain **restructuring** has taken place among the unemployed also in terms of their educational qualifications. The distribution by highest educational qualification shows that, at national level, persons with vocational or special school qualification made up one third of the unemployed (153 thousand), and their number increase by one tenth over one year. The number of those with maximum primary education was 128 thousand, corresponding to 24% of the jobless.

Growing share of the female and the career-starter unemployed

The researches indicate that, instead of narrowing, the territorial gaps formed at the time of the system change were preserved and even **widened further in the past years**. The domestic and EU programmes to improve the position of the lastingly vulnerable social groups (persons who are unemployed and/or have a low income and/or are Roma) proved to be inefficient tools for the labour market re-integration of these groups. Within the social groups living in the peripheral small regions. anxious for their livelihood, **some are in need of support programme after programme**, and can only exit the poverty spiral temporarily. The researches have shown that only **complex programmes** – i.e. those combined with work, subsistence farming and training – can bring about any lasting improvement in the situation of such groups.

Deepening and conservation of territorial disparities

In Hungary today the **risks of poverty** correlate most markedly with the number of children in the household, the schooling and labour market participation of the adults and the family structure. In **2010, the national poverty ratio** (i.e. sum of people with an income below 60% of the national equivalized median income) **was 12.3%**. In the previous 10 years, the corresponding rate fluctuated between 10% and 15.9%, with a slightly increasing trend. This indicator is more favourable than that of the EU15: the poverty rate is 4 percentage points less in Hungary. Considering, however, that the Hungarian average income level is much lower than what is typical in most of the Member States of the Union, this is not a good position in absolute terms.

Growing poverty

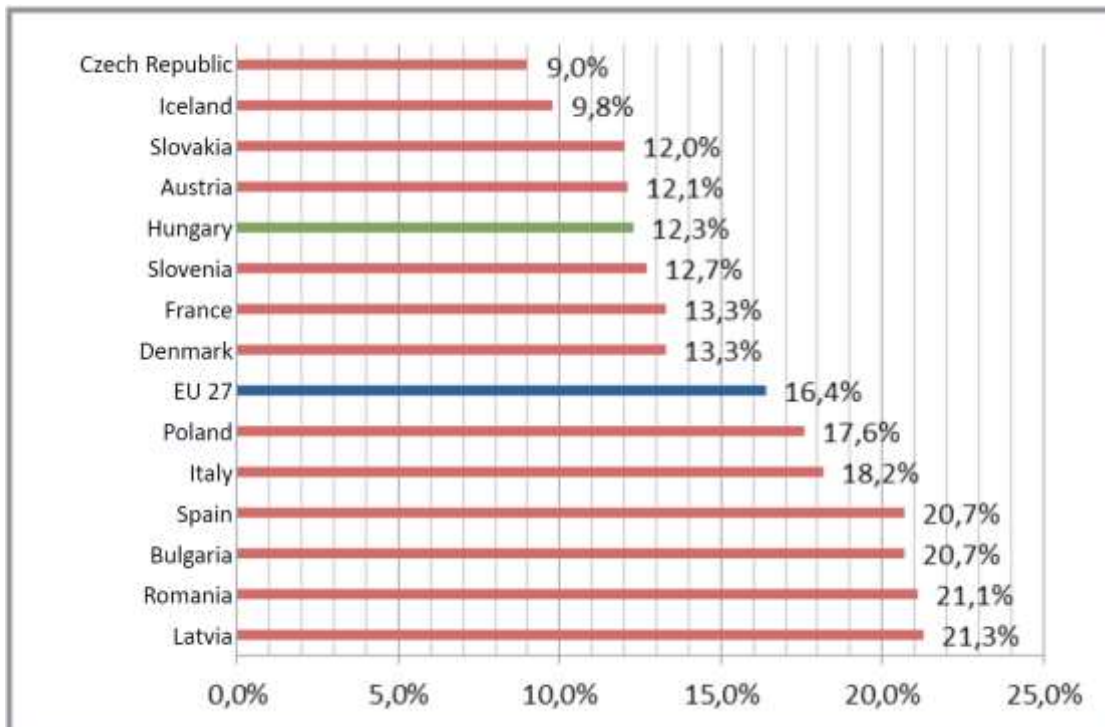


Figure 20: Rate of persons at risk of poverty to the total population in some European countries (2010) (Source: Eurostat)

The growing ratio of children among the poor is a warning sign: every fifth poor person is younger than 17. The poverty ratio usually declines with the progress of age. However, families raising three or more children and single-parent households run a particularly high risk of falling into poverty. In 2010, 10.5% of families with one child lived below the poverty line, whereas the corresponding rates for families with three or more children was 27.8% and that of single-parent households 28.1%. Childhood poverty not only limits the satisfaction of the children's needs, but may also cause problems in their social contacts and deprive them of activities essential for their future career, and it is most likely to enhance the probability of social exclusion in adult age.

10% of children live at the brink of the poverty line

The Roma households are in the worst position among the poor households. Therefore, it is a **key challenge** of Hungarian strategy policy today to improve the situation and prospects of the Roma population, numbering 750 thousand to date according to the relevant estimates. Their life expectancy is significantly lower than that of the majority society – and also lower than the European average. According to the 2011 survey of the National Institute for Family and Social Policy, **more than half of Roma households has not a single working member**. In the group of the Roma with vocational qualification, on the other hand, the share of persons having regular or temporary jobs exceeds 50%. That is, the employment rate of the **more learned Roma** approximates the employment rate in effect for the whole country, **but their number is still very low**.

Demographic, labour market and earning deficits, permanent lack of prospects in the Roma households

The most prominent risk factor weakening social cohesion is the **erosion of solidarity** with the lastingly vulnerable social groups (the unemployed, the poor, the disabled, the sick, the old, the Roma etc.). Research data have shown that only two thirds of the adult population considers assistance to the sick and the disabled important, and the rate is even lower for the old. The situation is worsened by the marked weakening of social solidarity among the lastingly vulnerable groups in the areas in a peripheral economic and social position.

Erosion of solidarity in the peripheral areas

Lack of change in the situation of the lastingly vulnerable social groups may have very serious social strategy consequences. The material, social and solidarity resources of these groups are completely exhausted.

It is a difficult, but urgent social strategy task to find the delicate balance between external assistance and the need for self-care of the lastingly vulnerable social groups. Only complex programmes - combined with work and training - can bring about the long-term improvement of the situation of these groups.

1.3.8 National cohesion as a potential integrating force

Territorial fragmentation had not been typical in Hungarian history; this may be one of the reasons why the country failed to cope with the trauma of fragmentation after World War I. There are currently around 2 097 800 ethnic Hungarians living in the neighbouring countries (estimation based on the 2001 and 2002 final and 2010 preliminary population census data of the latter, HCSO). Today Hungary boasts one of the most complex and most active national policies in Europe. **National cohesion is a generally accepted and esteemed idea that needs to be supported by further constructive and effective action in practice.**

Hungary is characterised by a highly active national policy

The issues concerning the ethnic Hungarian groups living in the Carpathian Basin are highly sensitive as they concern also the political life of the neighbouring countries. But apart from the challenges, their presence provides great opportunities in particular for political and economic cooperation with the neighbouring countries. Now that the national borders made preamble, they give ample opportunities for the **cultural, educational, research and public service provider and non-governmental organisations** based in Hungary. The same is true of the economic potentials of the bilingual Hungarian population. **The economy of the cross-border areas populated by ethnic Hungarians has great potentials**, it can provide for cooperation between the Hungarian businesses and those of the neighbouring countries, and for mutual prosperity on each other's markets. The economic strength of the **Hungarian diaspora living in the West** can also be channelled to our economic growth, in particular through their investments, and the scientific and business contacts and innovations.

There is significant potential in cooperation with ethnic Hungarians

The enactment of the law declaring June 4th the day of national cohesion and the introduction of the institution of simplified naturalisation in 2010 were meant to tackle some unsolved problems of Hungarians abroad, subordinated to numberless other considerations. The **Wekerle Plan** initiated by the Government in 2011 and the **Mikó Imre Plan** of the Transylvanian NGOs, on the other hand, will promote the exploitation of the economic opportunities.

Several plans were made to exploit the potentials of economic cooperation

1.3.9 Several factors hindering knowledge renewal

In the past twenty years, the Hungarian school system turned increasingly towards two extremes: **a selective system one on the one hand, and a homogenizing one on the other**. This duality did not serve the development of knowledge- and work-based economy and society, and it could cope with the social discrepancies and even intensified them in some sense. Our education system does not provide adequate support to lifelong learning and to the non-formal components of training. In comparison with the OECD countries, Hungary is well ahead the others in terms of selectivity, and that is especially unfortunate as the European experiences have shown that heterogeneous groups are essential for the success and efficiency of any school system. The research findings have shown that heterogeneous groups provide the students more motivation and lead to higher achievements, and more extensive interactions intensifying social cohesion in the final analysis. Notwithstanding the above, gifted children need to be identified, and special training models offering enrichment need to be designed for them.

School system marked by a special duality

The number of teachers and of students both shrunk in recent years, but **the rate of students per teacher has been stagnating for years**. In 2012, there were 743 thousand **primary school pupils**; their number **declined by more than 27%** since 2001. The number of vocational secondary school students in daytime education dropped by 6.4% and that of students studying at special vocational schools by 3% over the same period, whereas that of students of general secondary schools went up by 3.8%. In 2012, there were 51 thousand primary school pupils with special educational needs, of which 34 thousand were provided special education. In 2011, 98 thousand of 141 thousand applicants were admitted to public institutions of higher education. In 2012 84 thousand applied and some 75 thousand could start their studies. The decline was due to a decisive extent to the demographic processes.

The number of primary and secondary school students and of the participants of higher education is decreasing

The educational attainment level of the Hungarian population has been improving in recent years. The number of graduates in the generations under 30 years almost doubled since 2001, and attained 28% according to the population census of 2011. For the total population over 25, the corresponding rate was 19% in 2011, and 49% of those over 18 years had a GCSE (2001: 38%) (HCSO, population census of 2011). 18% of the population had low schooling, i.e. they completed maximum eight-year primary school. The labour market demand gives preference to those with higher schooling, as indicated by the fact that the employment rate of Hungarian degree-holders is only 5 percentage points less than the Union average, whereas among those aged 25-64 and having primary education our backlog is 16 percentage points already.

Educational attainment keeps improving

Educational qualifications are **typically achieved by the age of 35**; therefore, the studies investigating the relevant trends focus on these age groups. The relevant data suggest that the **number of persons with low schooling can be expected to decrease continuously from 2001 to 2021, whereas that of persons with higher education will keep increasing**. In terms of the population size this means that the number of persons completing maximum 8-year primary school will shrink from 5.5 million to 3.3 million in 2021. The number of vocational trainees will increase somewhat, from 1.6 to 2 million. The number of the youth completing secondary education will grow at a faster pace, from 2.2 to 2.9 million. The biggest change is expected to take place in the number of degree-holders, expanding from 940 thousand to 1.6 million.

The ratio of persons with higher qualification keeps increasing

In Hungary, the average total instruction time expected at the age of 5 (17.8 years) is somewhat longer than the corresponding EU27 average (17.2 years), but 2.5 years shorter than in Finland (20.3 years), the country occupying a leading position in knowledge-creation. The Hungarian average could be improved by tapping the development resources inherent in encouraging and supporting students spending less time in education. Despite the positive schooling trends, a **social group of a significant size with little schooling** is being reproduced continuously, and the proportion of early school leavers, of **drop-outs** has remained significant.

The length of time spent in instruction exceeds the Union average

It is a problem that, despite the spread of the talent support systems, the Hungarian education system still does not **pay sufficient attention to talent support**, whereas the example of the Western countries has clearly shown its necessity. Talents have **become a key factor determining the competitiveness** of a country. Besides the direct benefits, they create extra opportunities for the entire nation by developing and attracting the most competitive segments of production. Besides the best practices of the developed countries, domestic sports, where the excellent performance of the system is confirmed by outstanding achievements at global competitions, could also be a model example in this respect.

Insufficient attention paid to talent support

Another deficiency of the Hungarian education system is that it **does not provide proper support for lifelong learning, adult training and the non-formal and informal elements of education and training**, whereas these elements of the various forms of training could flexibly ensure the maintenance, preservation and renewal of the skills and capabilities throughout one's life career and contribute effectively to the acquisition and supply of marketable knowledge and hence to employment promotion.

Our education system does not provide proper support for lifelong learning, and the non-formal elements of training

It would be important to **integrate the modern elements of education into the existing system**, especially in adult education, and to keep up the skills of the older generations. The indicators suggest that Hungary is among the last in European comparison in this field.

A **substantial part of the Roma population** representing a growing segment of the school-age population and thus of the employees of the future **is excluded from quality education**. It is a tell-tale sign that the proportion of schools with Roma majority has increased by around 34% since 2004, and 70% are unable to hire subject teachers for every subject being taught. Besides the very low schooling of the Roma population, it is a problem that their relative further education situation deteriorated as well. 85.5% of the adult Roma population completes max. 8-year primary school, and the estimates suggest that only 2% of the Roma youth enter higher education and only 0.5 % acquire a degree. The chances of Roma students are boosted by talent support activities and the good example of the identified Roma talents.

Exclusion of Roma students from quality education

According to the results of OECD's international adult literacy survey, the **reading literacy** skills of the Hungarian adult population are **far worse** than those of their Western European peers. Moreover, the **rate of persons with foreign language skills** and open to learning new languages **is relatively low**. It is typical of the Hungarian educational system that Hungarian students excel among the OECD countries only in tasks that are quite close to the curricular requirements, whereas the usefulness and social utility of their knowledge outside the school walls is not higher than average.

Hungarians lag behind the European average in reading literacy and foreign language skills

It was a major problem of the past two decades that **formal (school-based) vocational training adapted** to the fast-changing labour market needs **poorly**, for several reasons, such as the low intensity of cooperation between the vocational training institutions and the productive companies, and the moderate rate of practice-oriented courses in higher education. The **establishment of the dual vocational training system** was meant to improve this situation. The new regulation entering into force at the end of 2011 with the enactment of the **new vocational training act** remedied a major part of the deficiencies, and launched the revision of the content of the vocational qualifications and the operation of the examination system. It is an important new element that the **chambers of commerce** will play a , much bigger role in vocational training management in the future, as a means to align the economy and vocational training. The adequate number and quality of businesses willing and capable of providing practical training is an essential precondition of dual vocational training. The conditions are not ripe yet; the programmes designed to motivate and prepare the company trainers are not intensive enough and there are some deficiencies especially in the services areas, where the SMEs will have to be involved. Students who cannot find any practical training sites will have to be provided assistance to continue their training, with the involvement of the Klebelsberg Institution Maintenance Centre, the territorial integrated training centres (TISZKs) and the labour centres and, moreover, the institutions of public education, the public collections themselves, the municipalities maintaining them and the NGOs and Church organisations, i.e. the last institutions operating systematically in the rural areas in many cases. It is impossible to build effective vocational and higher education and train labour meeting the technical requirements of our days based on weak primary school results. Therefore, the main objective is to have reliable bases, i.e. to develop sound basic skills (writing, reading, counting and literacy) in primary school; to master foreign language skills, acquire foreign language examination certificates, master the skills of autonomous learning and enhance the quality of education of the scientific disciplines at secondary school. It is also necessary to increase the prestige and recognition of manual talents, and to develop the system of study competitions promoting the identification of young people who are highly talented in their trade.

Research, development and innovation are under-financed

The **low rate of students studying technology and science disciplines in Hungary** in European comparison may be a serious hindrance to the enhancement of the innovation potential, of decisive importance for the competitiveness of the country. The low prestige of the majority of the industrial and agricultural vocations is a cause for concern, and it has led to supply shortages in numerous vocations. At the same time, a growing number of young skilled workers choose employment in Western Europe due to the substantially higher wages there. Young talents should therefore be encouraged to realise their ideas in Hungary. For the same reason, components paving the way for the youth to do independent work, to work on their own research topics and set up their own research teams should be integrated into the innovation system.

Low rate of students in technological and scientific programmes

In 2012, **27% of the adult population of Hungary took part in education/training**; this is quite a good rate in the European Union, where the average rate of training participants is 15.3%. Learning in adult age is characterised by major disparities: those who would need it the most do not take part in it, that is, the participation rate of persons with low schooling, the elderly and the residents of small settlements is well below the necessary level. The high, **44.5%, digital illiteracy rate** of the population above 15 is a very serious problem. The backlog is particularly marked among the old, the unemployed, the underprivileged, the residents of small settlements and those with low qualification who can be addressed almost exclusively in the framework of adult training.

High rate of digital illiteracy

The changing economic environment makes it imperative to transform the system of education and align it with the real market needs. More emphasis should be given to the out-of-school usefulness and social utility of knowledge being transferred. More attention needs to be paid to talent nurturing, as talents have become decisive factors of competitiveness; they can provide the basis of a sector that is crucial for the development of the country, i.e. of research and development and innovation. It is most important, moreover, that our best professionals should put to use knowledge acquired in Hungary in their home country.

1.3.10 A significant part of the population receives social benefits

The **ratio of the recipients of social benefits is outstanding in Hungary** relative to the corresponding international data. The number of pensioners dropped by around 200 thousand in the past 10 years, but expenditure on their benefits almost tripled, showing marked growth also in percent of the GDP (from 9.3% in 2000 to 11.3% in 2011). The amount of pension per one recipient currently amounts to 64.7% of the average earnings, as opposed to the 59.1% measured in 2000. Besides the pensions and pension-type benefits, the state spends a lot on family and child-care allowances; we are in the vanguard of Europe in this respect (2010: 2.9% of the GDP).

Outstanding ratio of social benefit recipients in international comparison

After the transformation of the social benefit system in 2009, the number of the recipients of regular social aid fell from 213 thousand in 2008 to 51 thousand in 2011. The **number of persons in need of support** due to their life situation, however, has not decreased: the apparent numerical drop is due to the restructuring of the benefit system. Parallel with the decline of the number of recipients of regular social aid, the number of persons receiving availability support that may be granted to working-age persons who are fit to work increased from 167 thousand in 2009 to 175 thousand in 2010. The availability support was replaced as of 01 January 2011 by the wage supplement. The name of the latter was changed to employment-substitution support as of 01 September 2011. **Several measures were taken** in the past years **to make the social benefit system more transparent and efficient.**

More transparent social benefit system; continuing marked role of social aid

According to the OECD, the **public employment programmes** can promote social integration, provide an income to the most deprived and so act as the means of moderating poverty at times of crises. From 2011 on, the Hungarian government significantly extended the system of public employment to reduce the exceptionally high rate of long-term unemployment, and the low employment rates. 391.8 thousand took part in the active labour market policies in 2011, of which 61 thousand on average in the framework of public employment programmes, i.e. 45% more than in the previous year. In order to exploit the potentials of public employment, however, the **qualification level of the participants** needs to be upgraded, or else the chances of their real employment in the primary labour market will not improve and the solution will be limited to a narrow social group in sight in a given period of time. It is also a problem that the **amount of net wages received for public employment is, on the one hand, significantly lower than the mandatory minimum wages and, on the other, it is not significantly higher than its alternative, the employment-substitution support (Hungarian abbreviation: FHT).**

Public employment is not a genuine, long-term solution, and the relevant income hardly exceeds the aid amount

The institution of social aid will be necessary also in the longer term; however, because of the changes in the life situations of the beneficiaries, it is an essential requirement that it should also promote the restoration and preservation of the self-esteem of the persons concerned. Social dialogue is a viable means for communicating the basic ideas also to those who are in need of that due to their situation. Besides the aids, the public employment system is to be aligned continuously with the changing needs on the one hand and the sensitivity and level of tolerance ever of society.

1.3.11 The system of education and healthcare needs to be reformed

The **number of primary schools and their pupils is decreasing** due to the ageing and shrinking of the population, especially in the peripheral regions and the areas characterised by low population density and many small villages, and the same trend is intensified in the secondary and vocational schools due to dropping out for financial reasons. The number of graduates is essential from the point of view of the international competitiveness of the country, but the quality of education is no less important. The extensive developments – in terms of the number of institutions, training programmes and students – of the 1990s have become unsustainable. The decreasing number of the labour market opportunities and those of minor age **has led to intensifying competition between the training sites**, hitting the minor rural institutions hardest. The **growth of the number of private and foundation schools** was the result in all probability to this competition and the falling standards of public education, besides the principle of sector neutrality, i.e. the provision of normative state subsidy. Decreasing student numbers make it even more important to identify the talents and to develop them and use this potential more efficiently (cf. Hungarian Genius Programme, Talent Bridges Programme, Talentum Programme).

The number of schools is decreasing; competition intensifies

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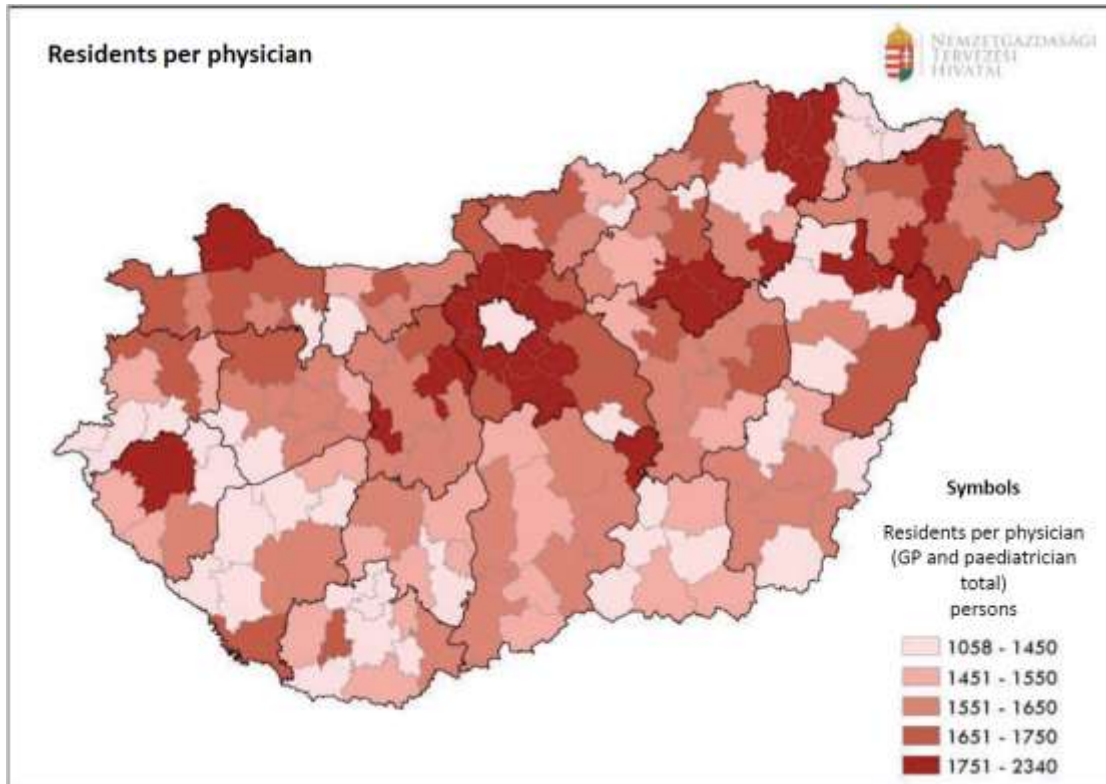


Figure 21: Residential population per medical practitioner (2011) (Source: HCSO)

The **health care system fulfils its functions with increasing difficulties**. The rate of residents per family doctor or home paediatrician was 1545 on average in 2012, but in the most dynamically growing agglomeration areas it could be 1.5 times higher, whereas in the scarcely populated small village/farm areas it was much lower. Those in the latter group are in a worse position, since the private and specialist practices are more accessible in the urban areas. **The health care expenditure cuts hit hardest the hospitals and the specialist practices**. The significant reduction of the number of hospital beds (by more than 12 thousand, corresponding to 15%, since 2000) would not be a major problem in itself, since the utilisation rate is below the 85% threshold regarded as the optimum in every county (and it is less than 70% in some), but there are too many hospital beds for active treatment, requiring intervention, intensive care, and too few for chronic cases – mainly old-age care and treatment. The situation is aggravated by the fact that often active inpatient beds are used, especially in the small hospitals in the countryside, for treatment that could be provided in the framework of outpatient care. The hospital development programmes with budgets of billions of forints scheduled under the NHDP in the big cities represent a positive change. The outstanding number of diseases that could be eliminated by prevention, however, suggests that, besides the hospitals, **the institution system for primary prevention is also in need of reforms** and, of course, this is the system offering the most efficient and the cheapest way of health preservation in the long run.

The distribution of the public services, as well as the maintainer and operator functions, between the municipalities and the central administration **underwent significant changes** in the past two years, for the purpose of operation and development security. Consequently, the municipalities and the central administration must adopt new developer roles in the fields of the educational, health care or social developments.

Inadequate quality of the health care services and infrastructure

Changing roles of the administration and the municipalities

1.3.12 Housing market torn by the crisis

The current status of the domestic housing market is the result, basically, of the effects of problems inherited from the socialist era, measures taken after the systems change and the mechanisms and institution system that have evolved since that time. As for the state interventions, the **housing allowance, the so-called “soc-pol”, can only be called a partial success**. The launch of mortgage lending and the effects and utilisation of the related interest subsidy provided by the state, on the other hand, gave housing construction an obvious impetus. The funding needs of the initial scheme, however, soon exceeded the load-bearing capacity of the state, and its transformation has led to the unsustainable boom of lending first in HUF and then in foreign currency. The latter practice was terminated in the meantime due to the rise in interest burdens under the effect of the global economic crisis after 2008, but the **solution of the problems of persons having loans denominated in foreign currency was one of the top priorities** of the past two years.

Significant setback suffered by the housing market due to the economic crisis

Around 10 thousand new flats were built in Hungary in 2012. Projected to the housing stock of 4.3 million, this means that one flat ought to be maintained/renovated for approximately 430 years – and that cannot be done economically for a major part of the housing stock. New construction is absolutely necessary for renewing the housing stock. Besides assistance for renovation, new construction meeting the energy efficiency goals should also be supported.

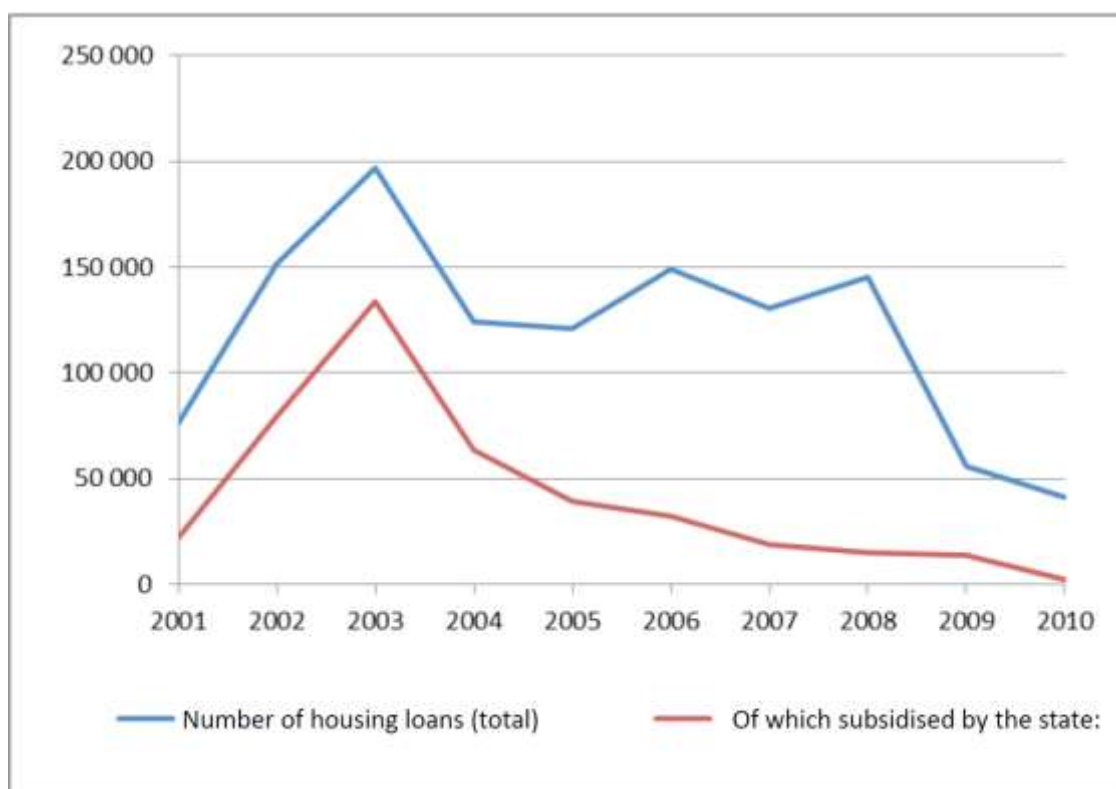


Figure 22: Number of residential loans granted annually (2001-2010) (Source: HCSO)

Housing policy **focused** in the past two decades on **the management of the inherited problems and on stimulating residential construction**, and it had no influence of merit on the transformation of the inherited structures. Following housing privatisation, **the number of rental apartments dropped drastically** and it has kept declining afterwards, despite the growing need for social housing units. There were even less attempts to influence the spatial trends through housing policy and, consequently, the housing conditions of the lagging areas and of the segregated settlement parts have become major hindrances to easing the social problems that have accumulated there. **The improvement of the quality of the housing units for more than two decades**, on the other hand, is a positive development: it started in the 1980s and accelerated after the systems change, thanks mainly to public utility developments funded by the public sector. **Building renovation concentrated mostly in the dwelling estates**, and the most spectacular results were also achieved there.

Drastic decline of the number of rental apartments despite the steady growth of the relevant need

1.3.13 Our unique and valuable cultural heritage is a major asset

The culture, cultural heritage of a nation is an important factor of its identity. However, beyond the conservation of the built and the intellectual heritage, these assets need to be put to quality use, through the unfolding of their values and, in regard to the built heritage, their scientific and cultural historically authentic presentation, and through the continuous reconsideration and contextualisation of the values and monuments of the past. The Hungarian **national cultural heritage is a most significant asset** also in European and global comparison, essential for building a **tradition-based society**. Our outstanding assets include ethnographic assets, folk music, folk tales and folk dance, the Hungarian language, our folk art and handicrafts etc. The protection, conservation and social recognition of the domestic cultural heritage largely depends on the condition of the infrastructure put to its use (institutes of archaeology, museums, houses of culture, libraries, institutions of education etc.).

Hungary has a rich cultural heritage

To date, Hungary has **eight World Heritage sites**, including special cultural as well as natural, landscape, sites. The World Heritage Act effective since 01 January 2012 and regulating in detail the conditions and order of procedure of becoming a candidate world heritage site and drawing up world heritage management plans represents major progress. In addition, the **Hungaricum Act of 2012** makes it possible to collect and classify the national assets from local to national level.

Many World Heritage sites

Community experience, such as cultural historical events related to the original sites, traditional **cultural events** and festivals play a growing role in the dissemination of the cultural values. Hungary has shown considerable development in the field of festival organisation, musical, cultural and gastronomical events included. The number of cultural events kept expanding in the past years, and exceeded 120 thousand in 2010. The number of visitors, however, did not show such obvious growth: the number of visitors per event has kept decreasing, especially that of audience of movie and theatre performances.

Fast-growing number of cultural events

In 2010, there were museum institutions at 338 settlements. **The predominance of Budapest** is outstanding: it has 79 institutions of this kind, whereas Pécs, the next town in rank order, has only 16. This is good for tourism, but new tourism destinations could be created through the development of the museum infrastructure and services in the countryside. The number of expositions and visitors is highly concentrated territorially; in 2010, there were only 61 small regions where the number of expositions was higher than 20.

The predominance of Budapest is typical also in culture

In numerical terms, **Hungary is rich in built heritage and historical monuments** dating from after the 18th century, but there are some important relics and buildings also from earlier times. The quality and values of the built heritage place Hungary on the level of the European, international, heritage, but owing to its status, condition, the lack of scientific renovation and little dissemination to the public, it cannot fulfil its potentially significant role in cultural, social and economic development. There are only 120 settlements with more than 10 historical monuments, and almost 1000 with none, and 40 settlements have areas of historical relevance. The conservation and reutilisation of the buildings dating from the Compromise era to the 1950s, excelling in number and in their significance in the overall townscapes, and the castles and manor houses, preserved in highly different conditions, should be considered priority tasks.

Rich array of historical monuments

Today's efforts are focused among other things on the preservation of the built heritage, to ensure its historic restoration matching its importance, and its sustainable utilisation; to make our outstanding values presentable, encourage brownfield investments and design new buildings matching the valuable townscapes. Let us note here that **the combination of the historical architectural styles**, i.e. Neo-Renaissance, Neo-Baroque, Neo-Roman and neo-Gothic styles (1860-1905) in a single, uniform architectural ensemble of approximately 12 km², makes **Budapest the most significant site in this category** in international comparison; its top position is attributable to the work of tens of thousands, and it is a priority task to retain it. With its Art Nouveau and **Bauhaus** architecture, Budapest plays a significant role internationally.

Hungary is rich in archaeological sites due to its complex natural endowments that had attracted many early settlers. There are more than 60 sites in the country, but this figure is probably far from the final one as there are marked differences in the rather ad hoc data on scientific explorations. Compulsory archaeological exploration preceding construction works and road-building have revealed many previously unknown sites; the necessary sources and resources need to be provided for their processing and the exploration of other sites.

Construction works have explored many archaeological sites

1.3.14 Efficiency enhancement in the public sector generates significant added value

Public administration is in need of major reforms to boost its efficiency; this is an important ambition of the administration according to the **Magyary Programme**. The **public organisation system and the lack of a clear definition of competencies** lead to poor efficiency and also open the way to corruption in many cases. Public opinion poll data suggest that trust in the administration and the level of acceptance of the leadership of the country are very low in Hungary; therefore, it is a key priority of the administration to restore public confidence and improve the efficiency and effectiveness of public administration.

Lack of the culture of good governance and cooperation in the public sector

Several legal regulations and almost fifty government decisions have been adopted since the systems change to reform the public administration system. Despite several partial results, instead of improvement, **the efficiency of, and social judgement on, public administration deteriorated**. Apparent reforms throughout the past 20 years depreciated the **importance** of upgrading the public administration system, primarily within the system itself. Basically, the long-term and citizen-centred approach is missing from the system, and that has led to the alienation of the citizens from public administration. The above circumstances are all hindrances to good governance, and they make it absolutely necessary to reform the public sector in line with the concept of the "Good State" and to orient it towards the service-provider attitude. As a first step, the county-based system was established and the one-stop-shop administration system was introduced.

Continuous restructuring failed to bring about the desired results

It is urgent to reform Hungarian **personnel policy and management**, as indicated by the fact that the HR management practice of the domestic public services was given the lowest scores of all the OECD member states due, among other things, to the absence of the continuous supervision of the accountability rules, the management objectives and organisational-level personnel management and the lack of competency-based human resources management. The administration wants to reform the above in a comprehensive way, to institute the public administration career model and to reform the organisation system and operation of public administration.

The personnel policy reform is inevitable

There was hardly any development concerning **e-administration** and the use of modern IT solutions; the arrears of the domestic public sector relative to the European standards have increased in this respect as well. Part of the client services of the various state bodies are in need of major developments to upgrade their layout, accessibility and equipment level.

IT developments are needed

1.3.15 Summary social strategy messages

The termination of the negative demographic processes, the appropriate treatment of the challenges of ageing and moderating the spatial disparities manifesting themselves in the latter are important social strategy goals also at European level. The European – and in particular the Central and East European – countries are facing an important, special, challenge in this field: they need to increase medical screening, reduce the environmental hazards to health, promote health-awareness and the accessibility of the health care system, reduce its territorial disparities and raise its professional standards as a means to moderate the demographic decline.

Health-conscious lifestyle, improvement of the health care system

The most important social strategy goal at European level is **to enhance social cohesion**, accept the pluralism of the values and boost social activity. One of the biggest, related, challenges facing the European countries is to improve the access of the vulnerable social groups (children, the elderly, the unemployed, the poor, the Roma) to the labour market, the social security allowances, the basic services (health care, housing etc.) and to education. The objective is that the state should reduce child poverty, discrimination, exclusion from the economy and increase the integration of the Roma population through the active social inclusion measures.

Enhancement of social cohesion and activity

Efforts to reduce the **public health problems** play a significant role at national as well as global level. The development of health culture and the achievement of active and healthy ageing are major social strategy and public health priorities. The national priority for the future is to intensify prevention as a part of basic care, to strengthen its role, and to develop and increase the health behaviour and health awareness of the population; to reduce smoking and combat excessive alcohol consumption more intensively; to improve the efficiency of the public health screening programmes. The preservation of environmental health and epidemiological safety and the protection and enhancement of mental health are also important objectives.

Health culture development and healthy ageing

The social strategy answer to the issue of boosting the economic performance of the European countries is smart growth, to be achieved through better access to **education** (learning and skills development, encouragement of lifelong learning), to the cultural values and services; through the development of **research/innovation** (creation of new products/services promoting growth and employment as well as the solution of the social problems) and of **digital society** (use of IT and communication technologies).

Smart growth as objective

To produce smashing and lasting results in solving the social problems and preserving our social values, we have to think, in most fields, in the perspective of several decades. However, in certain cases, some immediate, short-term interventions are inevitable. The most important short-term social policy task in Hungary is to expand employment, to provide secure income and livelihood and improve the situation of the vulnerable social groups. In the long run, social renewal can be realised through a demographic turn, the improvement and levelling of the public health indicators, the development of health culture, education, vocational training, talent support, innovation, community values and the enhancement of social cohesion.

Medium-term social strategy tasks	Social strategy areas laying the bases of long-term development
<ul style="list-style-type: none"> • to provide employment opportunities to have a livelihood, an income • to provide employment opportunities matching the qualifications and skills • to develop employability, to provide personal services promoting participation in training and employment • to combat child poverty; to enhance the chances of children to catch up and to participate in education • social catching up of the Roma, of persons living in extreme poverty • expansion of the employment opportunities of persons in a disadvantageous situation • improvement of the housing conditions, elimination of segregated life situations • environment encouraging the decision to have children • quality services in early childhood, especially for underprivileged children and their parents • reinforcement of the capacity of the public education system to compensate for disadvantages • equal access to cultural values and services and to public services • healthy lifestyle education, sports opportunities for every age group • establishment of adult learning, further and retraining opportunities, development of digital society • improvement and scientific restoration of the condition of the built heritage and historical monuments (heritage stock) 	<ul style="list-style-type: none"> • programmes stimulating the willingness to have children • deliberate vocational training, higher education, adult education designed in combination with economic development • consolidation of the domestic training, research and development workshops, utilisation of the results in the domestic economy • treatment of public education as a strategy component – complex, integrated education/training and network development, institutionalization • career models for the youth and in certain special fields • raising value added by the public sector • reinforcement of the community values • change of attitude ensuring the appropriate treatment of ageing • restructuring the social care system • improvement of the quality and employability of the labour supply • elimination of the discrepancies experienced in accessing public services

1.4 Environmental trends

1.4.1 Global challenges: unsustainable resources utilisation, decreasing biodiversity and the climate change

The most crucial environmental process of our days is the **unsustainable, intensifying global exploitation of the natural resources** and the consequent fast transformation and deterioration of the natural environment, hardly experienced in historical times. **Global warming** is one of the significant environmental changes. Due to the climate change, there are frequent extreme climate and weather conditions, heat waves, floods, droughts and forest fires; the heat balance of the oceans and the spatial system of the climate zones is transforming. All that impacts on the natural environment and on our conditions of living, on the economy and the agriculture and, indirectly and directly, on the state of health and quality of living of the population.

Global consumption leading to global environmental crisis

The projected growth rate of the global population and its even faster-growing consumption has led to the intensifying utilisation of the natural resources. **Particularly critical areas in the long run include the supply of drinking water of adequate quality and of arable land.** Both the renewing and the fossil (non-regenerating, static, closed underground water lens) water resources are increasingly exploited; soil erosion of agricultural land, intensifying building-in and deforestation reduce these resources irreversibly. And, parallel with the degradation of the natural environment, biodiversity has also decreased critically, and the increasingly severe economic effects of this trend are felt already in maritime fishing and crop production.

We are increasingly endangering our natural resources and we are increasingly dependent on them

Hungary is a vulnerable area according to the climate change forecasts, where warming up, extreme rainfall patterns, flood and inland water hazards and growing drought sensitivity are to be expected. The drinking water supply of the country exceeds the current and expected drinking water consumption. A significant part of our underground reserves are classified as sensitive or highly sensitive to pollution, so their protection requires special efforts. A major part of our surface waters consists of the water resources of our rivers, originating from across the borders. Given the basin location of the country, the solution of our problems requires daily cooperation with the neighbouring countries. Hungary is facing new challenges, such as the need to moderate emergency situations and damage due to the unpredictable quantity and distribution of precipitation caused by the extreme weather conditions.

Water, land and biodiversity are strategic values

Hungary's ecological footprint (3.5 ha) is more favourable than that of the so-called developed countries (5-10 ha), but we still exceed our per capita biological capacity (2 ha), and that is unsustainable. **Our natural resources** are among our most significant potentials; our soils, water resources and biodiversity are outstanding values. The key to the improvement of the state of the environment is the **change of the environmental strategy paradigm**, based on utilisation looking beyond the exploitation of the resources, ensuring the long-term preservation of their quantity and quality, the preservation of biodiversity, and an economic and settlement structure fitting organically into the functioning of the landscape and contributing to its conservation. The landscape-maintaining and nature-conserving role of agriculture and the enhancement of environmental and landscape management are particularly important.

An environmental strategy paradigm change is needed

Hungary has special natural resources and values that excel also in international comparison. The preservation of the natural assets, the sustainable use of the resources are national priorities that will be increasingly important in the future.

Our natural resources and assets:

- ❖ Hungary has colourful landscapes, a variegated wildlife and many natural assets including also natural assets subject to cultural protection as well.
- ❖ Our underground water resources are of outstanding importance, and we have excellent thermal, medicinal and mineral water potentials.
- ❖ A major part of the area of the country is covered by soils suitable for agricultural production, their condition is ideal for having a multi-coloured agriculture.
- ❖ Almost 20.7 % of the country is covered by forests; our wood stock of 350 million m³ increases year on year.
- ❖ Due to the residential environmental impact, the vulnerability of the state of the environment is to be taken into account.

1.4.2 Preserving our natural resources is the basis of our future

Hungary has **variegated and unique natural endowments** and natural resources. A good example is the fact that the natural areas protected by special legal regulation extended in 2013 to 848,140 ha, protected areas of local relevance included to 894,279 ha. The areas enjoying protection and the 1.2 million ha Natura 2000 area together cover 21% of the territory of the country, a very high rate also in European comparison. Hungary is party to several international environmental protection conventions that impose obligations to implement their content. These include e.g. the preservation of biological diversity, its sustainable use of its elements, and the fair distribution of the benefits originating from the genetic resources, the protection of the species endangered by international commerce, and the protection of the migratory species, the preservation of the European endangered animal and plant species and of their endangered habitats, the maintenance of the European landscape heritage, maintenance of the assets of the Carpathians, **protection of wetlands of international significance, in particular the habitat of waterfowl.**

Significant proportion of protected areas

However, the **protection of our natural assets** is not limited to habitat protection. Hungary is particularly **rich in inanimate natural assets**. Our caves, geological and geomorphological formations are a part of nature and may serve as special habitat for the protected and specially protected species on the one hand and be scientifically relevant on the other. Their importance for spatial development lies in that, the same as other natural assets less sensitive to disturbance – taking into account the nature conservation criteria – **they can be excellent awareness-raising tools or be included in the domestic tourism development concepts as tourist attractions.** This is particularly true of the natural assets enjoying cultural as well as nature protection, that is, that are outstanding also in a cultural historical sense.

Rich in inanimate natural assets

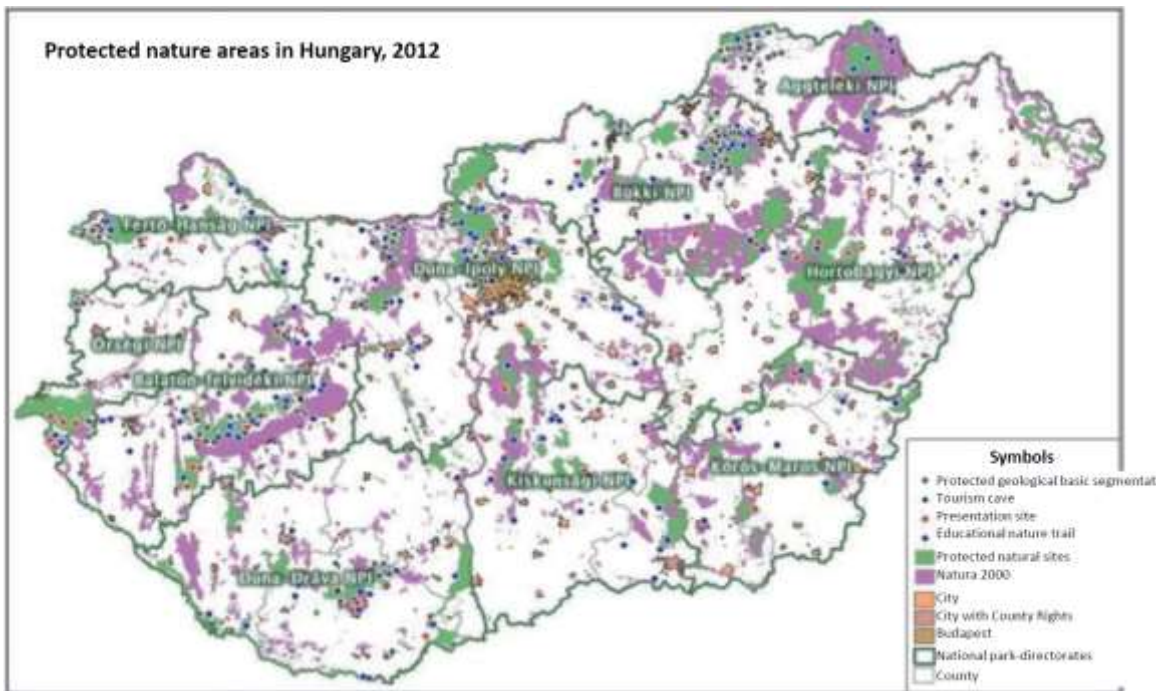


Figure 23: Protected natural areas in Hungary (2012) (Source: www.kvvm.hu/tir)

Nature conservation includes the preservation and even development of the natural resources.

However, since their utilisation within reasonable limits is indispensable for the maintenance and development of society, it is absolutely necessary to expand their quantity as well, wherever possible. The treasures of the Hungarian land, the mineral resources, geothermal energy, our waters, soil, the biomass, the atmosphere and its usable aspects (wind, solar energy), the vital building blocks of the environment, its energy carriers, nutrient sources are all irreplaceable means of our subsistence.

Resources expansion is an objective

Our underground water reserves are of utmost importance also in European comparison – 95% of the drinking water supply originates from the underground water reservoir. Moreover, the **thermal water supply** is also excellent. Although underground water extraction stabilised nationally by the 2000s after the closure of the underground mines, unauthorised water abstraction has remained a general problem. This causes quantity problems and also implies pollution hazard for water tables of medium depth. In some parts of the country, the use of groundwater is quite high already anyway (on the Great Plain, e.g. it is around 70%), that advises caution, since the resources concerned may keep decreasing anyway due to the climate change. 15% of the groundwater bodies does not reach the good quantitative status defined under the EU Water Framework, and the status of another 19% is classified as uncertain.

The underground waters are exposed to severe hazards

The main water quality problem of our underground waters due to pollution caused by human activities is nitrate pollution. The most widespread **water quality problem** affecting our surface waters is **the extensive presence of organic matter, nitrogen and phosphorus**. From the point of view of organic matter and the various nutrients, almost 50% of water courses and one third of standing waters does not qualify as being in a “good” status. Due to pollution, only 8% of water courses and 17% of standing waters is in good ecological status as defined under the Water Framework Directive of the Union. 20.5% of the underground water bodies is not in a good chemical status.

Low rate of water bodies in good ecological status

One sixth of the population of the country does not have access to drinking water that is impeccable in every respect (for example, in terms of its boron, fluoride, (nitrate,) nitrite, arsenic, ammonium, iron, manganese content). Since it is a problem to supply of drinking water of a quality complying with the regulations in some parts of the country, further action is needed. Lead pollution due to the pipelines made of lead is another problem.

Drinking water of adequate quality is not accessible to all

The preservation of groundwater quality is essential for the protection of potable water. The length of the public water supply network has been increased by 14000 km since the systems change, and 95% of the housing stock of the country is now supplied with drinking water “from the tap”. **The existing systems are in need of reconstruction at a growing number of places.** Piped water supply is accessible at every settlement, but several of the active public water systems do not meet the more severe water quality requirements in effect since Hungary’s accession to the Union. The **Drinking Water Quality Improvement Programme is to be implemented** for any parameters exceeding the defined limit values. It is a priority to give the population equal access to healthy drinking water by extracting water of adequate quantity and quality, providing for its treatment and ensuring the security of the drinking water supply. All these require expensive developments also in the near future. The objective is to supply drinking water of adequate quality, from the tap to the consumers also at those places, points of consumption, where certain parameters had been objected to before.

The Drinking Water Quality Improvement Programme needs to be continued by cleaning the mains drinking water containing iron and manganese resulting in turbid, sedimentary water, and by the replacement of the old, obsolete pipelines. There are lead pipelines, lead-containing fittings in direct contact with drinking water in the domestic and connecting drinking water networks of old residential property (built more than 50 years ago) and in the connecting pipes of certain settlements; therefore, the lead pipelines and fittings need to be replaced. Moreover, the building regulations have to specify the quality of the materials and fittings suitable for being used in the buildings to prevent quality deterioration in the connecting and the domestic drinking water networks. The various compounds that are hazardous to health and to the environment, of chemical origin and coming from the households, increasingly endanger our fresh and drinking waters. The long-term health impact of these chemical compounds has not been identified clearly yet, despite the steep rise of their utilisation and the fact that we get in contact with them in every field of life. **The objective is to supply the users with drinking water of adequate bacterial and water chemical quality at the places of utilisation, from the taps.** It is highly important, moreover, to eliminate the safety deficiencies of water extraction and supply in the future, and to ensure equal access to healthy drinking water to the entire population of the country.

Households imply growing hazards for the fresh and drinking water

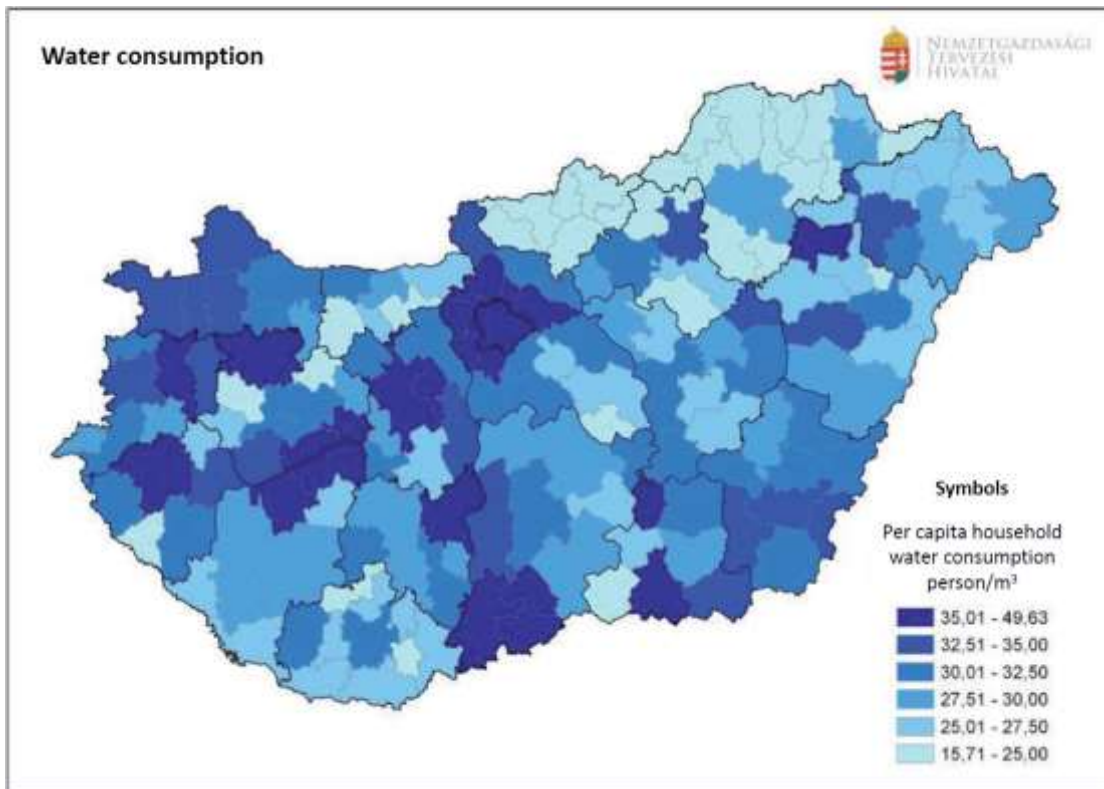


Figure 24: Public water consumption per inhabitant (2011) (Source: HCSO)

The record-size floods and rainstorms in 2000 and the most recent inundation period in 2010 demonstrated once again the **strategic importance of surface water management and flood and inland water protection**. Besides dam development and maintenance and the continuation of the Further Development of the Vásárhelyi Plan (VTT) complex programme, the good maintenance of the surface water courses also shows deficiencies, and there are major backlogs in the areas of waterbed regulation and water transport capacity. The complexity of the ownership relations, public financing and shrinking/terminated subsidies make it necessary to rethink the task system, with special regard to flood security and the prevention of the accumulation of inland water. Inland water regulation and the adequate development of rain reservoirs are particularly important. Considering the droughts experienced in the past years, investments targeting surface water regulation and flood and inland water protection shall comprise in the future also the securing of agricultural irrigation.

Flood and inland water protection is a priority task

Mining is the tangible manifestation of the management of mineral assets. Hungary is one of the best explored regions of Europe in terms of the mining assets. Thanks to its geographic location and variegated geological past, it has many kinds of mineral resources, but only a few are available in outstanding quantities. The mining opportunities are, on the one hand, open to the market actors to a significant extent and, on the other, they are highly limited by the relevant environmental and nature, heritage etc. protection regulations. Apparently irreconcilable contradictions evolved in the past decades between the interests of nature conservation and environmental protection and those of the management of mineral resources, but the **rational utilisation of our mineral resources is vital for every member of society and also the future generations**.

Conflicting mining and environmental protection interests

The soil, a basic and decisive element of the terrestrial ecosystems, is exposed to increasing use threatening with the loss of many soil functions and conducive to soil degradation. **Soil suitable for agricultural production covers 80-85% of the territory of the country**, hence arable land is a primary natural resource. Thanks to the advantageous domestic natural endowments, the proportion of good soil is appropriate; fertile soil is available extensively, but **the climate change, warming up, will imply the greatest hazard exactly for agricultural production.**

The development of the structure of land use is closely connected to soil protection. Arable land areas have remained predominant in domestic land use, but their shrinking gives serious causes for concern in the long run. **An annual 2 thousand hectares of agricultural land are taken out of cultivation in Hungary:** since 1990, the proportion of farmland shrunk from 69% to 57%, in favour of the built-in areas in the first place. Investment did not spare the grassland areas either, used to a decreasing extent due to the drastic decline of the grazing livestock; their area decreased by more than 10% over the past 20 years. The forest areas have expanded gradually in the wake of consistent and deliberate afforestation and forestation in unused areas, so today 20.7% of the country counts as forest area. The most drastic change, however, is the 37% growth of the areas taken out of cultivation, due almost fully to the **expansion of the settlements, and building-in attributable to infrastructure and greenfield investments.** This process must be halted (for ecological, environmental protection, psycho-social and health sustainability etc. reasons), so special emphasis should be given to enforcing economical, coordinated land use, the reutilisation of the greenfield areas, the augmentation of the intensity of building-in in the inner urban areas, and the revitalisation of the settlement centres, the areas with historical buildings.

Land use for the purpose of farming is shrinking, building-in intensifies

The systems change has brought about a change of attitude in official environmental protection. The termination or marked recession of the environmentally harmful industries has made it possible to apply more forcefully the sustainability criteria and ensure the protection of the environmental assets. This manifested itself first in the improvement of air quality, but considerable progress took place also in the other areas. Thanks to the development of the 1990s, the **protected natural areas of national significance increased** from 617 thousand ha in 1990 to 846.7 thousand ha by 2011 (2013: 848 140 ha), and the number of national parks rose to 10, i.e. doubled. The network of Natura 2000 areas covering 21% of the territory of the country was created in 2004, and besides the introduction of other territorial categories, the zones of the national ecological network (core area, ecological corridor, buffer area) were integrated into the spatial planning legislation after the modernisation of the classification. At the same time, the **human and material resources of nature conservation have remained highly limited throughout the process**, and the nature-friendly methods of production serving also the interests of habitat protection have also spread slowly.

Quantitatively successful nature conservation

The significant development of the previously neglected environmental infrastructure became feasible primarily because of the availability of EU aid. The **sewerage ratio exceeded 70% (72.8%).** By 2011, 97.7% of wastewater collected in the sewerage network was emitted only after Stage I or Stage III cleaning treatment, as opposed to hardly 34.6% in 1990. The quantity of wastewater exiting the public sewerage system is less than 1% already, but the corresponding value was only 12% also in 1990. **The public utility gap is gradually closing:** in 1990, the ratio was 228 m of sewer pipe per one km of the public water supply network; in 2000, the corresponding figure was 396 and in 2010 655 meter.

Gradual closing of the utility gap

Waste water treatment has shown steady development; the last major investment was the Budapest Central Waste Water Treatment Plant terminated at the end of 2009. However, the main emitter towns notwithstanding, **sewage treatment is still unresolved in many settlements**, despite the substantial growth of the ratio of settlements with a sewerage system relative to the corresponding values 10 and 20 years ago: in **2010, 44% of settlements**, mainly small settlements with less than 2000 p.e. (population equivalent) sewage load, unaffected by the derogation obligation (2000: 73%; 1990: 86%), **had no sewer system yet.**

Low sewerage level of small settlements to this day

Apart from the above, there are also some households in settlements with sewerage that did not connect to the network; in some settlements, this actually means complete settlement parts. Inadequate delivery and dewatering at settlements with no sewerage and flats not connected to the system cause extra problems.

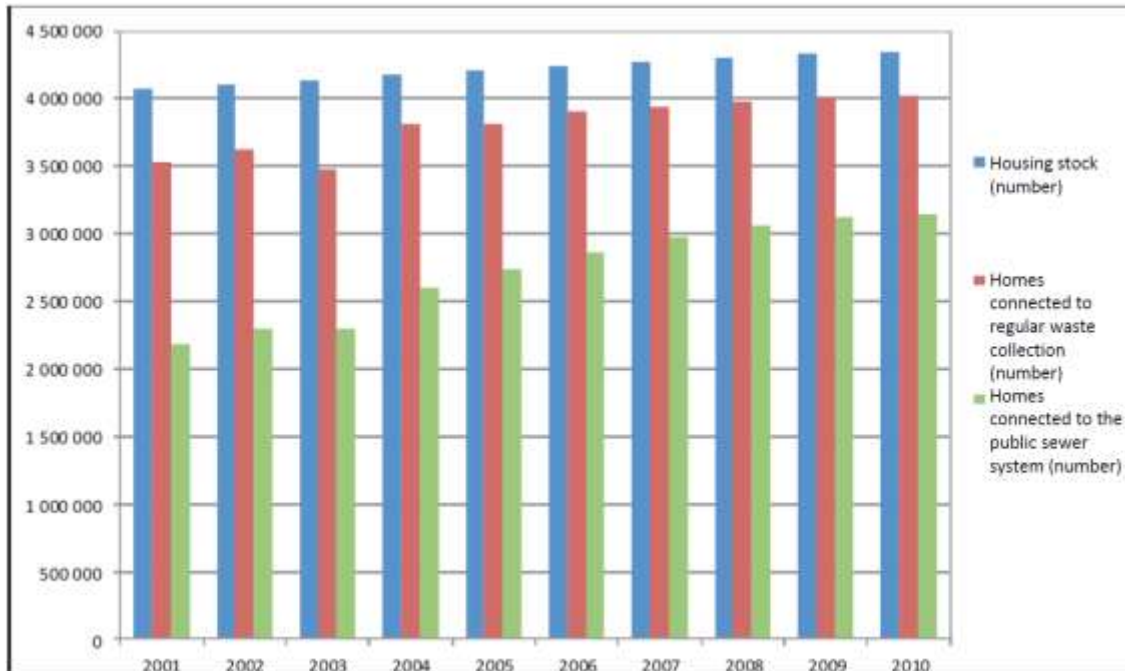


Figure 25: Number of flats covered by regular waste collection and connected to the public sewerage network compared to the housing stock, 2001 to 2010 (Source: HCSO)

However, since the traditional sewer network and waste water treatment facilities cannot always be operated profitably at **small settlements, there may be cases when it is preferable to use special household-size equipment or nature-friendly arrangements.** Because of the climate change, **preparations have to be made for wastewater and sewage sludge recycling.** It is most important to use the biogas content of such sludge and to reduce sludge dumping due to the increasing dumping fees. To ensure that, the National Programme for Sewage Disposal and Cleaning in the Settlements needs to be continued. According to the targets of the National Environmental Protection Programme, sewerage is to be provided to 89% of the population by end-2015 in agglomerations exceeding 2000 p.e., and all collected wastewater has to undergo at least one biological treatment stage.

The nature-friendly cleaning methods are preferable

Large-scale modern waste-management systems covering a major part of the country were introduced in 2000 based on EU funding. This has led to **systematic and organised waste collection throughout the country,** and the former facilities were replaced by environmentally safe landfills. A **high proportion of housing units is part of the regular waste collection system;** their rate grew from 86% in 2001 to 92.2% in 2011. Separate waste collection at the households started in some big cities (Pécs, Nyíregyháza) that could be considered model examples in the whole country. Almost 20% of urban solid waste consists of biologically usable organic materials that could be recovered through more effective separate collection. **The on-site recycling of green waste and the spread of home and communal composting needs to be encouraged;** several mini projects were implemented to that effect in the past years from the funds of the Environment and Energy Operational Programme.

Significant development took place in waste management, but separate waste collection is limited to a few settlements

The total quantity of hazardous waste decreased from the early 2000s on to hardly one quarter of its volume at that time.

Decreasing quantity of hazardous waste

Due to compliance with the strict EU regulations and thanks to the closure of many highly polluting industrial complexes, the **rate of solid hazardous waste dropped** (from 70% to 52%). At the same time, the **rate of liquid pollutants increased** (from 12% to 32%) due primarily to the growing residential environmental burden (hazardous chemical substances, drug residues). The economic actors have great responsibility in regard to waste generation: by designing products of adequate quality, using production technologies and basic materials implying as little environmental burden as possible they can ensure that less waste be produced.

Waste recycling makes it possible to significantly reduce the use of natural resources. However, the rate of recovered and recycled waste is rather low today: **in 2011, it amounted to a mere 8.9% relative to the total quantity of recovered solid waste collected at the settlements**. The rate of the total quantity of recovered waste is not high either: it was around 30% in the past 30 years. The National Environmental Protection Programme (NEPP) sets the target of raising the share of recycled waste to more than 30%, that of recovery overall to over 40%, and that of waste disposed at landfill sites to less than 60%. **The results of the recovery of waste originating from economic activities, on the other hand, are promising:** around half of packaging waste and 75-80% of electric and electronic equipment is recovered.

Low rate of recycled waste

The active **hazardous waste landfill sites and non-hazardous industrial waste landfill sites are safe and they comply with the relevant EU regulations**, the same as our thermal incinerators for waste disposal. The landfill sites that did not meet the environmental safety requirements were gradually closed down in the past years. Whereas in 2000 there were a total of around 700 such sites in the country, by 2011, their number dropped to one seventh. According to the NEPP targets, the waste disposal demand of the country would be met by around 75-80 sites, all of them complying, of course, with the strictest environmental protection requirements. **The quantity of industrial and residential waste keeps decreasing -- due among other things to the impact of the economic crisis;** municipal waste amounted to 413 kg/person in 2010, 82% of the corresponding EU27 average. The objective is to keep the quantity of municipal waste below 500 kg/person/year and the quantity of household waste within it under 1 kg/person/day in 2014. **The re-cultivation and monitoring of the already closed landfill sites and their potential use (recycling of the materials, maybe) are to be provided for.** It is also desirable to terminate illegal waste disposal, particularly in consideration of the increasing waste management costs. The illegal burning of waste is impermissible, if only because of the public health and environmental-health hazards involved but, unfortunately, it is an existing practice.

The re-cultivation of the closed landfills is an important environmental protection task

Despite the growth of industrial production, the environmental burden originating from industrial sources did not increase but rather decreased in the past 20 years, and some factors actually show a clear turn (e.g. SO₂ and CO₂). Sulphur-dioxide emission moderated by almost 90% from 2000 to 2011; the quantity of industrial waste shrunk by 58%, and that of industrial carbon-dioxide emission by around 10%. **The carbon-monoxide load originating from transport halved**, but final energy consumption keeps increasing in the sector, and given the current fuel structure, its carbon-dioxide emission level is also on the rise. Although the emission of unsaturated Freon compounds, most harmful to the stratospheric ozone layer, stopped in compliance with the strict international conventions, **ground-level ozone pollution has remained significant**. The particulate matter content is largely attributable to transport, although the PM₁₀ content that characterises it depends very much on the local micro-biological and weather conditions. The particulate matter content is important mainly because of the tougher threshold values, since smog alerts are to be introduced in our big cities mainly because of the relevant high values. Economic restructuring and the closure of many obsolete and polluting sites were some of the reasons why industrial emission decreased. Note, however the **dynamic growth of the energy demand of industry**, projecting the slight **growth of the environmental impact** of industry overall **in the future**, despite the further improvement of environmental efficiency.

A major part of the environmental burdens now originates from residential consumption rather than production

Contrary to the industry, residential consumption increased until the economic crisis in the categories of consumer goods, energy utilisation and transport and, therefore, the **residential environmental impact is already as significant as industrial emission**. This is particularly true of air pollution and noise due to transport.

Increasing attention needs to be paid in the future to the reduction of environmental noise pollution. The work efficiency of the population or the intellectual performance of children exposed to prolonged noise deteriorate in the long run. Today, we have strategic noise maps of Budapest and the 21 settlements in its direct vicinity, of Szeged, Pécs, Székesfehérvár, Győr and Budapest Liszt Ferenc International Airport, the public roads with traffic exceeding 6 million vehicles/year and railroads exceeding the 60 000 vehicle/year limit, i.e. the residential environment of 2 610 000 people. The strategic noise maps of roads with traffic exceeding 3 million vehicle/year, railroads with traffic exceeding 30 000 vehicles/year and of Debrecen, Miskolc, Nyíregyháza, Kecskemét and Debrecen will also be drawn up by the end of the year. As a result, by the end of 2012, a national situational picture will be available on the environmental status of the areas where the noise burden is highest. The noise maps drawn up so far indicate that, despite the efforts so far, **transport is one of the activities causing the most problems also in terms of noise protection**. The reduction of the noise hazard affecting the population is to be promoted by preparing and implementing action plans based on the noise maps.

Noise maps, action plans are to be drawn up to ensure effective protection against noise pollution

1.4.3 Climate change: an increased risk

The **climate change is one of the biggest environmental risks** that may affect the way of life and conditions of living of the population. Lasting climate change, the increasingly extreme weather conditions are not only natural phenomena, but **have many negative economic, social and environmental consequences**. Climate change and its effects may have different impacts on the development of the different geographic regions. Besides the spatial differentiation of the effects, **there are marked differences in the capacity of adaptation and resistance to climate change of the individual regions**. Planning in those regions where the economic structure is built to a higher extent on those sectors where weather plays a decisive role (for example, agriculture, tourism) is to take into account higher vulnerability, more hazard factors and variegated adaptation options. Due to the scarcities of their capacities, the poorer areas are more exposed in Hungary as elsewhere to climate change and to changes in the status of the environment in general. **The deprived regions and certain social groups** (e.g. those with low earnings, the elderly) **have more limited defence options**, and thus the effects of climate change may widen the inter-regional economic, social and lifestyle gaps.

Hungary is definitely vulnerable to the "climate change" effects in several areas

The negative effects of climate change affecting our country (droughts, growing frequency of extreme weather events, heat waves, floods etc.) **threaten the most important resources of the national economy** such as arable land and food production, the supply of healthy drinking water and various pieces of property and sometimes even human life. The growing floods and the severe heat waves cause serious damage already.

Climate change is a serious risk to the national economy

It is a well-known and scientifically established fact that **extreme weather and hydrological conditions are typical** of the Carpathian Basin, of **Hungary** and, within it, the plain regions representing the lowest relief areas. The saying that there is either too much, or too little water is increasingly appropriate year on year. The same area may be exposed to extreme inland water hazard and drought sensitivity even in the same year. One reason for that is the high spatial and temporal volatility of atmospheric precipitation, the increasing frequency and severity of high-intensity storms and the moderate water-retention capacity and under-utilisation of the soil.

Growing frequency of extreme weather

A survey of the most severe drought years of the past 100 years shows that there were 5 such years in 1931-1970 (12.5%), and 9 (22.5%) in 1971-2010, that is, their frequency almost doubled.

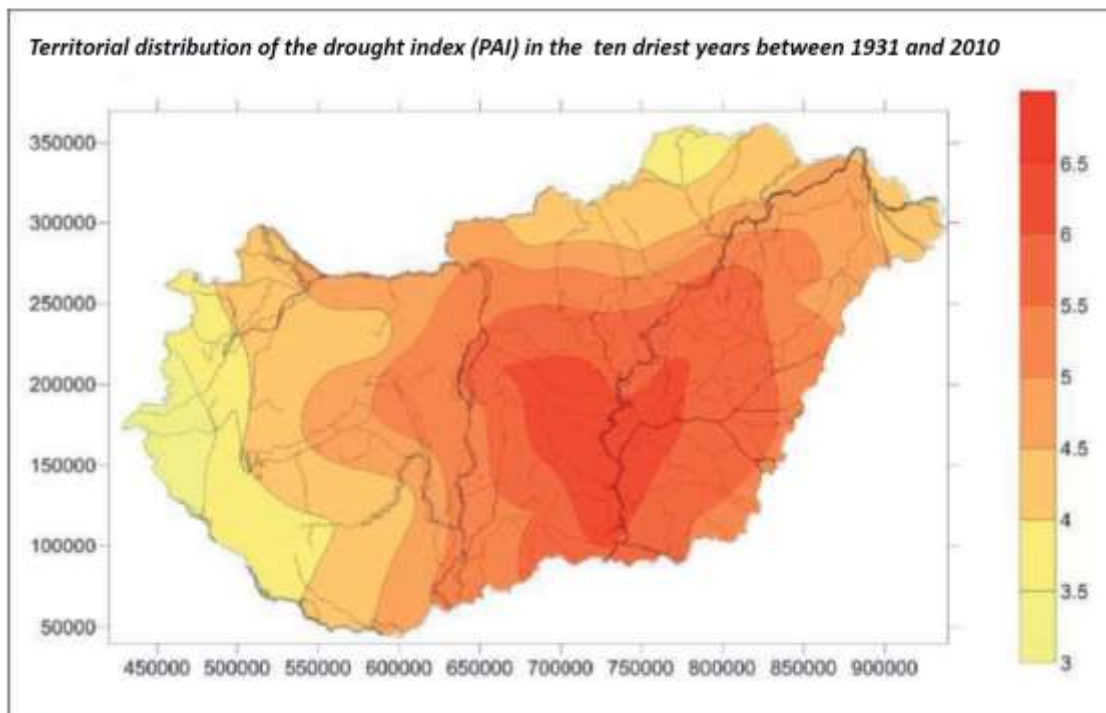


Figure 26: Spatial distribution of the drought index in the 10 driest years in 1931-2010 (Source: *National Drought Strategy*)

The heat waves of the past years caused 15-40% excess mortality, corresponding to the premature death of sometimes 200-1200 persons at national level. Viral diseases implying serious epidemiological-public health hazards – e.g. Dengue fever, West Nile fever – (may) appear in Europe and thus also in Hungary as a consequence of climate change.

The heat waves and the new viral diseases claim more and more lives

1.4.4 The role of disaster protection in averting environmental disasters

As mentioned in the previous chapters, Hungary's exposure to the flood and inland water hazards is unique in Europe. Flooding in the past decades caused serious damage in both private property and agriculture and in public property. The resulting emergency situations and the red sludge disaster at Ajka led to the reconsideration of the previous system of disaster protection.

Extraordinary flood hazard in Hungary

ACT CXVIII of 2011 entering into force on 01 January 2012, enacted in line with the Fundamental Act, created a unified disaster protection system that makes the country safer and rules that, in the future, besides the state, the citizens will also take a part in the disaster protection tasks. The fundamental functions of the *National Directorate General for Disaster Management* at the *Ministry of the Interior* did not change, so the objective of its operation remains the "official disaster prevention, rescue operation in the resulting civil emergencies, organisation and management of protection, elimination of the detrimental consequences, restoration and reconstruction", but in the case of flood, inland water and other disasters, the population may be involved in the protection activity. Restructuring for the purpose of efficiency enhancement resulted in clear-cut hierarchical relations and competencies, the management systems became more definite and emergency response time decreased substantially as a result.

Increasing role of the population in disaster protection

1.4.5 Summary environmental strategy messages

It is crucial to preserve the assets of the built environment and the natural resources, to ensure the protection and sustainable use of the soil, the water supply and the biosphere, and their adaptation to climate change, requiring also short-term measures. Preparation for the climate change effects is to be taken into consideration already now. Important long-term objectives include the most extensive dissemination of environmental education, of the environmental approach, energy saving, recycling, the deployment of local energy production and supply systems based on renewable energy and the conservation and improvement of the urban residential/living environment.

Medium-term environmental strategy tasks	Environmental strategy areas laying the bases of long-term development
<ul style="list-style-type: none"> • protection of the built environment and of the natural resources, nature and soil conservation, environmental protection, heritage protection, protection of the urban environment and making it more liveable, protection of the favourable landscape potentials, deceleration/halting of the negative development of the structure and character of the landscape • operation of agrarian and silvicultural environmental management systems • keeping our natural resources and mineral assets, particularly the protection and sustainable use of arable land and water, under national control • sustainable development of the built heritage • integrated water management to preserve and maintain the water resources • climate adaptation, reduction of the negative effects • raising environmental awareness, regulations/attitude-shaping fostering recycling and efficient material, energy and space utilisation 	<ul style="list-style-type: none"> • development of economic activities/sectors securing, simultaneously, sustainability, the quantity and quality protection of the natural resources, economic competitiveness, subsistence, employment and self-sufficiency • change of attitude in water management; water retention, replacement and drainage operated in a complex way, in harmony with farming and the landscape structure • energy efficiency, deployment of local energy production and supply systems based on alternative, renewable energy • protection of the values of the built environment and use of the built heritage as a resource • encouragement of brownfield investments • more emphasis on environmental education and awareness-raising tasks to highlight the principles of sustainability • value-based settlement, town rehabilitation; innovative urban development

1.5 Developments of the spatial structure, deepening territorial disparities

In the period after the systems change, with the termination of the socialist central planning and economic governance system, the settlements were given more freedom in choosing their development lines and this opened a new era also in the spatial structure of the country. Instead of the previous spatial policy aligned with the social and economic processes partly only, and aiming at relative and not even comprehensive spatial levelling, the role of the spontaneous processes shaping the spatial structure gathered strength. **Intensifying and more marked discrepancies between the territories following different development courses** are a natural consequence of the foregoing.

More marked differences, different development courses

The key economic-technological areas and those organised on a functional basis are increasingly discernible, not in the least because of the dual economic structure of the country. **In terms of spatial differences, the main fault lines lie between the developed and the lagging areas, the big cities and the small villages**, and the effects of two special spatial structural problems, the relationship between Budapest and the countryside, and the fate of the Roma population leading increasingly to segregation, have become more visible.

Hungary has a good geopolitical position, in the heart of Europe. It has outstanding development potentials thanks to the international traffic lines crossing the country and the macro-regional center role of Budapest.

Spatial structural resources, assets:

- ❖ The geopolitical position of the country is favourable and has significant development potential.
- ❖ Hungary lies in the node of transport networks.
- ❖ Budapest is a city of macro-regional relevance.
- ❖ Balaton is a recreational area of international relevance.
- ❖ The importance of our rural areas has increased due to their role in the preservation of ecological diversity, as Europe's breadbasket, and in the light of their landscape, natural and cultural values.
- ❖ The cross-border space-organising power of the border towns, and the traditional contacts between the areas lying on the two sides imply major development potentials.

1.5.1 Growing distance between the centres and the peripheries

The **territorial social and economic discrepancies deepened** in the two decades following the systems change to the extent that, today, Hungary is one of the countries characterised by the biggest territorial differences (based on per capita GDP) in its population size category. 94 of its 175 small regions, corresponding to 57.2% of its territory and having a population of around 3 million in 2010, are deprived ones. 1580 of the 3152 settlements are lagging behind socially, economically and from the point of view of infrastructure; their population totalled 1 million 640 thousand, and their average settlement size was 1038 persons in 2010. **The main reasons of their disadvantageous situation include the loss of the economic functions of these areas, the absence of any towns** acting as real economic, functional, centres, and **poor accessibility**. Part of the peripheral areas had already accumulated a major backlog earlier, due to their closed position along the border, the fact that socialist industrialisation bypassed them or collapsed at the time of the systems change and their regional centres had insufficient functionalities, but these negative circumstances (inability for internally generated development based on own resources, outward migration, ageing, loss of economic functions etc.) mostly intensified in the past 20 years. Finally, the deteriorating situation of some territories based on industry, agriculture and food industry, apparently stable at the time of the systems change, but unable to face competition in the longer run, also contributed to the territorial picture as we see it today.

Rippling effects of the east/west dichotomy

The emergence of the newly lagging, but not yet obviously peripheral regions is most striking in Zala, Somogy, Veszprém, Tolna, Baranya, and Fejér county. In the geographical sense, the peripheral areas are not necessarily located in the peripheral border areas of the country, but some **inner peripheries are also discernible** (e.g. Middle Tisza region, Transdanubian inner county boundaries, the Somogy-Tolna, Veszprém-Vas, Somogy-Zala areas). The slow transformation into inner peripheries of the areas along the county boundaries, in a more disadvantageous position (e.g. certain sections of the inter-county boundary areas of Fejér and Tolna, Veszprém and Győr-Moson- Sopron and Komárom-Esztergom), is less marked, but nevertheless discernible. Besides the well-known, centuries-old east/west “slope”, with the increasingly marked breakaway of Southern Transdanubia, a steep north/south “slope” had also evolved by the early 2000s in Transdanubia. Today, most indicators expressing the economic and social development level of the country indicate rather a **developed north-western and two strongly lagging, south-western and north-eastern, areas**, separated by two axes characterised by higher competitiveness than their surroundings, (Budapest-Pécs és Budapest-Szeged) and by some big cities (e.g. Nyíregyháza, Debrecen, Szolnok).

The emergence of new areas lagging behind

Socio-economic backwardness permeates every segment of the life of the local society, and one of its most important concomitants is the **low rate of employment**. Unemployment rose in the peripheral regions at twice the national average rate in the years of the crisis, in 2007-2010 (growing to 9.9% on average in 2007 and to 11.5% in 2010), and in 2010, per capita income in the villages concerned hardly approximated 68% of the national average, although it is true that it had been even worse in 2000, at 61%. The negative socio-economic **processes are exacerbated by the** situation emerging in the wake of the **insufficiencies of the operation of the social systems** and a system of benefits providing little incentive for finding a job. Attempts to involve foreign capital more decisively and/or to develop the local economy were ineffective. There was no substantial progress, except for infrastructure development, such as the sewerage system improving in excess of the national average rate, but it had no backlog-reducing effects. It is a positive development that several expressways reached the country borders (touching also some backward small regions, external and internal peripheries), but apart from these, only a few access and connection roads were built.

In the peripheral regions, the number of the unemployed grew faster than the national average

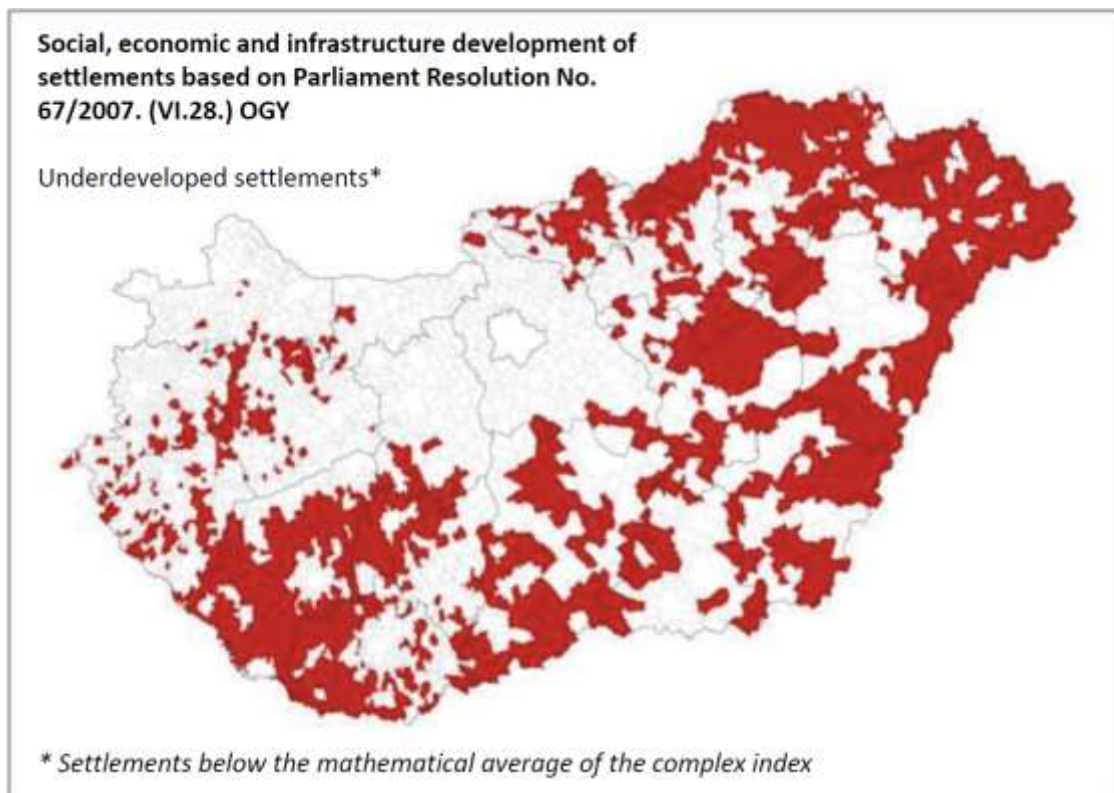


Figure 27: Socially, economically and infrastructurally backward settlements (2010) (Source: HCSO)

1.5.2 Town and village on opposite paths

Large fractures in the spatial structure are also present in the settlement system. The **vast majority of settlements having lost their economic importance and population retaining power are the villages and, in particular, hamlets/small villages**. Primarily it is the Western and Southern Transdanubian and, to a lesser extent, the Upper Tisza Region and the Northern Mountains where small villages dominate the settlement structure. In addition to social problems, most of these settlements are characterized by ageing and migration, threatening their very existence. As a consequence of the population decline in larger villages, the number of hamlets are on the rise; while in 1990 there were 964 settlements with a population of less than 500, in 2010 their number reached 1,063 with a total population of 274 thousand people. In the 2000s the migration loss of hamlet areas was constantly around 2,000 people. Their social problems are reflected in the unemployment rate and the ratio of social assistance recipients being approximately twice as high as the rest of the country.

Small villages
losing position

Despite the plans, **targeted interventions to improve the conditions for accessing public services and commuting have not been implemented in these areas**, and neither has significant progress occurred in transport development and the condition of public roads, since the quality and quantity of public transport services do not meet the needs of the population. The **often unreasonably high per capita costs** (e.g. of sewage and waste management, public transport and road reconstruction) **due to the small population** further complicates the infrastructure development in these regions. Although progress is unquestionable, as there were only 51(!) flats connected to sewage system in the hamlet settlements in 1990, while their number stood at 36,579 in 2010, the level of sewerage coverage is still only 27.1%. In most cases, the development of public transport connections and alternative (e.g. mobile) services lags behind institutional rationalisation; integrated concepts treating these issue in an integrated manner are missing. Due to this deficiency, the availability of healthcare, social, educational and cultural (public education) institutions has mostly continued to deteriorate, or improved but slightly.

Small village areas
depopulated

Both in 1990 and in 2000, a total of 54 family doctors served the settlements with less than 500 people, and there were still only 69 of them in 2010. The **depopulation of small settlements** and the formation of **rural "ghettos"**, especially in areas with a high ratio of Roma population is a heavy socio-economic burden on our country. Generally speaking, however, the potential new functions of these hamlet areas are still underutilised.

Larger cities are the **winners of spatial restructuring**. In addition to the northern part of Transdanubia and the direct agglomeration of Budapest, the more important and more competitive country towns – and large cities, in particular – stand out like islands in their surroundings. **It is primarily the Great Plain where large cities mainly play an important role.** Szeged, Debrecen, Nyíregyháza and Kecskemét are the centres of regional development and serve as "stepping stones" for spreading economic and technological innovation results. Our cities have attracted both investors and employees. In the light of the statistics, we can establish that only cities with a population over 50 thousand had a positive migration balance in 2010. Both their income data (per capita net income in cities with a population between 50-100 thousand is 116% and in cities with a population over 100 thousand is 111.6% of the national average), and employment figures (only in cities with a population over 10 thousand did the unemployment rate fall below 5% in 2000 and 10% in 2010, respectively) were more favourable than the national average.

Outstanding role of the cities in the Great Plain

Urban development, however, has launched several negative processes explicable mainly by the lack of development coordination efforts. **Suburbanisation** – a process where the population of city centres declines, but that of the outer parts grows – **and urban sprawl** have been particularly strong and have fundamentally rearranged the inter-municipal relations, especially around large cities, but often around middle-sized cities as well. The **uncoordinated, disorganised growth of urban spaces** exceeds their administrative boundaries and transforms their broader environment and, at the same time, functions are lost, or crisis areas emerge in the city cores. All the above is accompanied by the increasing density of commuting, traffic and institutional connections as well as an explosively growing demand for **infrastructure development**. Suburbanisation is the strongest in the capital city and in large cities embedded in small village and farming areas (Szeged, Győr, Kecskemét, Nyíregyháza, Debrecen, Zalaegerszeg, Kaposvár, etc).

Uncoordinated and disorganised growth of urban spaces

1.5.3 The capital city leaving the rest of the country behind

The spatial structure of Hungary is also determined by the relationship between **Budapest and the "countryside"**, i.e. the rest of Hungary. The growth of the capital city since the systems change had been unbroken until the 2008 crisis, and although its international importance did not change significantly during the last 10 years, Budapest developed at a much faster rate than the other regions of the country. While in 2000, there were three counties with a per capita GDP exceeding half of the metropolitan average, and five with over 40%, in 2010, only two counties had per unit GDP over 40%, and one over 50% of the metropolitan average.

The capital city dominates the country's settlement network

The capital city has utmost importance in the settlement network of Hungary. Due to its excellent transport situation, the large number of highly skilled workers and the high level of business services, its growing economic power ensures an increasing economic dominance in addition to the existing demographic one. The development of Budapest has an impact on the opportunities in the larger metropolitan area and, vice versa, the changes and trends of the latter affect the implementation of the development objectives of the capital.

It is a key issue that the **regional centres** of Hungary **are unable to offset** the unquestionable dominance of the capital. The gravitational calculations based on economic weight (income size) and accessibility confirm that the dominance of the capital is particularly strong and that regional hubs have only a limited "magnifying" effect.

The economic performance of the capital city fundamentally affects the performance of Hungary and, also, the development of Budapest has a strong impact on the socio-economic development of the country as a whole. As a result, Budapest has gradually transformed its environment and, due to the extremely strong suburbanisation, several surrounding settlements, such as Budaörs, Érd, Törökbálint, have practically been made part of the city while its catchment area with direct daily commuting has reached Kecskemét and Szolnok. As the industry and logistics activities moved out of the capital, intense economic recovery has started in the catchment area. This triggered a strong wave of migration from the rest of the country to the agglomeration which has become an almost independent economic region. However, the trend of moving out of the capital has decreased since the mid-2000s and, for the first time in decades, the population of Budapest has begun to grow.

Budapest also has an extended, cross-border catchment area. Due to the large catchment area of the Vienna-Bratislava-Győr development axis, Budapest's attraction is less prevalent in Western Transdanubia. The cross-border impact of the capital is the most noticeable in central and eastern Slovakia, the Transcarpathian area, the western regions of Transylvania, Voivodina and north-eastern Croatia. There has been no **substantial progress made in increasing the previously declared international, macro-regional role of Budapest.**

The role of Budapest is less obvious in Western Transdanubia

1.5.4 The Roma population has become a space-organising factor

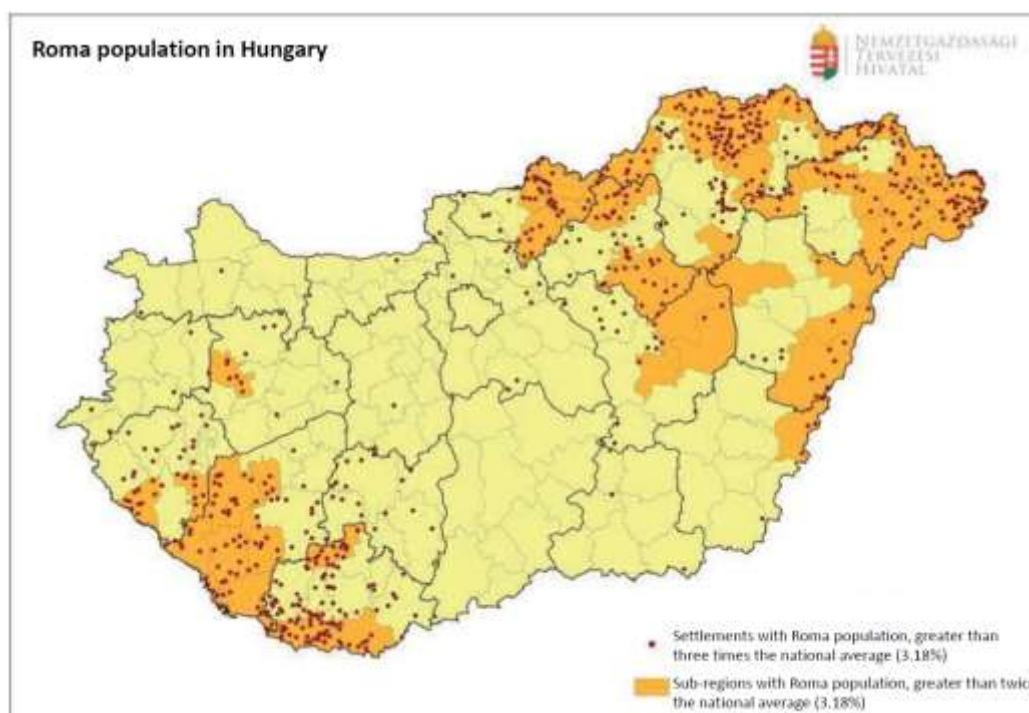


Figure 28 Areas and settlements with high percentage of Roma population (Source: Central Statistical Office, 2011 census)

In the 2011 census, a total of 315,583 people declared themselves to be Roma, that is, 3.18% of the country's inhabitants. There were 46 small regions where the ratio of the Roma population was more than double the national average population; the total population of those regions constitutes 13.7% of the total population of Hungary. By the second half of the 2000s, the natural population decline, that had been lower here than in the rest of the country, fell below the national average and stood at -4.7 per one thousand people in 2010, while the steadily declining values of net migration reached -8.5 per one thousand people. **A significant part of the areas with employment-deficiency or with a high ratio of social benefit recipients, belongs to regions with large Roma populations.**

Worsening situation of the Roma

The fact that the unemployment rate was more than twice the average of the rest of the country and the per capita income was less than two thirds throughout the 2000s indicates that there are still severe employment problems in these regions. Although the ratio of taxpayers had increased more than in other parts of the country, in 2010 it was still only 38.3%, compared to the 44.3% average of other regions. However, the most disadvantaged segment of this target group, whose members often live in segregated settlements, is unable to participate in these **developments**. The population living in these parts of the country, typically in small settlements or on the outskirts of larger settlements has a markedly limited access to public services and the quality of the services available to them is well below the national average. With public transport downsizing, even leaving their settlement is difficult for the people living here and the majority of the families in small village areas and segregated settlements are practically characterised by the total lack of the means of spatial and social mobility and by isolation. **In addition to the health and social situation, public safety has also become critical**, resulting in permanent social tensions; nevertheless only small-scale pilot initiatives have been launched to address the situation of these segregated settlements. The public sector also failed to launch targeted initiatives to present and transfer the values of Roma culture to a wide audience, to utilise those values in economic activities and to position Hungarian and Roma identities as regional development resources. Although the infrastructure of these regions has somewhat improved, **the proportion of homes connected to the sewage system is only 45% compared to the national average of around 70%.**

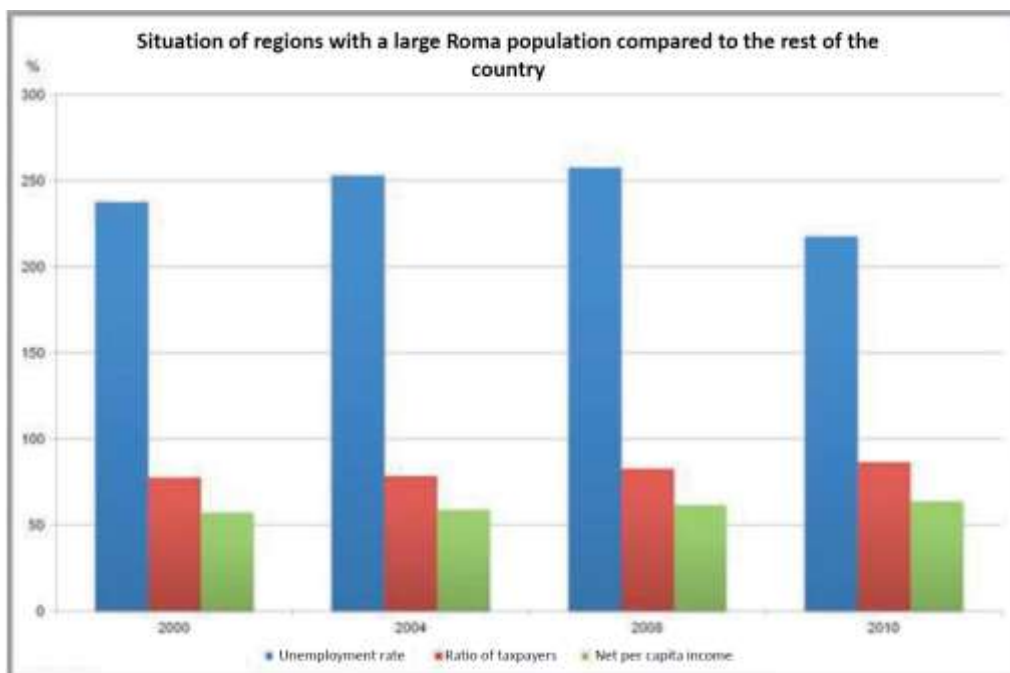


Figure 29 Situation of regions with a high percentage of Roma population, as compared to the rest of the country (Source: CSO)

Location-based segregation creates similar problems in larger Hungarian cities where it manifests itself as the concentration of lower-status, often ethnically separate, populations in certain districts or neighbourhoods. Such segregation frequently leads to the physical deterioration of the environment and to the emergence of slums, where the decreasing quality of public services coupled with selective emigration results in a self-reinforcing trend.

In large cities location-based segregation causes problem

In 2007 the Hungarian Parliament adopted the Decade of Roma Inclusion Program Strategic Plan as well as a governmental action plan for the years 2008 and 2009 as a determining factor in the **socio-economic integration of the Roma**. The tasks involved were driven by both social and regional considerations. However, **comprehensive and integrated policy initiatives geared to the specific issues of the given regions** have not been launched. Development measures covering integrated education as well as employment and social policies are still missing. In terms of educational initiatives, only anti-segregation efforts were given a major focus, while there were hardly any pedagogical development efforts tailored to meet the specific requirements (situation-specific methodology, teacher communities with Roma identity, coexistence programs). Non-formal and informal learning programmes and services made available for free in public spaces and cultural institutions can play an important role in social integration. Through cultural programs organised in a modern environment, it is possible to promote catching up and equal opportunities.

Absence of
integrated
development

1.5.5 Border areas revalued

Geographic areas involved in cross-border cooperation may include both the immediate border areas and larger regions. Cross-border programmes funded by the EU have traditionally considered the border counties as their geographic target area of development. The following is a summary of the main features that characterise the seven border sections of Hungary, on the basis of which the most important common objectives of border area and cross-border development can be determined.

Characteristics of
the border counties

In the Slovakian-Hungarian border area - the longest of the seven sections – one of the most challenging issues is **the incomplete transport infrastructure**. Although the transport and communications infrastructure improved significantly on both sides in the last few years and several elements of the trans-European corridors now cross the region, there are still smaller gaps in the north-south transport relations, and border crossing continues to be a bottleneck, especially in the western section of the border where the two sides of the Danube are not yet satisfactorily linked.

Hungary - Slovakia

This border area shows a kind of duality both socially and economically, with the western and eastern sections having significantly different potentials. Rapidly developing economic centres, **fast-growing, competitive businesses, multinational companies and competitive small and medium-sized enterprises** can be found mostly in the western section of the border. The rather small number of Hungarian-Slovakian business relationships, however, undermines the competitiveness of the region.

The weakness of the border region lies in **the insufficient level of labour market cooperation**. Certain areas of the region have high unemployment rates while the major economic centres situated in the immediate vicinity of the border suffer from occasional labour shortages. In some areas (e.g. around Esztergom) labour market links improved in the last decade, nevertheless there is still considerable room for development.

There is a number of single urban areas on the border (e.g. Komárom-Komárno, Esztergom-Sturovo) where integrated development can primarily be achieved in the framework of cross-border cooperation. Certain priority development zones should also be treated in an integrated manner, particularly the Miskolc-Kosice Region, the integrated development of which may act as leverage for the entire eastern border section suffering from multiple problems.

The presence of a number of higher education institutions constitute an important asset of the region, providing quality education and also serving as a basis for **research and development activities**. However, the level of cooperation among the universities themselves and also between universities and businesses is still low.

The natural environment of the border region shows an ambiguous image: while **quite a few nature conservation areas lie on both sides of the border**, there are still many parts suffering from severe environmental damage and contamination as a consequence of previous heavy industry activities

The border region has significant assets of cultural heritage; their utilisation as social and economic resources has to be improved. A potential connecting link between Hungary and Slovakia in this field may be the implementation of the Danube and the Limes cultural routes.

The services sector (including health services) is well developed along the border. Shared capacity utilisation is a rare occurrence, however, due primarily to **financial and language barriers** and to the low level of cooperation between the service providers. Cross-border cooperation might be intensified by the Hungarian minority – which lives in one block on the Slovak side of the border and has dual connections – becoming the driving force of cooperation. Cross-border relations could also be stimulated by organising coordinated training programs, international scholarships and internship projects.

The economic structure of the Hungarian-Ukrainian border area is rather imbalanced. The lack of innovation and the high level of unemployment and farming in certain areas pose serious obstacles to development. However, the excellent potentials of tourism, **some fast-developing towns** and the availability of labour provide sound foundation for gradual improvement in the economic performance of the region.

Hungary -
Ukraine

There are significant, mainly east to west, **traffic flows** through the area, a potential engine of growth, but the overloaded and underdeveloped transport infrastructure constitutes a major obstacle to development. Compared to European standards, the **environmental infrastructure also lags behind.**

The logistics potential covering three countries, to be integrated around Záhony-Csap-Čierna, constitutes a major opportunity for growth.

The region's unique **natural resources** provide a good basis for the development of tourism. At the same time, the vulnerability of the systems prompts for a cautious approach and requires strict adherence to the principles of sustainability.

Although the universities and investments in the region may serve as a basis for gradually integrated economic development, the balance between the supply provided by the education system and the demands of the economy is improper. Development is severely hindered by the **ageing of the population and by the high ratio of rural population.** Still, the common cultural heritage, the traditionally peaceful cooperation of the various ethnic communities and the bridging role of the Hungarian minority living in one block in the border region provide unique opportunities as well.

The region of the Hungarian-Romanian border is a multi-ethnic area and, as such, it is rich in multicultural traditions. This is reflected in the regular cross-border cooperation of the local communities, providing an appropriate basis for further strengthening cross-border relations and for encouraging the integrated development of the region. **Its major cities have mutually complementary assets** suitable to be utilised in order to coordinate development strategies more actively.

Hungary -
Romania

Due primarily to its fragile economic structure, the area is characterised by a relatively **underdeveloped** economy. The transition has already begun in the region with increasing levels of foreign investment, and Hungarian capital investments, in particular. The existing well-established trade relations constitute an adequate basis for better-integrated economic development offering mutual benefits.

The border area is characterised by moderate-to-high **unemployment**, with large differences within the region. The educational level of the unemployed is mostly low and limits their employment opportunities.

The currently wide wage gap between the two sides of the border would trigger a one-way labour migration toward our country; due to the low labour absorption capacity of the Hungarian border area, however, such migration is rather limited.

The unemployment data and economic activity indicators of the **Hungarian-Serbian border area** are significantly worse than the EU average. In the near future this section of the border will remain a Schengen border with strict border controls in place. Partly as a consequence, the **crossing flow of goods is relatively low**. A more intense communication between economic actors, business matchmaking opportunities **and cooperation between the economic, and the research and education sector** – especially in the areas of research and development and innovation – can have economy-boosting effects.

Hungary – Serbia

The common cultural heritage may become the engine of development but, as a result of the difficulties in financing renovations and the **lack of joint tourist routes and their marketing**, this potential is not properly utilised. Communities on both sides of the border urge for more contacts and cooperation, even in the form of direct activities between people.

The Hungarian-Croatian border region struggles with labour shortages and high structural unemployment at the same time. Croatia's accession to the EU may lead to the creation of cross-border job opportunities, but this process is not yet supported by a developed labour market system. The development of **cross-border business relations and supplier chains** has great potentials and requires effective business development networking as well as a much more intense relationships between business operators and the research and education sectors.

Hungary - Croatia

There are no centres with significant spatial organising power on the Croatian side of this border section. This situation provides a good opportunity to improve the positions of Pécs; by strengthening its functional attraction capacity, Pécs can assume the role of the main centre of its wider region.

Supported by the **implementation of tourism infrastructure** and a uniform product promotion of the border region, the ecosystem of Mura-Drava-Danube rivers may serve as a basis for a sustainable form of development in the border region. Cross-border cooperation would also make the protection of **the quality of surface and subsurface waters** as well as addressing the flood risk typical of the region more effective.

With the EU accession of Croatia, all the road and rail lines that intersect the common border section became international border crossing points free of customs and passport control, which increases the potential for more intensive cooperation in every way. Experience has shown that direct personal cooperation between the communities on the two sides of the border is important and must be supported.

Although the regions and counties of the Hungarian-Slovenian border area are similar in economic structure, they have very different characteristics. However, both the more **touristic and cultural** areas (e.g. thermal spas) and the typically **rural** areas are struggling with the disadvantages arising from the peripheral nature of border areas: ageing and declining population, low levels of entrepreneurial spirit, initiative, innovation, economic grouping and networking. The size of the farms is not big enough to produce efficiently and to draw on financial assistance, and the majority of the farmers are more than 40 years old.

Hungary – Slovenia

The accessibility of the region is poor both internationally and from across the border, and the cross-border coordination of public service providers is of very low level in the areas of **health promotion, risk prevention, energy, information and communication technology and transport planning**. The supply of secondary school and higher education is limited and does not provide opportunities for lifelong learning.

The key potentials of the region include **thermal and mineral waters, nature reserves** (Goricko Regional Park, the Mura river, the Órség National Park, vineyards, the Drava river, the Pohorje Mountains), local sources of renewable energy and rich cultural assets (architectural heritage, traditional crafts, arts, religions, ethnic groups).

Years after the eastward enlargement of the EU, **the Austro-Hungarian border region** still continues to serve as a bridge between the eastern and western part of Europe and to **prosper** as such. Its outstanding economic features are reflected in the growing number of companies established in the region, the dynamic service sector, the highly qualified workforce, the large number of industrial areas and centres of innovation and technology, the booming economic clusters, the cross-border network activities and the quality farming areas. The southern part of the region, however, lags far behind the northern areas in terms of prosperity.

Hungary - Austria

The border region is also rich **in natural resources** and is home to many protected ecosystems. This area is also characterised by the large number of thermal and mineral springs as well as common cultural heritage sites.

1.5.6 The dual issues of mobility

The lack of local job opportunities is a major problem of peripheral areas. Due to structural issues, however, **domestic mobility is unable to meet the demands of the labour market as** the low-income social strata of the underdeveloped regions are also characterised by low migration propensity. The explosion of real estate prices in cities and other preferential areas at the very end of the 1990s as well as the collapse of the rental housing system have made flexible moving extremely difficult, especially for workers in rural communities. The real estate price differences of 5 to 10 times between the villages and the cities make the employees of the peripheries immobile. Nevertheless, migration to urban areas continues to be the trend, but it is often only possible with adverse financial conditions which, in turn, have a shrinking effect on the internal consumer market. In part, this situation was also responsible for the foreign currency loan crisis of the 2010s. **The existing transport networks and the public transport system, in particular, can hardly reduce these limitations;** the low degree of mobility has an impeding effect on the entire economy of the country. Aiming to reduce mobility obstacles, housing allowance was introduced in 2012 in order to improve the labour market position of job seekers by allowing them to accept job offers for workplaces located far from their permanent residence.

Due to high real estate prices, moving from villages to cities is difficult

1.5.7 Weak enforcement of the territorial approach

In recent decades, the territorial approach has not received sufficient attention in Hungarian public thinking and policies to become a really defining aspect. Unless the field in question definitely called for a territorial approach, plans have practically addressed issues at the national level and territorial aspects have only sporadically gained relevance. Looking at the different territorial levels, there is a striking lack of territoriality with regard to the neighbouring countries. **There has been major progress made in the direction of integrating the Carpathian Basin.** Development policy and economic relations with the Hungarian population living across the border and with the neighbouring states have not been deepened. Neither has targeted political, economic development, institutional or public service organisation cooperation occurred involving the entire Hungarian community or having other Carpathian Basin dimensions within the framework of EU-funded cross-border and transnational programmes. However, the country is an active participant of the **European territorial policy cooperation** (ESPON, EUKN, URBACT).

The economic and cultural opportunities in areas across the border inhabited by ethnic Hungarians are unused

The Visegrád countries – enlarged to include Romania and Bulgaria (V4 + 2) – launched a joint territorial cooperation initiative in 2007, declaring that the development of a joint regional strategy is a key element of their cooperation.

1.5.8. Summary territorial strategy messages

The split of the country is not only a social issue; as a result, huge resources are wasted in the global competition. Thus the employment and social problems of the lagging regions, rural areas, internal and external peripheries create pressing issues to be addressed as soon as possible. This longitudinal task includes strengthening the leading role of Hungary and Budapest as well in the macro-region, renewing the town-and-country relations and developing cities that provides for quality life.

Medium-term territorial strategy tasks	Territorial strategy tasks laying the bases of long-term development
<ul style="list-style-type: none"> ● addressing the issues of regions lagging behind, rural areas, internal and external peripheries, employment and social issues ● improving the accessibility of the border areas and strengthening their cross-border relations 	<ul style="list-style-type: none"> ● decisive macro-regional and space-organising role of Hungary ● leading role of Budapest in the macro-region ● urban network and urban policy, cities ensuring modern and quality life ● comprehensive development of cities and urban areas based on urban network cooperation ● renewal of our rural areas on economic and cultural bases, and reform of the town-country relations ● development of the talent support networks in the countryside areas.

2 Development policy and territorial development goals

2.1 National vision

In 2030, Hungary will be a leading economic and intellectual centre in Central and East Europe, ensuring that its residents can make a stable living, with a competitive economy based on the sustainable usage of resources and, in connection with that, an increasing population, strengthened communities, rising living standards, and an improving environment.

Realising this vision requires an economic and social strategic turnaround, including the continuation of the steps already taken in that regard.

According to our vision, almost two thirds of the country will have been developing in a sustainable manner by 2030, with a significantly increasing economic performance and employment levels. With a patriotic economic policy, the country's economic performance and GDP rise significantly, resulting in a gradual and measurable improvement in local and territorial standards of living through the realisation of the following goals:

A vision based on an economic and social strategic turnaround

- Hungary offers one of the most attractive and favourable economic and business environments in Central and East Europe.
- Major investments are implemented which contribute to job creation, protect natural resources, and honour the principles of sustainability. A strong industry is established, strongly based on a network of Hungarian small and medium-sized companies, and partly connected to the system of global corporations.
- The dual nature of the economy is decreasing, and Hungarian medium-sized companies strengthen.
- Our agriculture and food industry have strengthened and make an increasing contribution to the national economy, exports, rural development and employment.
- The key elements of an environmentally friendly and modern transport infrastructure are in place and duly maintained. Continued infrastructural development contributes to sustainable economic growth.
- Our high-quality and widely accessible education system provides competitive knowledge, allowing for acquiring marketable knowledge and skills as well as for maintaining and renewing that knowledge and skills over a citizen's career path.
- The country's population is physically and mentally sound and trained in line with positions in the labour market. People have knowledge, skills and qualifications that are competitive in the labour market; and they can make a stable living.
- A high innovation potential serves the continued sustainable development of the economy and society.

Taking advantage of its location and characteristics, Hungary's economic weight is gradually increasing; the country maintains stable and varied international economic relations, and plays an important role in the region:

The country becomes a regional hub

- The country constitutes an important regional hub in terms of economic organisation, knowledge and innovation, and logistics.
- This role grants Budapest important European functions, but other large cities also play major roles as economic and social development centres, especially embedded in the network of cities in Central and East Europe and the Carpathian basin.

As Hungary's natural and cultural resources are utilised in a responsible and effective way, self-reliance plays a key role in the country's economic development:

Natural resources and culture as a solid basis for development

- Our energy dependence is considerably lower thanks to Hungary's potential in the area of renewable energy; energy savings and efficiency as well as increasingly active usage of renewable energy sources gain ground.
- Spa and bath tourism booms thanks to the country's exceptional thermal and mineral water reserves, and there are further development opportunities in this field.
- Thanks to an existing and growing technical knowledge, sustainable water management supports landscape preservation, agriculture and climate protection.
- Hungary's large and high-quality arable land constitutes a strategic resource that serves as the basis for a varied, flourishing agriculture and food industry that enriches local people and is in harmony with the country's preserved environmental characteristics.
- Hungary's varied culture, music, language, traditions and built heritage constitute a solid foundation for tourism development, creative and innovative industries, and for a higher level of national cohesion.

In the 21st century, innovation and knowledge will be of key importance; Hungary enjoys a competitive advantage over several European countries in that regard. This advantage arises from our scientific and social capacity and creativity, as well as an education and university system that are strong in European comparison, with a strong emphasis on state-of-the-art research programs, knowledge maintenance, life-long learning, language learning, marketable vocational education, the development of basic and business competences, as well as creativity development.

Talent retained

- Hungary's presence is strong in knowledge-based special industries (bionics, environment technology, ICT electronics, chemical industry, medical equipment and tool manufacturing) which allow us to exploit niche markets and economic opportunities.
- The country can retain its talent, the brain drain stops and turns into experience gathering abroad and involvement in the global knowledge space; Hungarians use their talents for the benefit of their own country.
- An inspiring environment is built up and developed in Hungary, too, in which connections between universities, research institutes and domestic businesses result in modern products, procedures and technologies, which constitutes one of the bases of the country's economy.

The decade-long trend of decreasing population stops and is reversed:

A demographic turnaround occurs

- The country's population starts growing thanks to family-friendly institutions, public services and work organisation, as well as through increasingly solid living standards.
- Due to increased national cohesion and expanding local economies, the decrease in the number of ethnic Hungarians living beyond the country's borders stops.

Preserving the physical and psychological health of the population enhances the country's capacity to create value and allows everybody to make a stable living.

Healthy lifestyle, and a healing hub

- The basics of a sound society are created based on prevention, a healthy lifestyle, physical activity and sound nutrition, which improves people's health considerably.
- Hungary constitutes a health care hub thanks to its baths and spas, its rich and varied natural environment, and its health care services.

The country faces major challenges in terms of renewing society as well. It is important to increase people's satisfaction and cohesion:

A strengthening society

- Appreciation of work well done becomes a prime value in society.
- Besides creating new jobs, a wide range of novel employment forms need to be introduced and supported. The perspective for equal opportunity target groups needs to be improved, the ascent of impoverished strata of society must be helped, and the integration of ethnic minorities suffering from discrimination must be supported. Work may allow for the social integration of social groups in disadvantaged positions.
- It becomes easier to enter a wide middle class based on social acceptance, which promotes social cohesion. Social cohesion and communities gain strength as the chances of the most vulnerable groups and people living in deep poverty improve and social differences diminish.
- The sustainable protection of natural resources and landscape gains public awareness and becomes part of society's values.
- Knowing and respecting our traditions, protection of our cultural heritage, and the need to protect that heritage in a sustainable manner gain public awareness and become part of society's values.

The country's territories have different social, economic and environmental characteristics but they still constitute a unified national system:

A unified territorial system: varied characteristics for unified growth

- Hungary's territorial clusters have markedly varied characteristics but they complement and are closely linked to each other. A stable, multi-centred, renewal-oriented territorial system presents itself as an alternative, where the territories utilise their local development potential.
- Thanks to their accessibility and availability, all of the country's territories can guarantee a similar quality of life and safe living, in line with the local conditions.
- Embedded in the European space, Hungary's territorial system has several economic and social ties to the areas inhabited by Hungarians beyond the country's borders, and is in close cultural, economic and environmental cooperation with other countries in the Carpathian basin and Central Europe.

Territorial differences within the country stop growing as the economy is renewed, accessibility and transportation connections improve, and effective, targeted territorial interventions are made. A network of competitively developing territories and cities reconnect the territories lagging behind with the country's "blood-flow".

Territorial differences decrease, cities' territorial organisation role increases

- Economic development results in progress in all territories.
- Strengthening ties between cities and territories and close cooperation between urban and rural areas support the renewal of the territorial economic development approach, and an increasingly decentralised transportation system also contributes to that.
- All residents of Hungary have access to institutions, jobs and communities, as well as the related services. As transportation networks are developed according to economic and social needs, a system of spatial connections emerges that ensures sustainable development.
- The integration of socially and economically disadvantaged territories starts, ensuring that they are involved in the society-wide division of work; consequently, living conditions approximate the national average.
- Thanks to a turnaround in info-communications, fast and modern access to information and communication is granted everywhere.

Rural territories, where much of the country's economic and social reserves are located, offer considerable untapped potential. In our vision, rural areas are special and preferred territories of attractive values which people recognise, where the youth find a future and livelihood.

**Building on the potential
of rural territories**

- The development of local markets and economies contributes to regaining the domestic market and also provides significant economic opportunities to local (village) communities and rural territories. Partly autonomous territorial supply systems are established by utilising local and renewable energy sources; these systems create jobs and increase the safety of supply.
- Rural communities become more accessible and the local economy provides people opportunities to make a living, so migration from rural territories stops and is reversed; more and more young people choose rural communities and territories.
- Villages and farms are modernised and renewed, and can gain new functions.
- Modern and competitive family farms as well as small and mid-sized industrial plants operate in rural areas in harmony with large businesses, providing jobs and livelihood to part of the rural population, producing value that increasingly contributes to the national economy, and providing a sound food supply to the country.

See chapter 3.1.1 on the envisaged spatial structure for the detailed vision concerning the territorial policy.

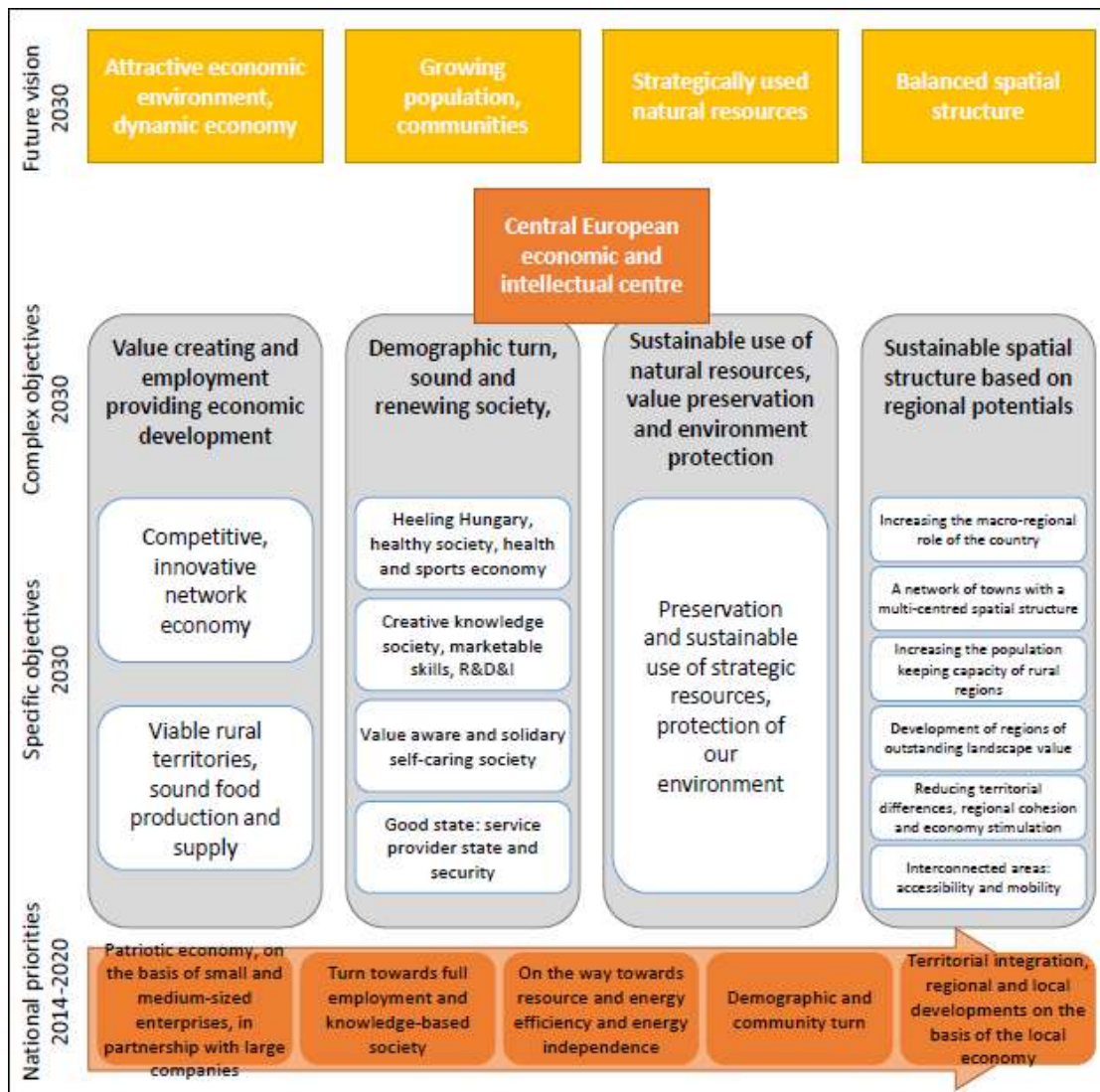


Figure 30: Objectives of the National Development and Territorial Development Concept

2.2 Long-term development goals (2014-2030)

2.2.1 General development goals

In order to realise the national vision, the National Development and Territorial Development Concept defines four long-term, comprehensive development goals **to be achieved by 2030**, as well as **13 lower-level, specific goals** (seven policy-related and six territorial) that serve the achievement of the four high-level objectives. The specific goals concern sectoral and territorial topics of national significance.

The goals address society and the economy as a whole

Pursuant to the NDTDC's long-term and overall planning approach, the goals **address the whole of society and the economy as well as all industries and territorial / local players**, including **environmental aspects**, i.e. the relationship between society and the economy with the environment; and the goals also outline the focal points on which specific mid-term development tasks can be built.

The set of goals focuses on the areas where a turnaround is required and on the potential breakout points, as follows:

1. Economic development that creates value and provides employment

We aim for the following: predictable, value-, knowledge- and work-based economic growth, progress and income generation that safeguard the existing values, provide additional value, and utilises resources effectively; ensuring that Hungary catches up with the global economy; and significantly increasing employment within the country.

Key vehicles toward those goals: supporting economic investments and enterprise development; strengthening and improving the market opportunities of small and medium-sized companies, family businesses and national companies; safe food supply; strengthening the local economy; and restoring the ability of local communities to be autonomous, self-sustaining and self-reliant.

2. Demographic turnaround; a sound and renewing society

We aim to increase the population of Hungary and support child-bearing. Furthermore, we intend to promote people's moral and intellectual enrichment in skills and values, to strengthen the lower middle and middle classes as well as small communities and families, and increase responsibility and the transfer of values at the level of the nation, communities and individuals.

One of our key goals is to promote social healing and renewal via sports and physical exercise, public access to culture, and healthy nourishment. Related aspects: improving health, effective public and other health services, prevention and recreation, and the preservation of the nation's cultural heritage.

We intend to create an effective and good state that respects national traditions, and to renew public services. Within that, we wish to increase social safety in general, and particularly public safety, social, family and personal safety, information security, and job security.

3. Sustainable usage of natural resources; preservation of our values; and protection of our environment

We aim to guarantee the country's long-term and sustainable economic potential and living conditions, as well as to safeguard the quantity and quality of resources for future generations.

We aim to guarantee safety in the fields of food, energy and drinking water supply, the environment and the climate; to preserve biodiversity as well as the diversity and values of landscapes; to preserve the valuable built heritage; to provide and improve the conditions of healthy lifestyle; to promote a sustainable lifestyle, production and consumption.

4. Sustainable spatial structure based on territorial potential

We aim to create a territorially coordinated spatial structure that operates harmonically and sustainably, retains the values of the existing spatial structure, and is actively involved in macro-regional and global relations; a structure in which all territories and communities of the country can participate as cooperating partners to create and protect values for Hungary, the Carpathian basin and Europe alike.

Creating European integration and Central European cohesion are just as important.

For a multi-centred spatial structure, the Budapest-centred nature of the country needs to be decreased, investments spurring economic development must be spread geographically, and a spatial structure supporting territorial competitiveness and relations must be established and maintained.

Deepening territorial integration, relations and cooperation requires the renewal of urban-rural relations as well as increased territorial autonomy, self-sufficiency and self-reliance.

Stronger territorial cohesion and equal chances necessitate a balanced spatial structure, territorial equalisation, the integration of peripheral and underdeveloped territories, and defining a development path for each territory that corresponds to the local characteristics.

2.2.2 Specific goals

In order to realise the overall objectives, the NDTDC stipulates 13 specific goals; seven of these are policy-related and six are territorially related. The specific goals are related to sectoral and territorial topics of national significance. Pursuant to the NDTDC's long-term and overall planning approach, the goals **address the whole of society and the economy as well as all industries and territorial / local players**, and they also outline the focal points on which specific mid-term development tasks can be built.

The specific goals focus on the areas where a turnaround is required and on the potential breakout points, as follows:

2.2.2.1 Specific goals related to policies

1. Competitive, innovative economy

We aim to reposition Hungary's economy as well as regain and fortify its strong positions on domestic and foreign markets alike. Based on the sustainable utilisation of economic sectors as well as our resources and values, the country's competitiveness, import-replacing economic production and employment must be increased, and people's livelihood needs to be secured.

Repositioning
Hungary's economy

Intervention fields:

- Development of sectors that show development potential (e.g. car and vehicle industry, electronics, telecommunication technology, health care and medicine, medical equipment and tools, food production, construction and building materials, logistics, machinery, tool manufacturing, chemical industry, environmental industry),
- strengthening the development capacities of communities and their role as economic hubs,
- supporting creative and innovative developments by businesses,
- utilising the country's geo-thermic and renewing energy potential, increasing energy efficiency, and promoting a green economy,
- strengthening the role of small and medium-sized businesses and the local economy

- creating an economic environment that supports small and medium-sized companies, strengthening their innovative role in Hungary's research and development, and further increase their role in domestic employment via innovative employment promotion programs,
- in order to reduce the dual nature of the economy, the horizontal and vertical integration of economic players must be strengthened, and integrated, environmentally friendly and intelligent transport development must be carried out.

2. A healing Hungary; sound society; health and sport economy

We aim to ensure that Hungary heals and is healed; to that end, we strive to provide health care services and provisions and encourage a healthy lifestyle, especially in the fields of sports, recreation and healthy nutrition.

A sound and whole country, and a recognised health industry hub

Intervention fields:

- development of the health industry as well as thermal and health tourism, and the "leisure time economy"; in connection with that, utilising medicinal waters, and upgrading the services of the baths utilising those waters,
- boosting domestic tourism by developing the country's key attractions, preserving the nation's cultural and built heritage and utilising it in a sustainable manner, and using the opportunities inherent in business tourism,
- launching social policy and economic programs that promote child-bearing,
- establishing family-friendly child care institutions,
- offering community spaces that allow for recreation, sports, physical exercise, and a healthy lifestyle,
- implementing social and community development programs aimed at health consciousness,
- improving the quality of health care provisions, extending the range of health care services (rehabilitation, screening programs, drug, alcohol and tobacco consumption prevention etc.), and strengthening people's willingness to participate in them,
- providing and extending community services related to health care, child and elderly provisions, social provisions and mental hygiene.

3. Viable rural territories; sound food production and supply

We aim to increase the capacity of rural territories to support and retain the population; to that end, we intend to preserve the values and resources of our landscapes, ensure varied and viable agricultural production, guarantee a safe food supply, ensure the viability of rural farming, increase rural employment, strengthen rural communities, and improve the quality of rural life.

Preserving rural Hungary

Intervention fields:

- establishing a viable agriculture, food industry and production structure that ensure employment and the sustainable usage of natural resources,
- striving to produce healthy food and increase the added value; putting increased emphasis on developing horticulture, animal husbandry and ecological farming in order to preserve genetic bases and continue GMO-free production,
- continuing and reviving high-quality Hungarian food production and processing; increasing food safety,

- increasing consumers' awareness of local and Hungarian products; strengthening communal catering and gastronomical culture based on local products,
- increasing the role of natural, environmental and landscape protection, preserving biodiversity; safeguarding and value-based development of rural heritage as well as the social, landscape-related, farming and architectural values of Hungary's rural territories; strengthening the protection of traditions and local identities,
- creating stable and balanced relations between urban and rural areas,
- increasing the prestige of rural life and encouraging youth to live in rural areas by strengthening rural values and developing rural infrastructure and services,
- establishing a balanced land and estate structure,
- strengthening self-sufficient family farms, promoting horticulture and animal husbandry for own consumption, and executing demographic and social land programs as well as complex landscape management programs,
- extending and strengthening the network of cultural and community facilities, libraries, adult education centres, regional centres and research institutions,
- developing cultural services related to local values and stories to gain individual knowledge and competitiveness;
- improving economic cooperation between local and rural territories, strengthening the local and direct marketability of local products,
- positioning of internal and external markets for the local economy, establishing commercial networks and sales channels in which the producers participate and have business interest, economic diversification, inclusion of rural territories in the economy and tourism.

4. Creative, knowledge-based society, marketable skills, R&D&I

We aim to create value based on our creative abilities and knowledge; to this end, we intend to improve the information and communication background and establish the required modern training system, which provides marketable, practical knowledge as well as an intellectual and innovation environment that supports developments. This allows for creating a supply of proactive labour of high work culture, capable of independent, life-long learning.

Utilisation of Hungary's
knowledge and creative
capital

Intervention fields:

- supporting talent and creativity for the development of the country's general economic, social, cultural and intellectual values,
- creating and developing a knowledge-based economy, developing the higher education institutions and research centres involved, and strengthening their cooperation with each other and economic players,
- promoting innovation and R&D that serve the economy and society; supporting cultural and creative activities. Promotion of life-long learning, increasing people's employment chances, decreasing the number of school dropouts by providing opportunities to develop people's skills and knowledge,
- developing vocational training, especially in sought-after professions. Systemic development of high-quality adult education,
- integrated, complex development of public education, application of research results and innovative education methods; developing the public education network,

- creating and developing databases supporting education and research,
- developing services and programs to prevent pupils from dropping out of school,
- digital turnaround: development of digital competences and access to info-communication tools.

5. A value-conscious, self-reliant society that exhibits solidarity

We aim to establish a responsible, solidary society that knows and represents its values and is able to renew both at the level of local communities and the nation as a whole.

A conscious Hungary organised on the basis of communities

Intervention fields:

- preserving our cultural traditions and heritage, and strengthening our identity by granting access to cultural values and services as well as public education,
- strengthening community and family life, self-reliance, social acceptance, responsibility, and solidarity,
- formation of family-friendly public services that promote community life and child-bearing,
- creating and strengthening the role of community and social values,
- significantly reducing the number of people living under the poverty threshold,
- promoting a higher level of social, environmental, consumer and financial consciousness,
- helping communities connect to global networks, and providing the required skills, knowledge and conditions,
- development of community and social economy, strengthening social (public) employment and voluntarism.

6. A good state provides services and safety

We intend to increase the effectiveness of the Hungarian public sector's contribution to the common good, work, order, safety, and knowledge.

A public sector providing services for the benefit of the country

Intervention fields:

- strategically governed, targeted development policy,
- strengthening national and international relations, especially in the Carpathian basin,
- renewal of public services, and creating / increasing social safety in general, and particularly public safety, social, family and personal safety, information security, and job security.

7. Preserving strategic resources and utilising them in a sustainable manner; protection of the environment.

We aim to manage natural resources efficiently and sparingly, i.e. increase sustainable energy and waste management, develop the green economy, use strategic resources (water, land, minerals) sustainably, preserve biodiversity, protect natural values, improve environmental quality, and increase environmental safety. We also intend to disseminate a sustainable lifestyle, consumption and production, and increase environmental consciousness.

Preserving Hungary's natural resources

Intervention fields:

- sustainable and strategic protection and efficient usage of our natural resources,
- protection of living resources, land, soil and water bases; improving the quality of drinking water; water management in line with the landscape management framework,
- sustainable usage of energy sources and construction materials; protection of mineral resources,
- protection and preservation of biological and landscape diversity and Hungary's forests,
- extending the green economy, developing the environmental protection industry, increasing energy efficiency and savings, ensuring energy safety, sustainable usage of renewable energy sources in autonomous territorial energy supply systems, complex utilisation of geothermic energy, utilisation of ground heat,
- creating the conditions of sustainable waste management (prevention, recycling, disposal),
- climate safety, climate protection at communities and institutions, and adaptation to climate change,
- environmental protection and safety,
- improving environmentally conscious education and attitudes.

2.2.2.2 Specific territorial goals

1. Strengthening the country's macro-regional role

We aim to utilise the development potential arising from the country's central location, and to strengthen Hungary's functions as a macro-regional hub.

Hungary as a Central European hub

Intervention fields:

- developing and strengthening macro-regional relations within the economic development framework of the Danube region and the V4+2 cooperation,
- establishing and strengthening economic and rural development cooperation in the Carpathian basin; strengthening Hungary's role in spatial organisation in the Carpathian basin; and extending territorial and inter-community relations in the Carpathian basin,
- developing territories next to Hungary's borders via better accessibility as well as economic and cultural relations,
- functional development of spatial structures; development of spatial structure axes and hubs.

2. A city network that creates a multi-centred spatial structure

We aim to develop the network of communities according to unified principles and maintain multi-level relations within that network; modern city policies and development; improving relations amongst members of the city network; functional development of the spatial structure; realising the development potential of Budapest and the surrounding area, while creating a multi-centred spatial structure.

A network of communities with balanced, well-working connections

Intervention fields:

- defining a unified and sustainable city policy; applying the method and principle of functional city territories;
- developing big cities by strengthening the ripple effect of their role as territorial centres and organisers, by improving their cross-border city relations, and via a renewed network of settlements and renewed accessibility;

- developments serving the territorial equalisation of the city network;
- developing cities with specific economic profiles;
- strengthening the urban-rural connections.

3. Increasing the capacity of rural areas to support the population living there

In accordance with the National Rural Strategy, we intend to develop rural territories based on the local landscape, community, natural resources, culture, values and built heritage. Furthermore, we intend to manage specific local territorial development problems, integrate rural territories that are lagging behind, grant access to public services and increase employment in disadvantaged rural territories.

Rural territories that can support the local population based on their own values

Intervention fields:

- differentiated, integrated rural development in view of the current urban-rural relations and community structure and business traditions;
- development of territories with small villages and farmsteads; integration of rural territories that are currently left behind, including Cserehát and Ormánság; complex development of the Tisza valley;
- increasing the adaptability of rural territories most affected by climate change (e.g. the Homokhátság area between the Danube and Tisza rivers). (This plan is not limited to rural territories; cities must also be protected from adverse climatic effects.)

4. Development of territories with outstanding landscape values²

We aim to develop territories and cultural regions of outstanding landscape value, realise their potential, and manage them in an integrated manner based on their specific characters.

Integrated management of territories of special regional character

Intervention fields:

- territorial development based on the values and character of the landscape;
- developing territories based on specific economic profiles (e.g. sustainable development of cultural regions and tourism territories);
- program-based development of the lake Balaton and the surrounding area; management within a unified framework.

5. Decreasing territorial differences; territorial integration and economic stimulus

We aim to develop disadvantaged territories as well as internal and external peripheries that are left behind, via special economic policy tools, through the utilisation of their own social and economic resources, as well as by granting or improving access to public services, knowledge, and public education.

Giving territories left behind a chance to catch up

Intervention fields:

- integrating peripheries and rural areas left behind into the economic and social “blood flow” of the country;
- supporting the cooperation and development of communities next to the border and cross-border territories (coupled cities) by enlivening their economic relations.

² These are mostly rural territories delineated based on unified landscape features

- development of crisis-stricken industrial territories
- integration of territories characterised by deep poverty and densely inhabited by ethnic minorities (e.g. gypsies); strengthening their economic foundations;
- establishing and operating free enterprise zones and special economic areas, as well as knowledge-intensive, innovation-oriented investment zones around large cities.

6. Connected spaces: ensuring accessibility and mobility

We aim to set up a transportation structure that promotes social mobility as well as fast and easy access to the various territorial levels, thus creating a dynamic network of territorial relations that makes all services available to the narrower or wider environment of a community or territory. This allows the individual territories to effectively utilise their economic potential, thus increasing their competitiveness in the market.

Accessible communities and services

Intervention fields:

- on the local level, developing transportation within cities, and ensuring mobility between cities and their catchment areas;
- on the territorial level, granting access to employment centres;
- on the national level, decreasing centralisation and strengthening transverse relations based on the principle of multi-centred development, and using unconventional community network development solutions.

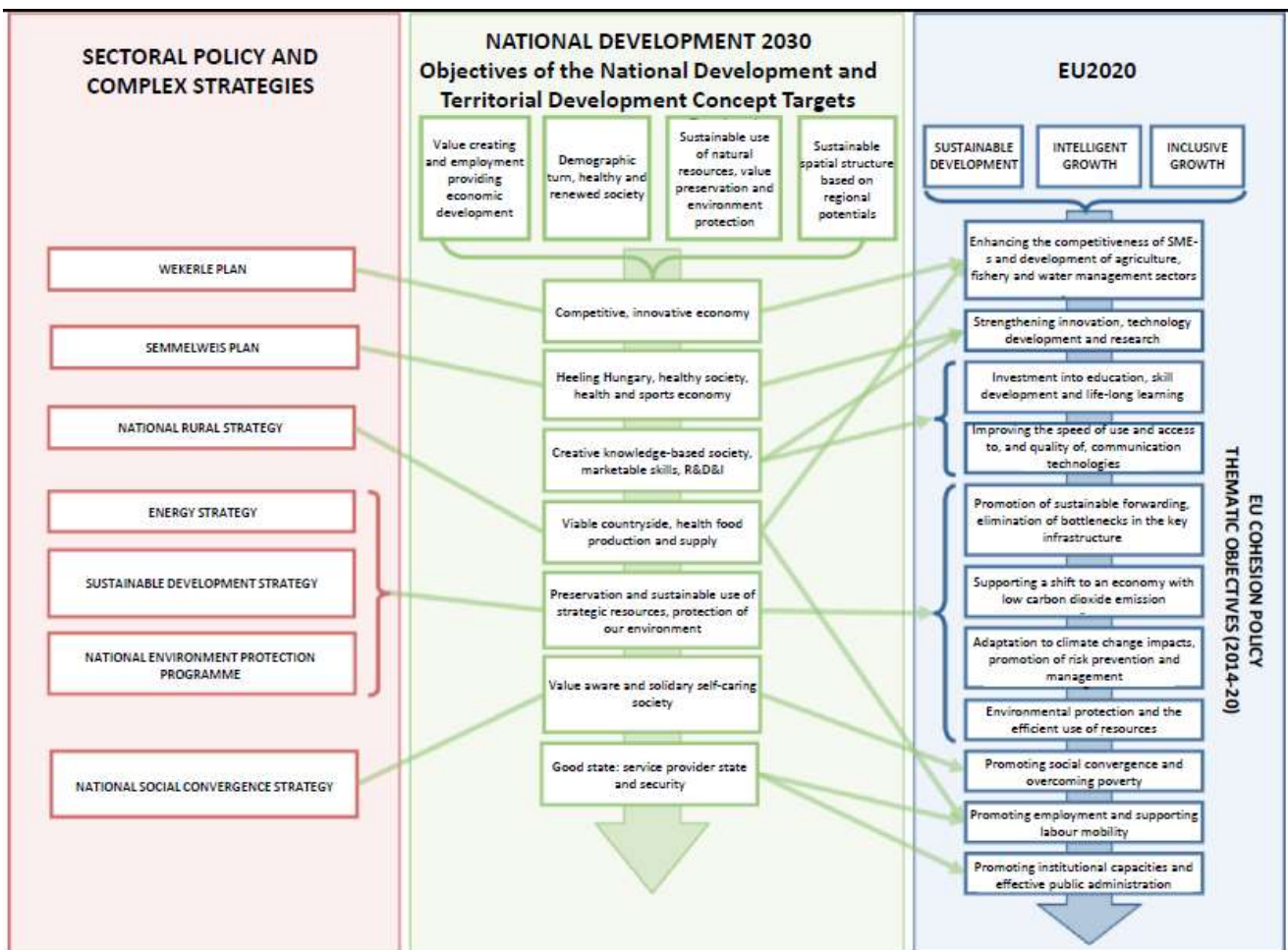


Figure 31: Connections with the goals defined in the National Development and Territorial Development Concept

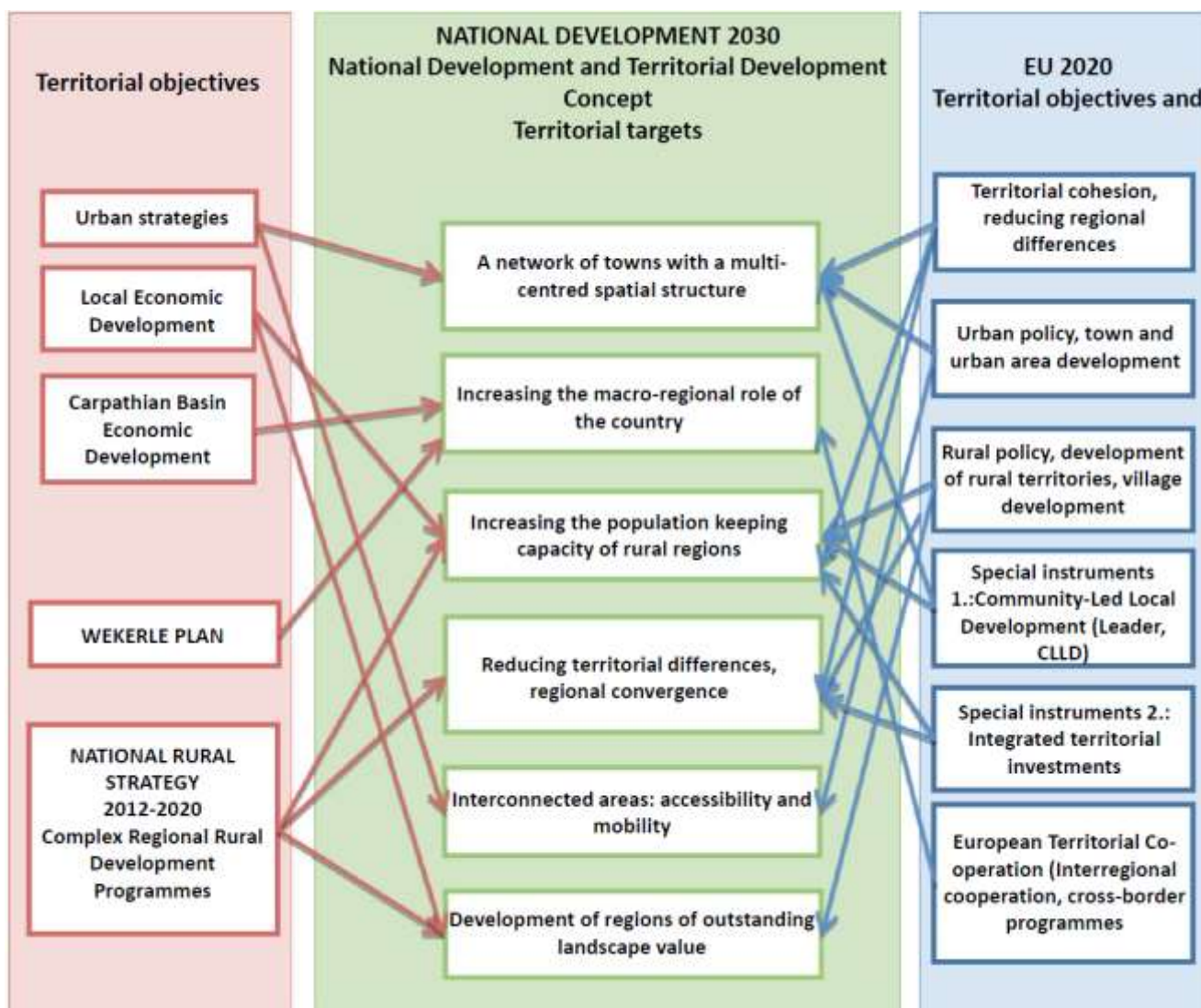


Figure 32: Connection of the specific territorial goals defined in the National Development and Territorial Development Concept with the objectives of the EU and Hungary

Mid-term development priorities (2014-2020)

The primary frameworks for the development policy are the following: the European Union’s cohesion and territorial development policy, as well as the EU’s development funds available in the 2014-2020 programming and development period. Thus, starting from the national needs and characteristics, the NDTDC defines the mid-term **strategic focal points** (for 2014-2020) that may serve the realisation of the country’s long-term objectives. These focal points are intended to concentrate (narrow) the intervention fields. The funds available in the 2014-2020 programming and development period – which will be lower than the amount available in 2007-2013 – will primarily have to be used in **fields of strategic importance that generate high added value** for society and the economy. This also complies with the **thematic concentration** aspects expected for the European Union’s next development and programming period, and contributes to their realisation.

Expressing national priorities in the 2014-2020 development policy

One of the objectives is to make the economic and social impacts of development policy interventions measurable and quantifiable already over the mid-term. As most of the development funds will come from the European Union, the definition of the national priorities based on the strategic focal points must be in harmony with the EU’s program framework and expectations, and they must also be considered in domestic planning and execution. The development topics identified within the national priorities also provide the basic areas of the development programs for 2014-2020, which constitute the framework for using the EU funds.

Considering the European Union's thematic goals and priorities for 2014-2020, the NDTDC's goals outline the main areas of Hungary's development policy in the 2014-2020 development and programming period of the EU.

The sectoral and territorial developments defined in the NDTDC are presented in detail in chapter 3.

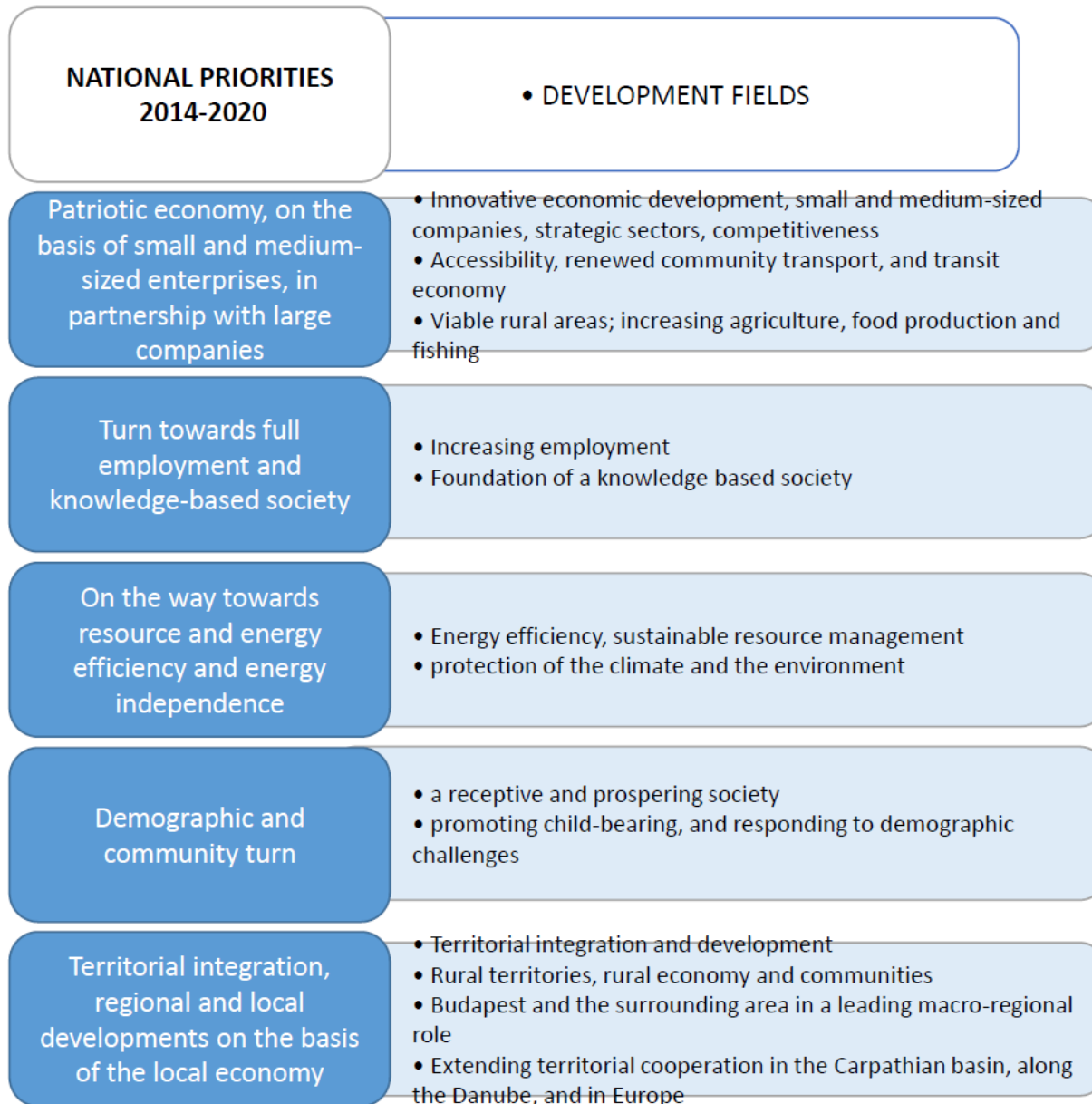


Figure 33: National priorities and development areas in 2014-2020

2.3.1 Patriotic economy based on small and medium-sized companies, in partnership with large corporations

The chief priority is to reposition Hungary's economy in order to increase its international competitiveness and economic organisation capacity. **The keys to that are export maximisation and the promotion of import-replacing economic production.** These activities must increasingly rely on **domestic small and medium-sized companies** who should closely cooperate with each other and Hungary's large and multinational corporations, who have major development potential. This necessitates increasing the economic weight of activities generating higher added value, as well as the country's **re-industrialisation**. Within that, **strategic economic sectors** need to be developed, and economic chains (clusters, suppliers' chains) must be strengthened.

Fortifying Hungary's positions in the global and European economy

Promoting foreign investments and involving external resources remains

Opening towards

indispensable to the operation and growth of Hungary's economy. In this field, we must focus not only on the European economic space but also on the direction of international relations. **The developments must be based on domestic resources as much as possible: domestic raw materials and the existing values such as labour and knowledge**, i.e. adapted or locally created innovation.

dynamic regions of the global economy; emphasis on domestic resources

Development areas:

1. Innovative economic development, small and medium-sized companies, strategic sectors, competitiveness

Boosting the domestic economy, i.e. activating the internal market and increasing exports is in the centre of Hungary's development policy. Priorities:

Economic development based on innovation; SMEs

- increasing the innovation potential of small and medium-sized businesses relying on domestic R&D;
- developing the business environment, promoting the formulation of economic networks, strengthening small and medium-sized companies, and improving the competitiveness of businesses,
- increasing employment; within that, raising employment by Hungarian small and medium-sized companies.

2. Accessibility, renewed community transport, and transit economy

Improving accessibility for Hungarian territories, communities, businesses, institutions and citizens is a prime development goal. Priorities:

Accessibility, transportation, logistics

- improving transport, infocommunications and service relations,
- renewing all areas of community transportation to contribute to accessibility and environmental objectives,
- improving the access and transportation connections determined by the country's geographical location so that Hungary can become an economic gateway from and towards the EU.

3. Viable rural areas; increasing agriculture, food production and fishing

Developing agriculture and food production is of key importance if the local economy is to be strengthened and production / processing for exports is to be increased. Priorities:

Agriculture, food production and fishing

- increasing the added value and economic performance of agriculture and food production, which may result in higher employment; also, food safety and high-quality food can contribute to the realisation of health policy objectives;
- developing food processing and the food chain;
- horizontal and vertical integration, stronger cooperation;
- diversification of the economy of rural territories and communities;
- strengthening of small and mid-sized farms, increasing their chance for competitiveness and market access.

2.3.2 Towards full employment and a knowledge-based society

Increasing Hungary's very low employment rate to 75% is indispensable if the country's competitiveness and overall economic performance are to be improved. This goal should be realised by **creating as many jobs of high added value** as possible.

Boosting employment is the most urgent challenge to be tackled for Hungary's economic recovery.

The prime task in the mid-term is to help those people return to the world of work who have been out of work for a long time, often for several generations; these are mostly people who are **under-educated** or disadvantaged for other reasons (e.g. those over 55 years of age, young mothers etc.); they can be supported by public work programs, self-employment, or a social economy). If that goal is not realised, the social and economic system of entire Hungarian territories could collapse already in the medium term, which must be avoided at all costs. Youth employment must be promoted; it is important that young people should receive job opportunities, training, work experience, or other active labour market tools as soon as possible. Career starters and people below 25 years of age should be supported in their efforts at entering the labour market; and young people should receive help in starting a business.

People's **capacity for work** is another important factor in employment. **Besides numerous other factors, the mental and physical condition of Hungarian must be improved, and they must receive specialised training in line with market needs.** In order to improve the labour market positions and competitiveness of youth, dual training should be promoted, and more opportunities should be provided for life-long learning. Society needs as many people as possible who are well-educated and remain capable of work in their senior years. **This requires a major change in lifestyle and approach. Decreasing the risk of endemic diseases in the population must be considered a priority.**

Increasing people's capacity for work

The private sector must gradually take over the role of public employment programs, so the development of **highly labour-intensive sectors** (e.g. agriculture, construction industry based on a green infrastructure) must be a priority, especially in territories struggling with employment problems of national significance.

Development of sectors that require living labour

In the current, changing global economy, the establishment of **a new employment system** must start in the mid-term, in line with the new workplace challenges faced by individuals and families (accelerating life, constant lack of time), the global withdrawal of governments from social provisions (increasing role of individuals and families), and the decreasing need for living labour (despite the increasing economic performance, the number of full-time jobs is declining). Flexible employment must be promoted, especially flexi-time, work organisation, and HR policies taking into consideration the individual life situations of staff. The flexible employment of youth makes it easier to reconcile work with study and private life, and work with family obligations in case of young families. Employment must primarily be offered **where people live**. Mobility is an important factor in the labour market, but the basic goal is to have jobs of sufficient quantity and quality in all territories of the country.

The new global economic environment requires a new employment system

Development areas:

1. Employment and knowledge-based society

Promoting the renewal of society is a basic social strategic task, with focus on the following:

- creating the conditions of a knowledge-based society;
- increasing the quality of primary, secondary and tertiary education;
- increasing the quality and extending the scope of vocational education in view of the actual needs;
- granting access to training and education within and outside the school system

Employment, knowledge-based society

- complex development of public education with an integrated approach; considering public education as a strategic element.

2.3.3 Towards resource and energy efficiency, and energy independence

Hungary's energy dependence can be lowered, the safety of supply can be increased and an energy-efficient and responsible society and economy that uses its considerable renewable energy potential can emerge through the sustainable and wide-spread usage of **renewable and alternative energy sources**, support for **decentralised territorial / local energy systems**, increased **energy consciousness, energy saving and energy efficiency**, utilisation of our **geo-thermic** energy potential, and the diversified procurement of energy sources.

There are several opportunities to lower our energy dependence. Reforms aimed at green energy can also increase employment. Environmentally friendly transportation methods.

Even a minor decrease in the country's energy dependence **could boost Hungary's economy and central budget considerably** because energy imports now constitute a huge burden (high expenditures). Territorial energy systems and upgrades aimed at energy efficiency require both trained and untrained labour and thus allow for a more even distribution of income, and for keeping that income in the local territory. **Thus they can greatly contribute to the achievement of employment goals and the integration of territories lagging behind.** This also requires a changed approach in the construction industry: instead of extensive directions (greenfield real estate and infrastructure developments), an intensive approach (focusing on transformation and green infrastructure) should be used, which also serves the purpose of energy efficiency.

The return to **community and alternative (non-motorised) transportation** within and between communities and the preference for fixed-line transport methods greatly lowers the country's energy needs and benefits the quality of life and sustainability in general.

Development areas:

1. Energy efficiency, sustainable resource management, protection of the climate and the environment

The following areas must enjoy priority because they constitute primary economic and environmental development policy factors:

- increasing energy efficiency,
- raising the share of renewable energy sources,
- sustainable resource usage to preserve the quantity and quality of natural resources,
- the role of environmental and landscape management in general and water management in particular,
- preparing for climate change and helping the affected territories prepare for it,
- environmental protection interventions aimed at maintaining and improving the quality of the environment.

Energy and environmental management; environmental protection

2.3.4 Demographic and social turnaround

For a demographic turnaround, conditions must be created that support child-bearing and -raising, and a family-friendlier approach must be introduced in both the public and the private sector. That necessitates family-friendly taxation and public administration; **work schedules promoting child-bearing, and atypical employment forms** must be introduced. **Family businesses must be supported** and

complex measures need to be taken to encourage child-bearing

To create “**family-friendly communities**” and services, daytime public **child care centres** (nurseries, kindergartens, day-care facilities) must be reorganised.

Development areas:

1. A receptive and prospering society

Promoting social renewal involves creating the conditions of a knowledge-based society, as well as social, education and employment interventions that integrate groups lagging behind, prevent their continued deterioration, and allow for individual, family and social development.

Social integration and renewal

2. Promoting child-bearing, and responding to demographic challenges

The family is an important value to Hungarians, which allows for stopping and reversing the decrease in population; but for that, atypical employment forms and work schedules promoting child-bearing need to be introduced, and communities, institutions and public services (nurseries, kindergartens, schools, day-care centres) need to be reorganised in a family-friendly manner.

Promoting child-bearing; family-friendly services

3. Effective implementation; “a good state”

A public administration system based on modern principles is an important precondition to and element of a successful development policy. Effective public administration and services as well as the creation of a citizen-friendly public service environment are deemed as priorities.

Modern public administration and services

2.3.5 Territorial integration; territorial and local developments based on the local economy

Supporting lagging territories with additional funds remains a prime territorial development task, but it is becoming increasingly important that external and internal peripheries that are economically and socially underdeveloped should be integrated based on their internal resources, albeit with external help. By identifying and utilising human, social, natural and economic resources and keeping them within the territory, and by activating the local economy (local products, Hungarian brands, consumer consciousness), territories disadvantaged from the perspective of conventional competitiveness can also become relatively competitive and connect to the country’s “blood flow”, thus starting on a path of economic, social and environmental sustainability, closing Hungary’s territorial rifts, and preventing the re-generation of and increase in poverty.

The development of lagging territories should be increasingly based on their internal resources

The major and decade-long differences in living conditions and the safety of livelihood between territories and sometimes between individual communities must be reduced. The integration of lagging territories with the country’s developed areas via **long-term and targeted programs** is a joint responsibility in the fields of development policy and territorial policy. Without these, it may not be possible to close a growing territorial and, consequently, social rift in Hungary. Unemployed people should be given work opportunities where they live if possible; otherwise, their **mobility should be supported, and they should receive help in moving to territories offering better conditions.** **Territorial segregation based on ethnicity and income**, which causes an increasingly hopeless situation, must be stopped via social integration, strengthening a culture of peaceful co-existence, self-reliance, as well as proven community examples and solutions.

Territorial integration via targeted programs

*Development areas:***1. Territorial integration and development; city development**

Central general and territorial development tasks: preventing the continuing increase in territorial differences within Hungary using economic and social development tools; integration of territories left behind; and creating the conditions of even territorial development. It is important to strengthen urban-rural relations, carry out development programs in line with the local community structure and territorial characteristics, implement integrated territorial and local development programs, and develop cities and urban networks in synergy with the development of rural territories.

Territorial equalisation;
integrated territorial and
local programs

2. Rural territories, economy and communities

Key development areas: developing and integrating rural territories and communities while preserving and building on their unique values, including social, community, economic and infrastructural developments. Strengthening the capacity of villages and rural communities to retain their population is of key importance. Fortifying the economy of rural territories is also of prime significance. Key factors for the future of rural territories (besides agriculture and food production): developing other economic sectors that provide employment; economic diversification; and strengthening the local economy.

Development of rural
territories; economic
diversification

3. Developing Budapest and the surrounding area

Budapest and Pest county belong to the EU's developed and competitive regions. Preserving that role and maintaining / increasing the economic performance of these territories are important priorities because they have a positive impact on the entire country. Attention needs to be paid to the region's internal spatial structure, and the special territorial and community development needs must be addressed.

The macro-regional
territory of Budapest
and Pest county

4. Territorial cooperation in the Carpathian basin, along the Danube, and in Europe

Increased participation in European development cooperation programs is an important element in Hungary's development policy. The Danube region is one of the main territories for that cooperation; cooperation with neighbouring states (specifically within the Carpathian basin) is another focal point. International, national, territorial and local development programs across and next to borders are equally important.

International territorial
cooperation Direct EU
funds for Hungarian
network integration in
Europe

Promoting cooperation between Hungarian communities, the formation of an integrated network of Hungarians in Europe, and supporting their local and community developments with development policy tools and direct EU funds are important elements of the national development policy. All the above constitute a major part of international territorial cooperation, and a pillar of economic cooperation with neighbouring countries.

2.4 Horizontal aspects and principles**2.4.1 Horizontal aspects**

Realising the territorial goals and priorities requires the enforcement of three major horizontal aspects. Horizontal aspects are related to the **overall economic environment and society**; they must be expressed in the entire development policy, program planning, and execution.

1. Acceptance – ensuring social integration and equal chances

Promoting employment, fighting deep poverty, ensuring social and gender equality, prohibiting discrimination, improving the situation of people of changed work capacity, integrating disadvantaged social strata and the Roma, promoting the acceptance and integration of immigrants, improving the position of families, family-friendly solutions, social responsibility.

The funds available to the main recipients of territorial development funds, and specifically the most disadvantaged small territories and communities should be used based on specific support rules. Subsidy applications by the main recipients of territorial development funds, and specifically the most disadvantaged small territories and communities, should be given priority when evaluating the applications.

2. Sustainable development and growth

For resource-efficient development, developing energy-efficient technologies that are based on recycling and produce little waste; and increasing the usage of renewable energy sources in the country's industrial policy and strategy. Preserving and improving the condition of the environment; conscious environmental management; increasing emphasis on protecting our landscape and natural values; promoting territorial sustainability as well as a sustainable lifestyle and consumption by changing people's attitudes.

3. Preserving values; intelligent growth

Solutions aimed at the preservation and renewal of our cultural, economic, built and community values. Further goals: developments based on partnerships; improving institutional capabilities; and offering effective public services.

Besides the three horizontal aspects, increased emphasis needs to be placed in both territorial and specialised development policies on honouring spatial structure and usage principles. See chapter 3.1.9 for the details of these principles.

2.4.2 Fund usage principles

The following principles must be enforced when utilising the money (public funds) used for development policy purposes:

Planning and fund utilisation principles:

1. Realising the national development goals and priorities

The goals and priorities defined in the NDTDC and the relevant domestic strategies must be realised during the planning and implementation of programs involving the utilisation of development funds.

2. Spending public money must result in benefits for the public.

The prime aspect of using development funds, both at the level of planning and implementation but especially regarding economic development subsidies, is that the financed development should bring community-level benefits proportionate to the subsidy level. Such public benefits include increased employment or the preservation / improvement of the environment.

3. Partnership and community involvement

Partnership and, if possible, community involvement must be exercised in the planning and implementation of developments. Especially territorial and local programs should include community involvement.

Technical principles

4. Contribution to employment

When using development funds, it is a basic expectation that the subsidies should increase but at least maintain employment.

5. Preserving the quantity and quality of natural resources; protecting and improving the environment and its values

The utilisation of development funds must not result in environmental deterioration or decreasing the quantity or quality of strategic natural resources; they must be preserved in every development project, complying with environmental protection and sustainability standards. Domestic resources that can be exploited efficiently must be protected.

6. Utilisation of the created value to the benefit of the local community

The value created via development funds (subsidies) must be used by the local and national community as much as possible.

2.5 Expected results of the development policy

In the next two decades, significantly increasing the economic performance (GDP) of and employment quality and quantity in the country will be Hungary's main development policy goals. Achieving them can improve living conditions and the quality of life considerably. The results expected of the development policy by 2020 are specified by the target values defined in the National Reform Program.

National commitments made in the National Reform Program in connection with the EU's strategy 2020:

- Increasing the **employment rate** in the population aged 20-64 years from the current 60% to at least 75%.
- Increasing the share of **research and development expenditures** within the gross domestic product to 1.8%.
- Increasing the emission of **greenhouse gases** by no more than 10% compared to 2005; raising the **share of renewable energy sources** to 14.6% of total energy consumption; achieving 10% **energy savings**.
- Increasing the ratio of **people with a higher education (or equivalent) degree** to 30.3% in the 30-34 age bracket; decreasing the ratio of untrained people, i.e. **those of no more than lower secondary education**, to 10% in the 18-24 age bracket.
- Decreasing the number of people **living in poverty or social marginalisation** by 450,000 or five percentage points.

3 Sectoral and territorial policy development goals

This chapter summarises the **development policy objectives and tasks** to be realised between 2014 and 2020 **in the individual sectoral policies, in line with the overall and specific goals set in the Concept for 2030**, and in view of the national and (economic and other) development priorities defined for the 2014-2020 period. The sectoral policy plans are **grouped within 13 specific thematic goals specified in the National Development and Territorial Development Concept**, and serve the realisation of those goals.

Sectoral policy objectives and tasks for 2014-2020 within the goals to be reached by 2030

The mid-term sectoral policy goals and development policy tasks have been defined based on input material provided by state secretaries' offices in various ministries, in accordance with the approved sectoral policy strategies. **At this phase, the sectoral policy objectives and tasks described in this chapter have only partially been coordinated with the national development goals of the Concept; the work is underway pursuant to the EU's framework for 2020.**

3.1 Territorial policy directions and tasks

3.1.1 Envisaged spatial structure

The territorial coordination of sectoral developments and the successful development of varied territories require a complex vision of a strategic spatial structure. In Hungary's planning system, this task has so far been primarily supported by the territorial objectives defined in the National Territorial Development Concept, as well as by the definition of the territorial orientation of the individual sectors. This territorial chapter of the National Development and Territorial Development Concept serves the same function; in fact, the chapter provides a more complete framework by outlining the envisioned spatial structure.

It is necessary to outline a strategic vision for a spatial structure based on several aspects.

- It defines the territory types and structural elements that require **intervention** because they harbour specific **opportunities or struggle with specific challenges**.
- Furthermore, the chapter defines a general mission and development priorities for the development of **urban and rural territories**.
- Specific aspects are provided for **mobility** (which is of key importance in spatial structure), **territory usage principles**, and the **territorial orientation of sectors**.

The spatial structure must be defined based on the existing natural or man-made characteristics (as opportunities or limitations) as well as on development plans that can be realistically implemented. This territorial map of sectoral aspects that are relevant in development policy constitutes a pillar for an envisioned spatial structure that is well-founded, realistic, and intervention-centred. The other pillar is a system of area intervention measures in territorial policy.

The overall envisioned spatial structure allows for the identification of **functional territories** (to be) dominated by certain economic, social or environmental tasks that are of national significance. **Performing this task** is such a territory's **primary contribution to the nation's social and territorial division of labour**. The following map depicts the desired distribution of tasks across territories and communities. These are not exclusive and definitely not regulatory territories. For example, "primarily residential territories" only mean urban areas that are significant on a national scale, as well as the connected agglomerations. Nature-friendly economic activities cannot be limited to areas where the activities are determined by the environment, but their importance is even higher there.

Envisaged functional spatial structure

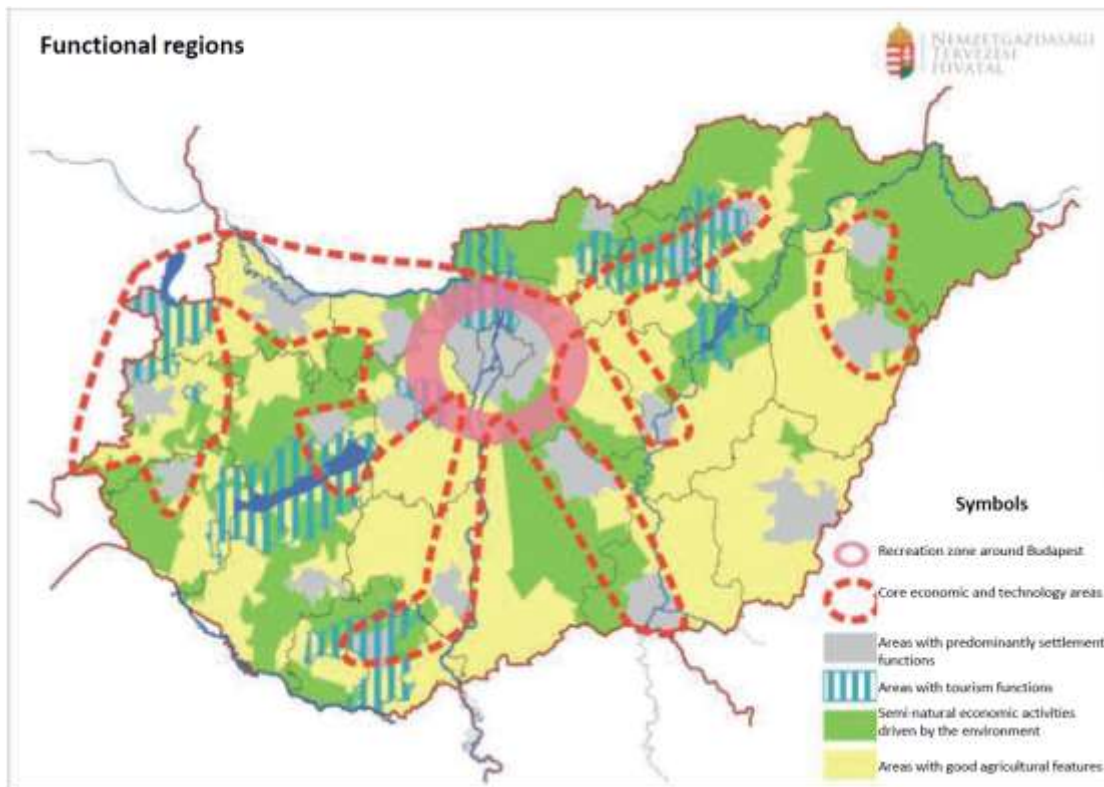


Figure 34: Functional territories

3.1.2 New approaches to territorial development

The approach to territorial development policy also needs to be renewed in line with the changing global and domestic processes. Besides the main goal of territorial development, i.e. decreasing territorial differences in economic and social development, new aspects need to be introduced as well. A more effective spatial structure, one that serves progress based on Hungary's characteristics, can be defined based on the following main principles.

3.1.2.1 Mapping of macro-regional territorial connections

The country's territorial development and the progress of its territories are closely related the neighbouring regional processes and relations. For that reason, we wish to place much more emphasis on identifying the networks of global, European and macro-regional relations amongst cities and territories. Budapest and territories next to the country's borders have (or could have) connections with other regional centres, but this network of relations also exists at the level of all territories and local communities, and the nation-wide community. Consequently, this area constitutes an independent territorial objective.

3.1.2.2 Multi-centred development

For equal territorial progress, multi-centred, decentralised development must be ensured. This purpose is served by an approach involving a network of cities, and by the definition of development axes.

3.1.2.3 Urban-rural cooperation

Urban and rural development are defined as specific territorial objectives and are assigned specific development policy tools; but as a general principle, the National Development and Territorial Development Concept – in line with the National Rural Strategy – defines the cooperation between urban and rural territories, including relations based on mutual benefits.

Both the nation-wide and local development policies should strive to enforce this aspect.

3.1.2.4 Spatial structure protecting our natural resources

Infrastructural, economic and community development, agriculture, industrial production, services, transportation and transit traffic are all areas that strongly use space and landscape. For that reason, we make recommendations and propose aspects that are intended as orientation points for those working with policies and resources, so that they use our shared resources in view of sustainability and the capacity for renewal.

3.1.2.5 A spatial structure promoting investments

Stable economic growth requires a new and effective spatial structure based on economic strategy directions, which guarantees an attractive investment and development environment to economic players, taking into consideration the characteristics of and differences between territories. Domestic and foreign investments must be governed consciously, recognising the real potential, needs and potential breakout points of the territory in question, with planning based on that, as well as with local (territorial) marketing and economic policy for effective implementation. Doing all that is becoming increasingly difficult due to faster globalisation, but it is indispensable for an efficient usage of funds, for a spatial structure that lowers territorial differences, as well as for an economic structure which is beneficial to as many stakeholders as possible, which remains competitive in the long term, and which safeguards non-renewable resources.

Site conditions deemed attractive by economic players

But creating an effective and sustainable economic spatial structure is not only the responsibility of national and local economic policy-makers; transport, trade and cultural relations as well as territorial and local mobility are further factors that play an important role. Hungary's potential role as a hub country serves as the basis for a spatial structure that is economically effective, successful and sustainable. The spatial structure is designed in view of "tailor-made" urban strategies.

Indispensable preconditions to creating an ideal investment promotion territory:

- Creation or recognition of areas (zones) that are attractive potential sites and offer growth opportunities.
- In territories that are especially attractive from the perspective of investments, providing access to the required infrastructure and services (e.g. business and logistics) and institutional background.

Consequently, the National Development and Territorial Development Concept defines aspects and development goals in these territories.

3.1.2.6 Connecting peripheral territories to the country's social and economic "blood flow".

The underdeveloped nature of peripheral territories seriously hampers national development, and increasingly grave social tensions would arise if they were left behind even more. Without meaningful external intervention, the weaker characteristics of these territories compared to the rest of the country have resulted in a downward spiral caused by increasing outward migration, rising average age, social erosion, as well as the increasing exploitation of the natural and man-made environment. For these reasons, the integration of these territories is in Hungary's elemental interest. The best way to integrate a periphery involves using the local resources to launch independently sustainable economic development in the most competitive districts and settlements of the periphery in view of the local characteristics, which can start a ripple effect.

Strengthening social cohesion, and increasing the power of territories to sustain communities.

Strengthening territorial centres which serve as focal points of development is the most effective and fastest way to achieve that goal. Managing employment issues is a key factor. Primarily infrastructural developments spanning large areas and aimed at a higher quality of life are insufficient and ineffective in themselves unless they induce economic development. By contrast, improving people's mobility and availability in the wider sense (from the perspective of transportation and information) must not be neglected.

It is a basic goal that these territories and neighbourhoods should catch up and renew based on tailor-made strategies, using external resources (e.g. additional development funds, investment promotion), after the identification of internal resources (labour, marketable production traditions, natural resources), possibly with community involvement and the national government's strong presence. More effective support for peripheries necessitates concentrated resources, so subsidies granted to the most problematic territories should primarily serve the gravest local needs. A nation-wide talent support program may play an especially important role in the integration of territories lagging behind.

3.1.2.7 Autonomous territories

A territory's economic progress and development can be based on internal and external resources. The past few years' economic and territorial development practices were focused on external resources, even though their applicability is very limited in certain territories (e.g. in external and internal territories). That is where development based on local resources must receive more emphasis; however, this does not mean that external resources should be left untapped. An optimal mix of the two methods allows a territory to start sustainable economic, social and environmental development. Autonomous territories can realise an operating model and development path involving the identification and utilisation of their internal resources.

The nation-wide goal of import replacement is applicable to territories as well.

Resources utilised locally by the local people enrich the territory and the people living there:

- by identifying and utilising local internal resources and activating the economic resources of the territory / community,
- by the local usage of community goods and the uniform distribution of income, i.e. by a significant level of local job creation,
- by mobilising local communities and strengthening the local identity,
- by defining the long-term sustainable usage of local resources,
- by renewing the relationship between urban and rural areas through a higher level of adaptability,
- by connecting local economic players, establishing local markets, and keeping income flows within the territory as long as possible.

The resources include

- human resources (labour, knowledge, ambition, cooperation);
- social resources (cooperation between social and economic players, safeguarding of traditions);
- natural and economic resources (clean environment, environmentally friendly energy and food production, local building materials).

By utilising these resources locally and keeping them there, territories disadvantaged the conventional sense of competitiveness can also become relatively competitive. Thus they can contribute to increasing the competitiveness of their wider territory and country. Secondly, this development model provides resilience and stability against the negative effects of and events in the globalised economy.

Several tools can be used to realise the benefits of local economic development. These tools can generate remarkable changes on several levels, not only in the local economy but also in other areas of local society. The local economic development approach is spreading, as indicated by cooperation between a territory's producers, municipalities' involvement in the local economy, local markets organized on the Internet, and many other initiatives.



Figure 35: Model of an autonomous territory / community

3.1.2.8 The new medium level: a county's new roles

After the recent transformation of the system of municipalities and territorial development, counties became the main mid-level territorial entities. Territorial development is now one of the main tasks of counties, and there is hardly any other mid-level entity in the system (apart from the special territory around lake Balaton).

The country as the new territorial hub

In Hungary, counties are traditional territorial organisation units. The pattern of identities above the local levels is clearly related to counties, even though those mid-level identities are traditionally not very strong. Counties are also close to real spatial structures: the catchment areas around county seats and cities with county rights (where there are several such cities within a county) are in line with the territories of counties, and so are the general economic, administrative and public service relations of those cities. In order to cover larger territories and align with the European planning / statistical system, a system of regions (entities above counties) has also been established. The 19 counties constitute seven statistical regions (NUTS 2 levels); these lack the political legitimacy of counties because they have no elected governing bodies.

Counties as the areas of natural spatial organisation

We note that large and small cities can also have classic catchment areas transgressing county boundaries. And some territories around small cities are more closely related to a big city in a neighbouring county than to their own county seat. **This indicates that county planning and development also require a strong territorial approach and cooperating counties.** (For example, the Jászság area is more closely connected to Budapest than to Szolnok, Balassagyarmat is more closely connected to Budapest than to Salgótarján; the area around Pápa is more closely connected to Győr than to Veszprém, and Várpalota maintains at least as close ties to Székesfehérvár as to Veszprém. The cities around lake Balaton are in a special position because, due to the relations between them as well as their similar opportunities and problems, they are more connected with each other than with their respective county seats. The ability for cooperation between a territory's communities and other players is another important factor in the formation of urban territories. This is greatly promoted by the similar opportunities and challenges, as well as by historical relations, traditions, and a shared cultural heritage. The role of local identities and cultural values should also be noted; these can be the most important resources in the development of an urban territory by encouraging local players in concerted action in the territory's interest.

County-level planning and development are impossible without a territorial approach

County-level territorial development roles may have two important directions in future. In performing these functions, a county municipality can get technical help from higher-level territorial and government offices and agencies.

The county coordinates on the local level, but it also performs development

- Firstly, counties can plan and execute developments in centrally defined **county matters** determined in accordance with the government-level and local development plans. These matters should be defined to ensure that counties can carry out complex, varied and integrated projects for the development of the economy, transportation and public services. These developments should be planned by a county independently, in knowledge of a pre-defined budget. The planning should be centrally coordinated and supervised by the government, but the county should be responsible for it.
- Secondly, **counties must coordinate local-level developments**, including their definition, coordination, monitoring and evaluation. Naturally, this can also mean the joint management of local organisations transgressing county borders (such as city territories). Successful developments require coordination support by the local county, as well as active local / territorial development partnerships (with non-profit, government, municipality and for-profit players).

3.1.2.9 A city and its catchment area – the basic functional unit

Functional territories – a missing link in development policy

The difficulties so far experienced in Hungary's territorially based developments stemmed from the fact that those developments have failed to intervene in the actual spatial organisation processes. The practice has so far mostly been aimed at developing territorial units organised along administrative lines, which often did not really reflect the real spatial connections; these units were not characterised by cooperation between communities, by the identification of mutual benefits and compromises, or by a city's responsibility for its territory.

Development interventions based on actual spatial organisation are required.

A radical turnaround is necessary in this area if the effectiveness of territorially-based interventions is to be improved. **Basic intervention units based on actual spatial organisation and a territorial medium level must be defined for development purposes.**

Basic units at local levels: urban territories promoting urban-rural cooperation

The catchment area of a city is defined by the spatial organisation of several functions. **Employment**, i.e. the labour market, is the first; a city usually offers more jobs (via daily commuting) to residents of neighbouring communities. The residence of people using city **services** (public utilities, public administration services, and certain business services involved in regular provisions to the public) also designates the catchment area.

City and catchment area: providing mutual services to each other

In some cases, a city's catchment area is also defined by the neighbouring communities the products of which are sold on the **city market**, and by those communities whose various needs are satisfied in the city.

The unit of a city and its catchment area can not only be approached from the city's perspective. **A city and the surrounding area, i.e. the neighbouring rural territories, mutually provide services to each other.** Optimally, the area around a city is the main scene for the **recreation of city dwellers**, and for the production of their **food** and often also the industrial products they use.

Another important factor in the formation of urban territories is a **readiness for cooperation** between the territory's communities and other players. This is greatly promoted by similar opportunities and challenges, as well as by historical relations and traditions. We emphasise the role of **local identities**, which can constitute the main resource in the development of an urban territory by encouraging local players to cooperate in its interest.

Local identity is another important factor

The basic units of territorial development will be the **urban territories** (functional urban territories, FUT) **based on the cooperation of cities and urban territories**; each FUT will include a city and its catchment area. Their definition can be based on territorial analyses identifying the catchment areas of the various functions, or on traditional territorial cooperation, or the distribution of territorial identity patterns. **Consequently, the framework, rules and institutions of territorial organisation must be defined centrally.** But **coordination** at the medium level, i.e. **by counties**, can also be very helpful in territorial organisation and operative monitoring. The local level itself must also be involved in territorial organisation in order to arrive at well-working development territories.

Central framework, county-level coordination, local authorisation

The definitions used so far (e.g. micro-regions) indicate that it is justified to set up urban territories corresponding to the current micro-region scale in Hungary. However, the development units do not need to be organised according to the current micro-region limits. The individual urban territories can differ from each other considerably depending on the local circumstances (e.g. differences between territories around small versus big cities). Consequently, the system of micro-regions will be transformed but its statistical function will be retained.

Urban territory development aspects:

- **Developments jointly planned and implemented by communities in an urban territory** must gain ground, and the importance of public funds distributed at the level of communities and available through application must decrease. Developments serve the good of the entire territory by functionally and harmonically distributing resources amongst the communities. All this can be realised within dedicated budgets, in the form of local or territorial project packages or programs defined in cooperation within the territory, especially when using EU development funds.
- Naturally, in relatively big cities – especially those with more than 20,000 residents – separate resources must be allocated to **specific actions serving the development of urban centres** (see the urban development priorities). But **developments corresponding to the characteristics of rural communities** should also be defined, and the two types should be in synergy.
- **Development projects in urban territories must be centrally governed in line with national and county-level developments.** It is important that this field should be varied, allowing for complex and integrated approaches and extending to community infrastructure and transportation, road traffic, the overall and local economy, employment, public services, social integration, attitude shaping, and even training.

Planning and development based on community cooperation and programs

Developments tailored to the needs of both cities and villages should be implemented.

Varied developments with centrally defined, systemic subjects

-
- In every territorially based thematic development, the intervention spaces should comprise one or more urban territory (e.g. key places in the general territorial policy or individual policies). That is how real local-level spatial organisation can become a territorial “building block” of developments.
 - **Joint planning:** the approach and practices used in publicly funded territorial developments but also in **community financing and planning** (see territory and community design and development, local taxation policy) should be focused on the local territory and should consider the city and its catchment area as one organic unit. Joint planning
 - We must strive to **protect the natural environment** and strengthen connections between green areas in a city and ecologically valuable areas around that city.

3.1.3 Strengthening the macro-regional role of the country

Main dimensions of Hungary's territorial integration

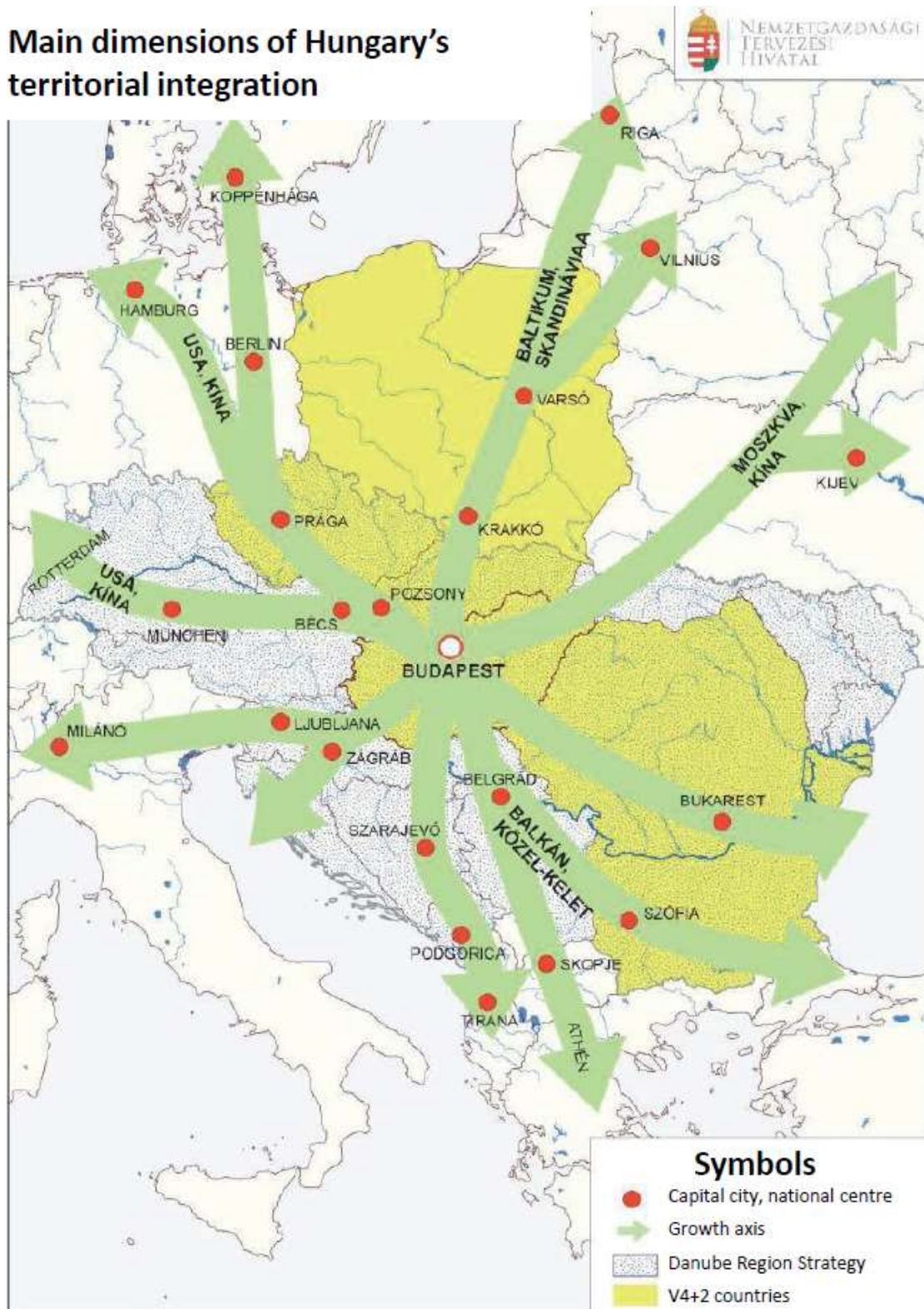


Figure 36: Main dimensions of Hungary's territorial integration

3.1.3.1 Strengthening the role of a meeting point and hub

One of the main drivers of Hungary's development involves the utilisation of the country's geographical location, i.e. becoming a regional hub, with the resulting economic development. Due to the country's central location, Hungary constitutes a connection between North and South Europe as well as East and West Europe; on a trans-continental level, Hungary can constitute a gateway in Asian relations, towards the unavoidable transit regions.

Development policy tasks:

- Opening towards the east: role of an east-western transport and trade hub and an aerial distribution centre.
- Strengthening of networks within the Carpathian basin, and supporting cross-border cooperation between cities.
- Realising Hungary's role as a bridge, laying the foundations for regional transport and trade hubs, and establishing a modern transport infrastructure as well as logistics and service network hubs in full view of environmental aspects.
- Laying the foundations for virtual network hub roles by upgrading communication and information technology networks.

Opening towards the east, and strengthening Hungary's role of a hub

3.1.3.2 Sustainable development of the Danube territory

The Danube territory includes the entire length of the Danube in Hungary, as well as the territories at the river (in the geographical catchment area). It is clearly relevant that this territory should be developed from the perspective of tourism, water management, environmental protection and transportation. The development of the territory can have a comprehensive economic development effect of European significance, e.g. concerning the navigability of the river by ships. The development of the Danube territory is clearly related to the Danube Regional Strategy signed by nine EU member states and five other countries, i.e. its macro-regional, cross-border aspects are significant as well.

The Danube connects and offers opportunities

Development policy tasks:

- Sustainable development of the Danube territory in Hungary; protection and safeguarding of its natural areas, landscapes, and cultural values.
- Improving the quality of life and infrastructural conditions of residents; helping them to succeed.
- Expanding the economy and increasing the competitiveness of the region and the welfare of its residents in a sustainable manner; creating a flourishing, developing and attractive territory.
- Implementing the European Union's Danube Macro-Regional Strategy, specifically via projects that are "Danube certified" in Hungary (EURDRS certification system).
-

Utilising and preserving the opportunities provided by a river connecting Central European countries.

3.1.3.3 Strengthening the territorial aspects of the Visegrád cooperation

The goal of the cooperation between the Czech Republic, Hungary, Poland and Slovakia is to strengthen the macro-region's stability and position in the Central European space, building on the joint historical past and cultural heritage. The bases of cooperation are highest-level political summits, joint activities by non-governmental organisations, as well as common cooperation between cultural institutions and several

The Visegrád cooperation

other networks. The cooperation is specifically focused on culture, environmental protection, internal security, defence, science and education, with joint initiatives in the areas of tourism, the energy sector and information technology. The cooperation between the Czech Republic, Hungary, Poland and Slovakia in the field of tourism is chiefly aimed at the joint promotion of tourism offers in the Central European region to as large an audience as possible, especially on overseas target markets, by concerted work and unified resources. In recent years, the Visegrád cooperation extended to the coordination of the member states' cohesion policy as well as territorial development and planning; within that activity, joint territorial policy documents have been prepared for the Visegrád countries as well as Romania and Bulgaria.

Development policy tasks:

- Strengthening territorial cohesion in V4 countries (multi-centric, balanced territorial development), joint planning and development goals and actions (in view of the V4+2 group involving Romania and Bulgaria, as well as Slovenia and Croatia).
- Supporting cross-border cooperation in V4 countries.
- Contribution to formulating the V4 countries' joint position on the EU's policies that are sensitive from the perspective of territorial and development points of view.

Cooperation aimed at the stability and position of the Central European region

3.1.3.4 Territorial cooperation in the Carpathian basin; strengthening ties with areas inhabited by Hungarians beyond the country's borders

The **Carpathian basin** is a natural ecological entity in the middle of Europe the regions of which are connected by several cultural and historical ties; it can develop as one territory of cooperation once political, market and transportation boundaries have disappeared. Such cooperation can ensure the revival of cross-border regions and catchment areas within the Carpathian basin, and allow for the faster development of the territories and communities involved. Hungary must play a major role in these efforts, in line with the EU's cross-border and transnational policy and neighbourhood policy. The role of the Hungarian economy as a space organisation factor in the Carpathian basin can be based on the country's central location as well as the role of Budapest (the city dominating the territory's economy) and a few other large cities as growth hubs. The growth promotion effect of strengthening capital and city territories in neighbouring countries in Hungary's area is also important. These factors, similarly to other European cross-border economic integrations, may strongly contribute to the development of Hungary and other regional states. The Carpathian basin is a natural geographical, ecological and economic entity that predestines close cooperation.

Hungary's central role in the integration of the Carpathian basin

In the territory of the Carpathian basin, strengthening cooperation between Hungarian communities living beyond our country's borders is especially important, utilising the role of cross-border nationalities as bridges between the majority of society and Hungary. Deepening economic cooperation with communities and areas inhabited by Hungarians is an especially important opportunity. In this field, large, homogenous communities with direct relations to Hungary (e.g. in the Csallóköz and Vajdaság areas) play a key role. Due to its strong economic and cultural ties and development potential, the role of the so-called Sekler region in Transylvania is very significant. Hungarian communities living beyond the country's borders (not only in neighbouring countries) need an economic development strategy harmonised with the strategies of Hungary and their own countries, which promote the economic prosperity of Hungary itself, the communities beyond Hungary's borders, and the other (partner) nation states. Strengthening ties to Hungarian-inhabited territories beyond our country's borders is also important from the perspective of national culture.

We must build on the network of connections of Hungarians living beyond the country's borders

Development policy tasks:

- Promotion and support of the planning and execution of local economic development programs for Hungarian communities beyond Hungary's borders
- Establishing and strengthening economic cooperation between Hungarian parties, wherever they may live.
- Establishing cooperation across the Carpathian basin in the areas of rural development, agriculture and food production; strengthening economic integration, and promoting business cooperation.
- Promoting cooperation between local development communities.
- Deepening the mutually beneficial partnership with neighbouring countries, contribution to the European representation of certain public policies together with neighbouring countries and with Hungarians living outside the country's borders.
- Developing special structural axes and territories that support cooperation within the Carpathian basin.
- Striving for coordinated transport infrastructure development in the Carpathian basin.
- Coordinated development of the education, health care and NGO relations as well as human infrastructure (especially but not exclusively in territories next to the borders); supporting cultural and community cooperation.
- Integration of large urban territories; supporting the joint management of cross-border agglomerations.
- Stepping up cooperation in the fields of environmental protection, water management and disaster recovery; striving for unified water management.

Increasing economic cooperation with Hungarians living beyond the country's borders

3.1.3.5 Regional development policy aspects

Transylvania's **Seklerland**, as the territory with the largest single area with Hungarian communities and the most Hungarian residents (on a county level), constitutes a real economic-geographical entity. Seklerland, with clear potential resources and a recognised cultural capital (traditions, knowledge of the Romanian language) has significant opportunities in several economic sectors (e.g. tourism, forestry, food industry, sustainable industrial capacities, trade). **As a compact economic entity, it has very good opportunities to build up a local and territorial economic system with strong internal markets as well as production and sales chains.** But competitive development also requires infrastructural investments that promote the territory's accessibility as well as Romanian and international relations. As another conditions to successful economic development, the territory needs a community that can identify and enforce its interests; and that community must have clear goals.

Also in an economic development sense, Seklerland is the prime single Hungarian territory beyond the country's borders

The territory's economic and social progress increases its autonomy and can greatly contribute to economic development in neighbouring territories and Romania as a whole. The development of Seklerland may also boost economic relations between Hungary and Romania, which would bring mutual benefits (to Hungary's economy as well) by promoting cooperation between the two countries' businesses and entering each other's markets. As another important benefit of these processes, the nationalities involved would peacefully co-exist and cooperate better. For these reasons, contribution to the solid economic foundations of Seklerland serves to fortify the territory's role as a bridge (in an economic and cultural sense, between Hungarians living in the Carpathian basin, and between Hungary and Romania); furthermore, it promotes a community identity and improved cultural ties within and between nations. The Hungarian-inhabited communities of the Csángó land are directly or territorially indirectly connected to Seklerland;

their economic weight is lower but they make an important cultural contribution to the spatial development framework.

In all territories and regions of the Carpathian basin, we should strive to launch and execute local and territorial development programs that promote a lasting and increasing Hungarian population, both in territories inhabited by many Hungarians and in areas where they are scattered.

3.1.3.6 Developing cultural and economic ties with Hungarian communities living in the diaspora

The role of **Hungarians living in the diaspora** (i.e. outside the Carpathian basin) has increased in Hungary's "nation strategy". Hungary and the Hungarian communities living in the Carpathian basin definitely count on Hungarian communities in the diaspora, including their intellectual potential amassed in the receiving countries and their cultural heritage, so that the general recognition and competitiveness of Hungarians around the world can be increased. Besides further developing cultural ties between scattered Hungarian communities and Hungarians in the Carpathian basin, increased emphasis should be placed on strengthening and extending economic relations.

More than before, we count on Hungarian communities in the diaspora

Development policy tasks:

- Implementing the Julianus program launched in July 2013, which identifies and organises tangible Hungarian heritage located around the world to demonstrate Hungarians' ability to create value, thus helping strengthen the identity of Hungarian communities in the diaspora.
- The Kőrösi Csoma Sándor Program, launched in January 2013, should be continued; in this program, young people receive scholarships to travel to communities in the Hungarian diaspora to help them keep and deepen their knowledge of the Hungarian language, and to provide them with up-to-date and factual information about Hungary.
- Strengthening the identity of youth living in the diaspora by helping them contact the country of their ancestors to learn about their family's history and understand their own identity.
- Increasing (better utilising) the bridging role of Hungarians living overseas so that Hungary can successfully enter the new markets identified in the country's foreign economic strategy, and so that Hungary and Hungarians are judged based on credible and factual information.
- Strengthening and unifying the information flow that is of key importance to the diaspora.

Strengthening the identity of youth living in the diaspora is a prime goal

3.1.3.7 Developing the territories inhabited by ethnic minorities

Ethnic minorities in Hungary have traditionally been living in concentrated geographical areas. The territorial policy is also aimed at preserving the languages, dialects, cultural values and identities of territories inhabited by many people belonging to ethnic minorities; and in connection with that, their economic and social progress should also be supported. Similarly to Hungarians living beyond the country's borders, our ethnic minorities can serve as bridges to their parent countries and minority groups in other states. The situation of ethnic minorities in Hungary is an important pillar of harmonic relations with neighbouring and more remote nations. Supporting the cultural, social and economic development of territories of clear minority character serves the emergence of an open and tolerant Hungarian society, and also territorial development in Hungary. Ethnic minorities'

Ethnic minorities offer strong connections that can be developed

identity can once again become a space- and group-forming power in regions where minorities still play a role (or have historically played a role). The domestic and international relations of these territories can be embodied in social and personal dimensions, as well as in institutional cultural cooperation. What is at least as important is that these territorial relations can also affect the economy, e.g. via economic cooperation with or investments by/in the mother country.

Development policy tasks:

- Preserving, developing and creatively utilising cultural identity as well as the cultural and built heritage.
- Strengthening mechanisms allowing for regional and local self-development.
- Economic and investment relations with the mother country (bridge role that may often have cross-border dimensions); cooperation between territories and communities.
- Promoting communities' local development programs. The goal is to turn internal fringe territories of ethnic minorities into unique and occasionally leading territories of national cultural and economic development, and to ensure that they offer people a safe livelihood and long-term chances.

Ethnic minorities as major factors of cultural and economic development

3.1.3.8 Developments close to the border and across the border

The special location of territories at the borders mean that two important aspects need to be taken into consideration when planning developments. On the one hand, the borders and cross-border cooperation **present opportunities** to connect to the economic and infrastructural systems of neighbouring countries, and to maintain ties between people within and beyond the country's borders. Hungary's role as a macro-regional hub can be strengthened by utilising these opportunities and maximising the cross-border effect.

Utilising the cross-border effect

However, the proximity of the border brings not only opportunities but also disadvantages. Due to their peripheral location, territories next to the country's borders have historically been lagging behind the central areas, and marginalised to some extent. Compensating for that effect, i.e. the **direct, targeted, integrative development of** the territories next to the borders is an important goal.

Compensating for the peripheral position

Main cross-border development goals

The review of the situation at the country's borders results in the definition of the main development needs and directions for each territory. The possible development goals next to and across the border can be grouped into three topics: development of economic relations, connection of networks, as well as the expansion of institutional cooperation and capacities.

Economic cooperation

The opportunities offered by the development of cross-border relations will be utilised and peripheral regions will be integrated at the same time, together with all measures aimed at economic development and growth. Connecting the two markets allows for increasing and streamlining the circle of suppliers and consumers in production and trade. This requires concerted efforts on both sides of the border in order to strengthen the weak points of the SME sector, actively develop intercompany relations, create a competitive business infrastructure network, improve access to business information, and jointly develop cross-border tourism destinations and hubs (on a TDM basis).

Economic growth
Cross-border business relations and infrastructure SME cooperation

Almost all border sections struggle with various levels of unemployment, and some have rather grave demographic issues. Balanced supply and demand in the labour market, and the availability of jobs (of satisfactory quality and wages) is a basic condition to improving people's quality of life and ensuring that counties at the borders can retain their population. Employment can primarily be increased by creating jobs, increasing the volume of sustainable and competitive production, and developing the service sector; cross-order business and labour relations can play a key role in that.

Job creation

Most border sections have research and development as well as innovation potential, while the actual cross-border R&D&I activity is low. Even though R&D is an area chiefly developed at a national and European level, the high number of knowledge centres (universities, research institutes) in border regions justifies the support of cross-border R&D&I developments with the involvement of the business sector.

R&D and innovation

Involving the private sector

The direct involvement of the private sector in developments is one of the keys to strengthening cross-border economic cooperation; and for that, it is indispensable to abolish the current administrative barriers. Abolishing the barriers to economic relations obviously influences market relations in a border territory and may harm certain businesses, possibly on both sides of the border. For that reason, development measures should be well-thought-out and designed in view of the mutual and long-term advantages.

Handling market competition

Connecting environmental and infrastructural networks

The biggest added value of cross-border cooperation is realised in topics related to the specific geographical area of border regions. Transportation, environmental protection, disaster recovery, and resource management are classic areas where the territories constituting one ecosystem should be managed as one entity, independently of state borders.

Transportation

Environmental protection

In counties next to the border, developing the transportation infrastructure and community transport is impossible without coordination and joint planning with neighbouring countries. The benefit of accessible and permeable border territories with good connections to European and national transportation systems can also be perceived in the fields of life quality and economic potential. A satisfactory transport infrastructure in border territories helps migration, connects neighbouring labour markets, and increases employment.

Long stretches of Hungary's borders are indicated by rivers. Most of the previous border programs have traditionally included successful river-related surface and sub-surface disaster recovery and water management topics. Cooperation programs aimed at the cross-border coordination of energy and waste management systems contribute to decreasing environmental damage and optimal resource allocation.

Water management

Energy independence

Cultural, ecological and active tourism

Joint development of environmentally friendly alternative transportation (waterways, bicycle roads), together with the coordinated utilisation and marketing of natural and cultural values (e.g. cross-border natural parks, cultural and theme roads) can constitute a big step towards increasing the touristic attraction of border territories, which also supports the achievement of economic development goals.

Expanding institutional cooperation and capacities

For successful cross-border cooperation, it is indispensable that the two countries' administrative and specialised institutions should cooperate, which in turn requires competences and capacities.

Cooperating public institutions – successful joint territorial development

Simpler measures that require less funding than economic development and environmental / infrastructural projects contribute to increasing the border territory's absorption capacity, to its better coordinated territorial development policy, and to more effective funds management.

Supporting the European Grouping for Territorial Cooperation is a key area of institutional cooperation. The European Union promotes the European Grouping for Territorial Cooperation (EGTC). This involves joint organisations created by central, county, regional or local institutions of two or more countries, which can act as institutional engines of cooperation. The institutional and legal framework provided by the EGTC allow for breaking down the administrative barriers to cooperation, and may directly contribute to making borders less perceptible from an institutional perspective. The EGTC activity may extend to all areas of cooperation, the establishment of joint institutions, the initiation and implementation of joint projects and integrated developments, the management of programs and integrated investments at the borders etc.

Supporting the European Grouping for Territorial Cooperation

“Human” cooperation initiatives, for example those aimed at establishing contacts between neighbouring communities, people, education and cultural institutions, or efforts aimed at getting to know each other's culture and language, can be social elements in the support of cross-border cooperation. In close connection with this, the intense involvement of minorities on both sides of the border in deepening relations between the two countries may increase the willingness and ability to cooperate, and may contribute to the enlivening of economic relations.

Cooperation of people
The key role of minorities

3.1.4 Development of a city network guaranteeing a multi-centred spatial structure

3.1.4.1 Priorities and aspects in the development of cities and urban territories

The **sustainability** and sustainable development of cities and urban territories is a basic condition to long-term progress as the population is increasingly concentrated in cities. It is for the same reason that European development documents support sustainable city development approaches (E.g. Leipzig Charter, Budapest Communiqué).

Sustainable city territory development

The complex social, economic and ecological challenges that cities face (e.g. the local consequences of economic recession, demographic crises, climate change) necessitate an **integrated** approach.

Urban territories as integration locations

Besides their role in the sustainability of the country, cities also have, due to their considerable economic weight, a huge responsibility in Hungary's economic growth and territorial development. Our urban territories must make an outstanding contribution to the country's **growth** and the achievement of targets of national significance, such as providing locations for competitive growth, reorganising local and territorial economies, decreasing Hungary's energy dependence, climate protection, employment growth, improving public health, and strengthening families and local communities. **Urban territories must make a major contribution to the country's economic growth**

The role of urban territories in growth

The following is a summary of sustainable, integrated city and urban territory development priorities and aspects:

Sustainable and harmonic urban-rural relationship

Urban and rural territories constitute one system. Urban centres perform new central functions which must be available to and accessible by all potential stakeholders. Besides their function as places of residence and recreation, villages next to cities

Urban-rural relationship

play a role in food supply and providing ecological networks of green belts and surfaces around cities.

Development policy tasks:

- Promoting **cooperation** between players in the city and its catchment area.
- **Preventing the spreading of cities**, i.e. uncontrolled growth; and preventing neighbouring settlements from becoming mono-functional residential areas or peripheries by developing them in an integrated and conscious manner.
- **Preventing built-in areas from merging.**
- **Making city centres more attractive.**
- **Stopping the decrease** in the size of ecologically functional areas.
- **Organising green surfaces into networks** (green belts), and extending them in a qualitative manner.
- **Ensuring access to central services** in cities: organising opening hours, providing parking spaces in the surrounding area; providing community and alternative transportation (accessibility on foot and by bicycles); introducing electronic services – mobile or installed.

Creating a sustainable and compact city structure

A compact city structure is an important basis for the efficient and sustainable utilisation of resources.

Compact city structure

Development policy tasks:

- Ensuring the **multi-centred** nature of large territories and city structures alike.
- Promoting intensive cooperation between the players in order to **reduce transport distances** and thus limit the spread of urban areas and maximise the efficiency of energy usage.
- Creating **sustainable mobility relations** in order to decrease the need to travel within and around cities; optimising the location of workplaces, residential areas, as well as service and transport networks.
- Rationalising transportation and ensuring its sustainability, **development of environmentally friendly alternative transport methods** (railway, suburban railway, bicycle roads, waterways where available, and a combination of these).
- **Inserting areas not built in**, green areas, and natural ventilation zones into the city structure.
- **Extending and improving the quality of green surfaces**, renewing the services and infrastructure of public parks, organising park networks.
- Preferring **brownfield areas** (unused industrial areas) to greenfield investments.
- Promoting territorially integrated, **complex heritage and value protection interventions**; sustainable utilisation of these items.
- Providing **clean public spaces** available to people of any age and income, which encourage physical exercise, a healthy lifestyle, and creativity.
- **Equal access** to natural, built and cultural **heritage**.

Decreasing energy dependence; climate protection

The basic causes and consequences of climate change are primarily related to urban territories. Even without the impact of global climate changes, the micro-climate of cities significantly differs from that of less urbanised areas, and due to climate change, these differences

Adapting to climate change in cities

may increase later. An approach focusing on the effect of climate change, and measures aimed at adaptability also present an opportunity for alternative economic growth and a higher level of environmental consciousness.

Development policy tasks:

- Applying **local regulations, taxes, financial incentives and investments** for city climate protection.
- Following the goals and principles of **green and blue economy**, and strengthening a local economy built on local resources.
- **Giving preference to climate-friendly architectural solutions.**
- **Developing environmental and efficient, energy-saving district heating systems; reconstruction of the existing district heating system.**
- Optimal space usage for **better access with less travel needed.**
- Establishing a competitive, safe and **climate-friendly city transportation system** with low carbon-dioxide emission and focusing on pedestrian and bicycle traffic; technological adaptation of services to climate change.
- Providing conditioning green surfaces in order to mitigate extreme micro-climatic conditions.

Handling demographic changes (decrease in city population); fortifying families and local communities

Comprehensive, integrated intervention is necessary to manage the demographic problems of cities, especially focusing on the creation of adequate jobs via employment and social integration. Even within the same city, the economic and social opportunities of certain territories may vary considerably, together with the possibility to change environmental quality. **Cities and the affected organisations must be prepared to satisfy new needs arising from the changing age structure of society.**

Complex solutions to demographic challenges

Cities and the affected organisations must be prepared to satisfy new needs arising from the changing age structure of society and must also discover the opportunities offered by that change. At the same time, **policies aimed at a better balanced age structure** (including family-friendly policies) should be supported starting from the local level, together with measures aiming to increase economic activity.

Creation of family-friendly cities

Development policy tasks:

- **Implementing local labour market programs** in order to avoid the loss of workforce due to aging and migration.
- Applying mechanisms that result in **mixed residential areas** from the perspective of age, family structure, and social composition.
- **Providing new and higher-quality services to the aging population** (social provisions, health care, transportation, accessibility etc.)
- **Executing cultural and social programs that develop the community.**
- **Increasing social tolerance; promoting the acceptance and social integration of immigrants.**
- Providing accessible child welfare and family education, social and health care services of the required quality and capacities.

- Creating a **family-friendly employment and workplace environment**, and providing wide-ranging remote work opportunities.
- Creating an **accessible, family-friendly environment**, and strengthening a family-friendly social environment.
- **Making the local society aware of the importance and role of child-bearing**; increasing the recognition of parents, supporting and promoting examples of family-friendliness.
- **Increasing public safety** in the design of the built environment, via social collaboration; occasionally, promoting the usage of info-communication and space information tools and systems in urban territories in order to increase confidence and safety.
- **Community- and society-oriented** city development.

Stopping and preventing the decline of dilapidated districts

Cities are facing considerable challenges; unemployment and social exclusion present especially grave local social risks. In order to prevent the continued isolation of certain groups of society or even entire cities, not only is it necessary to create jobs for the highly educated, but work opportunities for less qualified people also need to be extended, and attention should be paid to improving the social, education and living conditions of disadvantaged people, and especially those who live in dilapidated parts of the city.

Preventing segregation in declining districts

Development policy tasks:

- **Developing the education, training and cultural opportunities** of the local community; defining pro-active policies focused on children and young people.
- **Renewing the physical environment**
- **Preventing the emergence of segregated areas**; effectively managing the existing social problems.
- **More effective city rehabilitation activity** and introduction of new programs, and especially the following:
 - sustainable rehabilitation of public premises; sample projects aimed at complex, functionality-extending city rehabilitation focused on the renovation of public premises;
 - sample projects aimed at social rehabilitation;
 - preparations for a sample project aimed at providing apartments to be rented from the municipality;
 - sustainable, environmentally conscious investments improving the everyday lives of communities.

Cooperation based on multi-level government

As a characteristic trait of Hungary's local municipality system every geographically independent community has its own local self-government with a high degree of independence and wide-ranging responsibilities. The connections between a city and the surrounding area can be coordinated **at territorial governance levels**; however, this is not really the case in Hungary. The main elements of multi-level government: joint planning and management of communities connected by real processes and functions, and constituting an urban territory; decision-making based on providing systemic information to all cooperating stakeholders; and mutual cooperation between the various territorial decision-making levels.

Cooperation between territorial levels

Development policy tasks:

- The **urban development activities of government organisations** should be better coordinated and integrated.
- Promoting **cooperation** between cities and the surrounding areas in **strategic and operative issues** (landscaping, joint developments); encouraging **joint planning** by communities.
- Strengthening the **coordination of integrated planning** locally and at the level of urban territories; defining **institutions and tools** that support the harmonic development of urban territories and are necessary for coordination.

Strategic approach

Cities play a major role in the realisation of national, regional and local economic and social policy goals, so increased emphasis must be placed on them in development policy.

Strengthening a strategic approach

Development policy tasks:

- **The preparation of integrated urban development concepts and strategies, and the joint design of urban territories must be encouraged.**
- **Including urban climate planning considerations, as a horizontal aspect, in various sectoral and planning programs of the city.**
- Establishing a **wide-ranging, regular and transparent partnership in city planning**, with the involvement of residents as well as civilian and economic players.
- **Monitoring** of urban development results; regular strategy review and updates.
- **Increased action area-based approach:** sectoral interventions in the individual action areas and between city districts must be coordinated.
- **Demand-oriented urban design** and development that reacts to the needs of the target groups that use the city.
- Promoting **territorially integrated**, complex **heritage** and value **protection** interventions; sustainable utilisation; managing our values and the environments they are located in.

Local and territorial economic development

In today's globalising world, those **local communities** can be successful that recognise their local characteristics and values, and carry out sustainable development based on them. For an effective and sustainable territorial management of decreased dependence on external factors, those initiatives should be given priority that fit into their environment, utilise the local resources in varied ways, and keep the income in the territory.

Local economy and global relations

Development policy tasks:

- **Defining the aspects of the sustainable development of local economic relations**, especially concerning efficient resource utilisation and decreased mobility needs.
- **Community development**, promotion of local initiatives.
- Promotion of local economic **cooperation** and the production and the production and sale of **goods** within the territory.

- **Food supply** to the city and its territory from local and territorial sources.
- **Providing market locations** in the city for the sale of goods from the territory.
- **Promoting local economic development activities of the local municipality.**
- **Establishment and development of a social economy.**
- **Establishment of local training.**
- **Job creation** in the suburbia.

Strategic urban territorial development

Preparing and implementing nationally coordinated **urban territorial development strategies especially in the field of economic development**, involving urban economic aspects based on the specifics of the city in question, in order to boost national economic growth, as follows:

Urban territorial economic development strategies of national significance

- **Specific city visions** must be defined that promote an **integrated strategic approach** via unified coordination and in line with territorial and economic aspects, where local communities of similar characteristics form more effective and sustainable systems through joint planning and development (instead of acting against each other's development measures) in agreement with representatives of local society and in view of **the preferences of the groups that use the community.**
- The visions of our cities (and primarily big cities) should constitute the basis for **planning and implementing strategic economic developments** along key local sectors and topics, in cooperation with the government, large corporations and research facilities, thus establishing territorially decentralised pillars for domestic growth.

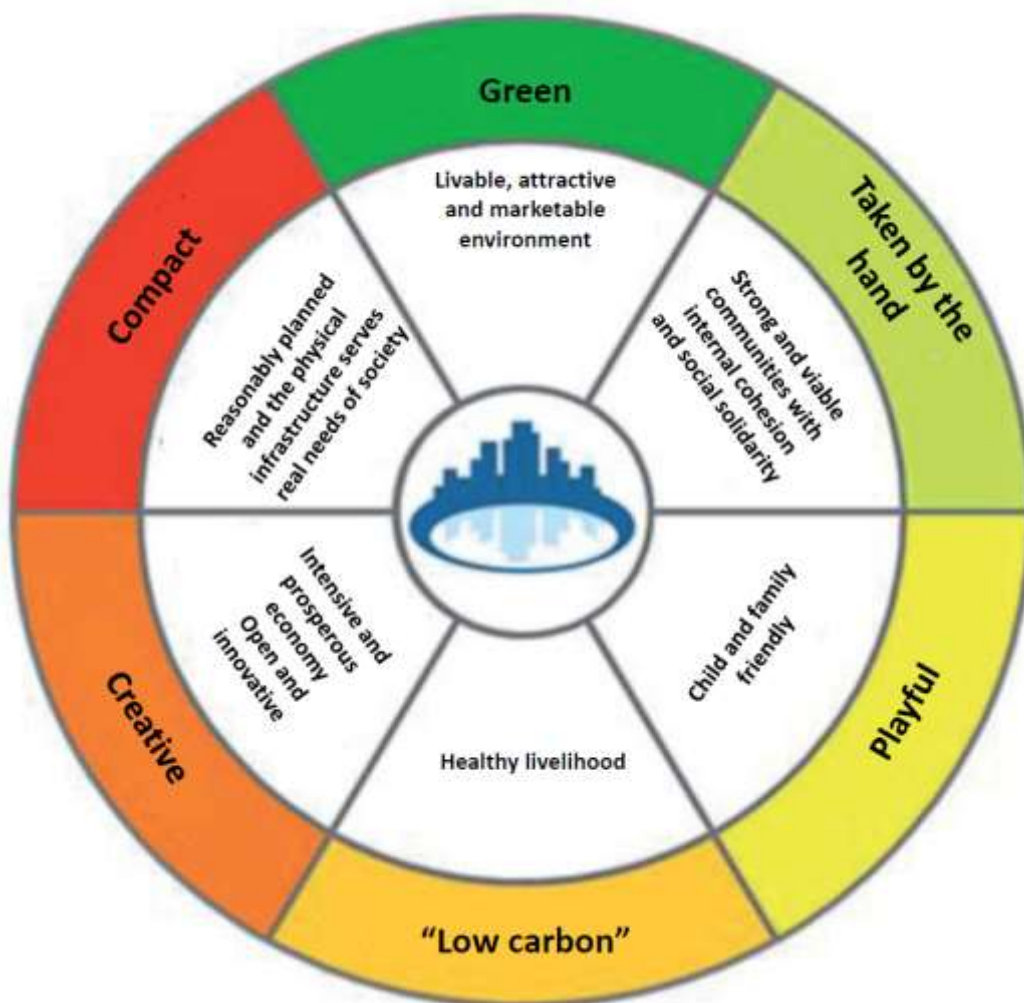


Figure 37: Basic elements of a successful urban strategy

3.1.4.2 Multi-centred urban network development

Ensuring multi-centred development is one of the main challenges in today's territorial development. Decreasing the excessive weight of Budapest is an increasingly urgent task in Hungary's territorial policy. At the same time, the local and territorial economy must be enlivened, and innovation capacities and social welfare must be increased. **Achieving these targets requires an urban territorial planning process with a network approach that covers the entire country and takes the characteristics and opportunities of communities into consideration.**

Urban network development aspects:

- making the country multi-centred
- ensuring a decentralised spatial structure
- ensuring a network-based spatial structure

3.1.4.3 Developing Budapest and the metropolitan territory

Several development indicators of the Budapest urban territory are outstanding compared to other large cities in the European Union: the per-capita GDP (at purchasing power parity) exceeded the EU's average by 40.8% in 2010. Budapest's outstanding performance affects the entire urban territory; the per-capita GDP in the Central Hungarian region exceeded the EU's average by 5.5% at purchasing power parity in 2010. The international significance of Budapest is doubtless; as to its opportunities, the capital and the surrounding territory still offer considerable development potential as the only region in Hungary that can become a hub in the globalised economy ("potential MEGA").

The urban territory of Budapest, including the agglomeration area, the neighbouring parts of Pest county, as well as the "inner ring" towns and cities that can be reached within one hour, has about four million residents; this, and the territory's economic performance, constitute an urban concentration that is significant on a global scale. Thanks to its geo-political position, Budapest is also the centre of the Carpathian basin region, and can become a gateway in Europe's eastward opening. Thanks to its outstanding location from the perspective of transportation, Budapest has become the prime macro-regional driver of technological, intellectual and financial development, and has always been the main engine of the country's internal development. The endogenous results of domestic development are the most apparent in Budapest. A special network role is one of the prime pillars of long-term and sustainable development. Thanks to its importance in society, economy and spatial structure, Budapest and its large territory require specific development measures and tools. For the harmonic development of this metropolitan territory, cooperation with the surrounding environment (the agglomeration) is indispensable.

In the 21st century, globalisation, the information society, as well as growing and changing environmental burdens are the main challenges that require creative adaptation. Careful utilisation of the local resources (creative human resources, geopolitical location, an extended network of cultural and public education institutions, a lively cultural life, varied social characteristics etc.) and a sustainable management of values can contribute to addressing the above issues. For the sustainable development and strong competitive position of the city and its territory, a comprehensive strategy is needed so that the best breakout points can be defined.

Hungary needs a capital city that, together with the metropolitan area, successfully participates in the global division of work and constitutes a hub in Europe's opening towards the east and the integration of the West Balkans; a city that is a highly attractive place to live and do business; and a city that shares its national tasks with other cities, thus supporting the country's multi-centred development.

The values of the architectural and cultural heritage of the capital must be preserved and used as resources. In addition, the role of Budapest as a cultural centre must be strengthened. Value-based, integrated and innovative urban development is an important task.

Potential breakout points:

- **Budapest as a European hub:** due to its central location and role, the city is both a gateway and bridge for east-west and north-south flows. Budapest should be a strong member of the European city network.
- **Budapest is a city region, a centre of the cultural and knowledge industry:** Due to its traditions, Budapest considers high-added-value developments, the utilisation of R&D potential, talent development, and expanding the creative and knowledge industry highly important.
- The Budapest **economic region** as an ideal business environment: The continued development of the city's infrastructure as well as legal and economic environment can spur investments.
- **Budapest as a liveable city territory:** the capital offers its residents attractive conditions for success, as well as good access to culture, education, health care and other services.
- The unique nature of the capital should be strengthened, with special regard to the values of the built heritage, which should be filled with cultural and intellectual content.
- The cultural and touristic resources of the World Heritage district with the connected Grand Boulevard and the adjoining areas should be utilised and developed.

Development policy tasks:

- The unified Budapest economic region must cooperate with the territory's local self-governments (county, capital, district, city/town) and the central government according to the principle of multi-level governance.
- Coordinated, network-based community development based on well-planned, concerted, strategy-based territorial development. The region's territorial and community planning as well as taxation, investment and community transport policies should be interpreted as joint actions by Budapest, the agglomeration communities, the "inner ring towns", Pest county, and the adjoining counties.
- Exploiting, spreading and coordinating the radiating effects of Budapest's development should be promoted in the neighbouring territories. In order to strengthen synergies, the internal and external spatial structure should be balanced in a multi-centred manner, especially considering the relationship between the central city and the "inner ring towns", and between the capital and the agglomeration.
- More active and systemic dialogue between the government, the capital, its districts, businesses, NGOs and residents is necessary.
- A self-sustaining city management system should be established.
- Budapest's role as an international economic organisation entity should be strengthened (attraction of the financial services and R&D sector, the knowledge industry, and high-tech industries).
- Strengthening Budapest's role as a gateway towards the European Union, the Balkans and East Europe – opening towards southern and eastern cities.
- Utilisation of Budapest's location at the hub of international market routes (e.g. through the creation of a macro-regional logistics function).

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- Utilising the development opportunities offered by the EU's Danube Strategy.
 - Strengthening Budapest's role as an international centre of tourism and culture. Value-based preservation and development of the city's unique character.
 - A balanced system of green surfaces in the entire large region; formation of a "green ring" with ecological and recreation functions (Buda mountains, Pilis, Visegrád mountains, Gödöllő hills, Ócsa national protection area, are at the Danube, Tétényi plateau etc.); preventing the physical merger of communities in the agglomeration.
 - Creating a healthy environment, preserving our values; varied space usage and efficient city structure; and a transportation network effectively supporting and serving the city structure. Intelligent transport system.
 - Increasing contribution of surface and sub-surface waters to health preservation, medical tourism, and a healthier and more liveable community environment. Developing the natural connection between the city and the river Danube.
 - Creating a ring of touristic heritage sites around Budapest by utilising the existing built values.
 - The region should be one of the centres of Europe's green and blue economy. Efficient energy usage and effective climate protection.
 - Decreasing social tensions and segregation in certain districts of the capital, as well as in Budapest and its territory (unifying social services and financial support forms). Creating an accepting and supporting society.
 - Providing a family-friendly environment and (public) services, as well as family-friendly work conditions (e.g. extending the possibility of remote work by developing the digital infrastructure).
 - Flexible housing structure.
 - Developing the road and railway infrastructure as well as community transport connections of the "Budapest Business Region" with concerted transport schedules and a unified tariff system. Establishing an intelligent transportation system. The transportation network should strive to effectively support and serve the city structure.
 - Re-interpretation of the delineation of the Budapest agglomeration area.

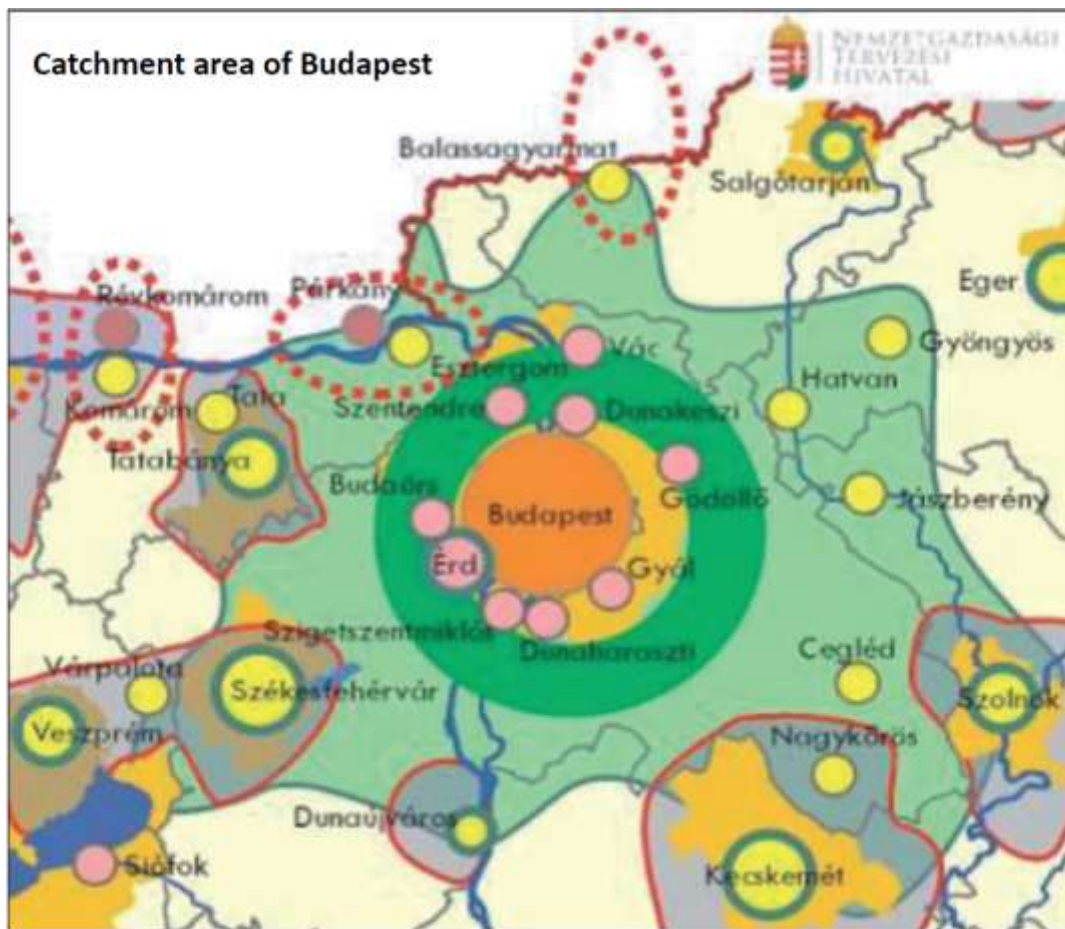


Figure 38: The catchment area of Budapest

Budapest as a capital of international significance

Due to its outstanding population and population density as well as its important role in the country's transport network, central public administration, economy and innovation, Budapest has several characteristics, opportunities and problems that are unique in the country. **Managing these opportunities and problems and defining the relevant development policy are responsibilities of primarily the Budapest and district self-governments, with support to be provided by the central government.** Typical challenges for European cities should be noted, such as the often ethnical segregation of low-income population, preparations for a demographic crisis and climate change, traffic organisation, and the creation of a city structure that is investor-friendly, sustainable and liveable, and protects our heritage. (Close cooperation with the agglomeration area is also necessary, especially concerning the latter two items.) That is why Budapest, just like each county, is discussed in a separate chapter in the NDTDC document.

From a national perspective, it is especially important that **Budapest should be able to coordinate and serve the country's international relations** in harmony with its own development needs and directions. **As part of that, Budapest should become the nation's capital**, also across Hungary's borders. A place that has an important meaning to all Hungarians. The capital's attraction should be expressed especially by access to the highest public administration and service functions, to economic organisation entities, as well as to Hungarian and international cultural services, and by the possibility for anyone to connect to the rest of the world. One of the considerations when developing the capital should be that **every citizen should have simple access** to nation-wide services, regardless of the territory or community they live in. Until the excessively Budapest-centred transport system is changed, the capital must act as a "turntable" that provides convenient connections to people and goods travelling in Hungary (and the Carpathian basin), while ensuring that the city and the agglomeration area remain liveable places. Considering that Budapest must provide convenient transportation connections, it is indispensable to re-think the role of railway terminals and develop their public transport connections and capacities; also, the shortest possible connections must be created for east-west travel within the capital.

Pest county and the agglomeration area: for a coherent metropolitan territory

The Budapest agglomeration is a unique metropolitan area in Hungary, both in size and functions, with special challenges and opportunities. The agglomeration area is primarily located in the northern parts of Pest county, but several communities in neighbouring counties also have daily connections with Budapest. **The agglomeration area faces the challenges also experienced in the direct catchment area of large European cities.** The first such challenge is **transportation**, which serves the needs of huge masses; in the case of Budapest, transit traffic arising from a centralised national transport network adds to the burdens caused by the traffic attracted by Budapest and by connections within the agglomeration. Another issue involves the construction of **too many buildings** and the **merger of neighbouring communities**; these processes are insufficiently coordinated strategically and regionally, which results in unsustainable land usage (with a scarce ecological and recreation network, as well as a damaged landscape and cultural heritage); residential and production / service **functions are mixed in an unfavourable manner, and real community centres are missing.** Furthermore, the territory has the best demographic characteristics, which creates major **challenges for the public education and training system.** The challenges faced by the agglomeration can only be resolved through the **coordinated cooperation** of communities and counties.

Even though most communities in Pest county are outside the agglomeration, all of them may join the **active and specialised urban territorial economic development** initiatives at some of the “inner ring towns” located on the brink of the extended business territory around Budapest. This is indispensable if the metropolitan area is to become a real economic entity, and if its economic development is to become multi-centred, better balanced, and ultimately faster. Obviously, the above must not result in the geographical expansion of the urban area; in fact, the **green ring** serving the recreation and health care needs of the urban population can basically (but not exclusively) be further extended in certain parts of Pest county.

At the same time, **Pest county is a complex development territory** in itself, with its own needs and issues in addition to its connections to the agglomeration and the “inner ring towns”. **Here, too, the communities must organise their territory’s** public services and administration as well as the local economy; and the problem of socially, economically and infrastructurally **underdeveloped territories** (in national comparison) exists in Pest county as well. The chapter dedicated to Pest county in the NDTDC details these county-level developments as well.

3.1.4.4 Developing the inner ring’s towns based on their own specific images

The capital and the Central Hungarian region are surrounded by a ring of smaller cities that can be reached from Budapest within one hour and can be considered as economic centres boasting remarkably dynamic development. Thanks to their favourable geographical location and strong infrastructure, these cities are themselves viable territorial centres with their own catchment areas of varied sizes and profiles. If they can be organised into a real network through further improving their accessibility and infrastructure, that could mutually strengthen the already varied connections between Budapest (including its direct territory as the main hub) and the surrounding ring of towns and cities. Based on pre-defined priorities and the existing economic opportunities, **city profiles** must be compiled, and their implementation must be supported.

Potential breakout points for cities of the inner ring around the capital:

Kecskemét, a renewing agricultural city, wishes to become a modern centre of services in the Plains region by renewing its industry, agriculture and food production, and by relying on growth sectors (auto industry, food production, electronics), with innovative industries such as machine and vehicle manufacturing (“Daimler City”), food production, logistics, and culture. The territory extends beyond the direct catchment area of the city, and includes the potential logistics area at the agriculture, food production and transport hub near Nagykőrös and Cegléd.

In addition to further developing its successful sectors (electronics, tourism, machine manufacturing, food production), **Székesfehérvár** plans to focus on the following breakout points to fortify its already strong position in Hungary, with the slogan “tradition and innovation in the city of kings”: mechatronics, auto industry, information technology, electronics, logistics, innovative and creative industries, and specialised tourism. This should not diminish but complement the city’s central territorial development functions and contribute to providing the necessary economic foundations. The territory extends beyond the city’s direct catchment area, for example to the industrial area at Várpalota and Pétfürdő, or the recreation area near the Velencei lake.

With the slogan “Capital city of the river Tisza”, **Szolnok** is the centre of the Central Tisza region; it strives to strengthen its status of a liveable regional sub-centre exhibiting sustainable development. The „T-City-Szolnok” program represents significant steps in ICT-based urban and economic development. Besides maintaining and developing its traditional strengths (processing industry, trade, logistics, telecommunications, food production, paper manufacturing, chemical and pharmaceutical industry, electronics, auto industry), Szolnok has additional potential breakout points such as logistics, industry, tourism, and info-communications. The territory extends beyond the direct catchment area of the city, and includes the industrial, agricultural and food production areas at Abony and Törökszentmiklós.

Tatabánya, a renewing city, is the economic centre of Komárom-Esztergom county, a competitive, family-friendly community that supports innovation and investments and continues the infrastructural and economic investments necessary to maintaining the results achieved, while taking into consideration landscape and environmental aspects as well. Key existing industries: auto industry, tyre manufacturing, electronics, machinery, medical equipment manufacturing, environmental technology; main breakout points: processing industry (machinery and electronics, high-tech industry), logistics. Tatabánya, which is the centre of a city network consisting of Oroszlány, Tata and Komárom, is the engine of the county’s economy.

Dunaújváros, a renewing and liveable industrial city, wishes to develop from a mono-structural industrial centre into a territorial centre of innovation and services, with the following breakout points in addition to the traditional sectors (industry, metal foundry, food production, tyre and paper manufacturing): R&D&I, knowledge-intensive and innovative sectors, specialised iron and steel manufacturing, logistics, business and conference tourism.

Salgótarján, the “old-new city embraced by mountains”, defines itself as an attractive mid-sized city that is ready for renewal; in addition to the existing industries (metallurgy and construction industry, glass manufacturing, auto industry), it shows additional potential in high-tech industries, the auto industry, glass manufacturing and tourism. Beyond the city’s direct catchment area, the territory includes, for example, the industrial area in the valley of the river Zagyva.

Vác is an atmospheric, open small city that aspires to become the intellectual, industrial, commercial and touristic centre of the left side of the Danube Bend. Besides its existing strong sectors (rubber industry, electronics, tourism) developments in the fields of logistics and trade are considered as breakout points, as they allow for remote work. The territory extends beyond the direct catchment area of the city, and includes the recreational and industrial areas near Rétság, as well as the service and transport area around Balassagyarmat.

Due to its history, **Gyöngyös** is called “the city of grape and wine”; thanks to its existing active sectors (energy production, chemical industry, machinery, trade, electronics, logistics, tourism, fruit growing), it is the second largest economic centre in Heves county after Eger; besides higher competitiveness in the existing fields,

the goal is to introduce diversified tourism and innovative industries as breakout points. Hatvan is the key traffic and potential logistics hub within its territory.

Esztergom defines itself as a strengthening mid-sized city with institutional functions complementing the capital's, which is also the centre of cross-border cooperation; the concept of a competitive city based on knowledge and work is in line with that vision. This is based on the existing main sectors: auto industry, electronics, machinery, logistics, rubber industry, with R&D&I and auto industry to be introduced or upgraded. The city's catchment area includes almost 50 towns, some of which are located in Slovakia (Ister-Granum EGTC) Esztergom is clearly a city of increasing importance and a territorial labour market hub. Due to its cultural and architectural values and special ecclesiastical role, Esztergom has major tourism potential; it is the "western gate" of the Danube bend, and also an integral part of the industrial region next to the Danube.

Jászberény's recent economic success, including job creation and industries (machinery, chemistry, thermal tourism) can be maintained, while innovative industries are supported and tourism will be upgraded as breakout points allowing for sustainable and dynamic growth. Veszprém and Eger the territories of the large cities of the inner ring are geographically and functionally separate from the territories of the cities of the inner ring. They are located along the axes connecting the external and the internal cities.

Veszprém, historically considered "the city of queens", strives to become the most liveable city in the Central Transdanubian region; the industries present include the auto and furniture industries, food production, construction and electronics, while knowledge-intensive R&D&I, tourism, the environmental industry ("ecopolis") and the chemical industry are deemed as breakout points. As a result, the inner city ring, with highly industrialised Western communities where higher education is also present, may in the later future constitute a territory of significant knowledge together with Győr and Budapest. The territory exceeds the direct catchment area of the city, including for example the recreation area in the East Balaton basin, and the industrial areas at Várpalota.

Eger, as "the city of quality", wishes to provide high-quality living conditions by creating an economic structure that supports that goal. In addition to the current major sectors (auto industry, machinery, telecommunications, steel production, retail trade), industry, logistics, tourism as well as wine and food production are deemed as breakout points.

Territorial development goals in the inner ring

- Community transport network development: connecting the cities of the inner ring in order to reduce the burdens of the capital.
- Implementing an economic development policy that strengthens the existing, marketable logistics functions of the cities, in concert with the development of industrial and brownfield areas in the Budapest agglomeration.
- Creation and development of R&D and education institutions in line with the economic profiles of the cities.
- Establishing clusters and suppliers' networks based on the connections and division of labour within the ring.
- Establishing a community transport system that helps people commute between the capital and communities in the agglomeration and the ring.
- Environmental developments to mitigate the effects of the increased environmental load caused by traffic and industry, e.g. improved noise prevention and environmental security. Preventing the merger of communities, and providing recreation zones between urban areas.

- Building a “Budapest Business Region” in cooperation by the inner ring cities, Budapest and the agglomeration, with joint territorial planning, and concerted tax investment, innovation and transportation policies and developments.

3.1.4.5 Key urban territorial developments in the external ring

Developing Hungary’s economy necessitates support policies involving a stronger territorial approach with concrete content; for that purpose, the primary scenes and networks of growth must be identified. This means cities that offer outstanding business locations to existing and potential investors, that constitute dynamically growing areas in Hungary, and that are embedded in the surrounding territories.

As one of the tasks for the 2014-2020 period, a group of cities should implement a complex territorial economic development program with a thematic focus defined by the national economic policy and in line with the local characteristics and plans, so that their existing strong economic functions can be upgraded for a stronger role as a hub in their wider territories and in the country’s economic spatial structure.

Key breakout points supported at a national level are needed which are not aimed at using the current tools (funds) but outline the development goals that give these cities and their territories unique development opportunities based on a realistic assessment of their situations. Strategic directions must be defined especially for cities that stand out based on their current economic functions. City profiles must be prepared based on the defined priorities and the existing economic opportunities, and the implementation of those profiles must be supported.

For the success of the special, coordinated and nationally supported urban economic strategies of the external city ring, that ring must be developed with a network approach; specifically:

- Large cities of national and international significance (Győr, Pécs, Szeged, Debrecen, Miskolc) must be given special development focus in order to spread the growth; their national institutions must be developed, and their roles as international gateways must be extended.
- The road and railway infrastructure between the cities in the ring must be developed; towards Budapest, that development must focus on community transport.

Economically important cities in the external urban ring:

Most of the urban territories preliminarily identified as growth areas based on the calculation of their economic power (using chiefly economic indicators) are Hungary’s largest cities (cities with county rights); major multinational processing companies have played an important role in changing the economic structures of these cities, and these corporations constitute important orientation points for the background territories as well.

Debrecen aspires to become a “healing city” by establishing a renewed economic structure based on the health care industry. The following strong sectors may help achieve that goal: food production, chemical and pharmaceutical industry, machinery, electronics, information technology. Breakout points: knowledge-intensive industries, biomass utilisation, chemical industry, creative sectors, tourism, logistics, medical equipment manufacturing, food production. The catchment area of Hungary’s second largest city includes the entire Hajdú-Bihar county as well as territories near Nyíregyháza and Oradea (located in Romania), which offer various cooperation opportunities. Debrecen is a city of outstanding national significance and an international gateway (e.g. international airport); it could be home to national institutions.

Szeged, “the city of sunshine”, is interested in creating a comprehensive “biopolis”; that aspiration is supported by the local food industry, tourism, oil mining, chemical industry, rubber industry and energy production, with R&D&I industries, logistics and tourism seen as breakout points. Szeged’s catchment area covers almost all of Csongrád county, and the city can also participate in international cooperation with the areas near Timisoara (Romania) as well as Novi Sad, Subotica and Senta (Serbia). Szeged is a city of key national significance and an important international gateway; it could be home to national institutions.

Miskolc, as the city of open doors, wishes to be the city of *communities, opportunities and experiences*, creating Borsod county’s “*Nanopolis*” relying on breakout points such as knowledge- and high tech-based sectors (material sciences, mechatronics) as well as the cultural industry and tourism. The current local industries (logistics, machinery, chemical industry, pharmaceutical industry, steel and auto industry) provide a strong basis for that. It may integrate primarily the valleys of rivers Sajó and Hernád and, when strengthened, can expand towards Kosice. Miskolc is a city of international significance, an international gateway that could be home to national institutions.

Pécs, the city of culture, is repositioning itself to utilise the existing local logistics, construction industry and tourism, and take advantage of culture, tourism, an innovative health industry, environmental protection technologies, machinery, and electro-technology as breakout points. The territory includes, besides the direct catchment area of the city, to the Baranyai and Villányi hill regions. Pécs is a city of key national significance and an international gateway, and could be home to national institutions.

In **Győr**, “the city of rivers and meetings”, the future is built around health, culture and innovation. As Hungary’s vehicle industry centre, the city has electronics, information technology, auto industry and machinery companies, with the following breakout points to be introduced or fortified: vehicle industry, R&D&I-intensive sectors, tourism, health industry, logistics, sports economy, culture, and creative industries. Győr and the surrounding area is one of Hungary’s few territories integrated into international cooperation (Vienna-Bratislava), but its direct catchment area in Hungary includes the Szigetköz and Rábaköz areas to Bakonyalja, and reaches the neighbouring Komárom-Esztergom and Veszprém counties. Its cross border catchment area extends to Csallóköz and Mátyusföld in Slovakia. It is a city of key national significance and a very important international gateway that could be home to national institutions.

Nyíregyháza, located close to Hungary’s borders to three neighbouring countries, is the *Gateway to the East* as a dynamically developing economic and logistics centre. Its current major industries (plastics production, household electronics, rubber manufacturing, auto industry, construction industry) could be completed with international logistics, commercial and financial services, R&D-intensive sectors, and tourism. The city is the natural hub of the Nyírség and Szatmár territories, with close ties to the Ukrainian region around Munkachevo.

In view of its characteristics and history, **Szekszárd** deserves the title of the “*city of wine and culture*”, but it also relies on the dairy industry, wine production, textile industry, metal processing, and the construction industry, as well as the results achieved in knowledge-based sectors and the auto industry. The city’s logistical importance may also increase due to the new junction of the M6-M9 motorways, while the local tourism can be developed with wine, water tourism, hunting and ecology in mind. The direct catchment area of the city is complemented by certain communities of the Szekszárdi-Geresdi hills as well as the area of Sárköz and, to a lesser extent, Völgység. The effect of Szekszárd can be felt along the Danube from Paks to Mohács.

Szombathely aspires to strengthen its role as the *cultural, scientific and education centre of the Austrian-Hungarian border region*, with machinery, retail trade, auto industry, textile industry, wood processing, and tourism; the envisaged breakout points include ICT, logistics, the sports economy, and diversified tourism.

The territory expands beyond the city's direct catchment area to the Répce-Rába region (from Bük/Kőszeg to Szentgotthárd), and potentially the area near Felsőőr.

Kaposvár's slogan is "*healthy food from cropland to table*"; the city wishes to become a health-conscious community thanks to the local food, machinery, textile and construction industries, as well as logistics and retail trade; the breakout points include logistics (at the Taszár air base), trade, bio- and nanotechnology, electronics, creative sectors, and tourism. Beyond the direct catchment area, the city primarily integrates the Zselic and Outer Somogy areas, with close cooperation with the city of Dombóvár.

Békéscsaba, "Hungary's pantry", wishes to be a centre of food production and processing and gastronomic tourism thanks to the existing sectors, i.e. the production of construction materials, textiles, machines, and printed matters; breakout points: restarting the milling industry, gastronomic tourism, stronger cross-border ties, enlivening the local economy, spurring investments, and strengthening the county seat's functions. Cities in the closer catchment area: Békés, Sarkad, Gyula, and the area near the river Körös between them.

Zalaegerszeg also focuses on the quality of life. With the motto "*Love at first sight*", the city's few existing industries (food production, wood processing, furniture manufacturing, electronics, construction industry) should be strengthened and diversified with several breakout points, such as the vehicle industry, electronics mechatronics, wood industry, furniture manufacturing, environmental technologies, alternative resources, health and medical tourism, and logistics. The territory includes, besides the city's direct catchment area, the communities in the Zala hills; and Zalaegerszeg maintains close cooperation with the Eastern tourism territory of Keszthely/Hévíz. Cooperation with the industrialised territory at Szombathely and Szentgotthárd also presents opportunities.

Sopron, the "most loyal city", sees its future in development based on local cooperation; economically, this is supported by the following local sectors: construction industry, processing industry, machine industry, wood processing and paper production, furniture manufacturing, food processing, electronics, logistics, and tourism; the breakout points include tourism (especially medical and health tourism, active tourism, as well as gastronomic and wine tourism), and R&D-intensive sectors are also expected. The connected areas include, beyond Sopron's direct catchment area, the Fertő lake / Hanság area (stretching to Eisenstadt in Austria) and the "feet of the Alps" near Kőszeg.

Nagykanizsa, located at the gateway of several regions, intends to be a sample city in renewable energy utilization. It has energy-intensive sectors (metallurgy, industrial machine manufacturing, furniture production, processing industry, energy industry, tourism, food production); the related breakout points are R&D&I sectors related to renewable energy and other fields, as well as logistics and tourism. Beyond the direct catchment area including the border section from Csurgó to Letenye, closer territorial ties in the direction of Csáktornya and Lendva can be forged.

Hódmezővásárhely aims at the position of the artists' city of the Plains region and the "Sophia Antipolis" innovative centre of the Southern Plains area; in addition to the existing industries (construction, agriculture, machinery, textile and ceramics industry, retail trade), the following breakout points are in focus: creative sectors, culture, ceramics, textile industry, innovative sectors, and tourism. The city's natural cooperation area lies in the rectangle between Szeged, Makó, Orosháza, Szentes and Csongrád.

The slogan of **Ózd** is "*more than a city, more than a place to live*". The municipality aims to create an economic environment based on sectors emerging from the recent industrial restructuring (foundries, steel manufacturing, machinery, textile production, electronics, fine mechanics) as well as on certain identified breakout points (modern processing industry, utilisation of industrial heritage, creative sectors and culture (National Cultural Documentation and Logistics Centre, tourism).

Beyond the direct catchment area, the city could open towards Putnok and neighbouring areas in Slovakia, near Rimavska Sobota and Roznava.

Development goals for the urban territories of the external ring

- Innovation-based economic development, improving the quality and quantity of the trade and service potential, with regional (occasionally national and international) economic impacts and ties, as well as employment attraction within the county and occasionally the region.
- Relocation of national public authorities into cities outside the capital.
- Giving emphasis to these territories in economic policy; improving the investment environment. Supporting sectoral structures and a division of labour between cities in line with their established production opportunities and resources; defining coordinated urban economic profiles.
- Helping territorial centres connect to international (metropolitan) networks; promoting the exchange of development and planning information between the economy, research and development, and education (international training forms and research at university centres).
- At an international level, strengthening the image of the central city and defining its own image; improving the quality of urban environment, and promoting increased local marketing and brand building efforts. Creating high-quality jobs in the territorial centres in order to retain labour.
- Developing the multi-level access system necessary for the functions that activate the central city and its territory along the ring (via infrastructural development) and towards the capital (mainly via community transport organisation).
- In justified cases, strengthening functional sub-centres in city catchment areas (according to each city's role in public services and employment).

3.1.4.6 City territories of (potential) national significance

This category includes **Miskolc, Debrecen, Szeged, Pécs** and **Győr**, as well as **Székesfehérvár** due to its economic power and historical role, and the catchment areas of these cities. These cities can constitute a partly independent territorial level next to / below the capital, thus decreasing the Budapest-centred nature of the country. Their population and the number of resident economic players reaches the critical mass where special cultural and economic niche needs may arise and can be satisfied over a long period of time, i.e. these cities can be scenes where the economic and cultural elite is formed. Their task is to channel and radiate innovative, technological, economic and cultural development towards their own territories in the wider sense (across several counties) and towards other cities. **They should also generate autonomous development on a regional scale, and should perform high-level tasks in the fields of services, culture, education and public administration.** The higher education and health care functions of these cities are already important. The number of innovation scenes can be increased by establishing nationally important alternative centres of intellectual life outside the capital, and a social elite that does not depend on a single centre can exhibit higher and more stable performance. The performance of these scenes can be increased especially in the fields of **research and development** and **cooperation with the economy**, as well as in the related **cultural and creative industrial performance**. The relocation of certain national authorities to cities other than Budapest can also be a gesture and allows for testing the opportunities offered by decentralised centres. Certain national authorities, e.g. those dealing with heritage protection, territorial development and intellectual rights could be relocated outside the capital.

As borders become increasingly permeable, **the emergence of cross-border agglomerations around small and big cities** is an important phenomenon. **As to agglomerating areas potentially or actually spanning Hungary's borders (for which the agglomeration of Bratislava is a typical example), the developments should strive for cooperation with the city centre nearby** because this situation can offer major opportunities to the affected communities, and because any adverse agglomeration phenomena should be mitigated. **In case of emerging cross-border urban catchment areas where the centre is in Hungary (typically, around Esztergom and Komárom), the opportunities beyond the border** (in partnership with the relevant entities there) **need to be taken into consideration when developing the central city in Hungary.**

Cross-border agglomerations

Due to their size and reputable higher education and research workshops, these cities of national significance **can join the international division of economic and R&D labour. Their international involvement can take the form of cooperation in European and global networks. On the other hand, as these cities are located close to Hungary's borders, their attraction may be felt outside the borders**, i.e. their territories can also constitute **gateways**. But in this latter field, there are several major competitors abroad (Bratislava, Vienna, Graz, Maribor, Osiek, Subotica, Timisoara, Oradea, Arad, Uzhhorod, Kosice). **Our cities must be supported in the competition** for investments, for the leader's role transportation, logistics and territorial economic management, as well as for the leading role in tourism, education and health care services. But a mutually beneficial sharing of functions with cities across the border is another development direction that is at least as important.

Cities of national and international significance as gateways

We note that **cities in the Carpathian basin but beyond Hungary's borders where the number of ratio of Hungarian residents is high** could also be scenes of the cultural and/or economic decentralisation of the nation.

Certain cities in the external ring have no spatial organisation potential spanning several counties but may still play an important role in maintaining spatial relations within the ring and in spatial organisation within their counties. These include **Szombathely, Zalaegerszeg, Nagykanizsa, Kaposvár, Békéscsaba, Nyíregyháza**, as well as **Sopron and Szekszárd**, which are located outside the ring for geographical and historical reasons. They already have important production and service functions and **marked economic or innovation profiles**, which can be further strengthened in future. In these cities, cross-border (international) employment and economic cooperation can be important development goals.

Other cities in the external city ring are also important spatial organisers

In addition to Hungary's largest cities, several smaller communities (e.g. Kőszeg, Mohács, Sarkad) have similar existing or potential functions, albeit on a much smaller territorial scale. Due to their territorial significance or size, **Baja** and **Ózd** stand out from the group of the above-mentioned smaller cities (which do not have county rights).

For the establishment of an outer ring as a metropolitan catchment area, and for the sharing of functions between small and big cities in the ring, it is indispensable to significantly improve transport connections between cities, which in turn necessitates community transport organisation as well as major road and railway developments. The connections between the cities and Budapest should primarily be developed in the fields of community transportation and the fixed-line infrastructure, and river transportation along the Danube (in the direction of Győr, Dunaújváros, Mohács, Pécs and Baja).

Accessibility both towards Budapest and sideways must be improved.

The other major group consists of cities that can be reached from Budapest in about one hour: **Tatabánya, Dunaújváros, Kecskemét, Szolnok, Salgótarján**, as well as **Veszprém** and

The ring that decreases the burdens of the capital

Eger, which are located outside the main city line for geographical reasons. Most of the cities in this ring, which runs 40-100 km from the capital, are developing dynamically, and their proximity to Budapest as well as their existing industrial / logistics potential allows them to take over production and logistics tasks from the capital. At the same time, development policy must prevent these cities from losing their functions due to the sucking effect of Budapest.

Székesfehérvár is of key importance amongst the inner ring cities; geographically, it is an organic part of the inner city network, but functionally it stands out. Due to the city's spatial organisation role, the formal urban pole's functions must be maintained and developed further. Székesfehérvár, as a city with close ties to central Hungary and the capital, can also act as an intermediary and connection between the external and the internal ring. At the same time, the city can also take advantage of the economic development opportunities of the inner ring, as well as the existing excellent logistics and industrial background, and can generate economic growth itself, with support from high-quality services from the metropolitan ring in the areas of culture, education and R&D.

Székesfehérvár is a connection between the external and internal city rings.

Several smaller cities located at the internal edge of the metropolitan ring have similar characteristics; these include **Komárom, Dorog, Tata, Oroszlány, Esztergom, Hatvan, Jászberény, and Gyöngyös**. Economic cooperation between the individual cities in the form of supplier relations can be based on the excellent transport access.

Of the cities in the inner ring, only **Komárom, Esztergom and Balassagyarmat** have significant cross-border relations; in these cases, supply relations with the territories on the other side of the border and the division of functions offer development potential. The former two cities are actually already parts of a small agglomerated urban territory (together with Komarno and Sturovo, both in Slovakia), which should be a major consideration in their development. With the involvement of Trnava as well as Győr-Moson-Sopron and Komárom-Esztergom counties, a larger, coordinated cross-border urban territory or growth zone may also emerge.

The continued sharing of functions between small and large cities on the inner ring would benefit from **developing transportation**, including community transport, **between the cities**; significantly upgrading the connections with Budapest is justified in only a few cases (Salgótarján, Esztergom). Building up the northern transport connections with the ring could be an important element of connections within the inner ring around Budapest; this requires cross-border (international) cooperation.

Transport connections within the inner ring should be improved.

The cities on the inner ring that can be reached within about one hour from the capital (and the international airport) could create a central Hungarian **business region** with Budapest, its agglomeration and the affected counties that could be significant on a global scale, with almost four million residents and considerable economic performance. This can be achieved by coordinating the local taxation, investment, innovation and transportation policies, and managing them on a territorial level.

A globally significant business region in the heart of the country

Development policy tasks:

- Creating an innovation- and knowledge-based economy, and a creativity-oriented environment.
- Urban development integrating economic aspects, in transparent cooperation with market players.
- Reliable, predictable development interventions, well-planned space supply.
- Offering economic (industrial) areas in line with the national plans in order to encourage investments, in coordination within the region.

- Creating a city of high-quality residential areas and green surfaces of high usage value, as well as an attractive cityscape.
- Drafting a vision based on realistic situation assessment, and drawing up a strategy based on breakout points that can be renewed.
- Creating clean (public) spaces that people of all ages and income levels can use for exercise, creativity and a healthy lifestyle.

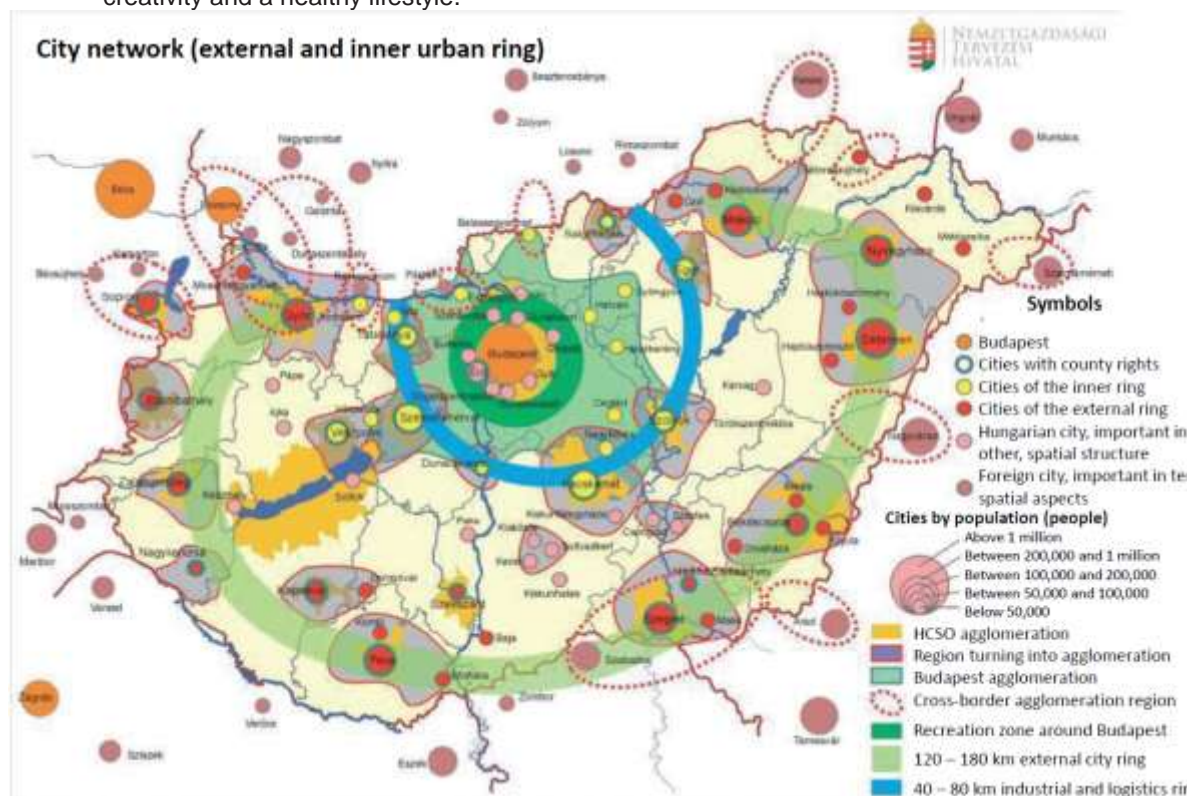


Figure 39: City network

3.1.5 Developments that ensure the renewal of the individual large territories.

3.1.5.1 Aspects and national priorities of territorial policy and rural development

Hungary is basically a rural country; all territorial definitions (e.g. the OECD's) indicate that most of the country is rural based on landscape utilisation, economy and population. The recent decades' trends in Hungary have mostly resulted in **the devaluation of rural areas** in line with the decrease in the weight of agriculture and food production in the national economy. Several rural territories are in recession, with the population moving away or ageing; agriculture and food processing can only support the livelihood of few people, and economic diversification could not yet remedy that problem. **A rural policy turnaround based on a comprehensive strategy is needed**, involving a renewal of urban-rural relations, an increased economic role of villages and farms, and the recognition of opportunities to develop the rural areas based on their values.

Rural policy functions

A rural policy within the above policy framework is aimed at **ensuring the sustainable development of rural territories**, and consists of the following elements:

-
- Protection and sustainable usage of the landscape as well as natural values and resources; preserving the services of the ecosystem; improving the quality of the environment.
 - Safe production and supply of healthy food.
 - Giving rural people a livelihood, favourable living conditions, and a good quality of life.

Rural policy vision

Rural towns, cities and territories with increased economic functions and renewed communities – based on an active and developing local economy including agriculture and the closely connected food processing producing high-quality, healthy food – which perform European multi-functional eco-social functions (landscape protection, preservation of natural resources and bio-diversity, population retention and employment), provide a perspective to residents, and guarantee high living conditions.

Comprehensive rural policy goals

- Renewing urban-rural relations based on mutual cooperation and benefits.
- Development of rural communities, villages and farms, and increasing their economic role.
- Developing the rural economy in general and agriculture and food production in particular in line with the local economic development policy, and increasing their role in employment; developing the local economy.
- Supporting the retention and local settlement of rural workforce, and particularly people of higher education.

Intervention fields in rural development

- Rural territories defined by general characteristics.
- Rural territories defined by special landscape or environmental problems and characteristics.
- Rural territories struggling with grave social problems and disadvantages.
- Territorial problems that present special rural development tasks.
- Local and territorial cooperation in rural development.

Rural territories defined by general characteristics

There are several methods for the definition of rural territories; according to the generally used OECD method, territories with a population density below 120 people per square kilometre are deemed rural. Besides planning and statistics, the definition is relevant in the identification of target areas for the EU's rural development subsidies.

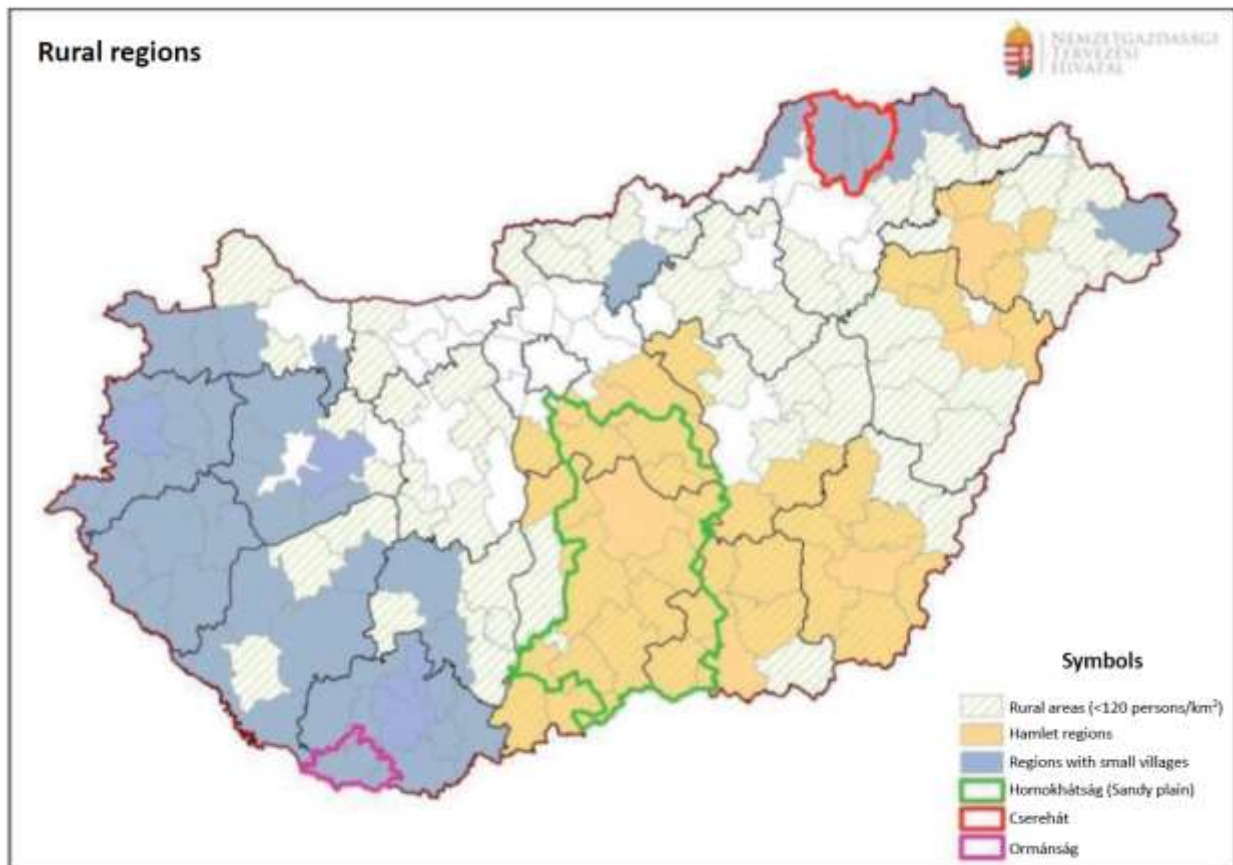


Figure 40: Rural territories

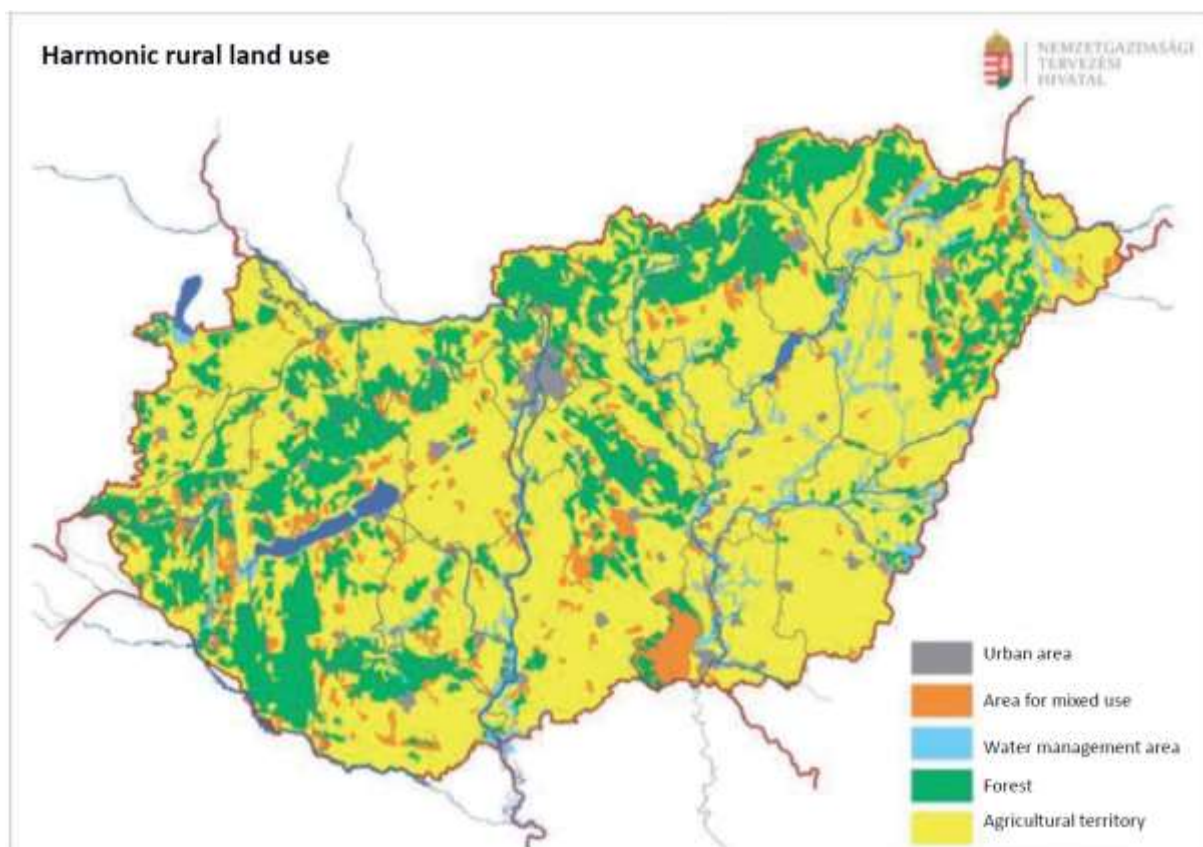


Figure 41: Harmonic usage of rural areas

3.1.5.2 Development tasks in rural territories of special landscape and environmental problems and characteristics

Complex development of the Homokhátság territory:

Development policy tasks:

- Continuing the Targeted Special Homokhátság Program that was in effect between 2001 and 2008; specifically, introducing draught-resistant and alternative plants in farming; carrying out the relevant cultivation- and species-related experiments and model projects in landscape management; spreading farming systems and agro-technical methods ensuring the harmony of water and landscape management with farming.
- Dissemination of farming forms adapted to the changed climate conditions.
- Comprehensive resolution of the water management problems of the Homokhátság territory in line with landscape and environmental management aspects, and in harmony with the water management programs and interventions at the rivers Danube and Tisza.
- Review of inland water systems; inland water channelling; cutting back on agricultural and industrial activities that require too much water to be sustainable.
- Coordinating land usage, farming and water management; promoting changes in land usage and farming methods if necessary.
- Operation and extension of agriculture and food production that ensures the retention of population and landscape preservation; promoting the usage of modern technologies compliant with specific landscape requirements.
- Helping small farms survive and gain markets so that they can fulfil their role of preserving the landscape and providing people's livelihood.

Tisza valley: a complex large territory of water and agricultural management in Hungary

Due to its extreme precipitation conditions and a water management potential that affects its wider environment, the **Tisza valley** requires a **dedicated development policy based on territorially integrated environmental management and protection aspects**. The necessity of international cooperation emphasises the need for conscious planning regarding this territory. The cooperation of territories at the river Tisza must be based on preserving the quantity and quality of the river and surface waters, on landscape management, as well as on sustainable protection from floods and inland water. All this is closely related to the complex Improved Vásárhelyi Program (VTT). However, the problem and utilisation of the Tisza territory are not limited to local water management; they are closely related to water and land usage in Hungary and upriver territories, so the developments must be defined with a complex approach, from the entire territory's perspective, keeping in mind the international ramifications. For the development of the artificial Tisza lake and the success of the related efforts, it is important to ensure that tourism, water management, environmental protection and territorial development should constitute an integrated system spanning several counties.

The Tisza valley offers natural cooperation opportunities that need to be exploited

In view of these aspects, it remains necessary to provide the conditions for the social and economic integration of the communities at and around the Tisza lake based on activating the territory's social and economic resources, thus promoting better living conditions, effective cooperation between stakeholders, and the coordination of developments.

Development policy tasks:

- Ensuring the operability of the landscape system, and creating the conditions for sustainable social and economic development, while fully adhering to ecological criteria.
- Improving the management of water supplies; adapting to the challenges posed by climate change.

Adjusting landscape utilisation to the ecological characteristics of the individual territories, and to the Improved Vásárhelyi Plan

- Increasing the protection of the Tisza valley from floods by increasing the water capacity of the main riverbed (which lowers flood levels), by building water reservoirs on flood-plains, and by enforcing the current flood prevention regulations.
- Reactivating the natural (deep) flood plains at the river Tisza, and involving them in water management. Implementing landscape management systems on floodplains based on the regular and intentional low-level flooding of areas. Implementing the remaining elements of the Improved Vásárhelyi Plan, and executing the Plan according to its original objectives.
- Adjusting landscape utilisation to the ecological characteristics of the individual territories and to the water replenishment options; stopping land cultivation where the soil is not suitable for it.
- Developing international relations in the Tisza region in the fields of cross-border water management, tourism, bridges and waterways.

3.1.5.3 Developing rural territories that require active integration efforts due to grave social disadvantages and problems

As stated in rural development policies, the crisis of **peripheral territories (e.g. Cserehát, Ormánság, South Cserehát) that have long been lagging behind** arises from especially poor accessibility, the lack of strong territorial centres to support their environment, the adverse age and education characteristics of the population, the poor economic structure, as well as the scarcity of resources (lack of capital, loss of educated labour). In communities where much of the population is inactive and financially supported by others, often it is not really aging and population loss that are dangerous but segregation and high fecundity, which increases the ratio of uneducated youth and may regenerate poverty. **Due to adverse social and economic circumstances, the population neglects or is forced to usurp built, natural and cultural assets. Areas close to county borders** have often been neglected by development policies; the effects of that still linger. Counties play a major role in their development as the required interventions are of a smaller scale but they need to be tailored to the local circumstances, complex, and territorially coordinated. Counties also play a key role in managing the problems of internal peripheral areas near county borders. Where relevant, cross-border relations should be strengthened and the territories concerned should be managed together with the neighbouring (foreign) areas in order to protect the joint values.

Increasing difficulties
in peripheral
territories

Developing the Cserehát territory

Cserehát, an area in Northeast Hungary, is one of Hungary's least developed territories. Most of the population lives in small villages, and unemployment is much higher than the national average, especially in the Inner Cserehát area where the public institutions governing and serving the community are often the only employers. The ratio of Roma population is very high in the Cserehát communities, and segregation in schools is frequent. Poor accessibility and infrastructure hinder local economic development. However, the territory has considerable untapped potential, especially related to the valuable natural environment.

Development policy tasks:

- Carrying out a long-term, comprehensive territorial development program in Cserehát based on the relevant plans and local initiatives, focusing on developing the local community.
- Promoting food production in small gardens for family consumption; reviving traditional small gardens and village markets; creating local markets.

Implementing a
comprehensive
territorial
development program
focusing on
strengthening the
local economy

- Promoting the emergence of micro enterprises and family businesses
- Promoting the introduction of social economic forms; supporting social land programs.
- Developing village and ecotourism, establishing specific supply structures along complementary priorities and destinations. Improving access to tourism destinations.
- Territorial development based on renewable energy: biomass and other alternative energy sources. Development of local energy systems, intelligent networks and autonomous supply systems.
- Planting forests; utilising further forestry and wood processing opportunities, with sustainable development.
- Improving accessibility and mobility (improving road conditions, developing the bus network).
- Raising the quality of education and organising training; renovating and extending schools, supporting adult education and community activities of young people; supporting training by employers; introducing economic education.
- Cross-border developments.

Complex development of the Ormánság area; Ős-Dráva program

Ormánság, located in Southwest Hungary, is one of Hungary's most underdeveloped territories, with decades of development problems. In the early 19th century, floodplain farming had still flourished, but the regulation of the river Dráva ended that, and the territory started to decline. In this area characterised by poor infrastructure and small villages, unemployment is very high, and much of the population is moving away to escape low living conditions and the lack of jobs. Much of the population are Roma.

Cserehát and Ormánság are in a particularly bad position.

Development policy tasks:

- Building up a complex water and landscape management system, restoring the situation before river regulation as much as possible, basing on local, historical and modern knowledge; creating channels and lakes.
- Developing agriculture in harmony with the local landscape; increasing the area of meadows and fruit plantations, and developing apiculture, wish breeding and generally local production and processing (local product chains) via ecological production and associations.
- Coordinating the local economy, social economy, and employment.
- Planting forests; utilising further forestry and wood processing opportunities, with sustainable development.
- Training the Roma population, giving them work opportunities and the ability to be self-sufficient.
- Renewal of dilapidated communities from the perspective of technology, buildings and the society.
- Tourism development, improving the accessibility of tourism destinations.
- Strengthening and developing cross-border relations.

Establishing a complex water and landscape management system in the Old Dráva program.

3.1.5.4 Development of regions as a special rural development task

Development of hamlet regions

A **hamlet** i.e., a traditional form of business operation settlement and living has a history of centuries in the Hungarian social, settlement structure and economic history heritage. The number of hamlets, typical primarily in the Great Plain, has significantly decreased over the last few decades and some of the remaining hamlets have also lost their traditional agricultural function. The building stock of the hamlets has deteriorated, currently they have underdeveloped infrastructure and are equipped with very few utilities. As most of them are situated in suburban areas, it is difficult to access them. Resolving public security problems is another challenge for the hamlet world. As a result of bad accessibility, unfavourable demographic indicators and social specificities, the population of the region finds it difficult to protect themselves against the negative impacts of climate change (e.g., drought, heat waves). Nevertheless, the hamlet regions of our country comply with the model of sustainable development, integrated rural development and multi-functional agriculture, as it evolved in Europe and, with adequate development, there is a good chance that the hamlet system can be renewed.

The hamlet settlement structure is both a value and opportunity

Development policy tasks:

- Extension of the Hamlet Development Programme.
- Implementation of the overall development programme and action plan of the hamlet regions.
- Supply of substantial and direct development funds to local governments managing hamlet regions and suburban areas with many hamlets, as well as hamlet farmers and residents, retention of the existing hamlets and their re-integration into economic production.
- Modifications in the legal regulations concerning hamlets within the framework of the long-term hamlet programme to meet the following criteria: representation of the hamlet population local governments, urban development and regulation planning for the suburban areas with hamlets, revision of regulations, improvement of public security, improvement of accessibility of services (e.g., hamlet bus service), infrastructure development (in line with environmental criteria), resolving legal issues concerning hamlet estates.
- Assistance in the diversification of hamlet activities: in addition to self-subsistence oriented production support to the marketing of products and services and encouragement of diversified activities.

Implementation of the long-term and overall development programme in the hamlet regions.

Development of regions with small villages

Approximately one-third of the settlement network of the country comprises **small villages** with less than 500 residents. Their community is especially vulnerable, most of them may be characterised with unfavourable demographic and social processes, which also have negative impacts on their economic performance. Demographic and social problems are increasingly present in small villages that are situated in peripheral areas in terms of spatial structure and the network of agglomerations, as well as the economy and are also far away from economic centres. Many small villages struggle with transport and accessibility problems, which also make commuting to work and school impossible. As a result of the social and infrastructure problems, the settlements of the region are excessively exposed to the negative impacts of climate change.

High vulnerability in small villages

Development policy tasks:

- Development of accessible and sustainable public transport, fully in line with the needs of daily commuting to work, establishment of the missing regional relations, especially in the case of settlement with a single access route and cross-border settlements.
- The development of economic activities that constitute the basis of economic existence of small villages. Putting in place local, autonomous supply and energy systems.
- Encouragement of the development, long-term and sustainable operation of a social and self-subsistent economy.

The development of economic activities that constitute the basis of economic existence of small villages.

- Satisfaction of the social, health and administration needs of the local population with fewer trips and support to the installation of regular mobile service systems.
- Promoting protection against climate change by development health services and transforming agriculture (e.g., dissemination of drought resistant plants that fit in the local ecosystem).
- Mentoring local talented young people. They need to be assisted in their studies and employment with long-term programmes. Assisting intellectuals in staying in their homes with programmes that promote staying at home and settling down.
- Assistance in the development of local communities and joint elaboration of their development programmes, equal access to culture and preservation of cultural heritage.
- Regionally coordinated development of the infrastructure of small villages relating to rural tourism, eco and active tourism and the supply of related services.
- Assessment of a large number of vacant properties situated in regions with small villages and elaboration of a concept for their utilisation.

3.1.5.5 Local, regional rural development cooperation

The operation of **local rural development communities** established and supported under the EU rural development policy (LEADER) is an important tool of the Hungarian rural policy. These local rural development communities are organised individually, **autonomously in partnership**, in the cooperation of the local governments and the local business and non-governmental sector. The rural development intervention that may be implemented locally should be carried out pursuant to the local rural development strategies envisaged by the local rural development communities, to facilitate programme-based and local community-led implementation, generating excessive regional and community development impacts. The potential international cooperation of local rural development communities is another important component of the rural policy. Coupled with territorial development, urban development and sectoral development policy tools, well-coordinated local rural development communities and programmes may play an even more important role in local and regional development actions in future.

Community-Led Local Rural Development programmes

3.1.6 Development of regions of outstanding landscape value

The natural assets, business activities relying on them and the construction work of man have created a lot of regions with unique and special local synergies in Hungary. The preservation of such regions not only protects their environmental and cultural ethnographic values, but is often a symbol of our integrated community. These are important and valuable sites of our country in terms of economy, widely interpreted recreation, tourism and preventive health services.

Our regions of special landscape value provide numerous opportunities

3.1.6.1 Development of the Balaton region

The Balaton region is one of Hungary's large regions with very strong characteristics. Also functioning as an ecological unit, the social and economic processes of the region depend especially greatly on environmental factors. The outstanding natural, cultural and historical sites and landscape, constituting the basis of its tourism and landscape management activities make it the most prominent region of the country with individual development objectives. Consequently, the environmentally and socially sustainable development and preservation of assets of the region is one of the most important tasks also in territorial development. The region forms a natural and economic unit, the management of which cannot be broken. Owing to its tourism and agricultural revenues, the region is an important component of our national economy.

Balaton and its region is a unique asset

Although it is not a separate planning and statistical territorial unit, the need for consistent planning and support policy is the strongest in the country in this region. Any development must be implemented only with respect to the existing landscape, cultural and natural assets. The fundamental objective of the development of the Balaton region is to create a sustainable and competitive Balaton region through the diversification of the tourism services, more expensive use of the capacities of the region and the establishment of stable institutions fostering the partnership of the various stakeholders.

The settlements around Lake Balaton form an urban region that is developing into a special agglomeration. These days strict urban planning rules try to prevent any further harmful joining of the local settlements and holiday resorts, and the **development policy cannot encourage** local actors and investors either **to increase their building activities around Balaton**. Joining of settlements is not only extremely harmful in terms of the environment, but may also destroy the tourist attraction, which is the main resource of the region. However, the towns around Lake Balaton have very similar economic, social and environmental urban development and urban structural problems and opportunities, which **a compelling argument for consistent management and cooperation of the settlements in development**.

Development policy tasks:

- Establishment of sustainable and competitive tourism, development of new and complex tourist products stemming from the variable attractions of the region and supply of high quality services.
- Extension of the season by offering programme packages throughout the year, which requires the establishment and strengthening of regional tourism networks and theme paths.
- Territorial distribution of guests with consistent regional tourism management and territorially differentiated planning of tourist services, development and sale of alternative tourism products based on the capacities of the underlying areas (wine region, national park, hills, forests, small villages, historic monuments, popular traditions, gastronomy, etc.) in settlements that are further away from the lakeshore.
- Preservation and further improvement of the ecological and chemical status of Lake Balaton, the wet habitats and other natural areas, mitigation of problems stemming from the fluctuation of water levels, limitation of the environmental burden on the shore of Lake Balaton, protection of reedy area and preservation of the live and lifeless natural assets of the region.
- Prevention of construction in the region, landscape rehabilitation, managing the landscape wounds and mitigation of erosion and deflation effects (high bank and cellar protection).
- Rehabilitation of the real property stock and its utilisation with new functions in the territories provided in the urbanised environment (e.g., residential functions, knowledge-based economic activities, national administrative and public service functions).
- Active landscape protection of the Balaton region, development and enhancement of modes of operation relying on nature preservation and landscape specificities.
- High-level protection of cultural heritage, awareness building and presentation.
- Introduction of a public transport system around Lake Balaton also as a consistent tourist attraction.
- Sustainable urban development among the towns of Balaton region focusing on cooperation among the settlements and consistent principles.
- Prevention of unlawful replenishment of Lake Balaton.
- Putting a stop to unlawful investment and construction projects around Lake Balaton, restoration of the original situation.

- Development of the background settlements of the Balaton region.

3.1.6.2 Zones of special landscape value, offering recreation functions

The cultivated landscape with special values needs to be managed separately for development policy purposes due to their special features. The natural environment, the system of operation and settlements harmonically adjusted and developed with it, as well as the landscape forming settlement of profile of landscape value and the cultural assets form an indispensable system that should be preserved for the future. The protection and enhancement of their values, as well as sustainable development are indispensable. In such harmonic and unique areas, which include **Tokaj-Hegyalja, Pannonhalma, Órség, Fertő-tó and its surrounding area, Hortobágy, Bugac, the Villány wine region and Ormánság**. These regions also represent considerable tourist attraction and may equally be used in active and passive recreation. Territorially specified and integrated interventions are required in order to maintain harmony between preservation and utilisation.

Protection of our cultivated landscape of special value and their sustainable utilisation for tourism

Regions attracting a large number of tourists usually boast unique features, attractive to visitors, while their natural and cultural assets and social and economic features may differ significantly depending on the character of the region. Consequently, the objective of the development policy is to support the generally favourable impacts of tourism (economic and infrastructure development, job creation, exploitation of local assets, cultural diversity, enhancement and integration into tourism of the valuable cultural heritage assets, connection between popular groups) and to mitigate or prevent simultaneous unfavourable effects (increased environmental load, higher built-in ratio and more environmental pollution, one-sided economic structure, potential social tensions). These regions are also the main areas of the “silver economy” i.e., the economy built on the consumption and supply of services to older generations, yet may also assist the settlement of foreign pensioners. The following map illustrates the preliminary demarcation of cultivated landscapes.

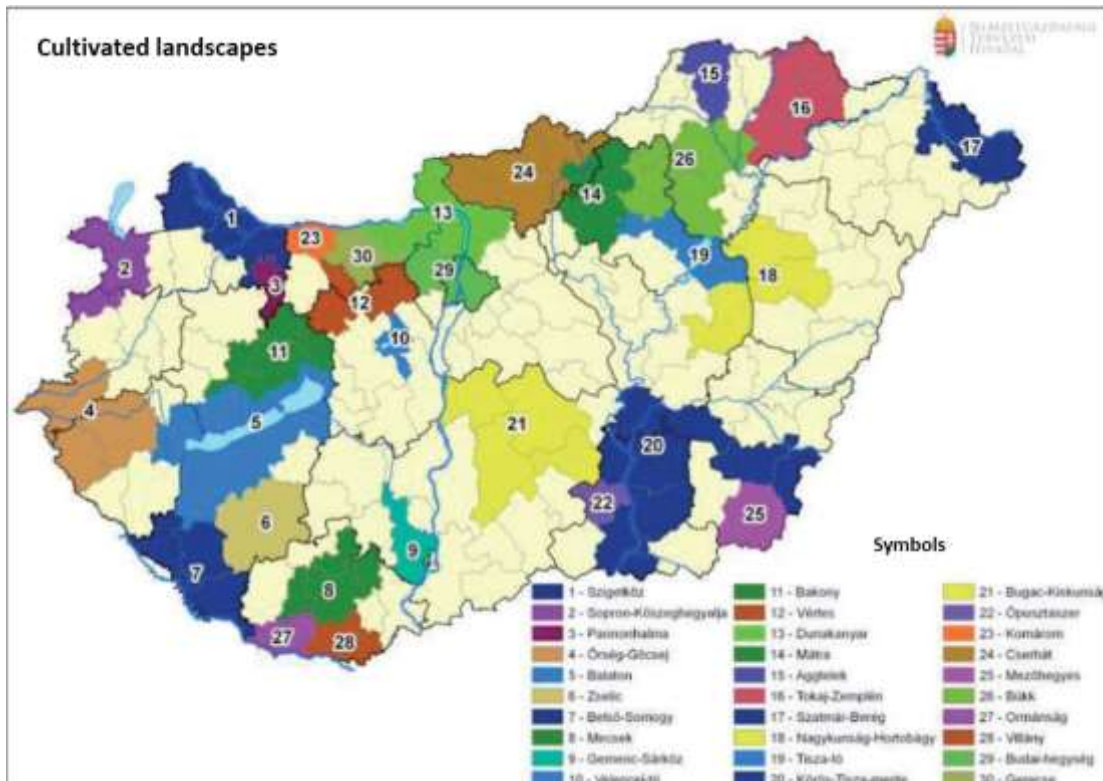


Figure 42: Cultivated landscapes

Development policy tasks:

- Support to tradition and landscape preserving economic activities that adjust to the specific landscape and environment (vineyards, grassland, small parcel-based land cultivation).
- Preservation of cultural heritage. Apart from the built heritage, the structure of settlements and the settlement profiles should also be preserved in these regions.
- The continuation of traditional jobs, profitable operations and industrial activities, typical of the region and their sustainable development will also contribute to the preservation of built heritage and landscape utilisation.
- Strengthening and developing local communities and local identity awareness.
- Development of sustainable tourism built on typical landscape features, presentation of local assets, introduction of a tourism infrastructure, accommodation places and destination management in line with the local specificities.
- Prevention or deliberate control of concentrated land use, varying according to the needs of tourism; prevention of any excessive construction that would destroy the landscape and settlement profile.
- Distribution of tourist traffic, concentrated in time and space by extending the season and offering diversified tourist services.
- Development of a diversified economic structure, at least seasonal reduction of excessive dependence on tourism in line with its needs and interests.
- Exploitation of the opportunities inherent in the "silver economy".
- Creation of jobs in the quaternary and R&D sectors by introducing creative workshops and distance work in pleasant environment.
- Prevention of increased environmental load and its management with various environmental development. The improvement of water supply, waste management, wastewater treatment, noise protection and air protection are increased priorities in these regions.
- The prominent settlements needs to be preserved also for the local population in the long term as an attractive place of residence, which may be promoted with well-targeted real estate policy, regulations, training, support for young people in employment and housing and developing family friendly settlements.
- Implementation of shading developments in prominent tourist regions in relation to beach tourism.

3.1.6.3 Tourism Destination Management (TDM)

TDM, which is a special regional tourism tool, closely relates to the development of regions and settlements of outstanding landscape value. TDM is a process of transformation of attractions situated on a particular geographic area into a modular (freely combinable) product, network organisation and the development of **competitiveness and sale of those products** embedded into destinations for the purposes of maintaining sustainable development, as well as **promoting the evolution of the geographic territory and enhancing the welfare of the local residents** through the success achieved on the market by tourism.

The sound basis of the Hungarian tourism management, competitive tourism product development and strengthening of the local economy, as well as the enhancement of its income generating and, in certain regions, population retaining capacity may be achieved through TDM organisations. In order to promote sustainable development and competitive operation of the tourism products, the currently mostly independently operating organisations and independently pursued activities will be coordination in the National Tourism Development Strategy (NTDS).

Although the currently active TDM organisations face a lot of challenges, in the long term they will have a huge region shaping effect. TDM organisations may be formed not only in prominent economic regions, but across the whole territory of the country. They need to be formed: by establishing their competences and authority, defining their form of organisation and partner relations, as well as the geographic demarcation.

3.1.7 Mitigation of territorial differences, regional cohesion and economy stimulation

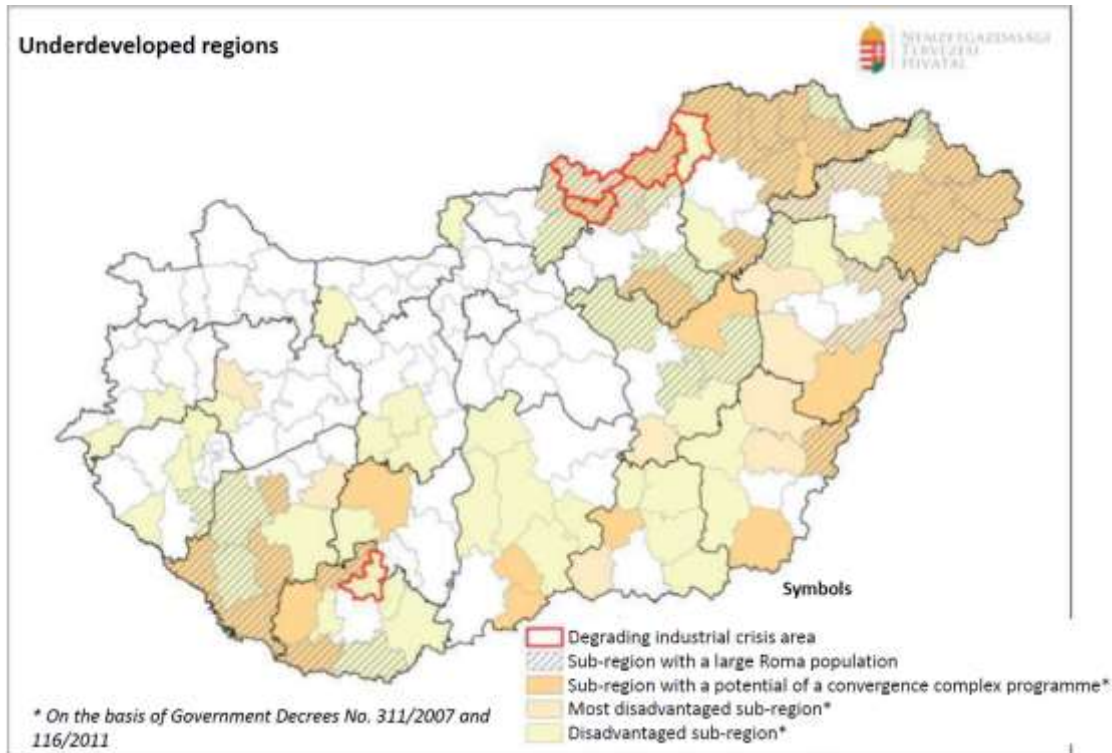


Figure 43: Underdeveloped regions

3.1.7.1 Cohesion of regions subject to deprivation and facing restructuring problems

The Hungarian crisis territories form two clearly separate groups in terms of their evolution and problems. The first group consists of rural regions, the detailed development objectives of which are described in the chapter dedicated to the renewal of rural areas. The other group consists of industrial crisis zones. The problems of regions with a large Roma population are also similar. However, an approach that goes beyond the ordinary economy and regional development calls for independent development objectives in order to reduce segregation and find a solution to the social problems of the Roma communities.

Two types of periphery regions demand different approaches

Development policy tasks:

- Increasing employment and the qualifications of the population.
- Quantitative and qualitative development of services available in the regional centre and introduction of equitable accessibility to them.
- Supply and development of transport and communal infrastructure in order to improve the quality of life and employment.
- Community building, strengthening of social cohesion and increasing the community retaining power of the regions.
- Health and environmental awareness building among the population, development of health and social services.
- Complex and integrated development of public education to assist degrading regions and promote the integration of social groups.
- Offering mobility to the population of the regions to sites better equipped with jobs and providing more favourable living conditions.

Development of industrial crisis areas

Areas hit by various environmental problems are located in the majority of **former industrial areas** that are collectively known as "rust zones". They include generally physically degraded former industrial buildings, no longer in use or inadequately used, occasionally protected as a historic monument and/or former polluted industrial sites, economic areas and army bases, no longer in use. Usually such regions are struck by extensive and structural unemployment. The previously dominant economic and sectoral structure is unlikely to be restored in the long term, or developed to a desirable extent.

The degraded industrial zones in a structural crisis are in a special situation

Development policy tasks:

- Promotion of economic restructuring and re-industrialisation.
- Preference to and introduction of environmentally friendly technologies. Development of local energy systems, intelligent networks, industrial ecosystems and autonomous supply systems.
- Elimination of former environmental damages, remediation, landscape rehabilitation.
- Support to employment, adult training, retraining and development of education.
- Introduction and wider application of environmental education.
- Improving regional accessibility, renewing the existing infrastructure, strengthening the regional role and, where relevant, improving cross-border relations.
- Improving the conditions of degrading groups, establishment and development of a stronger social net and mental hygiene services.
- Support to industrial heritage protection and further development projects based on it (e.g., for tourism and cultural purposes), as well as sustainable environmental management and environmental remediation.

Development of regions with a large Roma population

The majority of the Roma population is geographically concentrated in some specific regions in the country: **Northern and Northeastern Hungary, the Central Tisza region and in South Transdanubia**. A large number of Roma individuals were among the first to be pushed out from the labour market of the former industrial centres and, due to rising living costs, from towns and then concentrated in degrading rural areas. A large number of the Roma live among extremely bad living conditions and are stricken by high unemployment, low qualifications and in general, bad social relations.

The problems and improving the situation of the Roma population are also regional tasks

Consequently, assisting areas with a large Roma population demands special solutions.

Development policy tasks:

- Quantitative and qualitative development of education requires special attention due to the high number of children and the low qualifications of the Roma people. The purpose is to introduce more Roma children into the education system as soon as possible and to increase the level of education.
- Improvement and enhancement of access to good quality services of disadvantaged young children in their early childhood.
- In order to reduce the rate of school dropouts and to return young people dropping out from the education system early into school type education, the alternative learning facilities and “second chance” type programmes need to be continued, strengthening the basic competence developing informal and non-formal types of education.
- Improvement of cooperation between parents and school, putting in place a social environment that supports the success of children in school.
- Enhanced participation of Roma teachers and teacher assistants in primary education, encouragement of their training and stay in the region.
- A system needs to be developed for retaining and attracting to the region highly qualified health and social experts and teachers.
- Revival of the region’s own culture by strengthening social inclusion, talent support and the development of a desire for creation and creativity. In that regard, any views and living styles, alien to the identity of the Roma culture, as well as to society and the overall Roma population need to be addressed and reduced.
- Integrated management of employment, vocational training, housing, popular health, child protection and aid programmes.
- Complex and integrated schemes are required to support the self-organisation of communities and the social and labour market integration of the Roma population. Apart from the social approach, the mutual dissemination and integration of cultures must be supported and mutual responsibility for society community and environment must be strengthened.
- Strengthening social and economic relations within the region through robust development of the local economy and the encouragement of income supplementing and sustainable landscape utilisation (land scheme, organised social forest and landscape utilisation).
- Support to integrated training, employment and social programmes, revival of traditional crafts and artisan, as well as creative activities and distribution of their products. Reduction and elimination of spatial exclusion by returning the Roma population to the labour market.
- Improving social and housing conditions, developing and effective operation of environmental infrastructure systems, colony rehabilitation and support to employment in those fields.
- Regional development in cross-border dimensions, where relevant.

3.1.7.2 Development of special economic zones

The whole national economy cannot be competitive if economic activity is almost “paralysed” in disadvantaged regions, which represent a considerable portion of the territory of the country. Apart from support policy, other economic incentives are also required for territorially more balanced development of the economy.

In order to facilitate economic development in the whole country, those **growth and cohesion regions** need to be identified where relevant territorial and economic development can be achieved with the help of targeted and integrated regional interventions. The former could be regions that already function as **dynamic zones of the economy** in the Hungarian structure of agglomeration with their outstanding potential sites, actual and potential investors and enterprises, while the latter category include regions that **face severe employment problems** and may be (re)connected to the economic circulation of the country only with a complex development policy approach.

A **special economic zone** could be a tool of territorially selective economy stimulation. It is a production and service providing territorial unit where the established enterprises are eligible for preferences under various conditions in order to boost economic developments in the region. Such a zone is established in order to facilitate economic development in a particular region of the country, to put in place enterprise friendly environment in line with the local specificities and available resources, to encourage investments and to enhance employment options.

3.1.8 Interconnected areas: accessibility and mobility

Access to knowledge, workforce products and services is a dominant factor in the economic development of regions. Consequently, it is absolutely indispensable to establish a transport system with the required quality and quantity of services, taking into account the territorial specificities.

Access systems serving social and economic development

However, it must be taken into account that accessibility may be improved not only by increasing the quantity and quality of mobility (transport), but also by reducing travel demand and applying other alternative solutions, such as the development of infocommunications services. **Easy access to the global networks of the knowledge and information flow** these days is often more important than direct physical connections stemming from short geographic distances. Consequently, a technological infrastructure must be put in place (wireless internet access in public areas, broad band internet access in each settlement) and to eliminate digital illiteracy.

The importance of access to knowledge and information is rising.

Given the fixed and permanent infrastructure of transport, it is in contradiction with the variability and speed of the globalisation processes. In order to enable the network of facilities, designed for a long-term, to adapt to fast changes and the conditions that are not yet known, the network must be increasingly **flexible**. Flexibility may be guaranteed primarily with **alternative routes and transport modes**, which take into account the needs of different types of settlements.

Flexible and rapidly adapting networks

The sustainability of the transport system is also outstandingly important in terms of the economy, the environment and society. All investments must be made trying to maximise economic and social welfare and minimise any negative environmental effect.

Minimisation of negative environmental and social effects

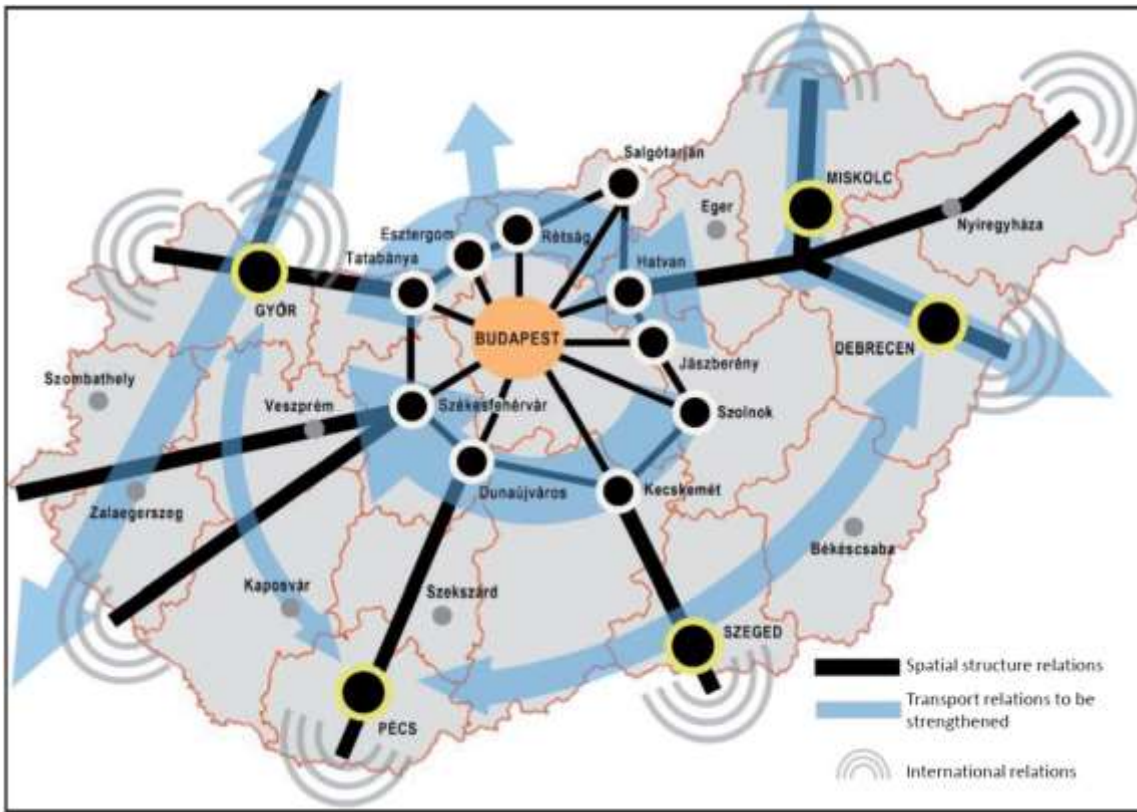


Figure 44: Structure of strategic relations

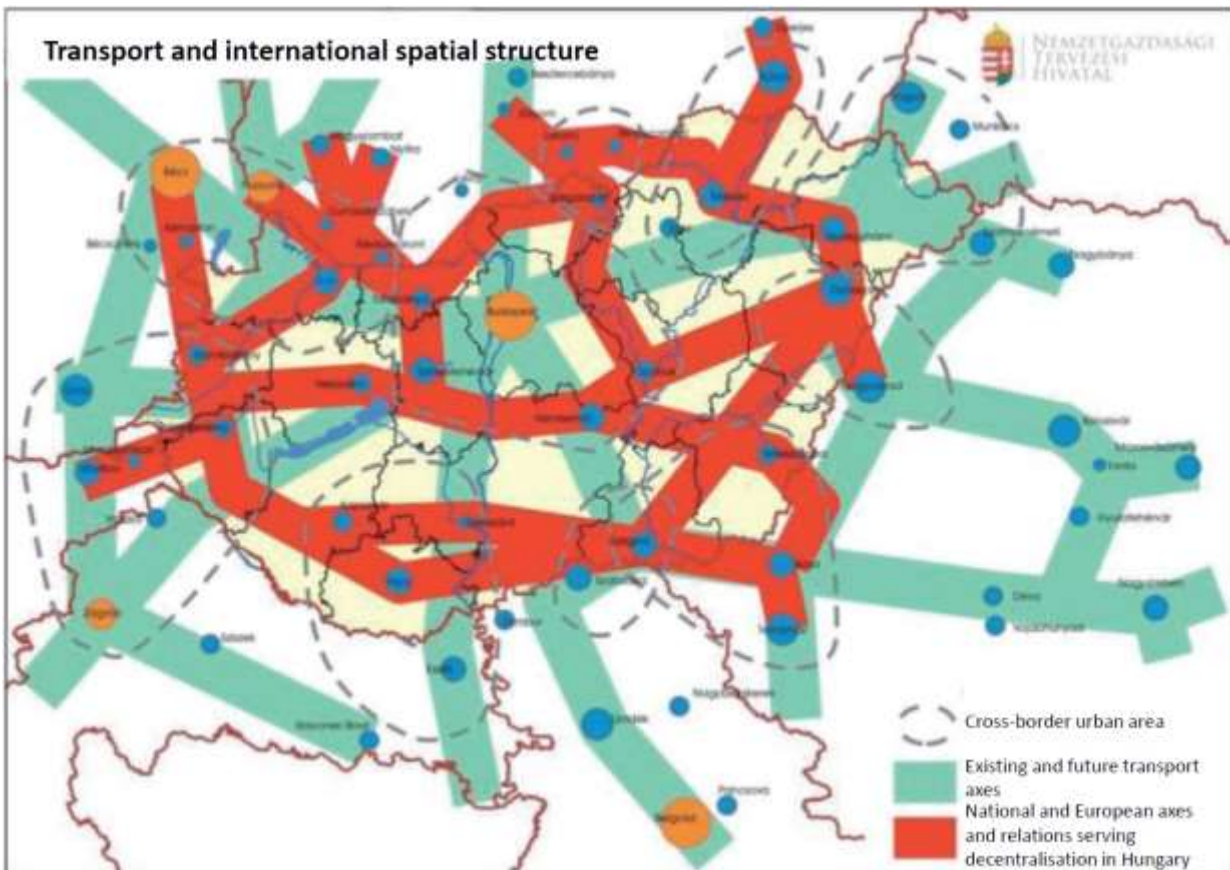


Figure 45: Transport and international spatial structure

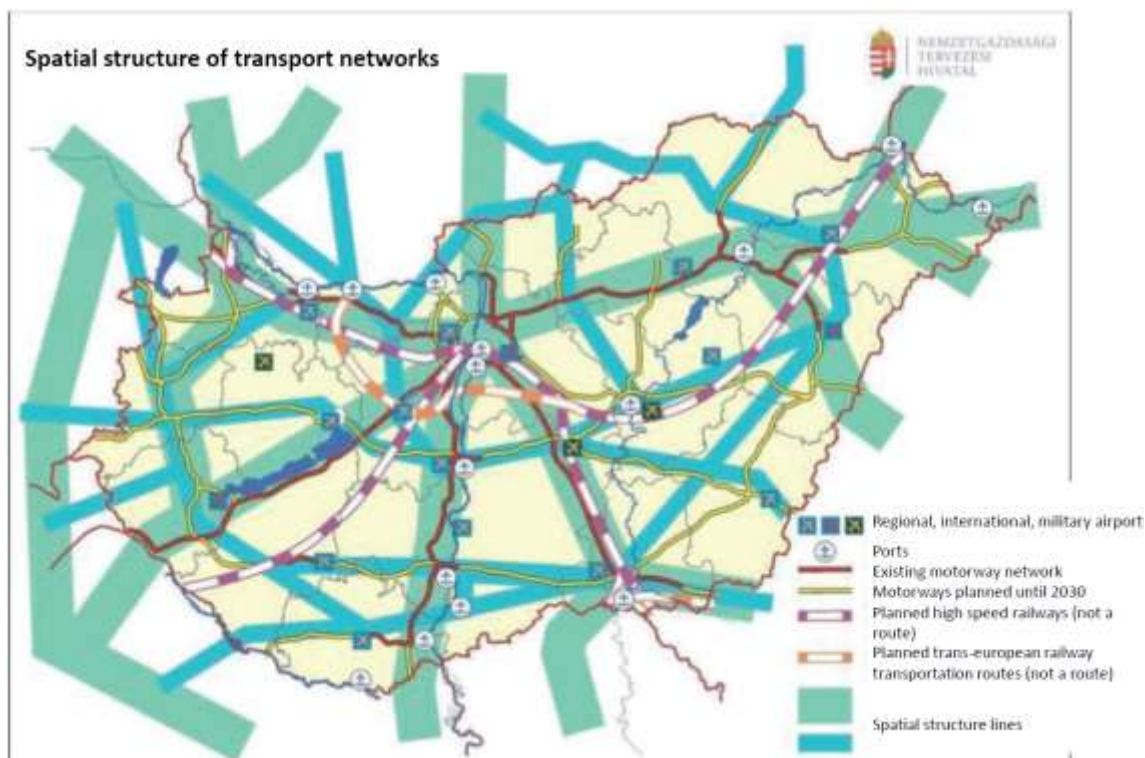


Figure 46: Spatial structure of transport networks

3.1.8.1 Strengthening our global and European spatial organising (hub) role

Given its central geographic situation, Hungary is suitable to function as a **gateway** between Northern and Southern Europe, and Western and Eastern Europe. Transport can contribute a great deal to the exploitation of the opportunities inherent in our situation. The **East-West and North-South connections**, and components of the Trans-European Transport Networks (TEN-T) are important for Europe, as well as Hungary. The connections need to be enhanced and routes must be diversified in both directions. Transit traffic need to be transferred to sustainable transport modes, primarily railways as much as possible in order to limit the damage cause on the territory of the country by transit traffic.

Strengthening our gateway role

Our horizon, however, cannot end on the borders of Europe. More intensive opening of the Hungarian economy to the East is a major issue in terms of the national economy, in which the transport networks have an important role. Not only direct air and railway routes need to be created, but connections should also be introduced to European large cities (e.g., Hamburg) that function as hubs for traffic aimed at Asia.

Opening to the East

The military airport at Pápa could be a strategic example of the hub role as it will not only host several national strategic air transportation fleets known as SAC (Strategic Airlift Capability), but may also be a major development projects in the Pápa region. The airport used for military purposes could host an air, road and railway hub, which provides unique development opportunities for the region.

Development policy tasks:

- Improving cross-border, international road, rail, water and air accessibility, especially in East-West and North-South networks (TEN-T).
- Increasing the role of the rivers Danube and Tisza in inland and international water transportation, development of Baja, Budapest, Dunaújváros, Győr-Gönyű, Mohács, Szeged ports.
- Developing road connections with foreign capital cities and major economic and cultural centres near Hungary.
- Improving access to the high capacity network of railway lines, suitable for heavy cargo trains and development of regional logistics centres, which also perform international tasks.
- Need for the development of railway transport and cooperation with the neighbouring countries.
- Cooperation and distribution of tasks with airports of the neighbouring countries, situated with a relatively short distance from Hungary.
- Increasing the competitiveness of airports situated close to the country borders, extension of land transportation connections in order to better satisfy the travel demand of the nearby regions.
- Strengthening cross-border relations, construction of new bridges in Komárom and Párkány, and along the river Ipoly, development of minor crossing points and ferry crossing facilities on the Danube and Drava.

3.1.8.2 Promoting multi-centred development

The most advanced cities constitute the basis of European multi-centred territorial development as they cooperate with each other in a multi-centred system, thus promoting not only their own development, but also of their wider region. The components of the transport network of national and international importance should also be established by focusing on multi-centred development, in which **reduced centralisation and stronger rural large towns** are key components.

Reducing centralisation

Connecting our towns to European and global transport networks by establishing transport links between Hungarian and European and international large cities of global importance and improving access are actions of key importance.

Joining global networks

In addition, the **interconnection of centres of national importance** by making them accessible on an internal and external city ring **avoiding Budapest** is also a major issue. Thus, Budapest and its agglomeration would be partially exempted from the load caused by the national transit traffic.

Interconnection of city rings

The interconnection of centres of regional importance and their integration into a **polycentric network** through the development of the second category main roads and railway connections built between county seats and middle-sized town are major requirements. It is important to establish **direct, transversal connections** that previously impeded effective regional distribution of work.

Interconnection of centres of regional importance

Apart from the interconnection of centres of regional importance, small and middle-sized town, as well as the settlements organised around them should also be interconnected more intensively in order to be able to combine and to retain the resources, which are available separately within the region. Thus, the local network structure induces new economic and social relations and allows for **endogenous development based on local resources**.

Developing local network structure in order to facilitate endogenous development

Development policy tasks:

- Construction of direct (transversal) motorways and railway lines connecting centres of national importance and avoiding the capital city.
- Improving the quality of transversal bus and railway transport.
- Direct, phased public transport connections with the capital city with increased comforts.
- Interconnection of city rings: improving access to small and medium-sized towns around a large town.

3.1.8.3 Encouraging supply networks

Stronger supply networks, supported also in terms of accessibility, are prerequisites for easing the dual economic spatial structure and facilitating stronger integration of small and medium-sized enterprises. Consequently, **diversified and flexible accessibility is required between suppliers and multinational companies**. Training and qualifications available for enterprises require more attention and the same aspect also calls for stronger support to innovation and product development.

3.1.8.4 Improving the accessibility of employment centres

There is a need to improve the accessibility of **functional and employment centres** to enable them to function as a connecting link between their catchment area and the other centres. In order to prevent rural and social and economic disadvantages faced by people living in **peripheral areas** in accessing services and jobs not only alternative opportunities should be taken, but the **conditions of public**, cycling and **road transport** as a reliable way of daily commuting to work should also be improved.

Improving access to functional centres

Large cities of national importance **should be made accessible** from small and middle-sized towns too through the development of the network of main road, while in public transport new railway connections, supplemented with a feeding bus network, should be constructed to be able to compete with individual transport. The cycling infrastructure between settlements and the current status of the existing network require improvements.

Development policy tasks:

- Availability of second category roads or good quality secondary road infrastructure, as well as development of cycling and public railway transport as much as possible.
- Development of the network of transversal main road between cities, reinforcement of the paving of the roads and construction of missing routes.
- Development of integrated and complementary railway and bus transport.
- Establishing direct first category road (main road or motorway) and rail connections between county seats.
- Establishment and development of cross-border transport connections.

3.1.8.5 Effective and sustainable local and agglomeration mobility

Local transport should provide access to functions and services in the settlement and in the direct neighbourhood as effective as possible. Breaking away from the unilateral mobility approach, accessibility must also be improved by reducing transport demand and distances and applying mixed land use and other tools (infocommunications technology, work organisation).

Sustainable local and suburban systems are needed

It is clear that the role of **sustainable transport modes** (especially fixed route and other sustainable forms, such as cycling) needs to be increased in local transport through adequate transport organisation and with a new approach. In addition, infrastructure development must also facilitate **smooth shift between transport modes** (intermodal hubs, P+R and B+R car parks, coordinated timetables).

Increasing the role of sustainable transport modes

Budapest and its agglomeration require special treatment as they constitute the only metropolis region in the country. All networks and services must be put in place by focusing on sustainability. The transport pressure on Budapest and its agglomeration may be eased by strengthening the internal city ring road and building connections that avoid Budapest, while travel demand could be reduced by encouraging conditions and solutions that facilitate distance work and electronic administration. The daily mobility and commuting demand could be met primarily by applying sustainable public transport solutions (fixed route transport and cycling).

Easing the transport loads on the agglomeration of Budapest

Development policy tasks:

- Reducing travel demand and distance with mixed land use and elimination of transit traffic (diversion routes).
- Development of urban public transport, construction of intermodal hubs, P+R, B+R car parks.
- Any small and middle-sized towns should be made accessible from any of the surrounding settlement by road with public transport.

3.1.8.6 Different management of special types of the network of settlements

Certain components of the network of settlements of our country are in an especially disadvantaged situation in terms of access. The **small village regions**, typical primarily in South-Transdanubia and North Hungary and the **sporadic settlements of the Great Plain** (hamlets) create major challenges for effective and sustainable transport as they are located far away from the centres and have small population. Because of these challenges, different and alternative solutions are required in those regions to enable the transport network to provide access to such regions, which are in a special situation in terms of the network of settlements.

Alternative solutions adjusted to local specificities

Development policy tasks:

- Development of existing connections, construction of missing regional connections, especially in the case of cul-de-sac settlements and cross-border settlements.
- Improving accessibility through the development of information technologies and internet-based services, elimination of digital illiteracy.
- Reducing travel demand and distance with alternative transport solutions primarily to satisfy flexible passenger transportation needs and the demand of small groups. (E.g., mobile public services, flexibly operated transport services, shared car use, cycling network, etc.).

3.1.9 Spatial structure and spatial use principles

Regional development activities, territorial and rural development interventions, and the sectoral development policies must be designed and implemented by taking into account the spatial structure that protects the natural resources and sustainable land use.

3.1.9.1 Protection of our natural resources

Natural assets to be protected

Our natural assets are of major importance to our country. Our major natural assets and values are important quality factors, indispensable in territorial planning and development policy.

Our natural assets are of major importance also for territorial development.

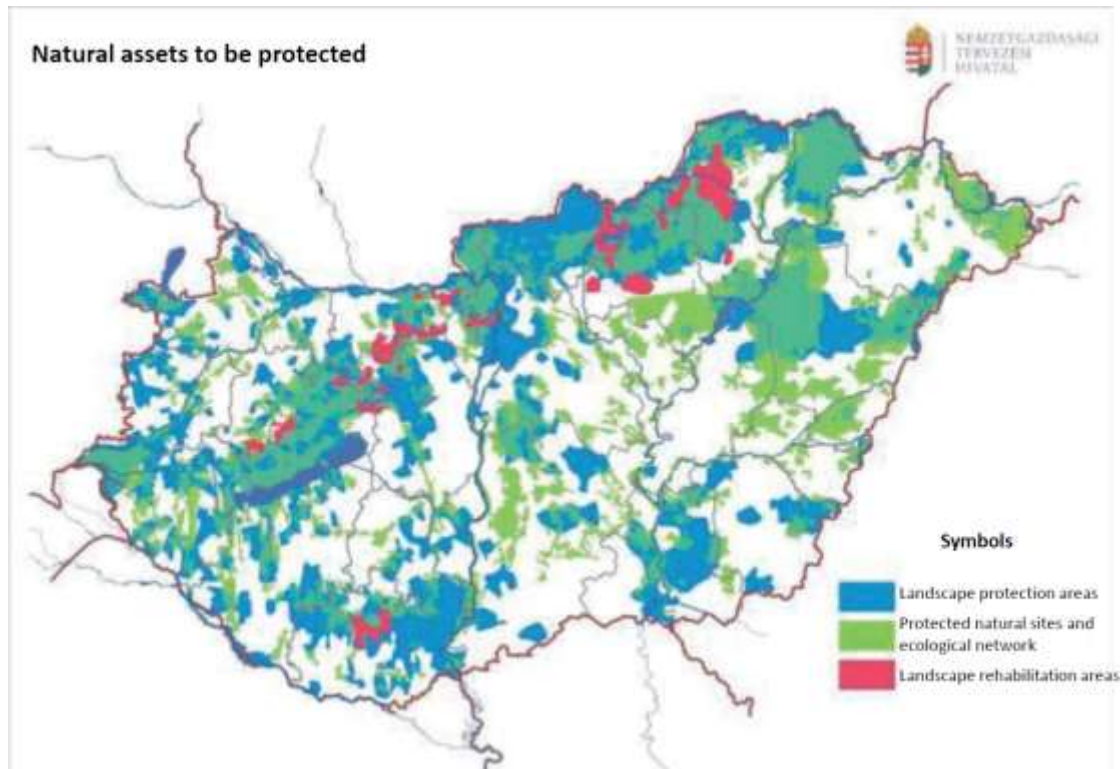


Figure 47: Natural assets to be protected

Landscape retaining agriculture, agricultural production areas

The large amount of arable land with excellent soil specificities is not only important for the economy, but also determines the strategic land use of the country. The largest part of the territory of the country is an area with good agricultural characteristics and agriculture is the dominant factor in the land use and economy of certain regions too. In order to preserve these favourable characteristics, we must find an ideal balance of intensive economic activities and environmentally driven extensive production by enforcing the landscape retaining role of agriculture and with land use and economic activities that are in line with the environmental specificities. Similarly to cultivated landscape and holiday resorts, our famous wine regions that earned their reputation due to their natural assets demand specific territorial planning, special economic profile and development actions that are in line with the environment.

Almost the total unbuilt area of Hungary is production land with extremely favourable agricultural characteristics. However, some regions may still be identified where the best quality arable land is concentrated. Other regions are used for more extensive, landscape friendly plant cultivation, animal husbandry and forestry activities.

The development messages and recommendations of these zones are described in more detail in the chapter on rural development.

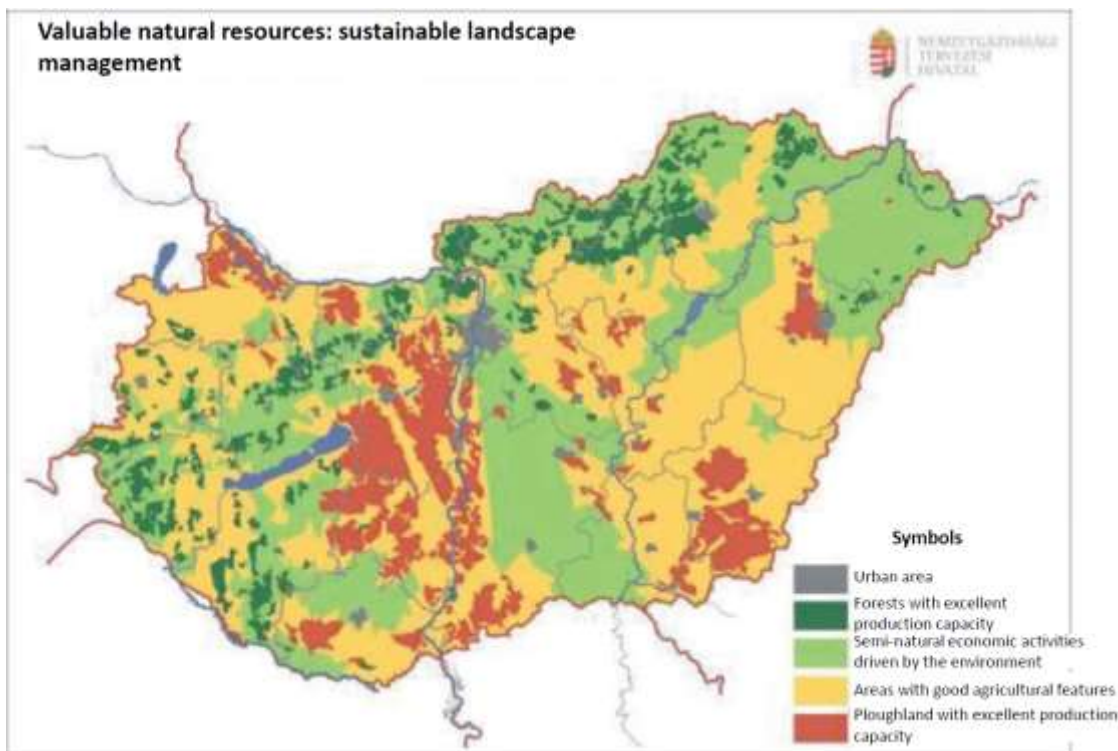


Figure 48: Valuable natural resources: sustainable landscape management

Forests in a regional approach

The importance of **our forests** greatly exceeds the purely forestry and forest management functions of the otherwise extensive territory, which makes up one-fifth of the territory of the country. Their role as a habitat and abundance of close to nature species is indispensable in preserving biodiversity, in soil, climate and water protection, and in economic and public goods, as well as tourism functions. Practically they represent the only natural resource in Hungary that can be developed and expanded within a reasonable timeframe. Dissemination of sustainable forestry methods and preservation of diversified functions is an objective that requires support in any part of the country. The extensive state ownership and operation in the sector is an important factor. Forestry management should be continued with an increased regional approach.

The importance of our forests is much greater than their role in the economy.

The regional approach to forestry management should be increased.

- Forestry and game management in state-owned areas requires **increased cooperation with the regional actors** (private farms should also be encouraged to move in that direction). The functions of the forests should be developed in cooperation with local governments, civil organisations and economic actors, by taking into account recreation, education, landscape protection and job creation functions.
- The most important regional objective of forestry and game management in state-owned areas **is to make sure that forests offer jobs and living to more local residents** and that the ecological status of the forests can be preserved.
- Attempts must be made to increasingly **utilise the assets of the forests locally**, to increase local demand in energy, processing and food industry, naturally only in areas designated to pursue such activities.
- The **large game population cannot impose any threat** to the ecology status of the forests or the local agricultural and forestry goods and may not limit the recreation functions of the forests.
- **Forest management with a territorial approach** needs to be encouraged, in which the puffer and recreation functions of forests and interconnected forests forming a network, as well as development of consecutive forest blocks are important factors.

- **In response to the climate change**, the forest management activities should reflect the local specificities, aim at an improved and more stable ecological status without any support to the distribution of non-indigenous species.
- **Renewable energy sources supplied by the forests** may be exploited only in settlements or, at the most in small regions, for public purposes if possible.
- **The development of the forested settlements and small regions** must be based on the opportunities offered by the forests in order to ensure organic and stable economic activities.

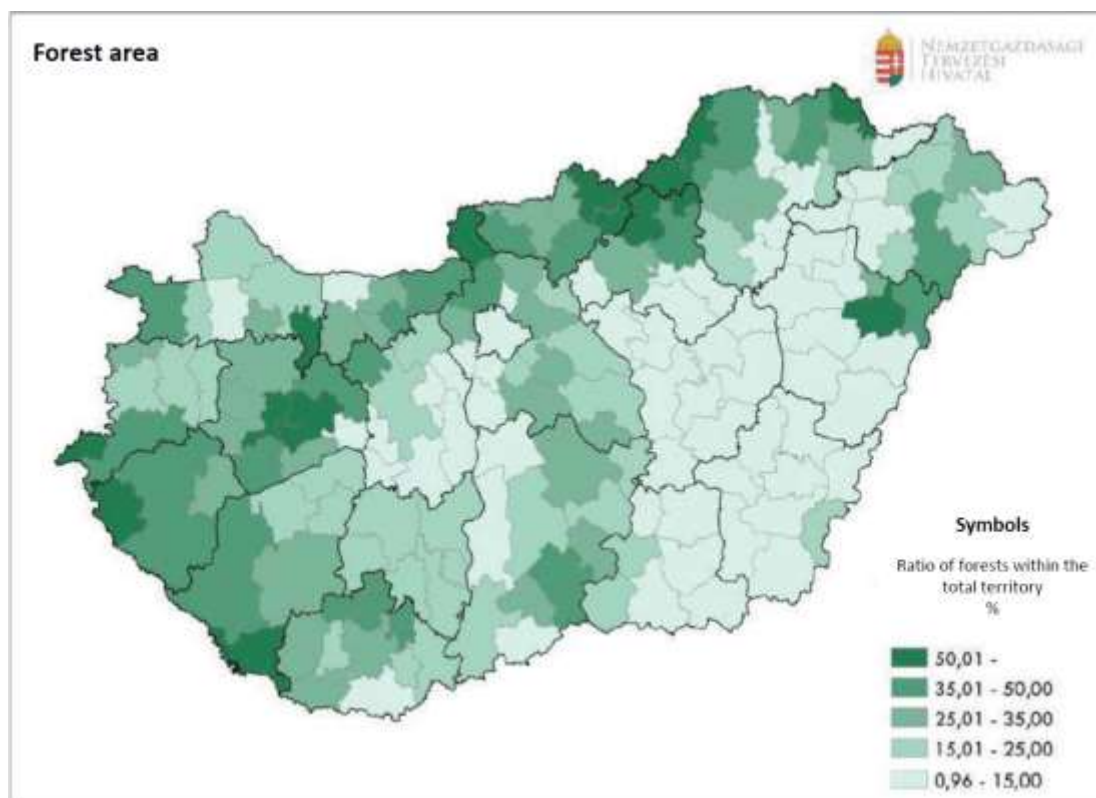


Figure 49: Ratio of forest areas (2011) (Source: MGSzH)

Mineral management with a regional approach

The opportunities of **water management** and the typical distribution of **minerals** also outlines special zones. In the case of both factor groups attempts must be made to find the most sustainable solutions between the preservation and utilisation of favourable characteristics (e.g., underground water stocks, energy carriers, etc.). Savings is a key factor in both areas, because they may provide national reserves in more unfavourable periods.

Strategic reserves in mineral assets

Society must be made aware that mineral assets are indispensable resources of especially the construction industry and power generation, as well as of our everyday life. Reasonable and compromising regulations, economic activities giving priority to the interests of the state, but also open to market actors and land use in line with landscape protection criteria and the renewal of resources could constitute an important pillar of economic development and job creation. In order to achieve that, a longer term mineral asset management concept is required which is developed on a widest scale.

- In terms of territorial development, the opportunities and limits of mineral asset management should be reviewed in line with the sustainability and economic regulations, especially concerning mineral assets that can be explored with open cast mining, which involves the greatest land use.
- Balanced partnership between national and regional actors is also required for reasonably resolving restrictions that often make the exploitation of mineral assets impossible. However, in certain cases the liberalised market needs to be restricted and the influence of the state needs to be increased, especially in relation to certain minerals of strategic importance.
- The environmentally friendly options of secondary exploitation of ore should also be analysed at regional level.
- Exploitation may be pursued according to the principle that the mines should offer jobs to more local residents.
- The exploitation of any mineral assets should contribute to the characteristics of the economy of the particular small region with a wide range of industrial activities that rely on it.
- Exploitation and utilisation of mineral assets by the local community as their owner is a favourable option.

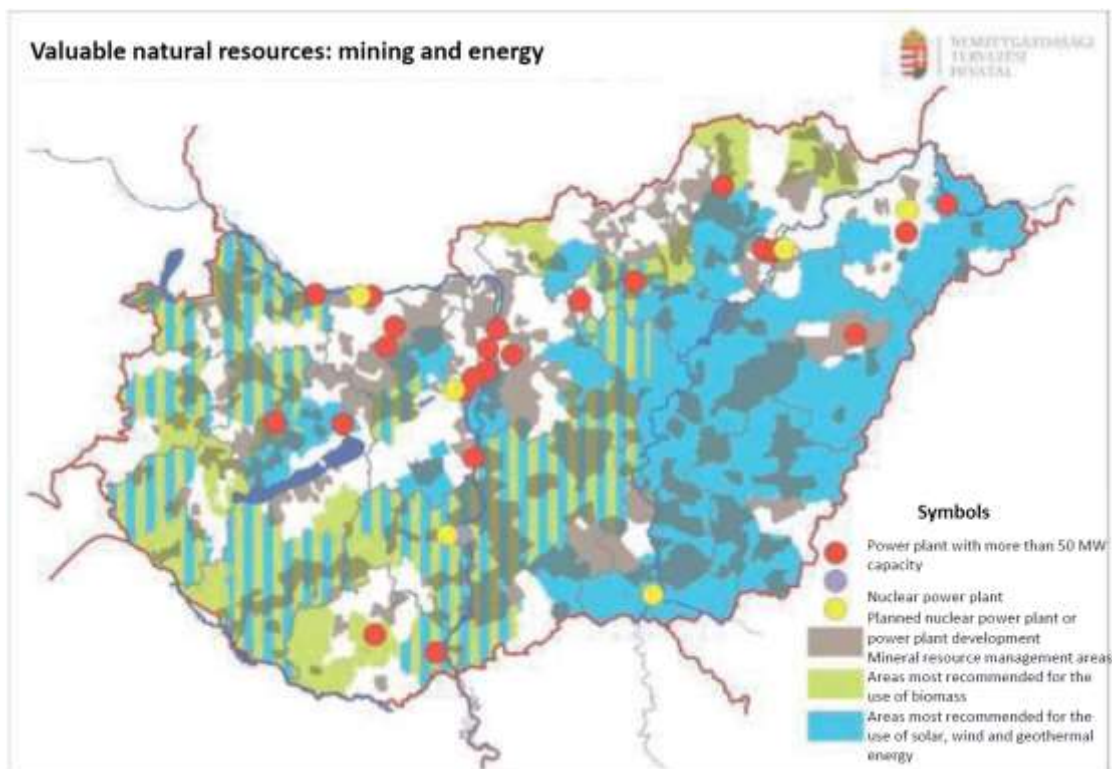


Figure 50: Valuable natural resources: mining and energy

Zones, most strongly affected by the impacts of climate change and water management

The global climate change is the greatest environmental change in the Carpathian Basin since the regulation of rivers in the 19th century. The expected impacts will be felt primarily in agriculture, but there are increasing tasks also in power supply, the technical infrastructure, health and social services. According to the projections, the most vulnerable parts of the country are situated **south from the Nagykanizsa-Budapest-Tokaj line**, while in terms of drought the mostly exposed to risks are the **Sandy Zone between the Danube and Tisza**, the **Area beyond the River Tisza** and the lower areas of **North Hungary**. The areas mostly at risk of floods are smaller, yet they require special and pre-planned regionally integrated interventions. Such areas include primarily **the Valleys of the river Sajó and Hernád, the Upper and Middle Tisza region and the area of the rivers Körös**.

Climate change is the most important environmental change

In these areas not only the major environmental change, but also the limited available of resources for protection and recovery are problems, therefore these aspects are of fundamental importance in regional planning. The hamlets and small villages with ageing population are especially vulnerable, yet major, although different measures and developments are also required in towns in order to facilitate adaptation (development of climate friendly towns). Integrated regional programmes are required in the **Sandy Plain and Nyírség** as their water supply is in a critical state.

A territorial-based planning with a modern approach has already started with consideration to numerous aspects of water management and sustainability. Apart from water management, the economic actors, the sectors involved in land use and the operators of the residential supply systems must also adopt those principles and good practices. Consequently, **there is a need for an economic strategy that goes beyond direct use of water and also covers the protection and utilisation of our water resources.** Agriculture could be a sample area of that approach. In Hungary land use and agricultural culture should be based more on the natural movements of our rivers and the landscape specificities created by them. The revival and restart of flood plain management, in line with modern specificities, could be a practical solution in lower areas situated by the rivers.

Water management with
sustainable use of
resources

- Support to the dissemination of land use and cultivation methods that are close to natural hydrological conditions in order to increase the safety of water supply and use of water retention and water efficient technologies in agriculture industry and by the population.
- Completion of or preparation for regional water management plans, integrated environmentally friendly, small scale water management development actions, managing variable specificities, droughts and rainy periods, development of temporary and emergency reservoirs and complex landscape utilisation. Increased consideration of integrated water management systems that are in line with the WFD, regional water management and regional sustainability criteria in economic development.
- Development of a diversified and adaptable agriculture with a product structure that copes with environmental challenges (drought resisting species, local processing, development of the exploitation of secondary profits).
- Support to small scale irrigation solutions, economic also for small farmers.
- Extension of irrigation based on the existing infrastructure network, but only to increase the safety of products.
- The safety of supply should be improved even under extreme weather conditions by introducing diversified autonomous energy systems that rely on local energy sources, the warmer and clearer periods support the extension of the use of solar energy.
- Dissemination of climate friendly construction solutions, preparation of public areas and buildings (shading, humidification, air movements in internal areas, climate-smart design, increase in green areas).
- Preparation of health and social services and the local disaster prevention system to cope with the tasks originating from heat waves and floods and, indirectly, strengthening of the self-organisation and climate awareness of local communities.
- Tasks reflecting changes in environmental factors should be present in local and regional planning; understanding the estimated environmental risks, integration of risk assessments and vulnerability analyses into planning and deliberate preparations, emergency plans.
- Attention must be paid to the challenges caused by the climate change in towns in the course of the construction activities, urban planning and urban development.

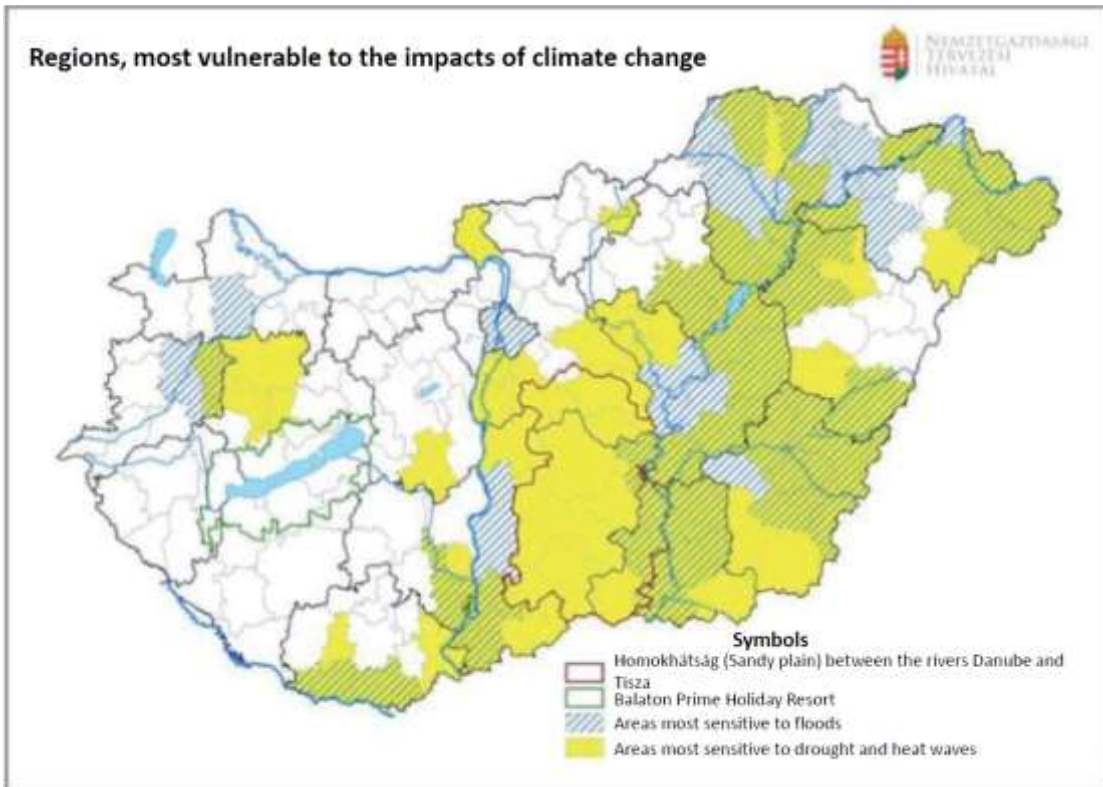


Figure 51: Regions, most vulnerable to the impacts of climate change

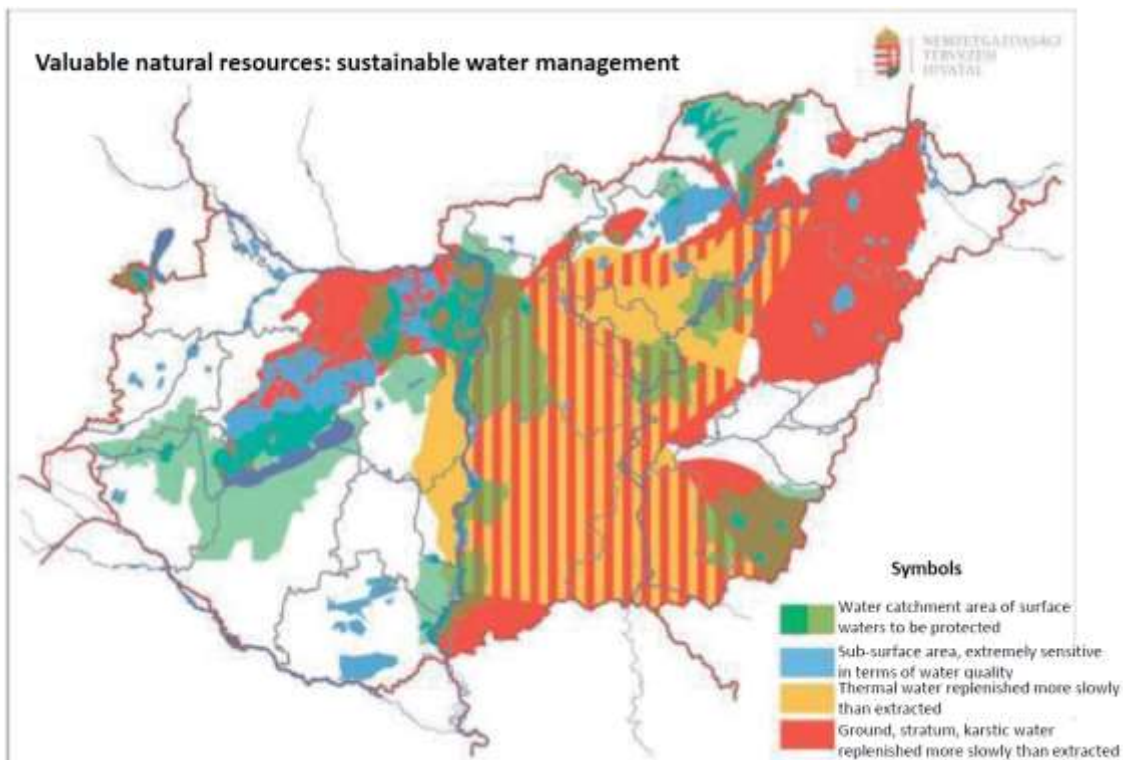


Figure 52: Valuable natural resources: sustainable water management

Cultural heritage regions

The cultural heritage regions are important potential for the country and its regions, as well as settlements in regional aspects. The cultural and built heritage of degrading and disadvantaged rural areas could be their biggest potential. Consequently, the preservation of heritage values of international importance (e.g., world heritage sites), and heritage of national and local importance and the exploitation of their regional development potential are equally important.

Our cultural heritage is also a regional potential.

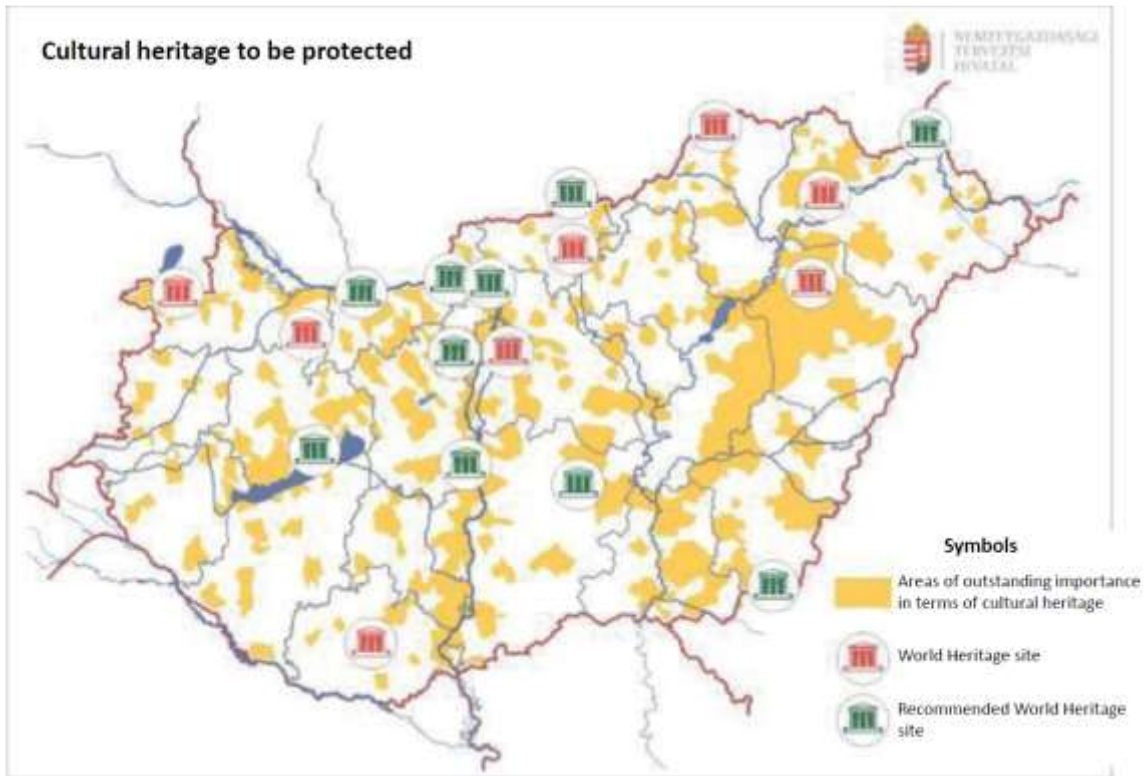


Figure 53: Cultural heritage to be protected

Tourism values and assets

Tourism is an important development potential in each region. Apart from the tourism values, outstanding both internationally and nationally, there are also numerous assets used primarily in domestic tourism. It is important to exploit the regional development potential inherent in tourism by making sure that tourism does not impose any burden on land use, the landscape, natural assets and resources with adverse impacts on their quality and renewal.

Tourism development in view of sustainability.

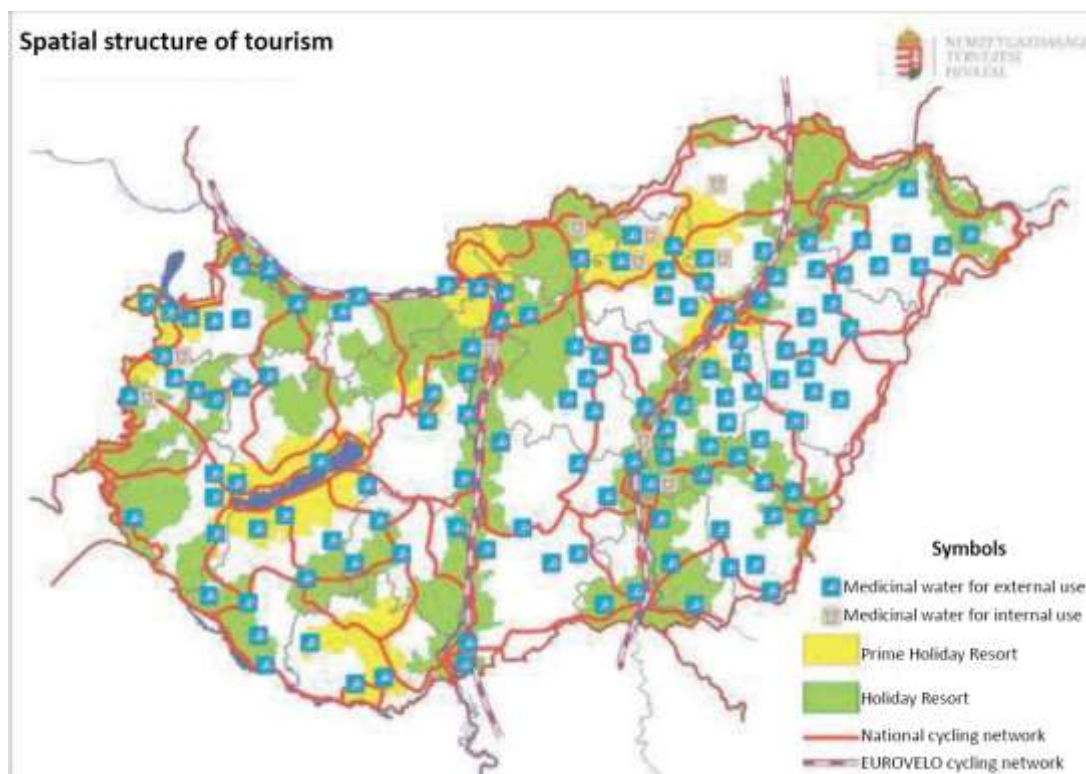


Figure 54: Spatial structure of tourism

3.1.9.2 Spatial use and land use principles, recommendations

General spatial use principles

Territorial development and spatial planning are closely related. For territorial development, as well as for several sectoral policies, relevant in terms of land use, the rules of spatial planning constitute a solid background of the land use principles and objectives expressed in them and a guarantee for their enforcement. Nonetheless, these solid rules do not constitute a development policy or an exclusive land use policy, because they cannot cover all territorial processes or economic and social activities of territorial importance.

Interdependence of territorial development and spatial planning

Effective and modern spatial planning must form a continuous and regularly renewed and coordinated system with the development strategies that determine the territorial profile of the country, among which territorial development is the most complex category. Consequently, the territorial development ideas should provide orientation for the rules of regulation at least strategically, but not exclusively.

Territorial development should provide orientation for spatial planning

Economic and thoroughly designed land use is one of the most important principles of spatial use. The protection of arable land, which is a resource with limited renewal capacity, is the most important objective of economic land use. The protection of ecologically important areas (wet habitats, grassland, forests, etc.) also protects similar, non-replaceable values. With a better utilisation of unused areas and brown fields, long-term protection can be granted to resources important to the national economy, thus ensuring the basic conditions of economic growth and increasing also the reduced value of certain areas. Consequently, support to brown field investments is important to the national economy as well. In the course of planning of investments for the economic and social development of certain regions an increased territorial approach, centrally aided selection of sites, most favourable to investors and the region and the central registration of brown field areas could become part of effective territorial and land use orientation of economic development.

Reasonable and economic land use

Economic land use needs to be applied in urban development too. The prevention of the spread of towns and a well-segmented and compact urban structure also affects strongly the settlements of agglomeration and is a true regional spatial organisation task. Soil degradation and activities causing irreversible reduction of groundwater must be avoided even in urban land use. Solutions that take that requirement on board should be supported in infrastructure planning. Among others and in addition to the protection of natural values and resources, it also increases the resistance capacity of the landscape against the impacts of the climate change.

Prevention of the spread of towns

Water and energy supply, safe and high quality access to infocommunications channels and transport sectors in all regions and for all residents have become increasingly important. The development needs related to the access to infrastructure of peripheral regions, small villages and hamlets should be stressed especially because those are indispensable for their development. The safety of supply and environment are key aspects of the spatial organisation of environmental infrastructure (waste management systems and wastewater management), yet the impacts of the development actions on economy and employment should also be taken into account in the course of planning.

Safe access to the infrastructure systems for everyone!

The protection of natural values and resources, as well as cultural heritage and landscape is another important task of spatial planning, which is also supported by territorial development with its specific tools. **However, apart from protection, wider aspects of sustainability should also be applied**, e.g., in relation to climate change. Apart from the system of preventive measures, spatial planning, with its previously mentioned investment and development affecting role may also play an important role in the prevention of unfavourable changes. Even tighter cooperation is required with sectoral development policies because the protected areas and values themselves are not enough to preserve sustainable environmental conditions. Material and energy savings, biodiversity production, emission reduction, prevention and mitigation of the harmful effects of climate change are important requirements to be respected across the whole country.

Value preservation for sustainability

In order to facilitate economic development, improve the safety of supply, strengthen the population retention capacity of small settlements, reduce transportation needs and, in a wider sense, to preserve or restore economic, social and environmental sustainability, **the development of the local economy**, recognition, deliberate and sustainable exploitation of local assets are one of the major territorial objectives of the development policy. Spatial planning may also support the same objective by shaping the spatial structure, by integrating individually viable and developing functional areas and towns into territorial plans, by giving guidance to transport and infrastructure development and by providing rules for investment projects aimed at economic development. These activities will assist not only the economy and infrastructure, as well as the introduction of a better system of jobs, but also local communities, active and viable social relations and local identity.

Use of local resources and support to economic development

Detailed spatial use and territorial use principles

In order to have a cleaner and more natural environment and healthier society:

- Brown field investments are required instead of green field investments.
- Priority should be given to existing industrial parks and brown field sites in the course of selection of development sites.
- Development may only be pursued on sites representing natural or cultural values if there is no other alternative.
- Natural forests are not capable of renewing themselves at all, or only to a very limited extent and the use of their area may not be replaced or transferred in the course of development.

Accessibility of values, facilities and events of public interest in order to create an environmentally aware society with local identity and equal opportunities.

- The implemented development actions may not restrict public access to the shores of natural rivers and standing waters, forests, summits, islands, night sky, free of light pollution, viewpoints, protected natural and cultural assets (with the exception of sites subject to strict nature protection). Priority must be given to development alternatives that provide access to previously closed off areas.
 - It is deemed a restriction if as a result of the development, the accessibility of the sites with non-motorised transport deteriorates significantly and the required time becomes longer.
 - It is also a restriction if the access options of disabled individuals are not improved by the development.
- The development actions cannot encourage any movement of vehicles outside public roads, which must be controlled strictly any way. Such leisure activities may affect only designated areas of limited size and may not be pursued on areas containing environmentally sensitive landscapes or (natural and cultural) landscape values of outstanding importance.
- The implemented developments may not support new facilities or events that cannot be reached with public transport means adjusted to the needs.
- No development action can be supported that do not provide access to the new facilities and events for disabled groups of society and do not improve the accessibility of the existing attractions.

Value preservation with spatial organisation in order to prevent any latent, environmental and cultural value degrading impacts of the organisation of social and economic processes:

- The development actions may not cut up consistent ecological systems and cultivated landscapes or settlements of social groups (e.g., nationalities).
- The development actions may not reduce the ratio of the nationalities of the respective areas within the total residential population (with the exception of initiatives that ease ethnic segregation).
- The development actions aimed at administrative restructuring may not reduce the ratio of the nationalities of the respective areas within the residential population.

The development actions may not increase the burden on naturally and environmentally sensitive landscape or (natural and cultural) areas of outstanding landscape value, the residential and holiday population, or the volume of the transit traffic crossing the area:

- Priority needs to be given to development alternatives that mitigate the latter.
- The development actions may not result in a holiday population, the number of which exceeds multiply the local residential population in naturally and environmentally sensitive areas and (natural and cultural) areas of outstanding landscape value.
- The development actions may not impede the relations between the Hungarians living across the borders, or nationalities living in Hungary with their parent countries, or with parts of their nation living across the borders, or the development of such connections. Priority should be given to development options that strengthen such connections.
- The development actions (other than developments aimed at combined transport) may not multiply the concentrated parking needs in residential areas, or in naturally and environmentally sensitive areas, or in (natural and cultural) areas of outstanding landscape value.

Priority needs to be given to development alternatives that mitigate the latter.

Society must be brought closer to its local environment in order to have a cleaner environment more effective economy and more responsible society:

- The use of biomass as a renewable source of energy may be supported in only small scale autonomous energy management systems. This source of energy may be deemed renewable only when used in the vicinity of the population, when its reproduction is transparent and monitorable, and there is a responsible commitment for sustainable use.
- The development actions must contribute to greater awareness of the responsibility for maintaining private property with its own territory.
- The development actions must facilitate understanding and awareness building of the values of the smaller local environment.
- In agriculture and forest management nature close economic practices need to be supported as sustainable economic methods and they must be revealed to the population.

Reduction and utilisation of travel time in order to have a cleaner environment and a healthier society devoting more time to cultural and social needs:

- The development actions may not be aimed at increasing the regular travel time and distance of the population of the regions (also including non-motorised transport, such as pedestrian transport and cycling). Thus, the development actions may not increase the time or distance of daily urban community between the workplace and place of residence (with the exception of new job creation).
- Whenever the sites of job creating projects are selected, shorter commuting time should be a priority.
- The development actions may not limit the options of non-motorised commuting within the settlement (pedestrian or cycling traffic). Priority should be given to development actions that contribute to the elimination of the impediments.
- Transport developments must assist the population in reducing the travel time and distance required for any service that is not available locally (especially within the agglomeration and in rural areas), within the development of which:
 - the main priority should be non-motorised transport (pedestrian transport and cycling) or the introduction of central functions within a radius that may be covered with such types of transport;
 - second priority needs to be given to the development of public transport (as a real service adjusted to needs);
 - the third priority should be the development of combined (park and ride) systems;
 - the development of individual motorised public transport options could be only the last consideration.
- Within the framework of motorised public transport development, the following should be outstanding priorities:
 - pedestrian transport and cycling combined with railway (fixed route, electric and gas-operated transport within towns as well) or with water transport (secondly by bus) (accessibility of stations: usable road, public lighting, service facilities, bicycle storage, bicycle transportation);
 - railway (fixed route and electric within towns) and water transport development and railway-bus, boat-bus combined transport.
- The development actions may not reduce the options of using the travel time for cultural and social purposes. Priority should be given to any development option that increase such opportunities.

Reducing the environmental, technical and transport safety damages caused by freight transportation in order to have a more effective economy and safer and cleaner environment:

- In any development action aimed at the organisation of transit freight traffic crossing the country, priority must be given to waterways, railways and combined transport.
- In any development project aimed at the organisation of freight transportation with departure or destination points in the territory of the country, priority must be given to waterways, railways and combined transport.
- During the construction of regional and international road transport corridors, priority must always be given to the construction of the planned bypasses.

3.1.10 Coordination of territorial development and spatial planning

3.1.10.1 NSDP and spatial planning in territorial planning

Act XXVI of 2003 on the National Spatial Development Plan (NSDP) generally modified in 2008 defines the conditions of land use in the regions of the country, the coordinated spatial structure of technical and infrastructure networks in view of sustainable development, preservation of territorial, landscape, natural, ecological and cultural specificities and values and the protection of resources. In that regard it defines the transport and energy networks of national importance, as well as individual structures and outlines the national zones. The elements contained in the structural plan of the country are also stated in the county plan and are clarified in the legislative framework. The county spatial plan regulates the spatial structure of the county indirectly and within a limited framework.

Task of the NSDP

In terms of the NSDP it should be highlighted that **ACT XXI of 1996** on Territorial Development and Spatial Planning lays down the objectives and tasks of territorial development and spatial planning. Consequently, **the task of spatial planning** covers the **exploration and assessment of environmental features**; land use that takes into account **the actual and potential load on the environment** and development objectives, **the territorial structure of infrastructure networks** and their situation, and the **regulation of national and regional spatial planning and urban planning tasks** in line with the principles of the NDTC and the sectoral concepts, developed accordingly.

Furthermore, Government Decree No. 218/2009. (X. 6.) on the required contents of the territorial development concept, territorial development programme and spatial plan and their coordination, elaboration, related consultations, approval and disclosure is also very important because it contains special rules applicable to territorial development and spatial planning.

The NSDP defines the land use categories at regional zones, as well as conditions that need to be applied in the county plans. Apart from the existing and planned spatial structure components of national importance, the county spatial plan also contains technical infrastructure networks and individual structures. The county spatial plan, approved in a municipality bylaw, contains **the regional structural plan, the regional zones and the spatial planning regulations**. They are supplemented by **spatial planning recommendations and proposed actions** elaborated to reflect the local specificities and tendencies and not restricted by the rigorous content requirements of the spatial plan. They are all approved by the county assembly with a resolution.

County spatial regulation plans possibilities

The regional zones of the county spatial regulation plan designates the territorial units that have specific characteristics, primarily **values to be protected**, or facilities **outstanding** in terms of landscape utilisation, which are independent from the land use categories, and which are governed not only by the spatial planning regulations but also by important sectoral regulations (nature preservation, environmental protection, energy, water management, home defence, etc.).

Consequently, the purpose of the spatial regulation plan is to coordinate the land use requirements in the long term. In that regard **the plan lays down the spatial structure of land use in the region and the technical infrastructure networks.** Planning should promote the elaboration of a spatial structure that suits social, economic and environmental objectives and facilitates the development of obsolete regions, preserves landscape, natural and cultural values and protects natural resources. The general rules of land use and the spatial physical structure of development decisions, as well as the related requirements are implemented through the actual development actions.

Long-term objectives of spatial planning

The special rules pertaining to spatial planning define the relations between territorial development and spatial planning, according to which, **in line with the objectives of the territorial development concept, the spatial plan defines the methods of land use in the region**, and the technical infrastructure systems, the long-term structure and practical utilisation of the regions, the environmental landscape and nature preservation tasks and also sets a requirement for a territorial impact study.

Legislative connection between spatial planning and territorial development

Parliament Resolution No. 97/2005. (XII. 20.) on the National Territorial Development Concept (NTDC) defines spatial planning as one of the six pillars of the implementation of the territorial development policy. The NDTC was reviewed at the beginning of 2012. The new National Development Concept (NDC) and the National Territorial Development Concept (NDTC) are intended to serve as the basis of the review of the NSDP, due in 2013. During the review of the NSDP the guidelines laid down in the NDTC and the related sectoral and territorial/county development concepts must be taken into account in order to make sure that the framework required for the implementation of the country's development policy can be reflected in the national and county spatial development plans.

3.1.10.2 Aspects of coordination between the NDTC and NSDP

The **principles and criteria of the NDTC and NSDP must be the same.** Both documents may be based on them, both individually and in correlation with each other. The horizontal principles of NDTC are applied more widely and are also in line with the sustainable and economic land use principles of a spatial planning. These horizontal principles are as follows:

Common principles

- Inclusion, social cohesion, equal opportunities
- Sustainable development and sustainable growth
- Value preservation and intelligent growth

The distribution of tasks between the two documents is defined in the legal regulations but the points where the two plans can rely on each other e.g., Balaton region, agricultural regions, transport networks, energy, environmental safety, cultural and landscape heritage protection must be identified on the basis of the common principles. **The NDTC can set development policy directives and content requirements for the NSDP and the NSDP can provide territorial demarcation preferences and rules for the identified development trends and needs.** On the basis of the principle of mutual task distribution, the NDTC, with its greater room for manoeuvre and a wider scope of criteria and needs is one of the most important forces affecting the further development of the NSDP. This document has the largest scope among the strategies that determine the contents of the NSDP.

Synergic interdependence

The territorial objectives and regions of the NDTC, which may not be included in the NSDP, may be reflected in the **county and regional spatial development plans**, depending on the relevance of the county/region. At county level the regulation allows for the identification of NDTC criteria, territorial objectives and spatial planning rules that may not be covered at national level. Nevertheless, the county spatial development plans should also be in line with the county territorial concept. It is recommended that the current modification of the NSDP should contain a proposal for the county regulation plans, which is in line with the NDTC and allows the counties to come up with individual regulations on their spatial structure.

Integration of county planning into the system of national documents

Both the NDTC and NSDP **should pay more attention to the cross-border territorial processes taking place in the neighbouring countries**, as they may be relevant in the development of regional centres, land use, economic activities and transport. According to ecological aspects coordinated regulation of land use is an obvious and necessary action in semi-natural or protected natural areas situated on both sides of the border (nature preservation sites, ecological network, Natura 2000 areas). The development actions involving our rivers and the protection structures erected by them, the flood plains and water bases must be consistent on both sides of the border, or at least the **contents of the interventions and plans need to be coordinated**.

Increased attention paid to cross-border processes

It is recommended that the next NSDP should contain a complex territorial analysis prepared according to environmental aspects which defines the areas, the environmental and nature preservation status of which is less valuable compared to other areas (e.g., previously damaged and remediated sites), yet their environmental risks are also low, and therefore they could become **suitable sites for development actions with considerable use of the environment**.

Territorial orientation of development actions from the point of the environment

Consistency between the content and functions may only be achieved **with a well-coordinated planning cycle of the documents**. In order to achieve that, both documents should be based on a regularly repeated consistent national evaluation that confirms the effectiveness and the right directions applied in the previous regulations (NSDP) and the development policy (NDTC). This can be used as the basis of the principles and development focuses of the subsequent planning cycle, reflecting horizontal, territorial and sectoral aspects. The timely coordination of the preparation of the three documents would facilitate a common platform of the reviewed development principles and objectives (1. evaluation, 2. NDTC, 3. NSDP) both for the NDTC, and the NSDP. The **sectoral policies and plans**, the framework system and objectives of which are included in the NDTC, although they specify much more detailed and specific requirements, could become important points of connection with the NSDP.

Coordinated planning cycle

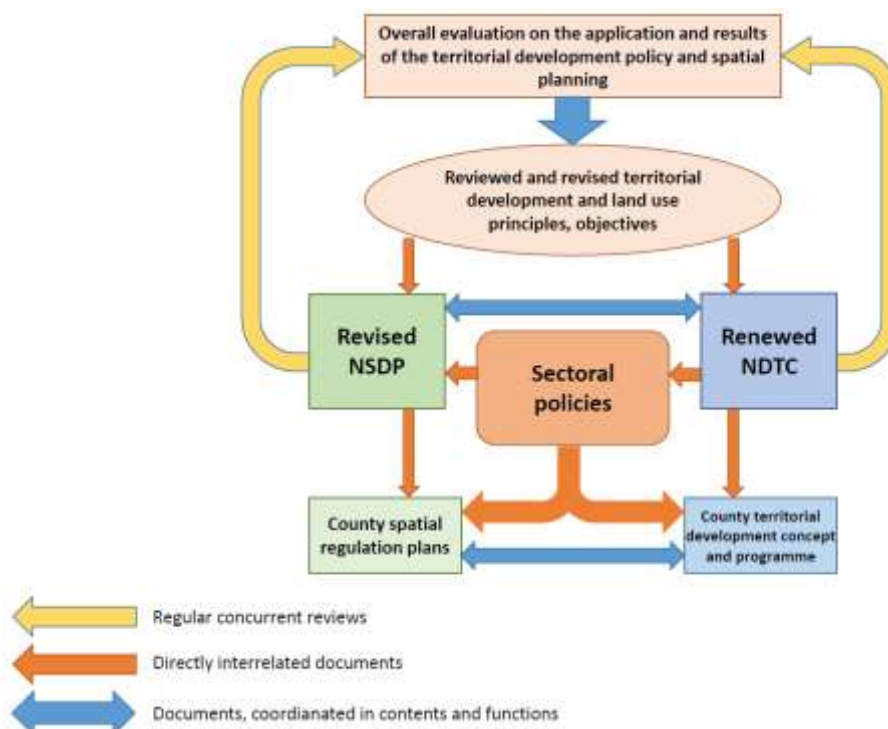


Figure 55: Coordinated territorial development and spatial planning cycle

3.2 Economic development priority

The **economic policy background** and contents of specific objectives and development priorities are defined in the horizontal economic development priorities. The seven economic development priorities **reflect the key economic policy focus points** which determine **the development policy in terms of economy** and constitute the medium-term pillars of the Hungarian economic development policy.

1. Relationship between producers and service providers and the core territories of the European economy

One of the components of re-positioning the Hungarian economy **is to extend, intensify and dynamise the economic relations with the centres of the European economy** (e.g., Germany) and to expand economic cooperation.

Intensive economic relations with the economic centre of Europe

The purpose of an intensive and extensive relationship with the advanced economic core territories of Europe **is to strengthen Hungary's production and service supply functions in Central Europe, to start economic growth and to boost job creation and employment.** The components of that process include incentives to investments and capital expenditure, strengthening of supplier and network relations, and cooperation in technology transfer, innovation and research development.

2. Macro-regional economic role

Strengthening the contribution of the Hungarian economy macro-regionally, in Central, East and Southeast Europe is one of the factors and instruments required for economic growth in Hungary. Regional expansion, **strengthening of the market position of the Hungarian companies and putting in place the conditions of operation for regional and central functions of transnational companies** are parts of the growth potential, important for the Hungarian economy.

Role of regional Hungarian large companies

There are twenty-twenty-five companies in Hungary that determine or could soon determine the macro-regional economy ("Hungarian multis"). Assistance and encouragement of their economic activities and developments are major components in the economic policy arsenal. Given the supplier relations, their development will also improve connections with and strengthen **the network of small and medium-sized enterprises.** The purpose of exploitation of our regional growth potential is to strengthen Hungary's **economic organisation function and to improve and stabilise its regional and market position.**

3. Exploitation of export opportunities, export growth

As the Hungarian economy is heavily dependent on exports, **boosting and increasing export performance is one of the key conditions and therefore main objective of the country's economic growth.**

Export expansion is one source of economic growth

One direction of the offensive export strategy is **opening towards the East**, while the other direction is the retention and expansion of **foreign trade relations with the West.** The main target areas in export expansion include the dynamically growing regions of the global economy and the market niches. The export strategy is based on the **establishment and expansion of market relations and the production development** required for it.

4. Sports economy, active recreation and tourism development

As special economic segments, **sports economy** i.e., more extensively economic sectors relating to recreation, including **recreation and leisure economy** and relating **tourism** may have an important role in the economic growth of the country. These fields have major growth potential.

Exploitation of the potential of the economic segments relating to physical activity

Consequently, sports and other economic activities relating to active recreation i.e., development of services easily accessible by tourists and local residents, including **the development of organisations and companies operating in sports and recreation economy**, improvement, expansion and extension of **their services, the development of infrastructure** of sports and active recreation and related **tourism development**, as well as **the change of attitude and lifestyle** to include more sports and recreation are important fields of economic development. The development and extension of these economic segments go beyond their economic importance and their effects are measurable also in social factors and in the environment through the green surfaces.

5. Research & development & innovation, creative economy and knowledge economy

One of the keys to modern economic development is the **intellectual added value**, which is one of the key components of the renewal and growth of the Hungarian economy. In future research and development activities (R&D) should be managed together with innovation (R&D&I). Thus, the **cumulative intellectual and economic capital may result to new products and services**, leading to economic growth and increased employment, as well as new **high quality jobs**. Apart from R&D&I in technology, **creative and new energies need to be detected** and “channelled” into the economy, **in order to expand and develop a creative and cultural economy (e.g., cultural industry), as well as** to lay down the foundation and strengthen **the knowledge economy**.

Intellectual added value and creative energies in the economy

These fields are important factors in the development of not only the large companies that have their own R&D and innovation potential, but also of **small and medium-sized enterprises** and also have considerable **employment potential**. It also requires the development of **training, vocational training and higher education** in line with the requirements of the economy/market.

6. Health economy and health industry

Hungary has favourable facilities for a **health industry** and **health tourism** based on medicine (natural healing facilities e.g., medicinal and thermal water, medicinal sludge, medicinal cave, etc.). It has its traditions and a good foundation for their exploitation. **The development of health services** belongs to a sector of increasing importance, which may become one of the breakthrough points and source of growth of the Hungarian economy. Apart from the residential population, **the marketable health services** also constitute one of the important areas of health tourism (e.g., dental services, plastic surgery, wellness). A health industry is also a globally appreciating industry.

Health industry is an important field in the re-positioning of the economy

In terms of **economic outputs**, the development of the health industry creates jobs, strengthens the sector of small and medium-sized enterprises, contributes to R&D&I developments with durable economic growth and encourages training and education with its demand for experts. At the same time, it may also result in the development and re-positioning of the health sector, its background industry and background services, as well as tourism. Its **role in society** is to preserve and improve the mental and physical health conditions of people.

7. Multi-functional agricultural and food economy

Hungary's agro-ecological assets allow for **versatile agriculture and high quality agricultural production**. **The production potential of the country** can supply food to 15-20 million people which, together with the related processing and background industries, is a major economic development potential. Parallel with an increase in the number of the global population, **food demand is likely to increase across the world, which will make food supply an issue of strategic importance** both in quantity and quality. This is why it is important to regain **our domestic markets** and to exploit **all export opportunities** in that regard.

Hungary's agricultural and food production potential is of strategic importance

The development of the Hungarian agriculture and food industry requires an extension of the product structure, **an increase in added value and support to accessing the market**. Apart from the production of **healthy and good quality food products** with high added value it is also a market strategy and health issue. The importance of agriculture and food industry goes beyond their direct role in the economic, because **a large proportion of rural population** is employed by them (multi-functional agriculture), which makes them **also one of the key aspects of the future and population retaining power of our rural areas**.



Figure 56: Economic development priorities, 2014-2020

3.2.1 Sectoral policy tasks of achieving a competitive, innovative and network economy

3.2.1.1 Employment

The outstandingly low level of employment in international comparison has been one of the major problems of the Hungarian economy for a long time. The increase of employment is the most important economic and development policy objective of the Hungarian Government, indirectly serving several purposes: it boosts economic growth, improves the balance of the budget, stabilises the financing of the large distribution systems and also promotes the convergence of degrading social groups and regions.

Low employment rate of disadvantaged employees

In view of the above considerations, Hungary set a target until 2020 of increasing the employment rate to 75 percent among the population aged 20-64 i.e. full convergence with the EU objective.

In order to achieve that goal especially important efforts are needed in order to increase the rate of employment among career starters, older age groups, people with lower school qualifications and those raising young children. The instruments that may be used for such purposes include active labour market programmes, support, strengthening of employment organisations implementing those and support to training on the labour market.

Target groups in disadvantaged position in terms of employment

Increasing the participation in the labour market of **young people and career starters** is a task of key importance due to the unfavourable demographic changes and the demand for new skills, required in new jobs. In that context it is absolutely necessary to support the learning of new capabilities and competences that enhance the job opportunities of young people. The improvement in the personalised nature of such services and support and an increase in the number of trainee positions available for young people is a requirement in that regard.

In order to promote the continued employment of older employees, **people aged over 50 must constitute one of the main target groups of the employment policy**. Apart from the support system, the employment of older people prior to retirement must be assisted **by improving the adaptability of enterprises and in general of employers**, by increasing access to flexible forms of employment and by a targeted increase in the employment instruments.

The primary labour market is currently unable to offer adequate jobs to a large number of **underqualified people** partly because they live in areas where the primary labour market is weak and partly because their employment requires a considerable amount of social work, mentoring, "incubation". This represents a dual task. On the one hand, it calls for the strengthening and coordination of the labour markets according to regional aspects and, on the other hand, it also requires the establishment of a system of temporary employment, transferring people to the open labour market and functioning as a kind of "sluice" built on the basis of so-called social enterprises. The system should be operated with the related training programmes. The gradual introduction of a **system of social companies** is also recommended, first in the most disadvantaged regions as an experiment, and then gradual expanding the system until 2020.

The supply of adequate daytime care to small children is one of the key requirements for enabling women, more specifically **mothers with young children to return to the labour market after Gyes/Gyed [child raising benefit/child raising allowance]**. The chances of employment of mothers with young children may be improved with brush-up courses, targeted reduction of the employment costs and measures promoting and increasing access to flexible employment forms.

In summary, it may be concluded that there is strong correlation between Hungary's low employment rate and the much lower employment than the European average of the **groups of employees, disadvantaged** according to certain labour market aspects. Apart from the problems associated with the workforce and the demand side, the high inactivity of such groups are also **important factors affecting social benefits and services**.

Low employment among employees in disadvantaged positions

Concerning the number of actual working hours, Hungary is close to the EU average, which shows that in Hungary relatively few people of the population of working age are employed, yet they work in higher number of hours, while the **ratio of part-time employment** and other types of alternative employment is **negligible**. **Part-time employment in Hungary is often not a voluntarily selected and long-term form of employment**, or a form of reflection of pretended part-time employment.

Few employees work a lot in Hungary

Hungary spends little on labour market expenses. The Hungarian figure is almost 1 percentage point lower than the average expenditure of the EU Member States compared to the GDP, while in terms of employment indicators Hungary is in one of the worst positions. In order to increase employment on a durable basis, the labour market expenditure within the GDP should be close to the EU average and efficient employment policy tools and effective employment organisations are required. The employment organisations must be able to offer **personalised services**.

Low expenses allocated to employment programmes in Hungary

The elements selected from the system of services and support must be adjusted to the current features of the unemployment status of the individual at the time.

The main objective of vocational training is to **converge the output of the school system to the actual demand of the labour market in structure and in quantity. In adult training the quality of training must be improved by using market mechanisms, and by making legal regulations and the examination system more rigorous**, especially in the case of the supported courses.

Training systems that do not satisfy the requirements

In line with the EU employment policy, the flexible labour regulations should be developed, guaranteeing social security and satisfactory unemployment benefits, introducing active labour market measures, effectively assisting re-employment and providing opportunities for life-long learning relying on the results of the previous years.

Introduction of a flexible employment strategy

The talent support system, which covers the whole country, also contributes to the management of the problems of the labour market. The talent support programmes improve the replacement base of higher education in natural and technical sciences and increase the number of young people, talented in craftsmanship in practice-oriented vocational training to create new economic potential. The talent support networks, which reach as far as the most disadvantaged sub-regions, assist employees in better adaptation to the labour market requirements for better chances of employment with their special programmes.

Development policy tasks

- Introduction of active labour market measures.
- Boosting labour demand and improving the quality of labour supply.
- Coordination of demand and supply of the individual and corporate labour market.
- Giving preference to flexible forms of employment. Support to the dissemination of atypical forms of employment.
- Development and economic policy that encourages legal employment.
- Detectable increase in the employment of younger and older generations and employees.
- Promotion of skills shortages primarily among young people prior to choosing a career.
- Assistance of recently graduated young people in finding jobs. Managing the challenges of ageing (actions against discrimination based on age, and changing of mindsets).
- Measures to shorten the absence of women raising young children from the labour market.
- Support to the employment of disabled individuals and introduction of a convergence system. Employment should be attractive to the inactive, and therefore unemployment services must be organised that encourage job search.
- Adequate supporting services and other benefits should be granted to job seekers in order to help them find a job quickly and improve their employability. Making the return to the labour market easier.
- Good quality opportunities for lifelong learning, available to anyone. Encouragement of employees to take part in training.
- Encouraging the supply of training in line with the requirements of the economy.
- Encouraging enterprises to support the training of employees.
- Nurturing a new group of skilled workers and graduated employees.
- Easing the employment promoting operating conditions of enterprises, restructuring of the regulatory environment and the tax system, effective use of support. Focus points:
 - Legal employment encouraging economic policy.
 - Support to job creation and job protection entrepreneurial programmes among micro companies and SMEs.

- Support to the strengthening of local and social economy that organises the employment of the local unemployed according to the local opportunities. (Strengthening the relationship between the organisations operating in the social economy and the profit-oriented sector, supply of marketable products and services. Launching professional and support activities required for the development of the sector, supply of financing tools.)
- Support and encouragement of self-employment and family employment forms.
- Encouraging workforce mobility.
- Strengthening the National Employment Service.
- Continuation of the strengthening of partnerships (employment pacts) encouraging cross-sectoral local and regional employment cooperation, dissemination of effective examples of local economy and employment development.
- Strengthening local social organisations and different types of regional cooperation, encouraging economic development initiatives and cooperation of settlements and reduction of migration.
- The conditions of cross-border workforce migration must be improved and the cross-border employment regions need to be strengthened.

Territorial priorities

- Instrument and programme-based employment plans need to be made at territorial level.
- Cost effective public employment reform, giving preference to residents of settlements on the peripheries.
- In adult training the supported professional language and competency development training may only be provided by licensed (accredited) institutions. The training programmes for such institutions are developed on the basis of central requirements and must be certified in advance. Support may only be granted to those who participate in training that satisfies labour market and territorial requirements.
- The national talent support programme plays an important role in the training of young people and the adult generations, in strengthening the intentions for self-care and the improvement of the employment situation of the different generations.

3.2.1.2. Economic competitiveness

The Hungarian economy has been struck by a dual crisis: the chronic disequilibrium of the budget and the weak competitiveness of Hungarian enterprises. **Our competitive disadvantage** is obvious also in comparison to the countries of the region. As a result of the restrictive economic policy of the last few years, **Hungary has become a practically self-financing state**, which is favourable in terms of the financing of the budget but will not provide financing for the dynamisation of the economy. The limited Hungarian and more abundant EU resources should be concentrated on potential breakthrough points, where there is a good chance of **developing world class products or companies**, or **competitive either at global or European level**.

The dynamisation of economy requires funding

Development policy tasks

- Tax reduction by gradually lowering the taxes charged directly to enterprises to be followed by taxes and contributions charged on employment. Radical simplification of tax types, tax procedures and tax administration.
- Simplification of access to national and EU support resources.
- Elimination and regulation of competition distorting disparities, oligopoly and monopoly situations on the market, combating corruption and restoration of economic and legal certainty.

- New integration of national institutions, state and market organisations, community and individual initiatives.
- Competitiveness contracts concluded with entrepreneurial associations, or territorial or sectoral cooperation which have large employment capacities, and which can flexibly assess support with the help of the Government, while the contracting parties are clearly committed to the establishment and preservation of a large number of jobs.
- More intensive use of local resources.
- Support to micro-, small and medium-sized enterprises and strengthening the market position of small and medium-sized enterprises. Development of a network economy that combines small and medium-sized enterprises.
- Encouraging the establishment of commercial companies that support, assist and prepare the access to the market of SMEs.
- Supporting the conditions of connection to electronic trade.
- Strengthening of the quaternary sector in all areas of economy and buildings its relationship with industrial development.
- Legal regulations for clusters.
- Market-oriented development of individuals talented in technical and natural sciences in a national talent support system.
- Supporting actions made for the improvement of the efficiency of assets of production companies.

Territorial priorities

- Introduction of special, area-based competitiveness improving measures (Special economic zones)
- Improving the competitiveness of underdeveloped regions
- Making the areas of large towns competitive in Central Europe and in Europe

3.2.1.3 Horizontal and complex industry development aspects

High taxes, complicated and cumbersome **administration processes** and variable and unpredictable **economic environment** are general problems, prevailing in each sector. The **increasing shortage of skilled workers** in some major fields, such as the vehicle industry, is a clearly identified trend. The **lack of mobility** is a problem related to human resources. During development, increased attention must be paid to ensure that the new industrial sites are established where skilled workers are available and can develop. In numerous sectors, production is heavily **import dependent**, **companies use few Hungarian suppliers and produce low domestic added value**.

High taxes, extensive administration

The Government has identified ten industries crucial for the national economy, which may constitute the breakthrough points of the Hungarian economy, and therefore should be treated as key sectors:

- Motor and vehicle industry;
- Electronic industries, communications technology;
- Health industry;
- Pharmaceutical industry;
- Tourism;
- Agriculture, food industry, food processing;
- Construction and construction material industry;

- Logistics;
- Machine industry (e.g., manufacturing of medical equipment and devices), production of tools and instruments;
- Chemical industry.

Sectoral industry strategies must be prepared with a territorial approach for the development of all those sectors. The environmental industry and the ICT sector, which relate to more than one sector, are also extremely important for the national economy, and should therefore be considered a breakthrough point.

Development policy tasks

- Within the structure of the economy, the key sectors i.e., food industry, the power sector, the biotechnology, the health industry, environmental protection and sustainable development are priorities.
- The Hungarian SMEs should be able to have an increasing share in the supply of network of the multinational large companies established in Hungary.
- Increase of employment in those sectors that employ a large number of people, such as e.g., vehicle industry, electronics industry, textile industry, logistics, tourism, construction industry and agriculture.
- Workforce development: introduction of adequate vocational training courses, further development of dual training, talent support and intensive development of language training activities.
- Support to the R&D&I activities of the industrial actors.
- Development of export-oriented activities and encouragement of export activities of enterprises.
- Elaboration of a territorial mobility strategy.
- Green economic development: preference to low energy, water and material consuming solutions with less transportation needs and promotion of waste utilisation in any industrial technology development.

Territorial priorities

- Development of industrial crisis areas.
- Re-industrialisation of towns that have lost their former industrial sites.

3.2.1.4 Motor and vehicle industry

The **vehicle industry is one of the knowledge-based sectors with high added value** according to the global market dynamism of the individual sectors, technology trends and comparative advantages, as well as the major indicators of the Hungarian economy. **Road vehicle industry** is the basic **development goal** for Hungary: it has an outstanding role in the gross industrial output, exports, employment, investments and in R&D expenditures.

A sector with high added value, Hungarian breakthrough point

The share of the road vehicle industry is high also in the European comparison, with **a large number of suppliers**. However, the global economic crisis had an impact on this sector and, with the exception of electronic vehicles, **no upturn may be expected in the sector over the next few years**. The other segments of the vehicle industry i.e., buses, commercial vehicles, special vehicles, aircraft and special structure production have large development potentials, and therefore they are also of outstanding importance in the Hungarian economy.

Large number of suppliers

The main difficulties observed in the vehicle industry **include**: the high taxes on wages and a complicated tax system, inadequate qualifications of the workforce, inadequacies of management competences, lack of trained and available workforce, little willingness of the workforce to become mobile, lack of R&D, low Hungarian supplier ratio due to actors with limited production volume.

Numerous difficulties impede the development of the sector

Development policy tasks

- Developing stronger relations between universities and the industrial sector to facilitate motor industry R&D&I activities and workforce training to suit the requirements of the industry.
- Interconnection of secondary and higher technical qualifications with corporate training activities in order to provide training that satisfies real requirements.
- Support to the R&D activities of suppliers and cluster programmes.
- Investment promotion through eased administration, taxation and industrial park requirements, and more flexible employment frameworks.
- Accelerating the logistics development, relevant for the vehicle industry.
- Encouragement and support of the manufacturing of vehicles developed in Hungary.
- Support and further development of the key motor industry centres.
- Support to the development of electric vehicles.

Territorial priorities

- Support to vehicle industry centres and areas and improving the related infrastructures

3.2.1.5 Electronic industries, communications technology

The electronic manufacturing industry has the most significant and largest growth potential in Hungary. It began to develop in Hungary after 1995 and after 2000 Hungary turned into a regional electronic production centre. **The contribution of this sector to the GDP is similar to that of agriculture or the motor industry.**

The electronic industry is one of the leading sectors of the Hungarian manufacturing industry

Unfortunately, **the industry works with a high import content**, and very little domestic added value, **as well as low Hungarian supplier ratio (5-10% depending on the specific products)**. It operates with a large number of trained workers, and **with little R&D activities**. Only a few companies e.g., Ericsson, Bosch, are engaged in any major research&development.

Low Hungarian supplier and R&D value ratio in the subsector

Over the last few years, labour intensive manufacturing activities with low added value tended to move towards the eastern parts of the country due to the gradually rising wages in Hungary, and then **left the country** and moved to the East. **Very often new business sites were established in China**. However, **the latest global economic crisis** also triggered new tendencies, **revealing the risks and disadvantages of production outsourcing to the Far East**. This can give an opportunity to international companies to make new investments and expand their manufacturing activities in Hungary again. In addition, it may also be concluded that the final configuration of the finished products takes place in an intermodal logistics centre, close to the final destination (final market of the product and consumer) and not in the Far East region, which tendency can provide good opportunities for Hungary too.

There is a chance to retain the industrial sites

More intensive involvements of the seaports of Croatia, Romania and Slovenia into the logistic chains, following the example of Hamburg, may significantly shorten the transportation time of products, thus **improving Hungary's competitiveness**. In the case of the electronic industries, air transport is also very important in the transportation of industrial components and in relation to business trips.

Development policy tasks

- Gradual replacement of previously lower category of work by activities with greater added value in order to further expand the industry.
- The R&D activities need to be enhanced in order to retain the existing industrial enterprises and sites. More and better trained engineers and skilled workers are required.
- More increased support to the industrial R&D activities e.g., through the tax system. It can be achieved with the general simplification and modernisation envisaged in relation to the tax incentives developed for the R&D activities and support to cooperation with research sites within the components of the support application system.
- Development of services introduced to exploit the industrial specificities of the final configuration of certain products, which is needed for the Hungarian electronic industry.

Territorial priorities

- Strategic development of industrial hubs, support to green field investments and increasing their competitiveness.

3.2.1.6 Tourism

Megatrends affecting the changes in the global tourism: shift in the demographic composition of the developed world towards the older generations, dissemination of gradually improved communications technologies, the shorter leisure time and simultaneous instant needs for services, as well as impact of the climate change on the global tourism demand. Competition is becoming increasingly fierce among destinations, and the importance of other macroeconomic factors beyond tourism is constantly rising.

Varying trends in tourism

Tourism has been a traditionally **important sector of the national economy** in Hungary. The main reasons behind the weakness of the Hungarian tourism include the low number of internationally competitive attractions and the low revenues by tourists. The situation was made worse by the global economic crisis which broke out in 2008, although favourable tendencies have been observed since 2011. Apart from Budapest and a few health tourism sites, only Lake Balaton may be considered an internationally competitive attraction. In terms of quality and values, the built heritage stock in Hungary meets European and international standards, but they cannot play any major role in tourism due to the low number of the buildings and structures that may actually be presented to the general public. There is a need for major development for the authentic presentation of these assets in terms of cultural history.

Few internationally competitive attractions - numerous potential tourism facilities

Development options exist primarily in health, medical, eco, active, cycling, cultural and rural tourism, which may not only disseminate tourism territorially, but can also promote the development of rural areas, rich in natural and cultural assets. **Professional, conference and event tourism may be an additional factor contributing to that development (Meetings, Incentives, Conferences&Exhibitions: MICE).**

There is still strong territorial concentration in the country in the arrival of the guests and primarily good quality accommodation capacities. Concentration is also reflected in the location of the previously established TDM organisations for existing attractions. The internal ratios and distribution within the overall composition of the structure of accommodation facilities has changed slightly over the last few decades with a slight shift towards higher and special category hotel facilities.

Apart from a few exceptions, **state tourism development** between 2007 and 2013 was funded only from EU resources. **Support was granted primarily for the development of attractions, hotels and organisations.**

Limited supply of funds available for tourism development

Municipalities (or companies) made up 70-80% of applicants for support to the development of attractions, which entails a risk that funds are requested for not sufficiently elaborated and non-prestigious projects that do not fit in their environment. Major attractions were not constructed at all, or only in a very low number. Considering the low capacity utilisation and numerous weak indicators, **in general consideration should be given to the support of construction of any new hotel.**

With regard to the TDM organisations, the greatest problem is the lack of a legislative background laying down the basis of durable stable operation, and a sound financing background stemming from the regulations, and therefore **a consistent and effective tourism institutional system may not be established from support.**

Lack of legal regulations
pertaining to TDM

Development policy tasks

- New innovative and creative solutions in the development of attractions increased contribution to the stimulation of the local economy and preference to the reduction of territorial differences and concentration.
- Thematic product development, product plans, theme paths and product chains, main programmes, complex tourism product and service packages (health tourism, cultural, religious and heritage tourism, active tourism and its subtypes, professional tourism, ecotourism), as well as cluster development.
- Utilisation of the built heritage as a resource in tourism, strong increase in the number of objects authentically restored and presented in terms of cultural history.
- Development of the twilight and leisure economy.
- Dynamic development of flexible tourism services.
- Further strengthening of domestic tourism by expanding, extending and promoting the system of domestic holiday support.
- Development of large regional accessibility, and the quality of the infrastructure and development of the quality of tourism service infrastructure and other services in line with the transport policy.
- Accessible and equal access to tourism services and attractions for disabled individuals.
- Enforcement of sustainable spatial use principles.
- Territorially coordinated development of attractions - services and infrastructure product components.
- Promotion of the actual establishment of the total TDM system; exact legal and statutory regulations, at national - regional - sub-regional and local levels.
- It also needs to be taken into account that tourism development is not only an economic development tool, but also has other social impacts in view of its multiple effects, the utilisation of which should be promoted. This includes a cultural effect, because the residents living at tourist sites can become aware of the value of their own culture and traditions and tourism also dynamises cultural supply and promotes the development of local cultural activities. It also involves the demographic effect, because simultaneously with the development of tourism, the labour demand of destinations will increase. Finally, the positive impact of the residential and territorial identity may also be mentioned here.

Territorial priorities

Implementation of special regional objectives differently according to the types of regions of the country:

- Strengthening the territorial approach in the plans of tourism services at each territorial level, elaboration and application of territorially defined preferences.

- Strengthening of specific regional and local brand building activities (e.g., at world heritage and potential world heritage sites).
- Enhancing the bath town image and international cultural centre role of Budapest, and further strengthening of professional tourism and international competitiveness.
- Extension of the season at Lake Balaton and Lake Velence, integration of background settlements, positioning of the sub-regions with different images within the framework of the umbrella of diversity.
- Accessibility of regions and assets, rich in landscape and natural values, strengthening the landscape identity and regional specific character.
- Encouragement of rural and active (riding), as well as ecotourism in rural areas based on adequate local characteristics.
- Support to ecotourism relying on traditions and individual cultural values in regions rich in cultural heritage and populated by nationalities. Support to the process of development and making presentable historic monuments and sets of historic monuments, definition of cultural tourism axes.
- Cross-border common regional tourism product development in cross-border regions, definition of cross-border tourist routes.
- Development of types of water, eco and hunting tourism in the Danube and Tisza regions.

3.2.1.7 Construction and construction material industry

The construction industry involves the satisfaction of property and infrastructure development requirements, institutional and commercial structures, construction of homes and the reconstruction and improvement of the existing building stock. **The construction industry was badly hit by the crisis across the whole Europe.** The dynamism is different in the individual countries, but **Hungary is one of the states with the greatest decline.** There is no **complex plan** or development concept **for the construction sector** applicable to the whole national economy, based on which investors would have greater security before embarking on projects.

Lack of a sectoral concept

In general the Hungarian **construction enterprises are undercapitalised**, short of assets and liquid funds for innovation. The **quality awareness** of construction companies and clients is not satisfactory. The high cost of employment driven by high taxes and **a large volume of black labour** are further problems. The capacity of the Hungarian construction industry is proportionate to that of other European countries of a similar size, but its performance is delivered by a **larger number of enterprises**. There are **many project companies** established for one particular deal, the corporate structure and number of entrepreneurs are excessive, and the overgrown system of subcontractors led to a **debt chain**, which undermines the whole sector. **Business and management knowledge is insufficient**, which is the main reason for the lack of professional cooperation competences. The **vocational training in the construction industry does not satisfy the requirements** either in quantity or in quality.

Undercapitalised enterprises

The construction of real properties depends mostly on private investments, but there are **very few orders from private companies**. These days the Hungarian industry is supplied with work primarily by the state. These activities are funded mainly by **EU funds**, of which 30-40% are used for construction projects. The major construction industry orders of the last few years created opportunities mainly for **multinational companies**. **The ratio of foreign ownership in construction material production is also very high**, which strongly influences the absorption of support provided to the sector. The tenders predominantly focused on prices, to such an extent that was almost harmful.

High ratio of public orders funded by the EU Dominance of multinational companies

The minerals used by the construction industry (stone, gravel, sand, clay) are available in the territory of the country. **On average five thousand people are employed in the 750 active mines, and approximately three thousand individuals work in the related services and transportation.** The added value increase of non-metal mineral products was twice the GDP growth rate between 2000 and the crisis, while the expansion of the "other construction material industry" was also greater than the GDP increase. However, **since the crisis**

Huge decline in the Hungarian construction industry, heavy dependence on imports

the decline reached two digits in almost all sub-sectors of the construction industry. Exports slightly improved the demand, **but the imports are several times greater than exports**. The omission of environmental and natural preservation aspects in mineral exploration is a problem in numerous cases. Environmentally friendly construction technologies are used in very small proportions.

Development policy tasks

- A medium and long-term development concept to be prepared for a sectoral plan for the construction industry that covers and drives the national economy with a synthesis of regional development concepts.
- Development of a competitive, profitable, well capitalised construction industry, which is motivated to deliver the expectations and follow the rules.
- Restoring the basis of ethical approach and professional moral; fair entrepreneurial environment and legal certainty guaranteed by the legislator, as well as the law applying and enforcement organisations.
- Review of the actors of the construction process and their tasks and responsibilities, strengthening of advisory and engineering tasks.
- Full review is required of the vocational training to the construction industry.
- Elaboration of professional guides, delivery of technical presentations, training activities and further training.
- Preference to the “overall best” evaluation method in line with the statutory requirements in the course of public procurement decisions in order to protect quality.
- Reduction of the chain debt, and establishment of the related conditions.
- Giving priority to energy efficiency residential building reconstructions.
- Specifying the tasks relating to the objectives expressed in the EU Communication on 31 July 2012 in relation to the energy performance of buildings and low-carbon emission.
- Protection and maintenance of the infrastructure and heritage of the public institutional system. Support of the tasks arising from the preservation, operation, reconstruction and utilisation of cultural heritage.
- The sectoral plan should be in line with the transport development ideas, the multimodal regional hubs and the spatial structure concepts.
- More active role of the state beyond the preparation of a sectoral plan in the form of direct construction industry orders (depending on the budget).
- The implementation practice of the EU tenders should be reviewed. Establishment of a separate fund providing own contribution and promoting deregulation of construction requirements.
- The construction material industry products manufactured in Hungary by Hungarian companies must be used deliberately in buildings, and designers should be encouraged to do so.
- Retention of the Hungarian construction material production culture by improving its competitiveness and technical background.
- Regulatory instruments must also be used to make Hungarian entrepreneurs successful in obtaining construction contracts with the investors.
- Preference to Hungarian companies in public investments in line the European Union and Hungarian laws and regulations.
- Search for and use of internal, local resources (construction materials).
- Encouragement of environmentally friendly construction technologies and sustainable technologies throughout the whole lifecycle of buildings (consideration to public health conditions).

- Attention must be paid to regional sustainability, economy, environment and nature preservation criteria. Whenever a new mine is established, a territorial impact study is recommended according to regional sustainability criteria. The mining and use of construction material industry resources cannot impose any threat to the condition of waters.
- Development of alternative construction materials and construction modes that take into account especially the impacts of the climate change, support to the use of traditional construction materials and increased support to the development and construction of buildings with overall low energy consumption.
- Elaboration of the conditions and requirements of the recycling of used construction materials.
- In order to have cost optimised measures, the replacement type new construction should be added to the category of modernisation and refurbishment because occasionally the replacement type new construction is a solution for economic and durable quality instead of refurbishment.

Territorial priorities

- The sectoral plan should include a national decentralisation effort, in which the towns of the countryside are alternatives to Budapest. Attractive investment and development conditions should be offered to investors at those places.
- Regional and distinguished management of regulators, town-regional level planning and introduction and adequate use of development programmes.
- Territorial control of residential construction, prevention of excessive building and harmony with infrastructure investments.

3.2.1.8 Logistics

Logistics has become one of the most important components of a global economy and will still go through dynamic development according to all projections. The total logistic market makes up 13.8 percent of the global GDP, while the logistics sector of the developed countries usually generate 10-17 percent of GDP. The logistics performance of the European Union represents 13.3 percent of the total production, while the respective figure is 9.5 percent of the GDP in the United States. There are no reliable data **about Hungary** but according to the latest **estimates the figure is around 6-7 percent.**

Logistics will become a driving sector of Hungary

There is general agreement that the **No. 1 driving sector of the subsequent decade will be the heavily intersectoral logistics**, which may also become one of the most important breakthrough points of the Hungarian economy.

The current Hungarian situation suggests a transit role, yet the opportunities inherent in the country's geographic situation should be exploited because that could provide opportunities to the logistics sector, also including transport. Apart from

Stopping the transit goods traffic within the Hungarian borders is our fundamental interest

the harmful environmental and social impacts, the flow of goods only passing through the country generates lower profit and market potential than better focus on the activities stopping the goods flow i.e., local production, centres of distribution activities attracted to Hungary.

Consequently, the conditions of the "soft" culture of logistics i.e., integration of activities generating a higher added value must be included among the operational conditions of the strategy.

Development policy tasks

- Besides minimisation of the social, burden-sharing must be extended to all transport sub-sectors.

- The enforcement of Act XLI of 2012 on Passenger Transportation Services, which entered into force on 1 July 2012, is an important task. In compliance with the 1370/2007EC Regulation, the act lays down detailed rules for the selection of community services and forms the basis of the tendering process in which the public service contracts for public transport services are awarded, creating sustainable future public transport by rail, as well as a feeding and distribution network.
- A complex transport policy strategy also needs to be prepared with actual contents and budget support, laying down the exact development and regulatory tasks pertaining to the various transport sectors.
- The results, the room for manoeuvre of development of the European Danube Macro-regional Strategy and the development programme of a transfer base in Záhony, functioning as a logistics distribution centre on European scale, must also be integrated into the strategy.
- Joint development of logistics services in the cross-border regions and better utilisation of the existing facilities are important objectives.
- Extension of transport development with urban logistics and agricultural logistics aspects.
- Development of sustainable transportation in view of the sustainability criteria of the transit economy.
- Major support needs to be provided to the training of experts who may be employed in logistics.
- Supporting the further development of the Hungarian logistics service centres (intermodal, regional, local and corporate logistics service centres) based on a complex strategy, introduction of rating systems.
- Re-starting the RO-LA systems with complex development (based on infrastructure and organisation and regulations).
- The currently existing speed restrictions (slow signs) on the national core network lines should be eliminated gradually, according to a plan.
- Increasing the axle load to 225 kN on the TEN-T network with the implementation of any development required for the high quality operation of the phased timetable (dual tracks, central traffic control systems).
- Support to the modernisation of the rolling stock (e.g., procurement of railway carriages with reversible middle sections), electrification of the lines (reduction of energy consumption), implementation of development projects enhancing the security of railway traffic.
- A conceptual analysis of navigation on the river Danube must be completed.
- In the case of any new industrial or logistics site, it will be an important factor to ensure that they are accompanied with the withdrawal of good quality agricultural land from cultivation and an increase in the built-in areas only in when absolutely necessary.

Territorial priorities

- Establishment of the network of logistics service centres, improving the related infrastructure and promotion of intermodality.
- Extending the logistics application of river navigation, development of existing ports, and continuation of any started development projects.
- Development of rail-road-waterway connections.

3.2.1.9 Machine industry, tool manufacturing

The machine industry is the most important field of the Hungarian industrial production, generating approximately 50 percent of the output of the processing industry. Based on the review of the previous 10 years of the international tendencies, it is clear that the machine industry of the EU Member States was affected by the same factors.

The performance of Hungary's machine industry varies according to the European trends.

There was an upturn in the EU machine industry with relatively even growth on most markets between 2001 recession and the 2008 financial crisis. In terms of the volume of output of the sector, Hungary is in the medium range within the EU. The Hungarian machine industry generates approximately 0.9-1 percent of the EU machine industry. In comparison with the neighbouring countries we can conclude that **the growth is more or less even in the countries of the region** i.e., the economic crisis had a negative impact on all market actors.

The machine industry is a traditional business line in every aspect, causing also major difficulties to the actors of the sector: **business success requires many years of manufacturing and development experience, with high investment costs and slow growth dynamism.** The majority of the Hungarian-owned market actors struggle with chronic **shortage of capital, lack of capacity and deferred developments.** Relatively few machine manufacturers have stable market positions, and therefore they cannot devote enough attention to R&D activities and tenders, which constitute a key to survival. The Hungarian SMEs cannot have access to direct EU development, cooperation, R&D resources, not distributed within Hungary and there is no Government interest enforcement service liaising with the coordinators and decision makers of the EU funds.

Capital shortage is the biggest obstacle preventing the development of the Hungarian machine industry and Hungarian enterprises

Development policy tasks

- Foundation of a Hungarian integrator company with the required professional financial, commercial and engineering experience in order to coordinate and sell the Hungarian technology projects.
- Targeted support to the machine industry is important in the following key fields: agricultural machine production, target machine production, food and packaging industry machine production, cooling technology, power machines, etc. In relation to any background development in the machine industry, consideration must be given to the protection of the domestic market of the Hungarian manufacturers by providing “EU conform” administrative instruments. Machine industry developments are important in the chain of sectoral development actions concentrated on a specific topic/activity. In that regard the role of clusters, i.e. complex territorial and sectoral organisations, is very important. The background development actions of the machine industry must be based on close cooperation and coordination with the other sectors.
- Support schemes need to be developed also for assisting development actions associated with specific deals and machine industry orders.

Territorial priorities

- Support to machine industry centres and industrial parks, R&D&I activities, especially in disadvantaged and peripheral regions.
- Support to the establishment of machine industry and tool manufacturing, especially in disadvantaged regions.
- Promoting connections with other industries and improving supplier relations.

3.2.1.10 Chemical industry

Chemical industry **contributes to the operation of all sectors of a modern economy** as a fundamental supplier and part of development of agriculture, construction industry, textile industry, motor industry, electronic industry and the health sector. **The Hungarian chemical industry has been closely integrated into the international, i.e. practically European economy.** In terms of its raw materials and power demand, **it heavily depends on imports**, primarily from Eastern Europe. In the exchange of chemical industry materials and goods, **Hungary’s main partners are the EU Members States both** for exports and imports. **Europe’s**

Import dependent industry, European integration

chemical industry is continuously losing its position in the world economy. Its market share dropped from one-third to approximately one quarter over the last 10 years. The recovery from the crisis is indicated **by the 9.3% growth in the global chemical industry output in 2010 (without the pharmaceutical industry), reaching the figure observed prior to the global crisis.** After the decline of the previous two years, especially 2010 H1, generated some outstanding growth.

Between 2005 and 2010 the Hungarian chemical industry provided 8.8-9.5 percent of the output of the Hungarian industry. **2010 showed signs of recovery from the crisis from the Hungarian chemical industry.** The companies producing for exports, which found it easier to overcome the crisis, regained their sales figures prior to the crisis in 2011 faster than those that produced only for the domestic market. The chemical industry is not as much staff intensive as labour intensive, but **in 2010 the sector employed 11% of the total employees of the industry, approximately 74,000 people.** The average wages were significantly, by approximately 30% higher than the national average, owing primarily to the high ratio of the white collar workers.

Hungary's exporting chemical companies found it easier to overcome the crisis

Considering the global position of the chemical industry, the majority of the advanced technologies is concentrated in the hands of a few actors, because **chemical industry investments are very capital intensive.** A long-term definite prospect is an important factor of decisions, therefore **a supportive national economic policy with stable framework conditions has a dominant role in the decisions of the enterprises.** Compared to large companies, small and medium-sized enterprises may occasionally face considerable disadvantages in competition, because no distinction is made in the regulations in view of the size and load-bearing capacity of the enterprises.

The lack of a clear national economic policy with a good prospect impedes capital intensive new investments in the chemical industry

Development policy tasks

- The specificities of small and medium-sized enterprises must be taken into account in the legislative processes more, protecting them against large corporate and external competitors if necessary.
- The energy prices, favourable in international comparison and not higher than the prices of the competitors would directly promote the competitiveness of the Hungarian chemical industry.
- Strengthening corporate innovation and R&D activities through state support, including state contribution to the expenses of specific projects, which may be more effective than general contribution to innovation costs without any distinction.
- Support to domestic processing of chemical industry raw materials.

Territorial priorities

- Support to chemical industry centres, and to the chemical industry in order to retain rural population and highly qualified people.

3.2.1.11 Trade

Internal trade, retail trade

In terms of the importance of retail trade in the national economy, the sector included almost 13% of the active economic organisations, employed close to 12% of the total employees, generated 10% of sales revenues and more than 5% of added value in 2009. The retail added value of the last few years has been lower than prior to the crisis, as in 2009 16% decline was registered in trade and an average 8% decline was recorded in the national economy. **The number of both registered and active retail companies has been falling gradually** since the turn of the millennium. The impacts of the crisis could be felt strongly in the profitability indicators, yet the sector continued to increase its investments. According to the tendency of the latest years, electronic trade has been expanding gradually.

Decline may be observed in the sector as an impact of the global crisis

Development policy tasks

- Reduction of trade concentration.
- Reduction of the competitive disadvantage of small enterprises, strengthening of local retail trade and local markets.
- Protection of domestic markets and promotion of local economic development, encouraging and strengthening of local trade systems.
- Widening the scope of Hungarian consumer protection in order to implement market competitiveness.
- Support is needed for micro-level trade of Hungarian products and their entry into the market, meaning that largest buyers: municipality and government operators, and business entities should be offered a legal possibility for shopping in their immediate vicinity.
- Stricter quality control and licensing for sale conditions for goods should be restored.
- Efforts need to be made to provide the conditions for fair trade.

Territorial priorities

- Reduction of the number of towns and villages without supply.
- Revival of the now vacant shop network in the centres of towns and villages.
- Reduction of the concentration that has come to be using indirect instruments, regulations and support policy while preserving commercial diversity.
- Utilisation of networks, societies and franchise systems for small-size shops.
- Promotion of local producer markets, assistance in putting local products in the market both in local markets as well as shops and store chains in the region.
- Improvement of the competitive situation of commercial SMEs with training, marketing and support policy.
- Preservation and development of traditional town centres.
- Development of trading culture and technology, provision of the required resources.
- Application of various forms of employment in trade as a factor to enhance efficiency and increase employment.
- Utilisation of the shopping nature of tourism in order to increase sales.
- Exploitation of expansion and co-operation possibilities along the borders and within the Carpathian Basin region.
- Utilisation of consumer protection and market supervision instruments in competition to ensure fair trading.
- Simple, transparent regulation easy to comply with.
- Creation and utilisation of promotion possibilities in order to develop trade and implement the trade development strategy.

Foreign trade - external economy

In Hungary, the ratio of the export of goods to GDP exceeds 60%, but it is highly concentrated in terms of both geographic structure, product structure and exporter company size. The destination of a dominant part of our exports is the EU Member States. As regards the breakdown by company size, **four-fifths of Hungarian exports** may be linked to **large enterprises**, while the **SMEs with majority Hungarian ownership have a very slight proportion.** **Hungarian foreign trade is highly concentrated as regards product structure**, with its vast majority consisting of sales of equipment and transport equipment.

Preponderance of large enterprises

The volume of foreign trade in services is merely 22% of foreign trade in goods in Hungary, whereas the global average is 26%.

One of the **most dynamically growing buying markets** for our exports consists of **newly acceded EU Member States** the ratio of which exceeds 20% in all Hungarian export and 15% in total Hungarian import. More than 6% of our exports are aimed at and over 18% of our imports originate in Asian countries that have suffered the least from the impacts of the crisis. Concentration is high also for direct foreign investments; in 2010, **three-quarters of capital** excluding SCV **originated in EU Member States, primarily Germany**. As regards capital placements by Hungarian companies, our regional position is strong; on the other hand, they are linked to transactions of a few large companies, primarily in countries of the Carpathian Basin.

The most important export relations are with EU Member States

Development policy tasks

- Increase vertical integration in the economy, including balancing exports and imports, improvement of the foreign trade balance, increasing the weight of sectors generating a higher domestic added value in external economy.
- Development and strengthening of production and service provision activities integrated in European and Central European economy.
- Introduction of new instruments of the investment promotion system.
- Promotion of capital influx from and capital placements to other countries.
- Development of the export potential and enhancement of the international presence of SMEs.
- Expansion in foreign markets, exploitation of opportunities offered by opening towards the east.
- Efforts should be made to turn Hungary into the gateway for the European Union's trade aimed at outside the EU.
- Efforts need to be made to provide the conditions for fair trade. The basic principles of the regulatory system as well as control and consumer protection guidelines should be complied with.

Territorial priorities

- Reduction of the currently high geographic concentration of foreign trade: promotion of a shift in emphasis towards faster-growing markets in Hungarian export, strong opening towards the east, strong 'attachment' to large Western European exporters, increasing exports to Visegrád countries.
- Setting up a Carpathian Basin Economic Area and exploitation of natural economic synergies in the large region in order to support more proactive reaching of foreign markets in the Carpathian Basin.
- Elaboration of a topic-specific information system in order to support widespread accessibility of foreign trade activities within Hungary.

3.2.1.12 SMEs, investment promotion

Hungarian economy is well-known for its openness and for having a **large number of SMEs operating** in both production and services. However, the economic structure that has evolved after the political regime change may be described by the fact that in 2010, **multinational companies** with capital strength, holding competitive technologies and manufacturing competitive products **generated 82.9% of Hungarian export. The remaining 17.1% consisted of exports of companies in Hungarian ownership, of which the exports of small and medium-sized enterprises amounted to a mere 7.5%.** It is therefore clear to see that SMEs aim their production primarily at the domestic market, which does not offer any extraordinary opportunities for growth, while they offer a stable and predictable demand for labour (with 70% of persons in employment).

Low share of SMEs of total Hungarian export

It is important to **give both direct and indirect support to SMEs in order to increase employment.** On the other hand, it should be taken into account that while **SMEs** make up the largest group of employers within the national economy, their share of **Hungarian added value is only 56%, and of exports, a mere 22%. Encouraging their vertical integration** and providing the conditions therefor (establishment of industrial clusters, networks) may prove to be a good means for their balanced support.

Direct and indirect forms of support needed

The services sector may be a priority field in economy, within which knowledge-intensive business services (KIBS) and IT services are gaining significance. Outsourcing and outplacement of certain service provision activities are gaining significance nowadays. This possibility can offer new investment opportunities in a number of areas that are not competitive anymore in the field of attracting traditional industrial investments based on cheap labour (routine-type work for hire). These investments (Shared Service Centres and outsourcing type projects) offer substantial opportunities for towns and cities that have scarce supplies of cash capital but ample supplies of human capital and have no attraction for traditional trends and sectors of capital investment.

Development policy tasks

- Increasing the knowledge intensity and innovation capacities of the SME sector.
- Development of single-window customer contact points for businesses.
- Restoring capital endowment programmes for small businesses in order to ensure access to capital and preferential loan conditions.
- Reduction of circular debts between businesses by strengthening the institutions offering guarantees between businesses.
- Reform of the system for distributing EU funding.
- Protection of domestic markets in order to help Hungarian SMEs gain ground by extensive application of competition supervision and consumer protection.
- More efficient application of government regulation in order to protect Hungarian suppliers and prevent cartel-type situations based on market dominance.
- Promotion of network and association formation in the small business sector, currently operating as islands.
- Strengthening and development of local economy.
- Support for becoming entrepreneurs, provision of enterprise development services, informal and non-formal forms of learning.
- Support for the creation of small business parks.
- Provision of investor-friendly, professional management services in industrial parks and business zones.
- Development of free-of-charge company, market and product information systems.
- In addition to maintaining and enhancing partnerships with foreign investors, the importance of promoting new investments and re-investments and of developing supplier relations are important criteria.
- The expansion of supply possibilities for companies in Hungarian ownership should be promoted by subsidy policy, taxation policy and other instruments.
- Promotion of external economic relations, and within that, foreign capital investments embedded in the Hungarian and local economy.
- Elaboration of programmes and measures for the goals of:
 - encouraging an increase in the Hungarian economy's export performance, geographic diversification, increasing the weight of new sectors in external economy, exporting capabilities of SMEs,

- contribution to creating a more balanced structure in exports,
- assistance to businesses in Hungarian ownership in operation in foreign markets,
- promotion of a permanent realisation of external balance, provision of conditions for the secure financing of external indebtedness amassed,
- promotion of investments by foreign investors in Hungary.

Territorial priorities

- Thinking in regional terms (in the framework of the network of towns and villages, urban regions, zones within which labour force may be attracted), a regional approach are fundamental prerequisites for planning investments and harmonising SME support.
- In government investment promotion, preference should be given to regions lagging behind in socio-economic respects and less developed regions, while the promotion of capital investments targeting development poles and strengthening the economic regional organisation role of these poles should also be given emphasis.
- One of the greatest chances for realigning agricultural areas, areas with a high ratio of Roma population, rural farm areas and other areas lagging behind lies in supporting and promoting conscious local initiatives and businesses that can provide employment.
- Common investment strategies are required in the spirit of partnership between urban and rural areas (at the level of a given city and its environs).
- Regional harmonisation and coordination of infrastructure development and investment promotion are particularly important in supporting cross-border co-operation (potentially encompassing the Carpathian Basin).
- Diverting investments to target less developed regions (the east and south parts of Hungary) forms a part of fine-tuning the investment promotion system.

3.2.1.13 Transport policy

Development of the transport infrastructure renders jobs and education services more accessible, improves workforce mobility, and contributes to increased employment. **Development of the transport network creates an opportunity to considerably mitigate differences in regional development levels** within a foreseeable period. **While the volume of mobility increased, expectations have grown more differentiated;** demand for comfort, safety and quickness increases in general.

As regards the ratios between transport sub-sectors, the volume of **road and air transport continued to increase** while the ratio of **railway and water transport decreased**. Freight of goods is dominated by road transport, the performance of which grows faster than of railway transport although the latter also shows development. The **development of road transport** - primarily of highways and motorways - has been a priority for Hungary after the political regime change. Given Budapest's economic and social weight, the **structure of the transport network, centered around the capital, survived**, and the majority of radial highways failed to reach the borders. Due to the expansion of road freight transport - particularly in connection with the elimination of administrative constraints in the wake of the EU's enlargement -, international freight transit traffic increased at a rate and pace the Hungarian public road network and urban structure were not prepared for -- within the traffic sector, transit routes crossing towns and villages represent the greatest social problems, and in this sense, Hungary's traversability is not ensured in most transit directions. Furthermore, the congestion and saturation of the road network at certain locations and time windows, and the lack of bypass sections for a number of towns as well as the deterioration in the quality of lower-grade roads represent important social problems. Traffic problems in large cities - traffic jams, parking problems, air pollution - recall countries where motorisation is more progressed, whereas the difficulty in accessing peripheral areas shows similarities to less developed countries.

Radial, obsolete road network structure, elements of which are lacking in quality

In many cases, public road infrastructure development caused damage to the ecological network and the fragmentation of habitats.

Hungary's supply of **railroads** is outstanding in European comparison, but is lagging behind the European Union average as regards quality (ratio of sections with railroads in both directions, of electrified sections). Both main and side lines are prone to speed limitations due to the condition of the railroad track. The performance of Hungarian **inland navigation** is below the European Union average; the economic crisis and periodic navigation problems on the Danube River resulted in accelerated shrinking of the existing rates. In less established locations, navigation performance is influenced by restrictions imposed by natural factors.

Regional transport problems

In spite of the now constant lack of resources, development projects focus on managing the deterioration of quality due to the implementation of investments that are often inefficient and often wasteful solutions, the maintenance of uncompetitive systems and the shortage of funds available for maintenance, whereas the rate and infrastructure of non-motorised forms of transport are inappropriate. **Financing conditions for public road development and renovation overall will deteriorate in the near future**; the EU plans to reduce support intensity and will give preference to supporting railway transport, so domestic funds will need to be found for improving the public road network's situation. The **priority of railway and intermodal development goals is increasing** within the Hungarian government as well, yet it is absolutely necessary to implement highway development on certain routes. As a less expensive alternative for highway construction, expressways should be implemented along certain routes.

Constant shortage of funds - wasteful solutions

Improving the safety of transport is a priority strategy for both the European Union and Hungary, in the interest of which Hungary has recently made a number of efforts, having elaborated its programme for the period up until 2020, and has earned international recognition for its achievements.

Significant steps for traffic safety

Development policy tasks

- In order to improve railway transport, the modernisation of, ensuring equal opportunity access to and the proper maintenance of the network of main and side railway lines and regional sidelines and their service facilities constitute a core priority. The development of the TeN-T master network sections connecting to freight transport corridors in line with traditional railway infrastructure traversability requirements up to the bordered by 2020 is a priority objective. The goals set for railway passenger transport are to increase average speed; to build interconnections between larger cities; to connect all county seats to the electrified railway network; and to enhance the standard of quality in railway services.
- In addition to reducing transport times, the main task for increasing the ratio and performance of railway freight transport is to create the special conditions for combined transport methods.
- Railway stations need to be renovated, parking facilities need to be developed, along with ensuring access to local community transport.
- The development of a self-sustaining transport system in financial terms is an important task.
- As regards public road transport, considering the 50% rate of TEN-T network roads in existence, expressways need to be built and new phases of planning and upgrading roads into expressways are called for.
- Missing road network components of the TEN-T network including missing elements leading up to country borders need to be implemented.
- Construction of the missing sections of the M0 ring expressway bypassing around Budapest should commence.
- Counties with no expressways in their road network should be connected to the network of such roads as soon as practically feasible.

- Efforts should be made to develop the Budapest-centered radial road network into a grid structure.
- In order to improve the average condition of pavement on the public road network, over 2,400 km of roads should be reinforced to a load-bearing capacity of 115 kN and main roads should be developed by 2020.
- Development of side road networks of regional importance.
- Development of suburban transport systems in agglomerations, and of integrated transport systems in functionally united regions.
- Creation of intermodal hubs.
- Development of an air transport system that offers maximum support to national economy interests, is aligned to mobility needs, and is self-sustaining in the medium and long term.
- Public road development in connection with air freight transport.
- In order to exploit the benefits offered by water transport, the outdated fleet should be modernised, Hungarian ports should be developed to meet EU standards, ferries and havens should be developed, and favourable road and transport connections should be provided for logistic centres linked to cargo shipping.
- Additional bridges to be built over the Danube.
- Harmonisation, modernisation and development of local and intercity community transport by focusing on modes of transport combined as a result of environmentally friendly collaboration between sub-sectors (vehicle fleets, service facilities and passenger information).
- Community transport needs to be accessible for the disabled, the principle of equal opportunity access should be applied.
- Increasing the ratio of bicycle transport to 10% from the two to three per cent in large cities, and to 30% in small and medium-sized towns; by building some 2,000 km of bicycle roads, promotion of bicycling and bicycle-friendly development of the road network.
- Promotion of the dissemination of environmentally friendly, energy-saving transport, the spreading of electric mobility by supporting the establishment of the related service infrastructure, increasing awareness and renewing urban community transport plans. Preference for environmentally friendly solutions for road maintenance.
- Improvement of access to health care institutions, public and higher education institutions, public collections, research institutes, workplaces and administrative units by community transport and by bicycle.
- Broadening of small border traffic, increasing the number of small border crossings in order to strengthen cross-border relations and promote workforce mobility.

Territorial priorities

The promotion of regional realignment, regional competitiveness and the mitigation of inequalities in the quality of life call for different developments at the different regional levels while improving accessibility.

- In order to improve access to large regions, it is important to develop a transversal road network between Transdanubian and Great Plains regions, as well as the north and south of Hungary.
- At county and regional level, the most important tasks are improving accessibility of county seats and micro-regional centres, and construction of the required bypass and load-reducing roads.
- At town and village levels, connecting roads should be built to cul-de-sac villages (where reasonable) to create missing network connections.
- The role of the several tens of thousands of kilometres of earth roads existing in Hungary, which might ensure favourable accessibility and connections between the settlements in a region, should be reviewed.

- Increased reconstruction of the deteriorated main and side road network, a problem that concerns nearly all of the country and affects a dominant factor in accessibility, should be included among transport policy priorities. Development of connections to highway sections recently handed over is a priority task.
- The development and modernisation of community transport are absolutely necessary for realigning regions that are lagging behind, mitigating inequalities in the quality of life, and creating equal opportunities.
 - Modernisation of the structure of community transport companies and the MÁV group, elimination of redundancies
 - Transformation of the system of preferences and tariffs
 - Harmonisation and rationalisation of railway schedules and bus timetables for passenger transport, elimination of redundancies
 - Preference for railway passenger transport wherever possible, strengthening the role of access to and from railways of public roads
 - Ensuring smooth change between transport modes (intermodal hubs, P+R and B+R parking facilities, well-timed schedules)
 - Increasing average speeds in the overall community transport system
 - Renewal of obsolete vehicles in line with needs and budget constraints, with particular regard to environmentally friendly solutions and ensuring accessibility for the disabled
 - Implementation of an electronic ticketing system.

3.2.1.14 Asset management

At market value, about one-tenth of the assets that were in state ownership in 1989 are still owned by the Hungarian State. Approximately **one-tenth of business companies remained in government or municipality ownership**. The new **Act on assets is supposed to protect this**, by giving an exhaustive list of the assets under strict protection that cannot be disposed of without a two-thirds majority of votes in Parliament, and by giving an exact specification of the way they can be utilised.

Development policy tasks

- Development of a public and searchable, single and authentic asset register by taking into account the principle of transparency.
- Clear provisions on the use and management of assets in exclusive state or municipality ownership, national assets that are a priority for the national economy, and assets subject to conditional disposal.
- Increasing state ownership in the field of utility supply - increasing domestic demand and employment by reducing household indebtedness.
- Promotion of the increase in employee ownership, which allows for the appreciation of households as regards capital. Private capital should be able to be involved in government investment projects only in justified schemes that are advantageous also for the government, when risks are shared.

Territorial priorities

- Utilisation of state assets in order to elevate rural areas and regions in a disadvantaged situation, to increase employment.
- Utilisation of state assets for social purposes, without change in ownership.

3.2.2 Sectoral policy tasks in the health and pharmaceutical industry

3.2.2.1 Health industry

The health industry combines into one system all production and service providing industries that are aimed at **health preservation and restoration**, as well as a **deliberately followed health lifestyle** by exploiting the **geothermal characteristics** of the country's rich **thermal water stocks and spas**. The innovative and research demanding aspects with **partially still unexploited external market opportunities** only increase the importance of the health industry, which also has a considerable and expandable **workforce base**. The development of the health industry could also assist in the operation of health services. Solvent demand for the health industry could stem from both foreign and domestic demand.

The existing facilities represent a major health industry potential

The country has a lot of facilities and known and existing traditions associated with the health industry. Its market is continuously growing and is becoming more valuable. As people live longer, there is also greater need to improve the quality of life, in which health is a key aspect and which can generate expanding solvent demand. The health industry positions the country with a positive image and positive attitude and its results also improve the health condition of the population and increase the capacity of the economy.

The health industry contributes to the development of the country with numerous additional factors

Development policy tasks

- Development of health tourism based on natural medicinal factors and medical services.
- Development of high quality (complex) tourism supply in health tourism.
- Development of tourism institutions generating and coordinating health tourism.
- Development of TDM organisations at medicinal facilities.
- Utilisation of geothermal energy for health industry purposes, including complex utilisation of thermal, medicinal and mineral waters. Instead of more water extraction, regionally coordinated high quality development projects and modernisation are required. Mineral water and medicinal water bottling.
- Balneology research involving the development of the background of health tourism and health services relying on evidence-based medicine.
- Reconstruction and expansion of the beauty industry and cosmetic products.
- Health industry innovation in the pharmaceutical industry, medical instrument production, biotechnology, nanotechnology and balneology.
- Establishment and expansion of health industry-related education, specialised construction industry and health industry clusters, forming background segments of the thermal-health industry.
- Support and renewal, as well as development of health industry training and further training in a school system.
- Development of leisure, recreation and sports economy.
- Marketability of existing high quality, knowledge and technology intensive products and services.
- Establishment of Hungarian health industry know-how centres.
- Utilisation of Hungarian and international health data bases for analytical and data mining purposes.

Territorial priorities

- Development of traditional medicinal facilities with natural medicinal factors.
- Promotion of the local utilisation of medicinal factors and medicinal and thermal water stocks

3.2.2.2 Pharmaceutical industry, biotechnology

In Hungary pharmaceutical industry, biotechnology and manufacturing of medical equipment and instruments are key **sectors with a high added value** and good growth potential. High R&D expenditure is a characteristic feature of the pharmaceutical industry. As there is huge global competition in this sector, the companies can be successful by increasing and keeping high their R&D expenses. Nonetheless, **Hungary is much below the European average in terms of specific R&D expenses**. The industry is **heavily export-oriented**, selling 75 percent of its total output on external markets.

The R&D expenses of the sector need to be increased

Development policy tasks

- Promoting the implementation of biotechnology projects in Hungary with active country marketing and investment promotion programmes.
- Increasing the importance and quality of biology and biotechnology education.
- Support to research programmes in biology, pharmaceutical and biotechnology, increasing the efficiency of R&D expenditure and strengthening the international importance of research sites.
- Replacement of pharmaceutical and biotechnology R&D staff, talent support, attraction of experts working abroad to Hungary, development and direct utilisation of clinical research sites.
- Increasing the health awareness of drug consumers and enhancing pharmaceutical safety.
- Replacement of the workforce in manufacturing activities.
- Reconsideration of the sector specific regulatory environment.

Territorial priorities

- Development of pharmaceutical industry centres, support of university research institutes, promotion of cooperation between universities and the pharmaceutical industry.
- Combination of biotechnology development and territorial features.

3.2.3 Sectoral policy tasks relating to rural Hungary, healthy food production and supply

3.2.3.1 Agriculture

Over the last twenty years agriculture was in a deep crisis in Hungary and although even now it plays an important role in the national economy, its share is gradually decreasing and the sector faces many problems. **The average age of the farmers is getting higher**, at present every third agricultural employee is older than 50 years, while the ratio of employees younger than 30 is just 15%. **Farmers' cooperation is not effective enough**, and small farms are heavily exposed.

Agriculture crisis

Despite increasing import, the foreign trade balance of the Hungarian agricultural products is positive, yet **the added value of exported agriculture and food industry products is falling**. In 2010 within the positive balance of agricultural foreign trade 74% stemmed from the trade of raw materials and 19% from the sale of finished products. **Depending on quality, the European land prices are five-fifty times higher than the Hungarian land prices**. Given such high differences, speculative land purchases and illegal contracts represent a serious risk to the land and farm structure, the land assets and sovereignty of our country.

Low land prices

The agro-ecological features allow for a variable product structure, yet **the production structure of agriculture has recently deteriorated between the two main segments of plant cultivation and animal farming, detrimentally to the latter**.

Sectoral imbalance

As the number of mixed farms is decreasing, almost all leaving farmers stopped animal farming. In the meantime, the share of horticulture production, the third main segment of agriculture, also dropped significantly within the agricultural output and, parallel with an increase in the ratio of easily automated arable crop cultivation **the labour demand of agriculture is declining.**

Development policy tasks

- Protection of arable land, acquisition of land in Hungary and promotion of land use with instruments that are in line with the EU regulations.
- Utilisation of the national land assets managed by the state for national strategy objectives and public interests. Assisting young people in becoming farmers and acquisition of land by local farmers, implementation of a demographic land programme.
- Limitation of the utilisation of arable land for other purposes and re-utilisation of abandoned sites.
- Greenfield investments and afforestation may only take place on lower quality arable land.
- Standardisation and updating of land databases.
- Land utilisation, production structure and agricultural technology preserving natural resources and biodiversity and relying on the features of the arable land.
- Development of water management in agriculture to reduce the effects of climate change and assist in producing a higher added value. Primarily the construction and value adding refurbishment of water and energy efficient irrigation sites and systems complying with environmental regulations are eligible for support.
- Establishment of a production structure generating a higher added value and relying on sectors and types of business with higher employment.
- Restoring the balance between plant cultivation and animal farming.
- Modernisation and support of nurseries, with special regard to the principle of sustainable development.
- Assistance to types of businesses, family farms and associations that satisfy the requirements of sustainability and provide employment. Increasing the role of medium-sized estates, transparent regulations on farm structure, and encouragement of land use by their owners.
- Strengthening of diversified and ecological farming, GMO free agriculture.
- Preservation of the health of the forests, increasing the pace of afforestation in order to achieve 27% afforestation ratio defined in the national forest programme, primarily with indigenous and other species integrated into the particular forest area. Preservation of natural or semi-natural forests of indigenous tree species, increasing their size depending on the actual features of the site.
- Maintaining the long-term environmental, economic and social services of forests with multi-purpose termed (sustainable) forest management. Establishment of social interests relating to sustainable farming and harmony between ownership and business interests.
- Fisheries management support, increasing fisheries management-based processing.
- Mitigation of the impacts of the climate change by developing and disseminating irrigation, utilisation of reservoirs for irrigation purposes and by using species that are better tolerant towards drought and other extreme weather conditions.

- Strengthening cross-border relations, supporting efforts to establish joint local product systems and cross-border agricultural clusters, with special regard to cultural regions, separated by the borders.

Territorial priorities

- Strengthening of a **production structure that is in line with the features of the land** and farming systems, establishment of rural country centres.

3.2.3.2 Food economy, food industry

As a result of spontaneous privatisation followed by market liberalisation, the traditionally export producing Hungarian food industry and, indirectly the Hungarian agriculture, **lost a great deal of market share both on the domestic and the external market, and the situation got even worse after Hungary's accession to the European Union.** By now Hungary has become a country that imports even some of its basic foodstuffs. The competitive disadvantage stemming from **the outstandingly high VAT rate creates an impossible situation for the Hungarian agriculture and food industry.**

Major market loss

In Hungary **all the previous strategies concentrated on developing raw material production,** but as producers were unable to supply good quality raw materials to the food industry on a continuous basis and there was a shortage of capital in the food industry, which prevented any technology development, imports gained market freely. **Within the food industry the employment rate fell by 25% between 2002 and 2009,** but the share of the sector within the national economy shrank both within the GDP and in investments. **There is very little voluntary cooperation** within the food industry sector **both horizontally and vertically.** It is a fundamental interest **to revive and develop the entire food chain** (raw material - processing - final product) **to stabilise its position and to enhance its viability and competitiveness.**

Significantly decreasing employment

Development policy tasks

- Production of good quality, healthy and safe foodstuffs. Establishment and maintenance of high quality food safety.
- Promotion of traditional Hungarian products (e.g., Makó onions, Kalocsa paprika).
- Shortening of the food chain, self-supply of foodstuffs, regaining internal markets and increasing consumer awareness.
- Changing the direction of food production and trade to suit the ranking order of local regional national supply and then exports.
- Increasing the added value and export of goods.
- Preservation and extension of the processing industry capacities. Strengthening of local processing and support to the establishment of smaller scale (family) special processing capacities.
- Reducing the import of foodstuffs that can be supplied within the country.
- Furthermore, attempts must be made to achieve sustainable consumption and in production: some attitude forming programmes need to be launched that create interest in the new conditions in the population instead of using non-sustainable production and consumption organisations and solutions. Sustainable consumption habits should be more disseminated and consumer awareness needs to be strengthened.
- Support needs to be provided to local food autonomy.

Territorial priorities

- Geographic origin protection, regional, local classification and trademark systems.

3.2.4 Sectoral policy tasks for achieving a creative knowledge-based society, marketable skills, R&D&I

3.2.4.1 Information and communications technologies (ICT)

The almost 25% of Hungarian economic growth contributed by the sector of **information and communications technologies (ICT)** between 2000 and 2010 indicates **the major role** of this industry. The role of the ICT sector exceeds the sector boundaries as it has a major impact on productivity, competitiveness, innovation, equal opportunities and the quality of life at economic, state, administrative and social levels.

The ICT sector is of major importance with a considerable multiplier effect

The **ICT global market is continuously growing**, the European ICT market grew at the rate of almost 3% p.a. over the last few years. In the Central and Eastern Europe region, **Hungary has maintained its second-third position** in terms of the size of ICT and telecommunications market and per capita GDP spending, but its position has deteriorated compared to the other countries of the region as a result of moderate growth on the Hungarian market. Due to the global crisis the ICT sector in general stagnated.

Continuous development of the sector

Compared to the fast changes in the ICT sector, the training systems respond more slowly to the requirements of the ICT sector both in higher education and in vocational education. There is a **shortage of good quality IT experts** on the Hungarian labour market. The IT experts losing their jobs due to the fast technology changes in the ICT sector and the shrinking market found it more difficult to return to their former jobs, where the wearing cycle of professional knowledge is very short, only 9-12 months.

The fast development of the ICT sector calls for rapid changes in education and training

In total, the R&D&I performance of the ICT sector lags behind the competitors of the region, although in some fields it has outstanding results and indicators not only in a regional but also a European comparison (e.g., research network infrastructure, high performance computing capacities (HPC) and complex system based on it, network analysis, data security and data backup, geographic information system, 3D and game development). There is very little voluntary cooperation between companies, knowledge intensive organisations are rarely present in the clusters. The volume of venture capital investment, which would have a major impact on the sector, is low and there are very few active informal investors.

Hungary clearly lags behind the EU average in terms of household and SME internet access, use and user knowledge. The same also applies to e-commerce and e-administration penetration, although there the gap is smaller. It is important to eliminate digital illiteracy, because digital skills represent a more competitive workforce and more demanding consumers, as a result of which Hungary can become attractive again to international enterprises. There is also a major lag in the use of ICT tools and solutions within companies. There are very few companies that have their own internal or external networks.

The level of digital literacy is still low in Hungary

The positive impacts of ICT include improvement of the quality of life, wider knowledge, access to equal opportunities in society among citizens of geographic areas of different degree of development and economic power and the elimination of the “digital divide”, which is the result of the consequential isolation. Consequently, the state is responsible for making sure that the digital ecosystem does not lose its balance for a long time: i.e., there should be a high enough number of users, the necessary infrastructure should be built, there should be many useful and user-friendly services and there should be a strong infocommunications sector, acting as a catalyser for the improvement of other areas of the economy.

Development policy tasks

- Strengthening and building of relations (university - research institute - industry), support to the operation of clusters and platforms;

- Increasing access to ICT devices and solutions in order to support education and the introduction of usage oriented applications;
- Reducing the shortage of ICT experts by making attractive higher education trainings, further trainings and retraining courses and by issuing the quantity and quality of the trained experts;
- Encouraging and supporting the ICT use of SMEs, and better access to ICT devices and solutions;
- SME development and e-commerce (online purchases and trade);
- Digital infrastructure development (new generation access networks [NGA]);
- Introduction of free software in central administration and at local governments;
- Development of public e-services and e-administration: putting in place the conditions of past, simple and cost effective electronic administration for enterprises and the population;
- Elimination of digital illiteracy among the population, with special regard to those who lag behind the most (old people, individuals in disadvantaged situation, residents of small settlements and people with low qualifications), development of digital skills with the involvement of cultural institutions, community internet access points operated by municipalities, e.g., eHungary Points. The dissemination of secondary digital literacy, i.e. encouraging the deliberate use of internet advantages and development of distance work and digital public work are also important.

Territorial priorities

- In terms of ICT infrastructure and knowledge **equal opportunities** must be provided across the whole territory of the country, which requires the neutralisation of factors that impede the spatial dissemination of ICT.
- In the case of development poles, knowledge centres and spatially concentrated corporate cooperation (industrial parks, clusters), the **ICT supply** should be improved continuously, with a stress on the development of ICT applications.
- In order to promote territorial convergence, the development of ICT infrastructure, community access points and digital literacy are key priorities in the disadvantaged regions, in some regional types with special characteristics and in settlements with a low number of residents.
- GIS applications, and consistent territorial-based integration of various sectoral and administrative data, environmental, social and economic statistical data must be introduced in the information systems that are used for territorial management.
- Encouragement and improvement of cross-border ICT-based cooperation.

3.2.4.2 Research & development & innovation (R&D&I)

On the basis of the 2009 European Innovation Index (EIS), Hungary belongs to the group of moderate innovators **with an innovation performance much below the EU27 average**, but its growth rate is higher than that. In Hungary and the research and development expenses dedicated to innovation were close, yet below 1% of the GDP since 2001, and clearly surpassed 1% only since 2009 (1.14% in 2011). **The EU average is 1.9%**. The innovation indicators have not improved, there is a **lag** in patenting, the training of technical experts and in corporate innovation. In Hungary, **innovation does not yet play such an important role** in the everyday activities of most enterprises as in the majority of the EU Member States. Hungary's performance in the **economic impacts indicators group is slightly better** than average, while it is weaker in the indicator group of innovators, financing and support and utilisation of intellectual property. In the OECD states most doctorate titles are allocated in technical and natural sciences.

Hungary's R&D performance is low

Hungary also lags behind far from the countries where technical development is important in this respect too.

In international comparison, **certain components of the Hungarian innovation system are underdeveloped and/or inefficient**, and **the intensity and quality of the interconnection and cooperation between them are inadequate**. The **emigration of researchers** causes major problems to both the academic and corporate sectors. Consequently, sufficient incentives need to be put in place to reverse the process (e.g., promotion of a research career, improving research conditions, paying wages to researchers at least corresponding with the European average and elimination of any regulation that prevents such developments).

Nonetheless, in comparison with other competitors of the region **the quality of the Hungarian research institutes** (academic and higher educational institutions and corporate research sites), **the number of available engineers and scientists**, and the number of **patents and other protected intellectual property** by one million residents are extremely **good**. Most researchers work at higher education (17,332), corporate (12,220) and academic (6,148) research sites, constituting the research base, without which the R&D&I system cannot function.

Development policy tasks

- Coordinated R&D&I Strategy. Introduction of a single and renewed R&D&I support system to provide stable financing for the basic research conducted by higher education institutions and academic research sites and distinguished support to innovation aimed at direct marketing. Support to any organisation development required for the support system relating to higher education institutions and research sites conducting basic research;
- Hungary should continuously increase its R&D&I expenses to reach 1.5% of the GDP by the middle, and to be close to 2% by the end of the decade;
- The performance measured according to the aggregated innovation indicator should reach the EU average and the upper third of the EU Member States in the following cycle;
- Establishment and extension of workplaces providing higher intellectual added value;
- Support to the innovation efforts of Hungarian SMEs;
- Improving access to R&D&I infrastructure and sectoral databases and more coordinated utilisation thereof. Further development and regional extension of the specific institution established in the EU Member States for the analysis of national science and technology policies ("TÉT observatory"). Introducing records of publicly financed R&D&I support. Introduction of legal regulations and a tax policy encouraging R&D&I activities;
- Review and measurability of the innovation potential of the Hungarian enterprises;
- Development of support and talent support systems for the replacement of researchers;
- Development and construction of databases that support education and research;
- Strengthening the organisational system that supports innovation processes;
- Priority should be given to joining the European competence centres (e.g., CERN, ESA, EMBO, ELI, ITER, ESS), and the associations of research universities (e.g., LERU);
- Improving durable access to paid scientific contents and open access to scientific publications;

- Continuous renewal of the research network basic infrastructure and the high performance computing capacities (HPC).

Territorial priorities

- Alignment with the European research infrastructure and involvement in international research are national interests, connecting also territorially diversified settlements outside Budapest;
- The innovation policy must specifically focus on Budapest and its agglomeration due to its international role and the nationally outstanding R&D and innovation potential;
- Strengthening the regionally effective dimension of innovation by encouraging cooperation and networking (poles, clusters, higher education);
- Attempts must be made to ease the single focus and achieve territorial diversification within the Hungarian R&D&I sector (by specifically strengthening the Western Transdanubia and North Hungary Regions). Territory-based innovation strategies need to be developed and implemented;
- The national talent support system is a fundamental instrument in the territorial replacement and development of R&D&I experts.

3.2.4.3 Creative industry

The **creative industry** is typically determined by the following **sectors**: electronic and printed press, advertising and promotion industry, film and video, software development and digital game development, construction, book publishing, music, performing arts, fine arts, industrial arts, popular arts, design and fashion design, artistic and antique market and craftsmanship. **Creative economy** is one of the **major factors of competitiveness** in any knowledge intensive society as it makes considerable contribution to the gross national product too. It may be an important competitive potential that the **centre of creative economy** has not yet developed in the region of Central and Eastern Europe, and therefore there is a good chance that Hungary can take that role.

Hungary can become the
centre of the creative
industry

Development policy tasks

- Assistance in attracting investments and having access to venture capital;
- Establishment of incubator houses and consultation services to assist the creative sector and support to innovative products, procedures, technologies and services;
- Connection of training, industry, services, research and management in the framework of creative cooperation. Development of creative clusters, existing umbrella organisations and natural clusters and turning them into international actors;
- Development of skills and competences constituting the basis of innovation and the creative industry, talent support;
- Assistance in the services and support to the products and international activities of existing micro and small enterprises and creative companies;
- Development of a knowledge space and public information portals;
- Further support to the film industry as one of the key industries of a creative economy;
- Support to the Creative Expo and events of regional importance;
- Strengthening the role of cultural institutions in the creative industry and the cultural industry.

Territorial priorities

- Encouraging the integration of creative civil and business initiatives developed in regions and settlements into their respective images, communication and economic programmes. The new social brands, assisting in the development of an **urban and regional image** may be created as a result of close cooperation between the non-governmental and creative sector. Furthermore the development of skills and competences constituting the basis of innovation and the creative industry and talent support are important.

3.3 Viable countryside - rural development priority

The **classic rural-urban relations** formed on the basis of mutual interdependence and distribution of work **have changed fundamentally**. These days towns no longer purchase their agricultural products from their surrounding area, but replace them with goods supplied from a large distance. The rural settlements have lost their urban markets and are unable to sell their products at a reasonable price and therefore are unilaterally dependent on and exposed to the systems supplying the surrounding towns.

The traditional producing role of villages is constantly reducing and, simultaneously, their economic fundamentals have also weakened. Their position is also deteriorating in a considerable part of the services. **Villages are not used for agricultural production, or even self-sufficiency**. The number of rural jobs has been declining for years and, simultaneously, **the ratio of unemployed people relying on social services is rising gradually**. By 2009 regions with outstandingly high unemployment formed consecutive zones in our rural regions, primarily in the Eastern, Northeastern and South Transdanubia regions of the country. The demographic situation is also getting worse, **as the majority of the rural areas struggle with the problems of ageing and migration of young people**.

The producing role of villages is decreasing

The **previously traditional local communities are breaking up** in Hungary and also in its rural regions. **Voluntary cooperation** is generally low, social-citizen **participation and local activity** are declining. In addition, it may also be concluded that the number of registered associations and NGOs is not a clear indicator of the community developing power of rural regions, yet such organisations may have a considerable role in community forming and in the preservation of traditions and culture. They are community building and society forming factors, which can also be involved in the distribution of EU resources, as e.g., LEADER Local Action Groups. In certain regions, villages and hamlets are being abandoned and the ratio of people with higher school qualifications is extremely low. **The municipalities of rural settlements struggle with acute operational and financing problems**.

Development policy tasks

- Increasing rural employment.
- Restoring urban rural relations based on social consensus.
- Diversification of the rural economy and strengthening local regional and economic autonomy. Establishment and strengthening of economic development workshops, organisations and relations.
- Coordination of local production, processing and consumption, keeping economic activities and transactions within the region.
- Developing the health services of the rural population.
- Strengthening community services in rural settlements and villages
- Infrastructure development in rural settlements and improvement in their access.
- Preservation, restoration, sustainable development and integration into tourism of the cultural and built heritage of the rural areas.

- Intellectual theoretical and cultural foundation of rural development, knowledge transfer and talent support.
- Establishment and strengthening of the training and professional bases of rural development.
- Elaboration of an incentive system for the coordination of local production, processing and sales. The important aspects include the reconsideration and reduction of the local sales tax implications of goods and services produced locally and the reduction of the administrative burden.
- Encouraging the introduction of local producing markets, regional and national sales networks.
- Elaboration of a network for purchasing any occasional surplus produced in household farming.
- Strengthening the relationship between NGOs and municipalities, encouraging the transfer of tasks.
- Resolving problems in the land and estate policies.
- Coordination of the support system, rural development and territorial development (national and EU resources) by making sure that the potential synergies strengthen each other.
- Strengthening the relationship between rural development and tourism (rural, village, hamlet, agro, eco, rambling, riding, hunting, water, beach, angling, cycling, camping, cultural, heritage, event, etc. tourism).

Territorial priorities

- Implementation of community led local rural development programmes.
- Managing special regional rural development problems, convergence of disadvantaged and peripheral rural areas and implementation of development actions based on local resources and values. Implementation of regional rural development programmes.
- Increasing employment in peripheral rural areas.
- Strengthening rural centres in order to have balanced development in the region.
- Focusing on the local economy and local markets in order to minimise employment, living and transportation costs, and improving the accessibility of local centres.
- Accessibility to public services and assets.
- Promoting the development of the rural areas of the Carpathian Basin, where Hungarians live.

3.4 Healing Hungary, sound society, health priority

Good health in itself is an important individual and social value, yet it is also an **individual and social resource**. The good health of the population **is a requirement of sustainable economic growth**. Only self-confident citizens, responsible and acting for themselves and their successors may be active participants and beneficiaries of the future successful Hungary. However, its background and possibility must be put in place by the state, yet the primary responsibility must be assumed by the individual. Consequently, **health protection and prevention, healing and rehabilitation** are of national, overall social importance. The appropriate balance among the health policy directions and establishment, maintenance and development of adequate prevention tools are important aspects.

Key role of health

The **efficiency deficit**, stemming from the distorted **allocation of resources** and consequential distribution of income is the **main performance issue in the Hungarian health systems**, which reduces access and deteriorates the quality of services.

Uneven supply of performance in terms of access and quality

Over the last few years simultaneously with changes in financing **the rules pertaining to pharmaceutical producers and distribution companies also changed frequently**. The chaotic conditions represented the greatest problem for market actors, while **the drug expenses of patients increased** drastically parallel with gradual cuts in the pharmaceutical subsidies in the budget of the Health Insurance Fund. The **internal efficiency problems** stem from **bad financing incentives** affecting the institutional service providers, **conflicting ownership interests, excessive regulations** and **inadequate coordination**. The system may be described with obsolete technologies, wasteful services, social services charged to health capacities, subordination of popular health to other interests and inadequate connections within the system of services.

The **eroding confidential capital between the service providers and users** reduces even further the already weak performance of the system. In the current health system not everyone is able to **have access to the same quality of service for the same illness, regardless where they live**. It is a structural problem of the health system that **the progressivity levels and the tasks assigned to the levels cannot be clearly defined** in the sector. The greatest weakness of the **primary care** is that the ageing family practitioners spend most of their time with administration, and **no time is left for building more personal relationships or to conduct prevention tasks**.

Territorial disparities in the services

In 2010 the majority of inpatient and outpatient institutions **received funds** in order to prevent hospital bankruptcies on a mass scale and special funding was provided for emergency and local practitioner services. The **regulatory frameworks** impeding operability and transformation **began to ease** and disappear (deregulation), and work began on building a **needs map and capacity planning system** in support of deep organisational restructuring.

Due to the **low salaries, unpredictability** and **lack of professional prospects an increasing number of physicians** and health care employees **are leaving**, which generates more and more serious problems in the supply. The dynamism of migration was somewhat reduced, but its size is still worrying. The various **dysfunctional mechanisms**, which are the consequence of low wages and **include tips and gratuities** represent a further challenge.

Apart from the situation of the Hungarian health sector, **the extremely unfavourable health condition of the Hungarian population in international comparison** is another major problem together with the regional and social disparities in the health conditions.

Development policy tasks

- Establishment of an institutional system that supports cooperation between institutions, restructuring, patient path organisation and effective operation with public responsibilities.
- Elaboration of career models, developed for homogeneous employment groups as a reasonable and predictable prospects of health employees and restructuring of the vocational training system.
- Coordination of the development activities planned in the health and social sectors and clarification of the competences.
- Development of the institutional system, including the establishment of Budapest Emergency Centres, a National Centre of Psychiatry and Addictology and a National Patient Rights and Documentation Centre, reorganisation of the sports health system.
- Target-oriented restructuring of the rehabilitation of disabled people and organisation of aid supply promoting activity. Dissemination of health services to prevent the development of any disability. Improving access to health services for groups with enhanced need for support (including severely and increasingly disabled individuals, autistic people).

- Introducing a new basis for sectoral IT and systemic development.
- Efficient integration of the health services into the popular health aspects and criteria. Concentrated development in order to prevent and heal cardiac and vascular diseases and tumours.
- Increasing prevention based on effective programmes focusing on prevention and on building health aware societies. Improving the efficiency of popular health screening programmes and support to the national dissemination of Pilot screening programmes (colorectal and cervical screenings).
- Developing health capacities by creating correlation with the tourism economy. Development of health services based on natural healing factors and traditions in view of heritage and sites that may be connected to health tourism, development of health tourism and health industry in Hungary. Development of rehabilitation and cure-based services focusing on natural healing factors, therapies and climatic medicinal facilities through the development of the remaining capacities.
- Enhancing pharmaceutical safety.
- Increasing the health provider role of pharmacies.
- Ensuring transparency and flexibility of the acceptance system.
- More effective enforcement of patients' rights.
- Strengthening of the primary institution involved in primary prevention.
- Preventive measures to reduce and avoid drug, alcohol and tobacco consumption by young people.
- Detection and presentation of the close correlation between health and environment. Education for environment and health awareness.
- Enforcing health aspects in public actions/interventions in line with the "health at all levels, in each sectoral policy" principle primarily in public education, agriculture, healthy food production, employment, environmental protection, R&D&I development, IT and communication technology development, economic development (SMEs) and horizontal and complex industry development.
- Coordinated management of cross-border health problems (epidemics, rescue in disasters, etc.) to support cross-border medical services and support to any development relating to medicinal tourism.
- Introduction of health impact studies and extension of their application, dissemination and support of scene-based health development programmes, development of preventive capacities and programmes and expansion of the preventive services of district nurses.
- Establishment and maintenance of equal opportunities in access to health services.

Territorial priorities

- Reducing territorial differences in health and social services, with special regard to the development of health services in the peripheries.
- Assessment of and solution for the special territorial problems of primary care.
- The establishment of needs map and capacity planning system in line with the health needs and funding requirements of the service capacities of the various geographic areas is a priority task.

- Promotion of centralised development in areas that demand special resources and decentralised development in patient-related services (e.g., one-day surgery, outpatient care, home care).
- The organisation of the supply system must reflect the specificities of the catchment area of the settlement or network, as well as the cross-border areas, by making sure that each social group and area have access to services. Organising the services of a town or its surrounding area requires an integrated approach, but accessibility from smaller settlements also needs to be improved.
- In the course of complex and interrelated development of the supply system and the health industry (e.g., manufacturing of medical equipment and instruments, herb industry), it is important to create centres that may allow for high level technology services, up-to-date diagnostic procedures and other forms of supply, even outside Budapest.

3.5 Creative knowledge-based society, marketable skills - education policy priority

3.5.1 Public education

20 % of the young people leave school as **functional illiterates**, and more than 23% **lack secondary qualifications or vocational qualifications**. The capability of the **generally frustrated and dissatisfied teachers**, unable to significantly reduce the approximately **2.5 years of difference in development** observed among children at the beginning of the schooling age is gradually declining. The public education institutional network must be adjusted to the number of students. The quality of primary education impedes subsequent efficiency of the students because it is unable to guarantee the basic level of knowledge. The values lost to society may be changed if more attention is paid to education than before.

The educational system must be made sustainable

The new Act on Public Education, passed in December 2011, states that **public education** is a public service, the general frameworks and guarantees of which are provided by the state. One of the outstanding objectives is **to reduce the social gap** by using educational and training instruments, while the other objectives if **talent support**. Continuous support to talents, **market sensitive talent development** is an important interest and task for the entire nation. Hungary's economy may develop with knowledge and capability incentive sectors. In terms of the development of these sectors, it is of key importance that young people and talents, capable of outstanding performance in a particular knowledge and capacity should be selected and their talent should be developed and exploited. It is important to give sufficient and continuous support to talents throughout their career which will enable Hungary to retain its most outstanding talents. Assisting talents must be an economic, opportunity creating and society building programme. Talent support and development contribute to the orientation of a career to the right direction and facilitating its success, encouragement and dissemination of innovation and creativity, economic growth and competitiveness, reduction of uneven opportunities, higher social mobility, overcoming disadvantaged situations and cohesion between sub-regions and the whole society. Consequently, it could be as potential breakthrough point for Hungary.

Talent support, talent assistance, development

Development policy tasks

- Elaboration of a teacher career model, a new teacher training and further training system and their implementation similarly to the development of a rating system for teachers;

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- Gradual implementation of the New National Curriculum by 2015 and operation of the Public Education Bridge Programme;
 - Increasing the efficiency and effectiveness of the management of the public education sector and its operating system;
 - Strengthening the initial phase of life-long learning, professional content methodology and institutional development of public education and increasing the number of places in kindergarten;
 - Improving the quality and efficiency of training and education through the strengthening of the accreditation, control, quality control, measuring and evaluation and consultation system, the talent support networks and related infrastructure developments;
 - Gradual improvement of the conditions promoting the training and education of increasingly disadvantaged children with special educational needs, dissemination of inclusive education, active citizenship and voluntarism;
 - Training for healthy and health aware lifestyle, introduction of everyday physical exercises and modernisation and introduction of the conditions required for it. Introducing mass sports in training and education;
 - Acceptance, introduction and implementation of a language training strategy, strengthening the rights of nationalities to use their own language, developing foreign language competences and assisting multi-lingual development among nationalities;
 - More stress on the development of mathematical, natural sciences, technical and IT competences, and training of financial skills; strengthening school relations with the social and economic environment, learning about local specificities, in which identity strengthening is an important step;
 - Launching talent support, long-term talent assistance, development programmes at school and ensuring their continuity in Hungary and among the Hungarians living across the borders;
 - Support to life-long learning and learning of how to learn things, establishment of the career orientation system, development of career building competences, enhancement and support of formal and informal education opportunities and support to teacher and student mobility;
 - Reducing early school leaving and enhancing compensation for disadvantages;
 - Gradual improvement and development of nationality education and the conditions of teaching;
 - Studying and application of research results and methods in public education, which constitute complex and integrated modes of managing the integration of degrading regions and social groups, and consideration thereto during the institutional developments and cooperation of regional actors;
 - Extension of the renewal of the personalised contents and methodology facilitating differentiated skilled development and the development of basic skills, strengthening of the opportunity providing and disadvantage compensating role of educational institutions and reduction of early selection among students (in the case of each institution operator);
 - The differences in the quality of accessible educational services must be reduced, action is required against the segregated education of Roma students and any unjustifiably established disability.

Territorial priorities

- Reducing social and territorial differences.
- Compensation for any disadvantage stemming from territorial differences and equal access in order to reduce early school leaving.
- The problems of **primary education** occur mainly in regions dominated by small villages, where the operation of kindergartens and primary schools is becoming increasingly difficult due to the falling number of children. At the same time, especially in rural areas with a large Roma population the satisfaction of increasing quantitative needs and socialisation tasks relating to the social integration of children are the main challenges.
- **Regional education and talent support strengthening both local identity and traditions** are the best instrument for enabling the regions to gain their own identity and recognise their development options.
- Improving the **inadequate capacities** and infrastructure conditions (especially infocommunications infrastructure) **of secondary school services**, as well as the efficiency of preparations for further studies, primarily in the external and internal peripheries and in underdeveloped regions.

3.5.2 Vocational training and adult training

Despite the regular vocational reform series of the last few decades, **the gap between the output of the school system and the experts needs of the labour market has been increasing both structurally and in quantity**, leading to a shortage of labour and unemployment among career starters.

The failure of vocational schools is clear, **as every fifth child leaves the vocational school without obtaining any qualifications**. The heavily criticised technical exam is the main bottleneck of vocational education. As a result of the expansion of education a skilled worker career has lost a lot of its prestige. The **importance of manual work has been devalued in certain sectors** (construction industry, machine industry) and **led to a shortage of skilled workers**, while more and more people acquired vocational qualifications not in demand on the labour market. There is an increase in the shortage of structural workers, the migration of qualified and specialised experts causes increasing problems in more and more sectors, preventing growth.

Loss of prestige for skilled workers

Actual integration often did not even take place in schools, organised into regional integrated vocational training centres (RIVQC) for more efficient performance, and **the RIVQC system only achieved part of its original objectives**. Its operation is not transparent and uncontrollable. The total restructuring of the RIVQC network is inevitable. Adult training cannot sufficiently correct the inadequacies of the vocational system described above, **the quality of the actual vocational training is uneven and the acquired professional knowledge and skills and uncertain**. The current support system of training does not necessarily give preference to the structure of occupations required in the economy.

Apart from vocational training, other fields of adult training are also important, including training based on the methodology of non-formal pedagogy, self-education and self-training, common teaching and learning process based, special groups, students groups, created and supported by the institutions of cultural and community education and the strengthening movement of adult education system.

The actors of vocational training are unable to restore the prestige of manual occupations within the system of vocational training, as it requires coordinated cooperation of all actors concerned. Value-oriented education, career orientation, as early as during primary education is of outstanding importance and the strengthening of the economy is another important external requirement.

Development policy tasks

- Ensuring the transparency and controllability of the vocational training system, reducing the administrative burden. Regular review of the professional content and training period of vocational qualifications based on the requirements of the labour market and its feedback;
- Evaluation of the RIVQC system, preparation for the required changes and transformation;
- Dissemination of dual education in school type vocational training, putting in place the conditions and making practical training more effective. An effective career monitoring system should provide data for the self-development of the system and for satisfying the labour market requirements;
- An effective career orientation system accessible to anyone, which facilitates early career selection, suitable for the labour market and the individual, thus reducing dropouts and unemployment among career starters;
- In order to promote successful training in vocational schools, general knowledge subjects should be taught in sufficient quality at the primary school and students in need must be able to take part in the BRIDGE programme;
- Effective and flexible vocational training system, which satisfies the requirements of the labour market in the structure of outputs, as well as the contents and quality of the training.
- The first school type vocational training should emphasise not only the development of professional competences but also basic and key competences (including at least one foreign language), thus reducing the dropout ratio and the number of early school leavers, and providing a basis for life-long learning and further development of profession and key competences;
- Use of a set of variable methodology instruments and assistance in achieving high professional quality for all experts participating in vocational training as a teacher or tutor.
- Systemic development of adult training and improving its quality and content with the main purpose of enabling adult training to meet better the actual requirements and needs of the labour market and to make sure that those leaving the training should have a professional knowledge and competences, equivalent to vocational qualifications achieved in a school type system and the requirements of the economy;
- In order to achieve an adequate quality, it is important to elaborate and introduce requirements through which institutions unable to provide quality education will be terminated;
- Distance learning must be made more effective with expansion, and integration into the lifelong learning processes;
- Within the vocational training and adult training system, programmes must be launched that support the training of disabled people and individuals with altered work capacity in order to facilitate their employment on the open labour market;
- Improved recognition of manual talent through talent assistance programmes;
- Training based on non-formal pedagogy methods and development of special groups and student groups created and supported by the institutions of cultural and community education based on self-education, self-training and shared teaching and learning processes. Development of adult education centres, as an important subsystem of adult training and community education, and elaboration of legal regulations for it;
- Promoting the integrated use of language training to be used in the niche occupations in each sector and for finding employment on the labour market.

Territorial priorities

- The transformation of the education of the population according to legal requirements and an improved quality of training could resolve a great deal of problems in the degrading regions.
- Territorial coordination and alignment in time of employment, investment and vocational training development programmes.

3.5.3 Higher education

The financial constraints stemming from the economic crisis called for a more effective public fund management and **a revised approach to the role of the state**. The role of higher education in the development of a region (country, county, region) may be interpreted from several aspects, and therefore the role and commitment of universities in the region and the synergic effect of their cooperation are especially important. Higher education institutions are permanent and stable regional actors, and therefore their active role is outstanding not only in education, research and innovation, but also in economy and social development, as well as convergence, and closer networking and partnership with other regional actors.

Sustainable financing is required in the sector

The side effects of the higher education expansion of the last two decades (e.g., quality inflation, **unsustainable financing system**, problems in operational efficiency) call for new basis of the state support system and increasing involvement of **private funds into higher education**.

Based on the OECD survey, **the following main international tendencies are likely in the higher education sector by 2030:**

International and national tendencies of higher education

- Quantitative increase in student participation dominated by women and more variability in the composition of students (international, older, working, part-time students);
- The teachers' career is becoming more international, but mainly within the structure of the national frameworks. The increasingly specialising education calls for more specific professional expertise and special types of employment;
- As R&D&I activities are becoming more and more international, the isolated research centres will be replaced by more extensive excellence networks, affecting all regions;
- Apart from the expansion of private higher education, market type mechanisms will become a general feature in higher education management through performance-based and competitive financing;
- The increase in the ratio of individuals with higher education entails positive welfare and economic impacts, although the left-out social groups represent a major convergence challenge.

As part of the European higher education area, the **above trends are also present in the Hungarian higher education** with some other specificities and tendencies.

The negative demographic tendencies also have an impact on schooling

Over the next 10 years **drastic changes are likely in the current school type education habits of Hungary**, as **the retention of the number of students** could be a reasonable objective for the institutions: the ratio of younger age groups will decrease and the loss can be offset by groups opting for **life-long learning**. Over the last three decades, **the number of students studying abroad grew rapidly** and a significant increase in the number of students traineeship abroad is an objective of the higher education policy. The **higher qualifications are a competitive advantage** on the Hungarian labour market, yet the **unemployment among diploma holders** trebled over the last three decades.

Development policy tasks

- *Strategy.* A mid-term national higher education policy strategy must be prepared in order to create an internationally competitive higher education system that takes into account market demand and opportunities, satisfies the requirements of society, and is sustainable in the long term;

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- *Planning.* Hungary needs a stronger professional central educational policy plan, which is in line with the sectoral and regional planning objectives of the Government. The Higher Education Planning Body is responsible for the process, which combines all actors of higher education and takes part in the professional coordination of educational policy with the help of higher education planning information systems;
 - *Financing.* The new financing system must be able to allocate public funds more effectively, relying on performance, development capacity and capability and logics that supports competitiveness. That requires the integration of credit type state support (student loans, development funds). In order to establish self-financing higher education institutions, each institution must be enabled to manage their own revenues (both in training and R&D&I) in an economic and organisational framework that complies with that objective;
 - *Organisational form and regulation.* Research institutes and higher education institutions need an organisational form and related regulations that take into account the specificities of research and higher education institutions, manage autonomously the research revenues in financing and are effectively involved in the tendering and procurement systems;
 - *Replacement of tutors and researchers.* A financing and wage system needs to be elaborated for the replacement of teachers and researchers simultaneously with the termination of regulations that prevent flexible and performance-based remuneration;
 - *Institutional system.* In order to increase the efficiency of the public higher education institutions and their educational research development and innovation activities, the durably cooperating universities and high schools need to distribute their tasks more clearly and intensively, while their institutional communities and, whenever justified, organisations must be integrated. The university hubs must be formed by strengthening the partnership and network synergies.
 - *Quality.* The quality development of higher education is based on compliance with quality requirements, binding for everyone, and further encouraging support to actors with outstanding performance. In order to achieve that, the national higher educational excellence system, the higher education talent support and quality management systems for continuous evaluation must be operated. In order to develop the quality of higher education, the international presence of higher education institution also needs to be supported;
 - *Support to life-long learning.* The most important factors include strengthening of competences required for life-long learning and mobility, support to the relationship between higher education and the economy, improving the correlation between higher education and the labour market, exploitation of the opportunities inherent in distance learning and e-learning, enhancing transferability and transparency between educational training levels and introduction of more flexible learning paths between higher education and vocational training;
 - *Creating and maintaining opportunities* Social needs and individual performance must determine the instruments used in higher education for accessing the higher education services and obtaining a diploma. By developing students services (capacities assisting independent learning, career and occupational consultation, sports organisation), study promotion, successful employment and mental and physical skills need to be improved;
 - In order to train disabled people in the higher education system, for a diploma, the personal and physical conditions need to be improved gradually that contribute to the successful completion of higher education studies.

Territorial priorities

- The higher education concentration in Budapest must be eased and therefore targeted development is required for institutions situated in the convergence regions reflecting their actual role in society and economy. Within the framework of territorial policy and transport development, the transport relations within the same higher educational region and zone between cooperating and integrated institutions must be improved and higher education institutions need to be made accessible by public transport and with cycle routes.

3.6 Value conscience and self-reliant society that exhibits solidarity, sectoral policy tasks of Roma integration and social policy priority

3.6.1 Social policy

The **demographic processes are very unfavourable** and may be reversed only if the families are strengthened and the conditions of child-bearing are improved. **The Hungarian society is too divided and fragmented in terms of school, employment, consumption and lifestyle.** Everything has **very strong territorial segregation and an increasingly strong ethnic nature.**

In an EU comparison **Hungary has the fifth worse indicator in terms of the 31% poverty ratio within the total population. In terms of poverty children are especially at risk and overrepresented among the poor people.** The main reasons for poverty include the lack of marketable school qualifications, the low labour market status, the high number of children, ethnic status and place in the local hierarchy. **40% of the poor people live in deep and continued poverty**, which is not accessible by the adequate social policy instruments.

A considerable number of population live in deep durable poverty

Segregation and discrimination continue to be major problems in our days too

Due to lower **employment and labour market activity** there is a need for a **support system that is more flexibly adjusted to atypical employment** and inclusive job creation. The need for the role in society of the state is determined by the role of the individuals with low qualifications in the labour market.

Old age security has a variable foundation for many - especially the positions of people not eligible for an adequate pension on their own right and requiring care due to their social or health conditions is especially difficult. The **social and child welfare, as well as child protection services are not evenly accessible** to everyone, good quality flexible, human and close to residents services must be enhanced.

The processes of **territorial separation**, segregation and ghetto formation have not eased over the last ten years. **The elimination of discrimination is a continued task.** Instead of forcing the traditional **social roles of genders** (primarily women) they must be offered a choice.

Development policy tasks

- Managing the demographic challenge, support to measures aimed at the coordination of employment and private life, promotion of facilitation of an active and healthy old age.
- The primary objective is to rely on the resources of families and small communities, and the state should only provide services where the community or the market cannot come up with any solution, yet the freedom of citizens in decision making must also be enhanced.
- Establishing a system of social policy services in support of adults and families with children according to their needs in a consistent structure at settlement level.

- Support to the social integration of children and young people and improving their equal opportunities.
- Strengthening the social and labour market integration of disabled individuals, people with altered work capacity and disadvantaged people and improving their equal opportunities.
- Establishing a sustainable social safety net to promote social cohesion.
- Establishing a new, transparent, predictable and result-oriented structure, regulatory financing and administrative framework for the financial, in-kind and service system of the social protection system.
- Development, infrastructure development and improved accessibility of the social supply and service system, coordinated cost effective development of the system of supply and establishment of institutions and services to fill the gaps.
- Transformation and segmentation of high capacity residential institutions, strengthening of community procedures.
- Elaboration of a community service system responding to the needs of groups with enhanced support needs (e.g., increasingly disabled, autistic people), improving the accessibility of existing services for them and developing services that promote their social activities.
- Reconsideration of the delegation of municipality competences and contents and financing of benefits and services based on needs and problems to be resolved.
- Market and sector neutrality, equal and performance-based financing, with priority to services that may be operated at a lower cost.
- Simplification of the system of financial support, increasing the efficiency of aid, in more harmony with the needs of the individuals and households and by strengthening the synergy of social policy services.
- Careful transformation of the aid system and equitable development of the conditions of cooperation. Reduction of separations within sectors, better exploitation of the resources of the border regions and development of an impact evaluation system of evidence-based decisions within social policy.
- To be renewed in relation to sectoral policy and administration development: the social training and professional career models, professional content regulation and control systems and connection with the EU development policies.
- Promotion of charity and voluntary activities, strengthening the role of voluntary actions.
- Encouraging employee mobility.
- Support to the social activities of NGOs and churches.
- Within the national talent support system, new life opportunities must be offered to young people of disadvantaged groups, local communities need to be created and their value creating impacts in their environment must be strengthened.

Territorial priorities

- Reducing territorial differences in access to financial benefits, equal opportunities in accessing other social policy services.

3.6.2 Social inclusion

Today **one of the major challenges for Hungary is the gradual deterioration of the position of people living in poverty**, including the Roma population and **their mass exclusion** from major areas of social life. This results in their **decline and exclusion** from livelihood both in the areas of education, employment and health care, as well as **increasingly poor housing conditions prevalent in peripheral regions**.

In addition to the households'/families' low activity in the labour market, the basic reasons of poverty are **the most decisive social characteristics**: low level of education, Roma descent, **the high number of children in the families and child poverty** ('the young face of poverty': about 30% of the destitute belong to the 0-17 age group), and **rural environment** (more than half of the poor live in small villages).

Social characteristics of poverty

Regional concentration also means **the concentration of social and economic problems**. In the most backward regions, severe unemployment as well as social and health problems are present at the same time. **Migration from the most backward regions** continues, accompanied by **a restructuring of ethnic proportions**.

Regional concentration of social and economic problems

Our educational system is unable to properly mitigate the **disadvantage** of children suffering from multiple disadvantages arising from their family environment. The **Roma population can be characterised by having major** schooling and educational **disadvantages**, and although an increase of their educational level is experienced, it is not sufficient to reduce social inequalities. Access to kindergartens, educational and cultural services can be characterised by **major regional differences affecting their quality**. Providing access to cultural services and values is important just as informal and non-formal sessions supplementing formal education.

Long-term low presence in the labour market is the most important feature of the labour situation in Hungary, which is the result of an extremely low level of employment and a slightly higher than average rate of unemployment. Increasing the level of employment is a key component of social inclusion. Measures targeting it must reach **the social groups in the most disadvantageous position**.

Increasing employment is the key for social inclusion

To eliminate the accumulating disadvantages, those affected must be involved by coordinated measures covering the economy, transport, education, cultural institutions, health care, housing conditions and social services alike provided via comprehensive regional development programmes and anti-discrimination **measures** mainly in the rural crisis areas of the country with a dense Roma population.

Typical problems of housing in Hungary include **debts on public utility bills and home loans, the low rate or lack of rented social housing and the regional concentration of extremely severe housing problems** aggravated by **segregation** impacting living environment.

Segregation and deteriorating housing conditions

Development policy tasks

- In terms of the major development policy tasks, strategic planning, the structuring of components built on each other in synergy into mid and long-term programmes have an outstanding importance. Monitoring and evaluation performed in the course of and following implementation are key elements.
- Improve the employability of long-term unemployed people in the active age, better their chances in the labour market by means of comprehensive programmes to catch up and supporting services and trainings. Improving the level of employment and reducing digital illiteracy is an emphatic part of that.

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- Poverty including particularly child poverty must be reduced. Disadvantages in socialisation and social and cultural disadvantages should be overcome.
 - As a strategic part of Roma inclusion, we must make efforts to reduce the schooling and labour market disadvantages of the Roma; to reduce and to eliminate the segregation of Roma students; to set up targeted programmes in order to develop Roma children and to overcome the disadvantages of socialisation as well as social and cultural disadvantages.
 - Peripheral regions must be helped not to lag behind; social disadvantages resulting in regional disadvantages must be mitigated. The settlements and regions must be developed to be able to retain their population and differences within settlements and among settlements should be mitigated. Equal access must be provided to quality public services and the criteria of mobility must be improved.
 - Discrimination against national, ethnic or other minorities and backward groups must be diminished at institutions and in communities.
 - Child welfare: improve access to high quality services providing equal opportunities and covering different age groups (from early childhood to young adult), integrated small region children's programmes must be supported, the group of children receiving free school meals should be increased, skilled workers should be trained, further training and competence development should be provided.
 - Training and education: kindergarten education should be extended, its conditions improved and its rate of integrity developed; the abilities of education to compensate for disadvantages should be strengthened and the chances of access to quality education should be balanced. Marketable skills should be obtained to ensure successful entry to the labour market and youth at a disadvantage should be supported to enter secondary and tertiary education and stay there. Access to cultural services and public education must be provided, all should be assisted to be able to read in a meaningful way, to obtain and apply information technology skills and the assistance of informal and non-formal training forms by library services should be promoted.
 - Employment: the system of vocational and adult education must be developed, the economy and the enterprises should be developed to provide employment for people at a disadvantage and with low level of schooling, an aid system supporting higher rate of activity must be set up and operated and the activating role of programmes of public employment must be strengthened.
 - Health care: health care and the protection of health must be improved, the inequalities of access to health care services should be reduced, the cooperation of service providers should be strengthened, health care of infants, children and youth must be improved.
 - Housing: the system of social policy support of a housing purpose must be reorganised, social housing and programmes for rented social housing should be supported, segregated settlements should be eliminated, while programmes supporting the move of people into integrated living environments should be promoted. Development programmes of a comprehensive approach should be introduced and operated, community work of 'presence type' should be developed in segregated communities and social town rehabilitation programmes should be supported.
 - Inclusion, raising of awareness, anti-discrimination: non-governmental organisations, the churches and those impacted should be activated, dual raising of awareness (majority/public opinion, the media, institutions and organisations) should be promoted, a comprehensive system of public security to prevent crime should be planned and created to manage conflicts.
 - The social economy should be improved. Local social economic programmes and organisations should be set up and promoted.
 - Social mobility must be improved by developing talented people. The provisions of the National Strategy of Social Inclusion should be implemented in all specific policies, their implementation must be monitored via a transparent monitoring system which must be set up and extended to the group of people with disabilities.

Regional priorities

- An objective to be enforced horizontally is to mitigate the rate at which peripheral regions lag behind and to mitigate social disadvantages resulting in regional disadvantages.
- The inclusion of groups at a disadvantage, settlements and regions in peripheral regions can only be expected if development programmes are coordinated in terms of geographical areas, content, time scale, set of means and set of resources via central coordination and mutual support
- The measures targeting the social and economic integration of the Roma must be identified in accordance with regional and social criteria (e.g., backward position, long-term unemployment, low level of education) and their interrelation.
- In terms of social inclusion, the part played by cultural institutions and community service points must be strengthened, informal and non-formal learning forms and cultural services must be made available.
- Self-sustaining settlement programmes and local communities must be strengthened, their inclusive and retaining power improved.

3.6.3 Public employment

The employment position of Hungary is characterised by a **low rate of employment**. A **third of the working age population is economically inactive**, they do not perform and do not even look for jobs providing regular income. Regional differences are strong: 69% of all people looking for jobs are registered in the regions of **Northern Hungary, the Northern Great Plain, the Southern Great Plain and Southern Transdanubia**. In terms of people receiving monetary care based on social need the rate is even worse, it is 80%.

Low rate of employment, major regional differences

The position of the Roma in the labour market has deteriorated dramatically over the last two decades. Although the Roma population is only about 7% of the total, their level of employment is approximately half of the national average, while their rate of unemployment is three times, five times as high as that of the non-Roma population. The schooling and employment position of the Roma population has been unchanged for many decades now, earlier economic and social policy measures have not resulted in improving their situation.

In terms of public employment, the tasks ordered by the public sector must be real ones in terms of their usefulness and importance and they should provide opportunities to develop in the direction of jobs offered by enterprises or natural persons. Measures promoting entry to the labour market should be applied. The system of public employment must be operated so that **it should not be a dead end for the people employed there**. To achieve that, it is important that public employment should not restrict individuals from looking for jobs and should not take away resources from the enterprises. It must be set up so that it could provide opportunities to develop to obtain jobs offered by enterprises or natural persons. Programmes (transitional employment) and incentive measures are required providing opportunities to perform higher level tasks by developing employees beginning from the simplest tasks to higher level jobs (mental training) which promote entry to the primary labour market.

Complementarity of public employment

The government makes arrangements for the employment of people who cannot find a job either on the primary or the intermediary labour market in the framework of public employment. **Public employment of high numbers of people can only be a temporary measure**, with an important part to play until a dynamic growth of employment can start in the competitive sector as the economy gains momentum.

Development policy tasks

- Support that the long-term unemployed and particularly the Roma population can find a place in the labour market by involving them in Start work programmes, improving their employability and offering rehabilitation programmes for settlements.

- Women and youths' employment must be supported by jobs available specifically for them under public employment, by launching pilot programmes and providing social employment.
- Provide employment for people with disabilities, design and support jobs and positions to be filled under public employment, establish employment rehabilitation including measures to facilitate integration, such as: accessibility and aiding services to be offered for employers and preparation of employers.
- Balancing the ratio of participants in different types of public employment in order to reduce short-term public employment. Maintain national public employment programmes (full-time jobs, employment for the whole year and obtaining vocational qualifications).
- The Government regards the extension of public employment to be a temporary measure. Accordingly, arrangements must be made so that in mid-term, both participants and resources are focused on active means leading people back to the primary labour market instead of public employment. In longer-term, the means of employment centred regional development should be used to achieve that in the most disadvantageous regions of the country public employment should not be the only way of offering employment to people with a low level of education or to other groups at a disadvantage.
- As social economy is established, the target group of public employment will significantly be reduced to people of low schooling levels the enterprises of the social economy cannot take on. In that way, the pressure on public employment programmes can be significantly reduced.
- Public employment must be made more focused on its target groups: it is a primary objective that public employment in future should be restricted to people whose employment cannot be achieved otherwise, primarily those who belong to employees at a disadvantage from an employment perspective, and/or live in an economically backward region. Public employment, however, even in such cases should be directed to performing socially useful activities. Public employment should be maintained at least in mid-term.
- Separation of jobs under public employment: the tasks of municipalities currently performed at municipalities under public employment due to lack of sources must be separated from public employment because such tasks, actually, belong to their core activities and do not match the system of public employment by their nature (e.g., jobs requiring specific skills and positions filled under labour contracts for several years).
- Prevent a re-generation of the target group of public employment: the effectiveness of public employment must be improved and early development services must be spread so that a regeneration of people of low educational levels (who can only find a job in public employment) should be prevented.
- The setting up of new type social cooperatives must be promoted.
- Coaching services playing an outstanding part among labour market services (looking for jobs, taking a job, training, etc.) must be promoted.

Regional priorities

- In the course of public employment, priority is given to the involvement of people at a disadvantage or multiple disadvantage in terms of employment and people receiving disability benefits or disabled benefits. Planning the pilot programmes of Start work is geographically focused on peripheral regions.

- Some areas to be included in public employment can be easily identified in different regions: such as public work to be performed under water management authorities that are necessary in regions threatened by floods or ground water, the management of cultural heritage or forestry.

3.6.4 Culture

Comprehensive cultural development objectives (2014-2020)

Cultural type developments are directed to the following major types of measures:

- Development of cultural services supporting lifelong learning;
- Development of cultural services and ICT mitigating the risk of intergenerational transmission of social disadvantages but supporting social inclusion and development of information and communication services.
- In order to mitigate and eliminate regional inequalities, cultural services and ICT must be developed, access to cultural goods and values must be improved including the promotion of digitalisation.
- Innovation and creative industry as well as the skills and competences laying its foundations must be developed; talents must be given specific care.
- The cultural heritage must be preserved and developed in a sustainable way as an economic and social resource; its values must be enhanced and made available for the public.
- Learning forms supporting the prevention of early school leaving must be developed in the cultural area.
- Electronic services must be developed.
- The availability of quality services must be promoted in a quality environment.
- Employees' mobility in the area of culture must be promoted.
- Training and educational services must be established to ensure competitive human resources.
- Investments into the infrastructure required to achieve the objectives of cultural development must be made to generate quality services and a quality environment.
- The connections of culture and tourism must be strengthened (taking care of cultural, heritage, historical monuments, castles and palaces, natural and cultural world heritage and tentative world heritage sites, cultural landscapes, sports, leisure and national and minority traditions, religious tourism and pilgrimages, etc.).
- In general, accessibility is necessary in different areas of the cultural life and equal availability for all.

3.6.4.1 *The protection of cultural heritage*

In the area of the protection of the cultural heritage, there is a worldwide trend and tendency: the **involvement of the society in the protection of cultural heritage**. It is a two-way process. It does not only mean that there is a shift of emphasis from the professional institutions of the protection of heritage to certain organisations of the public as well as to voluntary groups looking after and preserving heritage and traditions, but also that **the professional priorities of the protection of cultural heritage are more and more accepted** and applied.

In terms of its quality and values, **the architectural heritage of Hungary** is of a European and **international level, but its status and situation**, the lack of its refurbishment according to scientific criteria and the part of it currently capable to be introduced to the public **is low compared to the European or the international average**. Hungary cannot properly utilise its **resources hidden in its cultural heritage**. **Sites of cultural heritage** must be **developed** and improved so that they can be presented to the public and can play a part in tourism for an ever growing group of the interested public.

Our architectural heritage of an international standard requires refurbishment

Development policy tasks

- Development policy must be made heritage friendly, the protection of cultural heritage must be built into sectoral policies and their implementation must be supported.

- The attitude of the society must be changed and participation must be ensured.
- Reliable government subsidies and a national legal system friendly towards our heritage must be created.
- The system of government owned institutions for the protection of cultural heritage must be strengthened.
- A restorative (preserving and improving) approach must be supported in regional and individual protection, values must be continuously and regularly revealed and their protection must be ensured.
- The records must be made compliant with law and must be updated.
- Professional procedures must be set out.
- Bilateral or multilateral international cooperation should be established.
- Support systems across the borders should be established and implemented as the protection of cultural heritage across the borders should become part of national politics.
- The cultural heritage should be preserved as an economic and social resource to be developed in a sustainable way to enhance its values and made available for the public.
- The development potential of cultural heritage should be used.
- The number of cultural heritage sites related to tourism should be increased by providing refurbishment emphasising their values and by making them available for the public.
- Cultural touristic programme packages should be set out, the potential sites and routes should be improved.
- An integrated and innovative city rehabilitation based on the cultural and historical sites should be established.
- The values of cultural world heritage and tentative world heritage sites should be preserved and made available.

Regional priorities

- Comprehensive regional development programmes should be laid out providing an integrated management for individual heritage values that can reveal the touristic and other utilisation opportunities of the related region and offer relevant and comprehensive development.
- A combined management of the cultural heritage of cities and their surroundings must be promoted, the protection of heritage and the utilisation of that heritage in regions rich in cultural heritage must be emphasised in regional planning.
- In areas near our borders cultural multiplicity is an important value and also a resource to be used that must be taken into account in cross-border cooperation.
- A better management of world heritage sites in our country and support provided to specific local initiatives based on special features is necessary to increase touristic potential and to protect our values.
- In rural regions, the traditional small trades related to a given region, folk arts and crafts, the methods of landscape preserving farming, land specific food products and Hungarian specialities as well as the sites of our architectural heritage must be developed and included in the development programmes of the given regions.
- Under the Danube Macro-Regional Strategy of the European Union, the 'Duna' (Danube) must be laid out as a cultural route.

3.6.4.2 Public collections (libraries, museums and archives)

Public collections are the most important sites of protecting our national culture; the knowledge accumulated in the public collections is the most important **foundation** for **national identity** and modern knowledge; the institutions are significant collecting, processing, storage, production and distribution places of information.

The importance of public collections

Therefore, enhancing the **community function** of public collections (libraries, museums and archives) is a major task as well as their more intensive involvement in **education**. For effectively supporting education, the establishment and coordinated operation of information technology systems for libraries and museums as well as archives is very important. Up-to-date quality services must be laid out developed in accordance with the demands of those participating in education and of the public at large. The **Digital Renewal Action Plan** will soon be replaced by the **National Info-Communication Strategy**, which declares the following regarding our topic: The group of collections to be digitised must be surveyed by 2016 (library, archive, cultural, arts, etc.) and 50% of those collections should be digitised by 2020.

The training sessions and educational series organised by public collections contribute to the further development of individual knowledge and, in that way, to raising the knowledge level of the Hungarian society. Public collections play a major part in obtaining competitive knowledge by making the documents and values preserved by them available for all.

Development policy tasks

- The info-communication facilities and quality services of public collections must be developed, up-to-date library services must be provided at all settlements. The knowledge and competences of people working for public collections must be further improved to increase efficiency.
- The physical storage capacity of public collections must be extended and the relevant info-communication accessibility must be established.
- The values in public collections must be preserved and made presentable and accessible.
- In order to preserve them long-term, the documents and values in public collections must be digitised and archived to support education and preserve our national heritage. Their programmes should provide effective utilisation and knowledge of the collections in formats responding to users' needs offering equal opportunities for all and to be used freely.
- The electronic accessibility of cultural goods stored in libraries, museums, archives, and image and voice archives must be dramatically improved in order to render our cultural goods suitable for international acknowledgement and also for the education of the disadvantaged in our country. To support the spread of digital literacy, public collections should participate in the education of the disadvantaged by offering non-formal trainings and education.
- Non-formal and informal learning methods and programmes must be provided by cultural institutions to promote the implementation of the objectives of public education, particularly to prevent early school leaving.
- The databases and electronic services aiding individual learning should be developed.
- The training systems of public collections must be developed to support lifelong learning, e-training must be set out, e-adult education materials should be used nationwide and competence-based modular user training should be supported.
- Programmes for the early improvement of reading abilities must be set out, as well as programmes to reduce functional illiteracy.

Regional priorities

- In cities and villages as well as in regions rich in historical sites and other major cultural heritage values, the architectural and cultural values must be preserved in order to preserve the tangible memories of culture and the spiritual heritage as well as to allow them to influence larger areas. Museum collections must be developed, their role in disseminating culture, strengthening identity and their touristic potential must be improved. Public collections (libraries, museums and archives) should be used as knowledge bases in the quality development of education and in lifelong learning.
- Dual function libraries - village and school - should be developed in accordance with local needs.
- Training and community sites as well as up-to-date service providing sites must be designed and implemented at county and capital museums, archives and libraries.
- The internal infrastructure of county libraries must be improved and renewed.

3.6.4.3 Public education

The Hungarian cultural government regards public education a programme developing the personality, the community and the society that relies on the **active community education of its citizens**. By obtaining the skills necessary to solve local problems using local resources, community education improves the quality of life locally and contributes to a national strategy and national economy shift that will make our country successful relying on the values and resources of the people living here. **The institutions of public education and public collections** (cultural centres, libraries, museums and similar institutions) **are the institutions of Hungarian society performing the most widespread tasks for the public good**. According to statistical data, nearly 2,000 cultural centres, a number of public libraries and many similar institutions of public education operate all over the country. Since the institutions of public education **are operated by the municipalities**, the **sustainable operation of the system presents** continuous problems. A switch over to **task based funding** and an integrated operation of the institutions should be encouraged to solve such problems.

Task based funding is key to operations

Development policy tasks

- The Policy Concept of Hungarian Public Education must be further improved in order that programmes based on uniform values, cultural traditions and methodology should ensure support to all players of public education, enhancement of its assets and availability of its results to a wide range of people.
- The institutions of public education must be protected and a multi-colour and structured public educational and cultural set of institutions must be maintained.
- The objectives of adult education and public education as well as community building must be coordinated with the tasks of public education while new learning forms must be introduced.
- Our rich local, regional and national spirit, self-esteem and the feeling of togetherness should be strengthened using the means of public education.
- Cultural services supporting lifelong learning must be developed;
- Cultural services mitigating the risk of the intergenerational transmission of social disadvantages but supporting social inclusion must be developed.
- Innovation and the creative industry as well as the skills and competences laying their foundations must be developed; talents must be protected and promoted.
- New opportunities must be revealed for the success of a change in paradigm in public education by establishing the structure and content of national digital culture. In that framework, the national culture must be transformed into creative cultural servicing industry, the content of a cultural public employment programme should be designed and organised, and the part played by culture in the national economy must be repositioned.

- Educational and art programmes for the young ones from kindergarten to high school must be set out aimed at raising a capable and responsive public with the participation of theatres, orchestras, movies and modern arts galleries maintained by municipalities or non-governmental organisations, as well as by supporting literary circles, amateur drama and other cultural groups and associations.
- In general, accessibility in different areas of public education providing equal opportunities of access to all is necessary.

Regional priorities

- To eliminate regional inequalities, cultural services must be developed in accordance with regional priorities, access to cultural goods and values must be improved including support provided to digitisation.
- A harmonious relationship of cities and country should be established in the area of education, the cultural services offered locally should be promoted for the improvement of human resources and their retention.
- The programmes of cultural rural development and its strategically founded development tasks must be supported, with particular emphasis on the protection of spiritual cultural heritage. Local value stores and resource clusters should be designed to enhance the activities of cultural tourism.
- Significant cultural centres reaching a critical mass can not only organise the cultural life of their own region in an ideal case, but they can also fulfil national and international functions.
- In small villages and peripheral regions, the coordinated development of libraries, educational institutions, museums, tele-houses is necessary via their infrastructure and programmes to promote local community building and the retention of the population.
- In regions where the ratio of the Roma is high, the creative education of youth, a revival of creative forces is important jointly with educational policy but external to the school system, which may promote a revival of such regions.

3.6.5 Sports

According to the analysis of the **relationship of cohesion policy and sports**, sports are a basically specific **cross-cutting sector** as shown by community sports policy documents. **In Hungary, the ratio of people regularly doing sports** as well as the activity and membership of sports organisations **have been gradually but drastically reduced**, while there is no organisational network of human resources in regional development units and levels close to the citizens providing coordination and services. At present, **a mere 7% of the population do sports regularly** compared to the European average of 25-30%. Due to the poor physical state of the society, **we have to lose one-third of the GDP annually**.

Increasing part played by sports

The share of sports in the GDP of Hungary is approximately 0.7-1%, which is **significantly lower** than the typical values in other European countries. **In the area of competition sports, the government has been unable over the past period to provide sufficient development sources** to improve the situation of human resources, to develop the facilities and assets of sports, to implement measures targeting a wider recruitment base involving children into competitions and targeting the efficient operation of its systems.

Low share of sports in GDP

Development policy tasks

- Increase the part played by sports in health promotion and physical development.
- Nurture sports traditions to strengthen national identity.
- Implement research and development and innovation tasks in sports sciences and sports health care.
- Establish a high level national system of sports health care.
- Develop and operate a digital sports information system containing comprehensive data and also operating as a management information system.
- Consciously involve small and medium-sized enterprises in the sports market and sports services to increase their competitive edge.
- Establish a single flow or programme funding system to improve the efficiency of the utilisation of resources and their transparency.
- Establish a sustainable regional sports organisational network of a sports management type organised on service basis.
- Improve the operating conditions of schools' and students' sports organisations, strengthen their coordination role in higher education and provide joint funding for sports via the participants, the institutions and the government.
- Enhance the relationship of sports associations and educational institutions.
- Provide further training for sports experts; reform the academic and practical curriculum of physical education classes.
- Increase the number of international sports events organised in Hungary.
- Develop the facilities of public education and higher education institutions serving health education; procure the related (sports) facilities and promote a healthy life style.
- Improve physical education at schools, organise sports events for students. Make swimming a mandatory subject both in kindergartens and secondary schools.
- Introduce everyday physical education classes also in secondary schools.
- Improve the retention power of university sports by sports scholarships, coordinate leisure and recreational sports via a network of sports offices.
- Implement programmes supporting the social inclusion elements of sports.
- Modernise strategic sports facilities and open them for communities for leisure and recreational use.
- Develop leisure and recreational sports facilities for residents, with particular emphasis on jogging tracks, sports playgrounds and community venues.
- Renew both indoor and outdoor infrastructure of leisure and recreational activities to ensure equal opportunities of access and energy efficiency.
- Implement programmes of regular sports activities based on the concept of health improvement promoting popular health care approach and the building of physical activity into public attitudes and thinking in order to promote education, skills development and lifelong learning.
- Improve and enhance leisure, recreational and sports economy.
- Find and properly channel sports talents at schools in a national system of talent promotion.
- In general, accessibility in different areas of sports providing equal opportunities of access to all is necessary.

Regional priorities

- It is important that **access to** sports and recreational **services** should be ensured for all social groups and areas taking into account the special characteristics of the network of settlements.
- Each regional unit should be supplemented with one or several specific features related to sports.

3.6.6 National politics

In most neighbouring countries, the position of Hungarian minorities has improved compared to 1989, the change of the political system. Following European integration, most Hungarians can nurture their relations with each other and with the parent country without any obstacles. Nevertheless, you can experience **processes and phenomena giving rise to concern**. The contribution of Hungarians living as national minorities is valuable for the improvement of our shared national cultural heritage. **It is important that the neighbouring countries acknowledge** the fact that having flourishing Hungarian communities in their territories is an advantage for them as well. **Mutual loyalty and responsibility** must be the basis of the relationship between Hungarian communities abroad and the Hungarian State.

The position and importance of Hungarian communities across the borders

The **population of Hungarians is continuously declining** both in all the neighbouring countries and in the case of Hungarians living outside the Carpathian Basin. In some countries, mainly in the diaspora, **the ratio of mixed marriages is increasing, a significant per cent of Hungarian children in the neighbouring countries are educated at schools using the majority language.**

Negative population growth and assimilation

The process of assimilation is faster in the diaspora representing the 'borders of the nation', there is no network of institutions to generate national identity. The members of the Hungarian minorities living in the diaspora are not organised into communities, second or multiple generation descendants do not speak or hardly speak Hungarian and **some of the members have no connections to Hungary**. Finding and addressing those immigrating recently is rather difficult.

Dispersion and loose connections of those living in the diaspora with the parent country

Access to education in Hungarian language is increasing **in higher education**, but the rate of Hungarians in higher education is lower than their rate compared to the total population. In addition, the **weight of Hungarian political parties abroad has been gradually declining** in the political life of the given countries. **Regional autonomy has not been established** in any neighbouring country. **The international/European protection of minorities** and the external norms of the process of access do not provide proper conditions for a national/cultural rebirth.

The conditions of national and cultural reproduction deteriorate

The Ministry of Public Administration and Justice drafted a document under the title **Hungarian National Politics - the strategic framework of national politics** in 2011, which is currently the guiding strategy in the area of national politics.

Development policy tasks

- The awareness of national unity must be raised in Hungarian society, while Hungarians in the diaspora should be included in the life of the Hungarian nation.
- Promote the establishment of autonomous statuses providing the widest possible set of assets for the equal rights of national minorities.
- It is important to strengthen the connections with the regions across the border where Hungarians live, to establish unity in the Carpathian Basin and to support cross-border cooperation.
- In order to mitigate the decline in the number of population of Hungarians living abroad, the reliable operation of a set of institutions ensuring the increase of communities must be supported.

- Review educational subsidies and unite resources to expand education in the Hungarian language (quantity) and the quality of education in the Hungarian language.
- Offer professional further education for administrators and civic players engaged in the implementation of national politics.
- Implement an economic policy that is coordinated with the neighbouring countries.
- To promote cultural rebirth, support community venues, non-governmental organisations, churches and Hungarian language media in their efforts of identity building and retention. Preserve the physical cultural heritage and utilise it as a new national resource.
- Support the churches and non-governmental organisations that contribute to the enforcement of the rights affecting the Hungarian communities and take part in the renewal of their community and to shape society of value awareness and built on solidarity.

Regional priorities

The sustainable development and competitiveness of the Carpathian Basin will contribute to the well-being of all communities living in the region including the national minorities living in Hungary and Hungarian minorities living in other countries. An effective operation of the above requires continuous network building among the regions, collaboration and sharing their joint experience taking into account the specific features of their regions and local characteristics.

3.6.7 Minority policy

Our minority policy is basically shaped in accordance with the provisions of the Fundamental Law and the law on the rights of national minorities. The **law on national minorities recognises 13 national minorities in our country**. The objectives of the system of national minority self-governments arranged at three levels and recognised internationally is to preserve the language, the tangible and spiritual culture and values as well as the historical traditions and identity of the minority communities, which works against the processes of assimilation. Its key component is the provision of individual and community rights and the enhancement of interest representation.

System of national
minority self-
governments

Development policy tasks

- Provide reliable funding for national minority self-governments, non-governmental organisations and institutions to maintain the cultural autonomy of national minorities and to manage the public education of national minorities at a high standard.
- Improve the system of representation of national minorities, the ability of communities for interest enforcement; provide professional further education of representatives in the self-governments.
- Review the educational system of national minorities; improve the efficiency and quality of education in minority languages and language teaching.
- Utilising the advantages of the bridging role played by national minorities, boost and support economic, educational and cultural collaboration coordinated with the neighbouring countries.
- Improve collaboration in higher education including joint research and development programmes.
- Support community venues, initiatives and media sites of the national minorities building and retaining their identity to promote cultural reproduction and to preserve cultural heritage.

Regional priorities

- Support the preservation of traditions as well as minority cultural activities and events in regions typically populated by national minorities.
- Support national minorities to increase tolerance in the majority society by increasing their knowledge of minority culture and history.
- In regions and villages populated by national minorities ensure that conditions of multilingualism are in place, encourage learning each other's languages and utilise linguistic skills.

3.6.8 The non-governmental sector

In Hungary, about 66 thousand non-governmental organisations operated in 2011, 23,240 of them in the form of foundations, with 62% linked to different areas of education (32%), welfare services (16%) and cultural activities (14%). In terms of non-profit associations, leisure and recreational activity associations (25%), sports associations (16%) as well as cultural organisations (12%) are the most significant.

The two major indicators of the development non-profit sector, **the number of organisations and the real value of their income increased by 87 and 91 per cent, respectively, in the period from 1993 to 2011**. The real value of revenues had shown a slow increase, while the number of those employed in the sector had been increasing steadily and fast. In the above period, the part played by the non-profit sector as service providers significantly improved and its economic indicators improved accordingly.

The part played by the non-profit sector as service providers improved

Development policy tasks

- Mitigate the lack of resources in the civil society by making both Hungarian and European Union resources available for the organisations offering human services (social, educational, cultural, youth, etc.) promoting local and social participation and enhancing the development of non-governmental organisations.
- Improve the poor interest enforcement ability of the non-governmental sector as well as its often insufficient participation.
- Enhance the part played by non-governmental organisations in fulfilling public tasks by creating the relevant regulatory, funding and operational guarantees.
- Support and encourage voluntary work targeting every social group.
- Encourage and enhance community initiatives of village or regional development, promote local identity and culture by supporting non-governmental organisations.
- Improve the transparency of the operation of non-governmental organisations and the utilisation of government subsidies.
- Increase social capital, develop local communities, enhance civil organisations and encourage the activity of citizens.
- It is necessary to enhance civil service provider and democracy building organisations effectively.
- Programmes are to be launched to develop active citizenship and to increase social participation in local, county and national level decision-making.
- Support cross-border relations and civil cooperation.

Regional priorities

- Support activities launched at local levels and supported by local civic organisations in their performance.
- Support civic organisations in local economic development.

3.6.9 The role of churches

In the course of setting out the National Mission, the churches and regional denominations play an outstanding part in the renewal of human connections and communities, in strengthening the families, in shaping a value conscious and solidarity-based society and in shaping and uniting local communities and their identities both within our borders, in the Carpathian Basin and in the diaspora. That outstanding role and service result from the religious and moral values of the churches, but **their activities play a part in raising social awareness too.**

The part played by churches in performing (public) tasks is significant

The churches do not only involve their followers in their service but, notwithstanding their religious values, they effectively enhance an understanding of each other and the generation of **social sensitivity**. They effectively support the integration efforts of groups at a disadvantage (e.g., the poor, the sick, people with disabilities or the Roma population); in addition, they also promote tolerance in the majority society.

The churches are present in our everyday life with specific activities. They take part in social and charity services, in the areas of education, in the mediation of culture and in the preservation of the national cultural heritage by preserving our traditions, in employment and in labour services. In the form of religious tourism, they are present in the field of tourism, which is a major industry of the national economy. In many cases, they collaborate with the local city or village municipality, which improves the effectiveness of their joint work. The aid organisations relying on a significant church background, operating with a number of civil volunteers and maintaining a whole welfare institutional network are also active and reliable partners in the policy of inclusion both at local and national levels.

As a result of the missionary and pastoral activities of the churches, creditworthy role models and patterns of conduct appear in the life of people resulting in triggering **positive social processes**. As a consequence, the churches are equal-right partners to the mental health profession and the civil society with respect to the efforts of the government to improve the mental state of the society.

Development policy tasks

- Provide more emphatic support to the charity, health care, mental health, welfare, educational and cultural activities performed by the churches, improve the modernisation of such activities, including their acceptance and support by the society at large by:
 - digital developments,
 - environmental sustainability, efficiency, the enhancement of economical operations and competitiveness in the church sector,
 - protection of the architectural and spiritual cultural heritage,
 - enhancement of employment capacity and activity, mitigation of economic inequalities by supporting the churches,
 - increasing the quality and efficiency of education, strengthening equal opportunities, social cohesion, integrating people at a disadvantage and integrating them into society with the effective participation of the church sector.

Regional priorities

- Support the churches in the regions populated by national minorities in the process of integrating social groups at a disadvantage.
- Support the churches in their activities of community building, particularly in peripheral regions at a disadvantage and in small villages.
- Support the churches in the retention of people living in the countryside and in stopping the reduction of the number of people in regions at a disadvantage.

3.7 Good state: sectoral policy tasks associated with the service providing state and security - public administration priority

3.7.1 Public administration

Public administration, as well as any administrative activity, are aimed at coordinating measures for achieving the objectives of a community (nation) and the state created by that community. The communities recognised and regulated by the state as entities with local government rights may define local governing rights for their organisation(s) created for such purposes. As a result of state recognition and regulated delegation, local government tasks also constitute public tasks and local administration aimed at their implementation is part of public administration. **Public administration must be reformed in terms of its organisation, tasks, procedures and staff.**

Public administration reform is required

Development policy tasks

- Effective, transparent and consistent organisational operation with the right assets and instruments, free of any redundant features. Putting in place the conditions of physical and IT operation of the public administration system.
- Development of a complete task cadastre, formal and content deregulation, renewal of strategic planning.
- Foundation and rationalisation of internal procedures, quality legislation, feedback - monitoring - evaluation.
- Improving customer relations: introduction of customer-centred services, initiative communication, consultations.
- Development of staff administration: development and use of adequate employer capacities, development of managerial skills.
- Attractive careers, improving professional skills.
- Extending e-administration services, improving their quality and accessibility. Introduction of a National Single Card system, single government document and file management system and a structure of organisation of electronic administration meetings.
- Consolidation of the IT network and the large government settlement systems, enhancing network security, electronic identification by local governments.
- Extension and further development of the network of government windows, implementing the multi-channel integrated and single window customer service system.
- Developing the organisations of Budapest and county government offices, including the improvement of the district offices in order to introduce citizen friendly service providing administration.
- Regaining the confidence of the residents by introducing citizen friendly administrative procedures.
- Strengthening the government's development policy capacities, coordination and evaluation mechanisms in order to make the implementation of government strategies successful.

Territorial priorities

The reform of the complete territorial administration system with the establishment of the Budapest and county administration offices in 2010, the Budapest and county government offices on 1 January 2011, followed by the introduction of territorial public administration agencies with general competence, constitutes an important part of the organisational reform of public administration. Of the 33 decentralised agencies operating in the system of territorial administration in 2010, 14 were integrated into the government agencies and the other territorial state administration agencies not involved in the integration were transferred under the control and/or coordination or review and assessment scope of the government agencies.

With the development of district administration, district offices were established on 1 January 2013 as the representation offices of county government agencies. The achievement of a satisfactory system will be a major challenge in the subsequent years. In both cases territorially balanced access to the services is of fundamental importance.

3.7.2 Social consultations

Pursuant to Article 1 of the Social Policy Agreement (Treaty of Amsterdam, 1997), the Member States of the European Union aim at **promoting dialogue between the social partners**. The establishment of the consultation system within the Member States is within national competence, although the EU sets certain obligations. The widest groups of society must be involved in the continuous improvement of the operation of the state in every aspect, and therefore the Government considers the consultations with all segments of society an indispensable part of legislation process. The National Economic and Social Council was established with the right to conduct consultations in complex matters relating to the development of the economy and society, discuss national strategies that go beyond specific government cycles and may also hold consultations about balanced economic development and the elaboration and promotion of implementation of social models that relate to it.

Importance of dialogue and partnership

Development policy tasks

- Long-term, effective multilateral consultation mechanisms.
- Establishment of new institutions for social dialogue in Hungary.
- Building long-term relations with strategic partners.
- Establishment of a legislative environment promoting effective consultation.
- Operation of the fora of sustainable development and active citizenship.
- Utilisation of the results of consultations.
- Maintaining electronic contact.

Territorial priorities

- Assisting the involvement of local residents in decisions on issues of local importance and interests through interactions.
- Ensuring the monitoring and transparency of social consultations, enforcing remarks.

3.7.3 Defence policy

The Hungarian Army is the fundamental organisation that warrants Hungary's sovereignty and, in terms of its role, is one of the key instruments of foreign policy. The fundamental task of the Army **is to guarantee Hungary's security in compliance with the Fundamental Law and, based on our alliance membership, to contribute to the collective defence of the North Atlantic Alliance**, as well as to the international peace-keeping, stabilisation and humanitarian operations of the UN, NATO, the EU and the OSCE. In addition, the Hungarian Army must also have capacities, **with which in future it can more effectively contribute to the elimination of the consequences of natural or industrial disasters**. Apart from the international role, one of the most important indicators of the Hungarian Army is the degree of efficiency with which it can protect the life, safety and property of the residents of the country in the national environment.

Importance of the defence policy

All this is fundamental in the social assessment of the Army and strongly influences the relationship between the Army and society.

The main goals of the development of the Hungarian Army are laid down in the Fundamental Law and the tasks stemming from our international obligations. **Multinational cooperation, development and distribution of defence capabilities in international cooperation** are effective instruments of army development in economic aspects. The development of capabilities that serve overall national interests has a priority in the development of capacities. This includes the ability of helicopters which can be used not only for military, but also civilian tasks (disaster prevention, rescue operations, policing tasks, air space security, etc.). The same category also includes the development of the Hungarian Army's Health Centre (Army Hospital) which, apart from military tasks, will have an important role in providing health services to the population. Cyber defence is another important and priority area which also serves extensive interests of society. In the course of developing our defence capabilities, we must increasingly rely on federal, EU and regional programmes, as well as our national interest, which constitute a framework for the **development of the Hungarian defence and security industry**.

The purpose of development of the Hungarian Army is to form well-trained and equipped military forces, capable of defending our homeland with weapons and also of international cooperation with flexible and effective, well-balanced capabilities.

Development policy tasks

- Rationalisation of the leadership systems and development of the leadership support.
- Installation of intelligence, surveillance, target acquisition and reconnaissance (ISTAR) capacity and improving the existing capabilities.
- Developing the flood intervention capability of the Hungarian Army.
- Developing the water cleanup capability of the Hungarian Army.
- Enforcing environmental aspects in defence developments, and alternative energy, energy efficiency and environmental centred improvement of objects and assets managed by the Ministry of Defence.
- Introducing air transportation capacities with fast responses, including special operational capacities.
- Increase in the budget support to the Ministry of Defence on a pro rat basis compared to the GDP.
- In the course of the planning period, a Voluntary Reserve System must be established as part of the Army for the purposes of improving the protection of homeland and home defence by involving large social groups.
- In any new procurement, the criteria of advanced and long-term systemisation, lifespan expenses, transferability, protection, alliance compatibility and environmental and nature protection must be given preference.
- The main development programmes of the Army, vehicle procurement and the Gripen programmes must be continued. The material and technical requirements of Hungarian home defence tasks need to be provided through the HADIK plan, with reasonable expenses and returns in order to facilitate the development of the Hungarian military industry, and indirectly, job creation in Hungary.

Territorial priorities

- Utilisation of abandoned military facilities, including abandoned airports.

- Strengthening ties between military units and local, civilian organisations as well as local governments.

3.7.4 Urban development and construction

The principles supported by the European Union, as well as the sector relate to integrated and sustainable urban development. Urban regions are the driving force of economic development, and the centres of innovation, where social, economic and territorial cohesion can be achieved, and therefore the **role of towns is fundamental** in the implementation of the Europe 2020 Strategy. The sustainability of towns is a key aspect of long-term development, as the social-demographic crisis affecting the towns and the environmental problems may impose a threat to the economic growth and social cohesion of the European Union.

The European **urban areas must become fields of integration**, which define national and European integration strategies.

The common features of a “European town” include **territorial cohesion, social integration and balanced economic development**, as well as the ability of public policies to influence urban development leading to consistent land usage. The issue of common values of European territorial development are another important aspect, which involves the features of a **multi-centred and balanced territorial structure** and the relationship between urban networks and towns and rural areas.

Socially, economically and environmentally sustainable development is required

The harmonisation of territorial development and spatial planning is still required for ensuring balanced and effective territorial development in the country.

Development policy tasks

- Putting in place requirements for a sustainable energy efficient and energy aware built environment, which is healthy and safe and maintains the architectural and landscape values of the settlement and the region.
- Increasing the efficiency of preparations for development and the strategic role of planning in projects financed from public funds. Development of simple, transparent, economic construction processes leading to high quality.
- Participation in the establishment of public employment work programmes for urban development purposes.
- Integrated, innovative urban rehabilitation based on cultural values.
- Decelerating the growth of the landscape around settlements, built areas and paved areas, (decelerating and maintaining at a reasonable level of any increase in built areas (landscape around settlements), including especially paved surfaces, which are unfavourable in ecological, micro climatic and environmental health considerations, when they take place on semi-natural and green areas).
- Support to predictive and deliberate urban development planning by taking into account social - economic - environmental aspects.
- Legal harmonisation of the professional and hierarchic system of territorial development and spatial planning, and urban development and urban planning (also at regional, county and sub-regional levels), and clarification of the laws pertaining to designer rights required for preparing specific parts of plans.
- Publication of guides, preparation of professional materials, identification of best practices, organisation of trainings, workshops and other events for the stakeholders (primarily local governments).
- Increasing the ecological and utilisation value of green areas, expansion of green areas and improving their quality.

Territorial priorities

- Quality assurance of Hungarian construction materials intended to be used for “housing”, typical in various regions.
- Regionally distinguished and value preserving construction regulations in line with the local specificities.
- Territorial control of home construction around larger towns, prevention of excessive built-in ratios, consistency with infrastructure investments.
- There is a need for plans made for towns and surrounding areas, and introduction of plans for urban regions in complex programmes, as well as their integration and consultation in county level plans and programmes, providing the conditions and elements of implementation and developing a monitoring system.
- Priority must be given to the process of re-urbanisation in traditional urban residential areas, with the help of complex rehabilitation programmes.
- Access to houses, housing mobility and development of rented housing are especially important in large cities.
- The energy management, anti-social exclusion and home maintenance programmes are key factors for housing estates.
- A functional renewal is required in ageing villages with maintenance and modernisation.
- Coordinated development of the functions of settlements that surround the town, in terms of supplying services to the town (food, small industrial and craftsmanship services, recreation).

3.8 Sectoral policy tasks related to the preservation and sustainable use of strategic resources - environmental priority

3.8.1 Environmental protection, nature preservation, water management

In the value set of society disproportionately high importance is associated with financial welfare compared to the real importance of consumption, while the quality and services of the environment are not assessed properly and there is considerable energy demand and loss. The **polarisation of society** entails not only increasing consumption by the affluent group, but also poverty. Those who are exposed to such threats have limited opportunities for self-sustainability, a change of lifestyle or investments made for efficiency purposes. Subsistence crime, with environmental damages, is spreading in regions hit by durable unemployment. In total, the increase in industrial production was not accompanied with a similar increase in the burden on the environment, because **instead of the phasing out heavy industry or material and energy intensive sectors, the processing industry and services began to develop**. In relation to the enhanced trading activity and variation of production modes **goods transportation**, especially **road transportation** grew with numerous unfavourable environmental impacts including deteriorating local air quality, noise pollution, deterioration of human health and the condition of built environment.

The increasing poverty does not support an environment conscious lifestyle

The growing number of logistics centres and industrial parks is associated with increased use of land, parallel with which the size of agricultural areas **is diminishing** due to reclassification into urban areas, spreading industry, mining and infrastructure and afforestation. The impact of **the growing urbanisation** may be observed not only in the expansion of built areas, but also in the increased environmental load in the area imposed by the population concentrating on a small territory, which **is intended to be offset by the development of the environmental infrastructure**. The various land use requirements may lead to the shrinking and fragmentation of biologically active areas of ecosystems. **Excessive utilisation, dissemination of invasive and non-indigenous species and pollution will cause harm to biodiversity.**

Extensive urban, industrial and infrastructure land use

Nature preservation also faces increasing challenges in its efforts to protect and potentially expand natural systems.

The **overall condition of the soil is favourable, but** the productivity of soil involved in agricultural production **is at risk by degradation processes. Within the system of surface waters** primarily stagnant waters, small streams and other water sections, significantly slowed down by dams are the critical points, and **70-80% of the designated water bodies are of medium or worse quality. In the case of sub-surface waters, unauthorised water extraction, the reduction of water levels,** inadequate use of manure and pesticides and application of inadequate agricultural technologies cause most of the problems. In flood protection, the technical investments of the last 150 years had a negative impact on the ecological condition of waters, flood safety guarantee is a problem and the deficiencies in water drainable on flat areas (elimination of groundwater) cause further problems in numerous regions. The lack of supply of water utilities in certain settlements is a major threat.

Development policy tasks

In environmental and nature protection:

- Strengthening an environmentally aware approach and mindset through environmental education, awareness building, sustainable production procedures and consumption habits and support to system providing environmental information.
- Consistency with the bearing and tolerating capacity of the environment and the load-bearing capacity of the landscape in the course of spatial organisation of economic and social processes, protection of the values of natural resources and prevention of their degradation.
- Increasing environmental security and prevention of risks.
- Development of the environmental information and monitoring systems.
- Reduction and reversal of processes that are harmful to the health of the population, the reduction of illnesses of environmental origin.
- Improving the capacities of environmental health, adequate management of problems arising from global environmental changes.
- Cadastre type registration of landscape diversity (landscape accounting, analysis of impacts on the landscape, monitoring of the condition of landscapes and changes).
- Preservation of individual landscape values and favourable landscape components.
- Preservation of natural and semi-natural habitats.
- Reducing the dissemination of invasive non-indigenous species.
- Enhancing the ecological value of green surfaces.
- More deliberate urban development, more effective enforcement of sustainability criteria in development and regulations, preservation and strengthening of the values of settlements and development actions based on them.
- Protection and sustainable, value-based utilisation of the built environment and green surfaces, more harmonic integration of settlements into the landscape. The development of urban structures with green surfaces established for the equalisation of extreme impacts must be supported.
- Providing mobility conditions in as manner that reduces air and noise pollution.
- Reducing noise pollution, support to noise protection measures.
- Improving air quality by reducing emission (e.g., technology development), reducing local air pollution through careful selection of the location of emission sources (whenever possible in the course of spatial planning).

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- Increased compliance with inter-sectoral measures and statutory requirements in order to reduce small particle flying dust (PM₂₅, PM₁₀).
 - Improving air quality in internal spaces by defining minimum requirements for the internal air quality of constructed new buildings (construction materials, furniture, air technology solutions) and by supplying information to the population.
 - Development of land use based on the specificities of production sites and its own biological bases, elaboration of a production structure and agro-technology.
 - A new production structure built on sectors generating a higher added value and higher employment.
 - Strengthening of versatile and GMO free farming, dissemination of ecological farming.
 - Quantitative and qualitative soil protection, preservation of the productivity of soils, organic material management, replenishment of nutrition.
 - The agricultural subsidy system must be transformed by reducing/terminating the group of, and support to, activities that impose a threat to diversity and do not use resources (production land, water) at the level of renewal.
 - Harmonic coordination of the territorial demand of land use functions with the least possible loss of agricultural areas, land use adjusted to agro-ecological features, promotional of brown field investments, protection of built heritage, utilisation and development of historic monument values.
 - Reasonable mineral asset management, planned and environmentally friendly exploitation and utilisation of economically extractable mineral resources.
 - Development of residential solid waste management systems.
 - The quantity of annually generated waste should be reduced annually.
 - The utilisation of generated waste should increase, together with the ratio of recycling. Increasing the ratio and application of selective waste collection.
 - The capacities required for the neutralisation of remaining waste must be available within the borders of the country, with the exception of certain wastes that require special technologies.
 - Reducing the quantity of packaging materials.
 - In the course of reducing waste and greenhouse gas emission, the identification and support of industrial symbiosis opportunities are of key importance. It means that when the side product of one process can become the raw material of energy supplier of another process, the energy demand and waste and side production generation can be reduced. This does not directly reduce the greenhouse gas emission, but results in higher production value at the level of national economy with the same or slightly increasing emission, and therefore the role and involvement in the production of less effective technologies can be reduced.
 - Effective mitigation and elimination of the consequences of disasters, managing the harmful effects of hazardous materials, radiation, safety and remediation.
 - Support to the environmental technology and environmental innovation activities, as well as environmentally centred developments of enterprises.
 - In relation to cross-border environmental problems, theme-based cross-border cooperation should be encouraged.
 - Promoting the preservation and restoration of biological and landscape diversity within and outside protected natural areas.

- Sustainable use of biological and landscape diversity and strengthening of its ex-situ protection (gene bank).
- Integration of preservation of biological and landscape diversity as a priority into various national policies, plans and programmes.
- In the assessment of public procurement procedures, more stress must be given to environmentally aware, pollution prevention technologies and services.

Water management:

- Achieving a “good condition” of waters as defined in the Water Framework Directive by 2015.
- Sustainable water stock management according to the action programme of the EU Water Framework Directive, complex water catchment area development, quantitative and qualitative protection of water stocks (dissemination of reasonable and economic water usage, and reduction of water contamination).
- Utilisation for energy purposes and re-injection of used thermal water must be a mandatory requirement in supported projects.
- Wherever justified and possible, the application of potable water friendly technologies is recommended, increasing the recycling and purification of extracted water, thus reducing the quantity demand for potable water extraction.
- Developing the core infrastructure of wastewater treatment, fulfilment of the outstanding derogation obligations, reduction and prevention of desertification by re-using treated wastewater.
- Encouraging semi-natural wastewater treatment modes and the use of individual small equipment in small settlements and in other areas where the sewage network could not be established economically.
- Maintaining the flood protection capacities within water management in addition to water retention and storage. Reducing the impacts of floods and droughts.
- Support to rainwater drainable and storage development.
- Preparing risk management plans for floods pursuant to the EU 2007/60/EC Flood Directive by 2015.
- Reconstruction of the potable water supply systems within the framework of the Potable Water Quality Improving Programme.
- A support programme is required specifically to replace potable water connection pipes and existing led potable water pipes in public institutions and residential buildings, as well as related fixtures; refurbishment programmes need to be elaborated and supported for the reconstruction of the obsolete potable water network.

Territorial priorities

- Developing the environmental infrastructure of town centres, encouraging household connections to public utilities, developing public transport, urban rehabilitation and improving the quality of the urban environmental, dissemination of environmentally friendly power generation systems in order to have polycentric urban network.
- Protection and development of the ecologically important green surfaces, separating settlements in the agglomeration around major cities, limitation of the use of the territory, the coordination of transport systems and limitation of green field investments.
- Development of wastewater treatment and connection capacities in the North and South Great Plain, in North Hungary, between the rivers Danube and Tisza and in the internal peripheral areas. The Potable Water Quality Improving Programme must be implemented primarily in the affected settlements of the Great Plain and South Transdanubia, together with the performance of the postponed reconstruction activities on the existing potable water networks. Performance of further measures in order to eliminate deficiencies in potable water supply.

- Preference to the utilisation of brown field areas (remediation, rehabilitation) against green field investments, material, area and energy efficient, quality-oriented investments.
- Protection, value-based and sustainable development of the built environment.
- Sustainable landscape use in rural areas, through the development and dissemination of traditional and environmentally friendly farming methods in line with the local specificities.
- Cost effective and environmentally advantageous and justified construction of individually designed, basic infrastructure facilities based on renewable energies in the hamlet regions.
- Development of environmentally friendly economic structures based on local specificities in regions with small villages in order to retain the population, construction of environmentally friendly infrastructures based on individual design and utilisation of the cultural heritage for tourism.
- Development of environmentally friendly and high quality tourism in areas rich in landscape values and in other protected natural sites based on the natural and landscape features.
- Enhanced protection of natural sites of national and local importance, Natura 2000 sites, core areas of the national ecological network and the ecological corridor zone, development of an environmentally friendly production system. Establishment of cross-border nature and environmental protection, ecological management systems, as well as international cooperation opportunities.
- The harmful impacts of extreme water management conditions (floods and internal water, as well as droughts) must be managed in a sustainable manner, integrated at the level of regions or water catchment areas: the previous flood - internal water and drought protection must be replaced by soil and internal water management.
- Elaboration and implementation of integrated inter-sectoral development and rehabilitation programmes in large areas exposed to threats of natural disasters and cross-border regions that may be at risk environmentally. Introduction of wastewater treatment and waste management systems in the increasingly sensitive karstic areas in compliance with the criteria of water and water-based protection. Enhancing organised waste collection in the North and South Great Plain, between the rivers Danube and Tisza and on the internal peripheral areas.
- Landscape rehabilitation, managing landscape wounds, recultivation and green surface protection in the Balaton region, limitation of any environmental harm on the shore of Lake Balaton, preservation of the ecological balance, active landscape protection of the upper Balaton region, transport network development in line with environmental criteria. Planning and, if necessary, implementation of water storage and water retention (possibly replenishment) devices in order to stabilise the water balance (water level) of Lake Balaton.
- Maintenance, protection and improvement of the water environment in the Danube Valley in view of sustainable water management and integrated community water policy. Live connection between the main and sub-branches of the river Danube, ecological rehabilitation.
- Increasing flood safety in Tisza Valley, preservation of the ecological balance and water-related natural environment in Tisza Valley with the instruments of sustainable water management. Rural development, landscape management, environmental and nature preservation criteria are important aspects in the development of the Tisza Valley.
- Complex solution for the water retention on Homokhátság (Sandy Plain) between the rivers Danube and Tisza, water replenishment as required with the aspects of maximum sustainability.

3.8.2 Climate policy and energy safety

Because of the quickly disappearing agricultural land, which is subject to the climate conditions, freshwater stocks of potable water quality and fossil energy reserves, healthy food, pure potable water and sustainable energy supply are included among the most important strategic challenges of the 21st century. The period of cheap and almost infinite supply of **fossil energy carriers is running out, the former consumption habits cannot be maintained** in the future, and a structural and paradigm shift is inevitable.

Current energy structure cannot be sustained

Energy safety is not only an economic issue, but also an increasingly **geopolitical strategic issue. In terms of the traditional energy sources, Hungary is one of the most exposed countries of Europe.** The Government is responsible for representing the interests of the nation and coming up with adequate responses to the challenges represented by the competition for decreasing fossil energy reserves and, simultaneously, the negative effects of the climate change.

Development policy tasks

- One of the key and primary tasks is to support energy efficiency.
- The quantity and structural survey of renewable energies must be continued, the schedule of application has to be planned in line with the environmental and agricultural development ideas, as well as social policy, employment policy and the rural development criteria.
- Support and encouragement is needed for energy associations and energy cooperatives that are aimed at the utilisation of alternative energy sources, construction of local smart networks and the integration thereof.
- Cultivation of energy plants, utilisation of agricultural side products for energy purposes, and further exploitation of the options involved in the forest biomass could be an important direction, primarily in order to increase employment, especially for rural disadvantaged groups of society. However, this cannot push food production into the background, and cannot take over territories from forest management. It is also absolutely important to prevent the development of any areas with monocultures.
- Further support is required for home and house refurbishment programmes in order to enhance energy efficiency and energy savings. Support must be provided for home and house reconstruction programmes involving the reconstruction of the potable water network.
- In order to have cost optimised measures, the replacement type new construction should be added to the category of modernisation and refurbishment because occasionally the replacement type new construction is a solution for economic and durable quality instead of refurbishment.
- Support must be granted for the modernisation, extension and construction of new district heating systems.
- Survey, design and refurbishment of public buildings for energy purposes, which would not only improve energy efficiency, but also provide jobs.
- Deceleration and maintaining at a reasonable level of any increase in built areas (landscape around settlements), including paved surfaces, when they emerge on semi-natural and green areas.
- Protection against climate change and unfavourable ecological and social-economic impacts by improving adaptability.
- Reducing greenhouse gas emission by increasing free ground surface and green areas.
- Development of forest management through the water regulation of forests and water catchment areas and an improvement of water retention capacity of forests.

- Establishment of an organisation coordinating climate policy and energy safety at regional level.
- Prevention and management of climate change related risks.
- There is a need to enhance the energy awareness of the population and to support the implementation of residential energy efficiency projects.

Territorial priorities

- Renewable energy production and utilisation must be designed in line with the local specificities by using renewable energy sources that originated within the region and have considerable potential. The utilisation of weather dependent renewable energies for the grid must be optimised according to the regulations pertaining to the conditions of the national electricity network.
- Preparation of territorial and sectoral climate adaptation impact studies and impact analyses.
- Assistance in developing self-sustaining, locally closed regional energy systems.
- Supply of the hamlet regions situated in the Great Plain of the country with renewable energy.
- Support to the rehabilitation of surface water bodies, exposed to the impacts of the climate change.

3.8.3 Disaster prevention

In Hungary the former disaster prevention system was restructured into a single integrated system in 2012. The Ministry of Interior National Directorate General for Disaster Management is based on three pillars: civil defence, fire safety and industrial safety. The protection of systems and objects of key importance, identification of the potentially critical infrastructure components and regulatory supervision of the designated components are the most important tasks of the new organisation.

Development policy tasks

- Introduction of a disaster protection system and organisation and consistent and effective regulations to provide high quality protection of human life and properties.
- Establishment and operation of a senior authority in the supervision of industrial safety.
- Introduction of an early warning and alarm system in the total water catchment area of the Carpathian Basin, managing the typical disaster risks.
- Risk prevention plan and preparations in civilian defence based on real risk assessment.
- Effective cooperation between voluntary rescue organisations and official agencies and utilisation of the experience.
- Disaster prevention aims at active involvement in spatial planning and development.
- Establishment of an up-to-date training base satisfying the consistent training obligations of disaster prevention.
- Restructuring of the fleet of specialised vehicles used for fire-fighting and technical rescue, maintenance of cost effective and high quality intervention capacities.
- Implementation of environmentally aware and energy efficient investments, improving the conditions of barracks and work across the whole territory of the country.

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- Establishment and filling with data of a national single logistics system.
 - Introducing systems, regularly monitoring the operation of hazardous industrial plants and transportation of hazardous goods with national coverage.
 - Development of civil defence organisations (units and specialised sub-units).

Territorial priorities

- Improving rescue fire-fighting and disaster prevention coverage, access to sites within 15-20 minutes.
- Providing the conditions of operation of the projection, monitoring and alarm systems in regions exposed to the risks of natural disasters, introduction and development of risk and threat analysis methods, strengthening of protection systems and cooperation with neighbouring countries.
- Preparation and implementation of local protection and action plans in regions including industrial activities with potential environmental risks, maintenance and development of the disaster prevention systems.
- Putting in place the conditions of safe energy supply and establishment of cross-border flood prevention networks. More effective organisation and financing of water management on internal and external areas and maintenance of rivers.

Territorial development needs and tasks of the counties and Budapest

4.1. Bács-Kiskun County

POSITION

Bács-Kiskun is the largest county in Hungary, occupying two thirds of the Danube-Tisza Interfluve. It is characterized by large villages, with a significant number of farm dwellers. It is at a disadvantage within the country in terms of infrastructure, coupled with a peripheral situation in its border areas and inside territories. Its economy is characterized by the presence of labour-intensive enterprises with low raw material and energy demands. Kecskemét and surroundings is a high-priority vehicle industry centre of national importance. Its agriculture is characterized by the successful development of traditional and marketable sectors; at the same time, this is where Homokhátság (Sandy Plain) is located, the area within Hungary that is most affected by climate change. Negative demographic tendencies like a shrinking population and an aging society are coupled with a large-scale exodus, increasing rates of unemployment and growing numbers of disadvantaged people.



DEVELOPMENT GOALS

- To enhance the county's extremely weak population retention ability by improving life conditions and life prospects through complex regional programmes.
- To implement a complex programme for Homokhátság to counter climate change.
- To apply complex economic development schemes, with particular regard to agriculture and food industry of competitive and modern plant structure, enterprise zones, and the admission of knowledge-based production and service sectors.
- To develop a high-standard environment with sustainable settlement infrastructure and to rationalise energy use.
- To develop tourism as a high priority based on preserving traditions of equiculture, medicinal therapy, recreation, gastronomy, religion and history.
- To develop human resources and communities by employment programmes, upholding heritage and educational development. To develop tertiary and vocational education bases as a high priority.
- To establish regional cohesion by a closer integration of the county into the European economic and social space, as well as by the development of both intra-county and cross-border transport connections.
- To strengthen cross-border economic and social cooperation towards southern neighbours.
- To participate actively in the implementation of the EU Strategy for the Danube Region.
- To review the integrated institutional system for regional and rural development.
- To make Kecskemét an environmentally, socially and economically balanced and sustainable town by establishing a high-standard settlement environment capable to progress, at the same time, in the areas of developing a high-level enterprise, service and infrastructure environment, local society qualifications, protection of the built and the natural environment, and forming a cultural milieu.

4.2. Baranya County

POSITION

Baranya is the southernmost county of Hungary. Pécs, the county seat is a town of about 150,000 inhabitants, characterized by relatively favourable income conditions, still lower than the national average. Variegated natural, geographical, geological and cultural endowments carry a considerable development potential. The county has an educational and social network above the national average, with cultural institutions and a built environment of international reputation. Population numbers are decreasing, and the age composition of inhabitants is deteriorating. In quarter IV of 2011, the proportion of the people employed was 45.5%, with permanently high unemployment rates. The county can be classified into industrial crisis areas falling behind, with many disadvantaged small regions and high proportions of Roma population.



DEVELOPMENT GOALS

- To make better use of favourable agricultural and agroeconomic potentials.
- To develop a vocational and adult training system capable to react flexibly.
- To increase the headcount and proportions of people employed; to assist the employment of unskilled or semi-skilled labour by establishing and developing labour-intensive farming cultures and associated processing industries, and by taking landscape-related and environmental aspects into account.
- To relieve the transport separation of the county; to develop the TEN-T transport corridors crossing the county together with their junctions and the associated network, with particular regard to connections with Croatia and Bosnia-Herzegovina.
- To establish an intermodal transport node and logistics centre within the agglomeration of Pécs; to develop the investment and knowledge zones of Pécs. To enhance the central and tourism functions of the county development pole and to enable the towns in the county to harbour innovation.
- To implement complex self-sustaining development programmes based on local natural, environmental and economic resources (e.g. the Ós-Dráva (Ancestral River Dráva) Programme).
- To implement tourism developments: World Heritage location(s), wine-related, cultural, medicinal and thermal tourism. To develop architectural values, to preserve the built heritage.
- To exploit the potentialities of Pécs University of Sciences, to considerably increase R&D standards in the areas of quality education, research and innovation.

4.3. Borsod-Abaúj-Zemplén County

POSITION

Both in terms of its area and population, Borsod-Abaúj-Zemplén is the second largest county in Hungary with 358 settlements and a variety of natural endowments. The county has considerable industry, energy, forestry and tourism potentials; however, its economic structure is out-of-date, and its development path has diverged in the course of the past twenty years. The serious social and economic backlog causes tensions mainly in large towns and peripheral areas. The population has decreased at a rate exceeding the national average in the course of the past 5 years (-5.7%); the exodus of qualified young people has played a key role in this trend. The number of the unemployed has been permanently high. In 2010, the unemployment rate exceeded one and a half times the national average, and employment was also considerably lagging behind the national average. Extremely high is the proportion of the population with multiple disadvantages, especially Roma people, and their concentrated presence in some areas give rise to social problems to a far greater extent.



DEVELOPMENT GOALS

- To expand economic potentials and to establish production activities with high added value in order to increase the employment of quality labour. To develop information technology. To establish special economic zones.
- To increase employment by strengthening existing SMEs; to encourage the launch and establishment of new businesses.
- To employ unskilled labour using state-of-the-art environmentally friendly mining and energetic technologies in line with sustainable resource management.
- To enable those with multiple disadvantages to catch up and to encourage their mobility.
- To develop people's access to healthcare services and equal opportunities.
- To further develop high-quality basic education as well as vocational and adult training to respond flexibly to corporate demands.
- To establish high-quality educational and R&D&I activities at Miskolc University, in alignment with economic and social needs.
- To develop urban Miskolc, with particular regard to the introduction of knowledge-intensive activities representing high added value (infocommunications, vehicle industry, mechatronics), by taking landscape and environmental aspects into account.
- To develop suburban fixed-track community transport in Miskolc.
- To develop tourism (World Heritage, wine-related, cultural, medicinal and thermal tourism).
- To establish a complex logistics centre involving air traffic at Mezőkövesd.
- To introduce integrated vegetable and fruit growing systems by energy and waste recycling.
- To utilise renewables by setting up decentralised systems of energy generation, storage, distribution and integration.
- To protect the karst water stock as an important potable water source by improving the quality of the environment.
- To develop the relevant elements of healthcare / public health in a complex manner.
- To introduce integrated animal husbandry systems.
- To develop Slovak-Hungarian economic cooperation and infrastructure.

4.4. Békés County

POSITION

This county on the South Great Plain, bordering with Romania at 178 km of length, is dominated by a relatively balanced system of middle-sized and small towns; a central element of the settlement network is the settlement group of Békéscsaba, Békés and Gyula, accommodating 40% of the population. The county possesses significant natural endowments and tourist attractions. Its cultural heritage is made more colourful by nationalities. Its prominent agriculture due to outstanding agricultural properties is primarily known by cereal production, vegetable growing, and breeding certain animals, without any associated processing industry. Its domestic and international capital attraction capabilities are both low; it comes last but two as regards per capita GDP. Since the political changeover, the labour retention ability of the county has been steadily decreasing: the population of active age leaves the region in growing numbers. The continuously and considerably decreasing proportions of those employed have been slightly increasing recently, coupled with moderately improving unemployment indices.



DEVELOPMENT GOALS

- Infrastructure development: by improving accessibility and logistics conditions and by strengthening regional cohesion, coupled with the construction of high-standard surroundings.
- Economic and rural development: to increase added value by encouraging job creation; to support Hungaricums; to develop environmentally friendly energy generation together with ecotourism, tourism for angling, hunting, cycling, and health.
- Social renewal: by adjusting vocational training to economic needs, by strengthening civil co-operation, and by preserving local cultural values.
- To enhance environmental sustainability by protecting the built and the natural environment, by developing environmentally friendly waste management and recycling, and by supporting renewables-based production and consumption.
- To assist cross-border co-operation by economic development support, arrangements for co-operation programmes and launching markets based on local products.
- To develop urban Békéscsaba, with particular regard to the production and processing of raw materials for foodstuffs, and culinary tourism.

4.5. Budapest

POSITION

With EU accession, Budapest needs to find its regional roles - most beneficial both for itself and the entire country - based on its existing endowments to fit in a larger European spatial arrangement. With a population of 1.7 million, Budapest is among major European cities; its geographical position is a natural endowment. Being the capital of Hungary, Budapest plays a national-level governmental and public administrative roles, the importance of which is unquestionable today. Budapest has a major impact on the social and economic development of the entire country. Budapest is the only city of Hungary with a significant metropolitan agglomeration even in European terms. Due to its diverse central functions and its economic potential it already has a dominant position in the urban network; however, it can constitute a really strong region in co-operation with the agglomeration.



DEVELOPMENT GOALS

- To strengthen regional position by exploiting geographical and geopolitical properties.
- Concerted developments in the city area - arrangements for the distribution of tasks.
- A unified Budapest, with an efficient public administrative system.
- To retain the population by ensuring attractive and healthy life conditions, by enhancing equal opportunities and by establishing a flexible dwelling structure.
- Urban and regional development based on initiatives; knowledge-based and skills-based economic development; introduction of a green economic culture; and the exploitation of tourism-related economic potentials.
- To provide a differentiated regional supply to cater for economic development.
- To establish a co-habitation of the city and the River Danube.
- To create a balanced urban spatial structure by a system of differentiated centres; to realize the concept of a compact city.
- To develop area use and transport in an integrated manner; to increase the weight of urban community transport.
- To strengthen the identity of all Hungarians as a cultural centre of the Carpathian basin.

4.6. Csongrád County

POSITION

This county in the Southern Great Plain, with a triple border zone, is the “southeastern gate” of Hungary, opening to the Balkans and the Middle East. Being a frontier county, however, it is also encumbered by the drawbacks of a periphery. The county is split into two both economically and socially. As opposed to the increasing population and economic performance of the Szeged city region, the rest of the county is characterized by a dramatic population decline, low qualification and employment levels, definitely weak economic performance, and less than negligible tourism industry. Its spatial structure features settlements located far from each other, a significant proportion of areas with isolated farms and high levels of urbanisation. The Rivers (Tisza, Körös, Maros) are a considerable hindrance to the interoperability of the county and interconnections with neighbouring regions; on the other hand, they have completely lost their former economic importance. The county is exposed to floods, inland waters, droughts, and the consequences of descending groundwater levels at the same time. The number of hours of sunshine is the highest here; the thermal water resources within the territory of the county represent a considerable renewable potential; the latter is highly exploited already now both in agriculture and tourism. There is a significant university potential with outstanding R&D potentials, which, however, is concentrated nearly completely to Szeged. The spatial structure of industries is also highly concentrated: major industrial ventures are actually present only at the county seat and in larger towns. Horticulture, animal husbandry and the food industry have considerable traditions of production.



DEVELOPMENT GOALS

- To develop the interoperability of the triple border; to establish infrastructure connections between cities (Szeged, Subotica, Oradea, Timisoara), restitution of the role of Szeged as a bridge and a gateway.
- To exploit the intermodal logistic potential of Szeged; to establish a free enterprise zone along the triple border.
- To construct expressway M44 to establish interconnections between towns in the central part of the Great Plain (towns along the northern border of the county).
- To interconnect (small) towns both within the county and in co-operation with neighbouring (cross-border) counties through increased interoperability of the rivers and the modernisation of existing connections, in order to develop the Great Plain into a multi-pole rural region.
- To establish co-operation for economic development between neighbouring towns.
- To implement an integrated environment management and regional development programme at the Homokhátság in co-operation with Bács-Kiskun and Pest Counties.
- To radically expand employment in agriculture by improving the international competitiveness of the biotech-agriculture-food industry cluster and by horticulture based on integrated water management, farmstead development, and complex landscape management for nature conservation along rivers.
- To develop the county into a major Hungarian centre for the research, production and utilisation of geothermal and solar energy.
- To further develop the main tourist attractions of the county as well as to ensure the integrated, concerted, programmed development of the tourism potential of the three rivers, and to provide the infrastructure conditions therefor in co-operation with the domestic and cross-border counties along the rivers, also by exploring opportunities provided by the EU Strategy for the Danube Region.

4.7. Fejér County

POSITION

This county includes a small number of settlements (108); it is less characterised by small villages; it is located at the borderline of Mezőföld and the Transdanubian Hills and crossed by major transport corridors. The presence of multinational corporations, state-of-the-art processing industry technologies and integration into a market economy have their positive effects, but domestic SME-s are not fully involved, especially not in the southern part of the county. The economic crisis has intensified the fallback of the construction and vehicle industries together with the one-sided structure of the agrarian economy and the processing industry. Unemployment has grown in industrial centres and their catchment areas. Following recession, the per capita GDP is approaching the national average. In an income comparison, there is a continued backlog compared to the central region and counties in Western Hungary; the employment index is low compared to its relative rate of development.



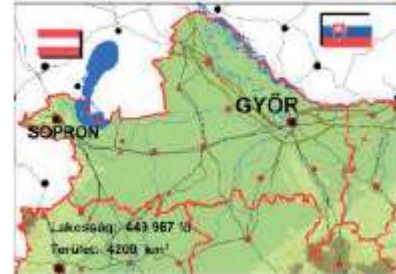
DEVELOPMENT GOALS

- To establish transport networks between the large industrial / logistics clusters of Paks and Kecskemét.
- To protect arable lands and potable water stocks; to revitalise Lake Velence and the Séd-Gaja-Nádor system; to participate in the EU Strategy for the Danube Region; and to preserve natural values.
- To establish a sustainable energy mix based on a long-term energy balance of the county.
- To introduce waste water removal and treatment at settlements not yet supplied.
- Economic and social development based on networking local economies and co-operations; support to competitive players in markets; intensive developments for growth to exploit R&D successes and for sustainability.
- To retain the tertiary educational standards and bases of the two cities of county rank, and to broaden the offer of technical training in Székesfehérvár.
- Integrated county-level tourism developments; a dignified design for the National Memorial.
- To realise high-standard connections to the hospital and in-patient care system in Central Hungary; to complete regional specialist and out-patient care.
- To develop disadvantaged settlements in the southern part of Mezőföld and those facing challenges of social integration by a comprehensive approach, to integrate them into their broader environs.
- To convert Székesfehérvár into an independent centre of healthcare, culture and economic management beside the nearby capital, preserving its traditions and drawing on its potential energies.
- To develop a pivotal economic role for Dunaújváros, retaining and strengthening its industrial nature and exploiting synergies between large corporations, by taking landscape-related and environmental aspects into account.

4.8. Győr-Moson-Sopron County

POSITION

This county is located in the northeastern part of Hungary, its geographical situation is favourable (Budapest - Bratislava - Vienna axis). It is crossed by international transport corridors busy with traffic. It is reasonable to accelerate the development of these corridors and related multimodal logistics bases - ports and airports. The natural heritage of the county is interesting and diverse; however, the ecological problem of Szigetköz is still unsolved. The soil is excellent, there are considerable thermal, medicinal and potable water reserves. Its society is characterised by an immigration surplus, but the aging rate is high. Employment levels are relatively favourable, although there are bottleneck job vacancies and regions with higher unemployment rates. The level of economic development (especially the vehicle industry) and the per capita GDP are higher than average. The proportion of direct foreign capital investments and their export shares are high. University-related, knowledge and research base, and R&D developments have been performed also in connection with the continuously developing economy of the county. The southern and central parts of the county are peripheral and markedly lagging behind. There is a variety of tourism-related and cultural endowments including rivers, lakes, spas, World Heritage locations, monuments, museums, exhibitions, and a broad palette of economic event offers.



DEVELOPMENT GOALS

- Diversified development of human resources: to augment innovative, highly qualified human resources with a strong sense of identity and communities involved; to develop a properly operating healthcare and welfare system.
- Improvements in the structure and conditions of the economy: to support local economic developments and local innovations; to develop SMEs and tourism; to improve the conditions for agricultural production; to revive the food processing industry; all of them by taking landscape and environmental aspects into account.
- To develop the TEN-T transport corridors crossing the county (public roads, railways, the River Danube) together with their junctions (logistics centres, ports) and the associated network.
- Improvements in the quality of the environment: environment and waste management programme; nature protection programme; alternative energy resources utilisation programme.
- To make use of the endowments of settlements and regions and to develop their infrastructure.
- Strengthening multiregional and interregional connections: closer co-operation in city spaces (Vienna - Bratislava - Győr); increasing cross-county and cross-border co-operation; extension of EGTCs (European Groupings for Territorial Co-operation).
- To strengthen the roles of Győr and Sopron (centres with cross-border agglomerations) and Mosonmagyaróvár as economic, cultural, educational, healthcare, services-related, and innovation centres.
- To increase the regional and economic organisation powers and rural development roles of other towns.
- To enable peripheral areas within the county to catch up.

4.9. Hajdú-Bihar County

POSITION

The area of this county located in the Northern Great Plain and bordering with Romania is shared by 61 villages and 21 towns, headed by the dynamically developing (inter-)regional centre of Debrecen. Its southeastern part is characterised by a relatively dense network of less developed townships; its northwestern part is dominated by more developed small and medium-sized towns. It has excellent soil properties, with high added value involved in the agrarian sector. The production value of its relatively diverse industries is low, but its R&D&I sector has the highest cost and investment rates among the counties except Budapest and is present with an increasing potential. Its tourism potentials and natural endowments are outstanding, e.g. Hortobágy, Debrecen, and Hajdúszoboszló. It accommodates the university with the broadest spectrum in Hungary and two hospitals of regional significance. Spatial duality is perceivable in the negative migration balance of peripheral areas, regional inequalities of early deaths within the county, and the high proportions of per capita social welfare expenses. Employment rates are permanently low.



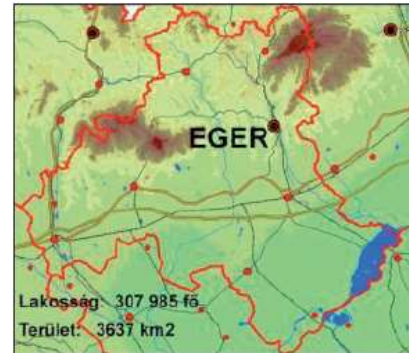
DEVELOPMENT GOALS

- To improve educational standards by the development of vocational and tertiary training according to market demands and by the development of the social dimensions of public education.
- To encourage R&D&I by involving SMEs.
- To develop an enterprising environment by establishing industrial parks and by improving the existing ones, by strengthening the clustering process, by developing the business, logistics, transport and services background and taking landscape and environmental aspects into account.
- To enhance agricultural competitiveness by encouraging bio-production, by developing agricultural marketing activities and by supporting local products.
- To decrease differences between the centre and peripheries by reinforcing internal cohesion and assisting cross-border co-operation schemes.
- To improve rural environment quality by increasing the proportion of renewable energy resources, by encouraging local energy generation and supply, by developing the social welfare network and by promoting home making initiatives.
- To develop tourism by designing complex programme packages and by boosting tourism infrastructure and marketing activities.
- To develop urban Debrecen, with particular regard to the healthcare industry.
- To develop suburban fixed-track community transport in Debrecen.

4.10. Heves County

POSITION

The encounter of two large landscape areas, the North Hungarian Mountains and the Great Plain results in a variegated physiognomy and outstanding natural values in this county located at the borderline of the former two, providing favourable conditions for agricultural production, primarily vegetable and fruit growing and viticulture (Lower Mátra and Eger wine districts). Economic development is predominated by the proximity of the capital; proper accessibility is ensured by east-western motorway M3. Capital-intensive, mainly foreign-owned ventures have settled here with green developments for the most part by building on this and on their production experience in the processing industry, stabilizing economic growth along the Hatvan-Gyöngyös-Eger axis. Key sectors include energy generation, machine industry, processing industry and food industry. Tourism is of high importance due to the unique endowments of the natural, cultural and built environment (Mátra, Mátraderecske Mofetta, Bükk, Lake Tisza, Eger, and a considerable thermal and medicinal water base). Its small regions in the north - the surroundings of Bélapátfalva and Pétervására, typically featuring small villages - have little strength to retain the population.



DEVELOPMENT GOALS

- To improve economic competitiveness by encouraging investments to create jobs on the basis of the economic properties of the county, by supporting developments for job retention and job creation, and by developing infrastructure to support investment incentives (infocommunications, transport, education and vocational training, etc.), by taking landscape and environmental aspects into account. To improve north-south connections within the county, and to improve east-west connections in the northern areas thereof.
- To assist local innovation schemes and to support R&D activities, primarily relying on higher education institutions operating in the county (Károly Eszterházy College, Róbert Károly College).
- To preserve and increase the weight of tourism by developing the product offer and increasing its complexity and attractiveness, especially through the quality development of equine tourism (Szilvásvárad), ecotourism (Lake Tisza), and the healthcare industry, also by building on the historical, viticultural and natural endowments and traditions of Eger and the Mátra area.
- To improve the environmental quality of the county by introducing environmentally friendly technologies and renewable energy resources and applying them as widely as possible both in the competitive and public sectors, also with a strong focus on the geothermic endowments of Heves County.
- To position medicinal and health tourism based on the outstanding features of Heves County, in line with demographic trends in Europe, and also taking as a basis the medicinal and thermal water stocks of the county.
- To get acquainted with and adapt methods, tools and international experiences as required to achieve these development goals, by taking inter-regional co-operation schemes as a basis.
- As regards disadvantaged peripheral small regions, to develop supply systems and regional centre roles, as well as to improve transport conditions, and assist in the social integration of the Roma population present in considerable proportions.

4.11. Jász-Nagykun-Szolnok County

POSITION

The county is situated along a peculiar fault line of the spatial structure in the centre of the Great Hungarian Plain. The Jászság and Szolnok areas - pertaining to the catchment area of the capital - are developing due to the concentration of competitive industries, while there are peripheral areas lagging behind in the Trans-Tisza areas. Making use of the endowments of a large region and of the environment is hindered by the absence of an expressway network and the deterioration of the public road network. As regards agricultural production based on favourable properties, volumes are decreasing but quality is improving. Flood exposure of the county has been reduced by major investment developments completed recently. Potentials offered by the River Tisza are not exploited; tourism offers have been expanded only at several settlements. Continuous GDP growth in the 2000s halted in 2009, with reductions to be experienced in 2010. The population is shrinking and the proportion of Roma people is increasing among youngsters. The number of people employed is decreasing, unemployment is increasing; however, these trends are more favourable than the national average. Wages are lagging behind the domestic average; the employment structure is stable. The public utility infrastructure is developing dynamically; human services capacity and utilisation are aligned.



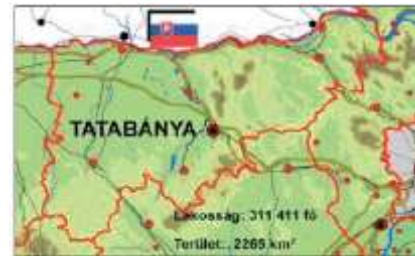
DEVELOPMENT GOALS

- To achieve strong attachment to the developed capital region and to the M1-M5 axis by the construction of expressways (M4, M8, M44), by the development of the public road and railway network, and by extending innovation and economic co-operation.
- To evolve a competitive county by increasing the weight of the Szolnok area, by new quality developments in the Jászság area, by establishing new growth poles in the Trans-Tisza region, and by prioritizing Lake Tisza.
- To renew agriculture based on co-operation, in order to increase landscape preservation capacities and to expand production.
- To promote the establishment of a balanced network of locations along the River Tisza and cultural landscapes by concerted water management, environment, energetics, tourism, and rural development schemes.
- To improve population retention capabilities by expanding employment potentials, by improving qualification levels and health conditions, by developing tertiary education, and by continuing to close infrastructure gaps.
- To enable backward areas and social groups to catch up by providing appropriate conditions in terms of employment, infrastructure, institutions, society, and culture.

4.12. Komárom-Esztergom County

POSITION

This county is located within the Vienna-to-Budapest gravitational space, pertaining to the European Danube Region of outstanding development potentials. Despite its small size, it is characterized by diverse economic and landscape properties, and a wealth of natural and cultural values, coupled with under-utilised tourism potentials. Its spatial structure is determined by the Helsinki corridors ensuring excellent accessibility, coupled with weak north-south connections (lack of bridges and main roads). The population density is high: two thirds of the population reside in towns. There is a considerable migration from rural areas and traditional industrial and mining centres, but the population is increasing in the northern part of the Danube bend. The performance of the agrarian economy has decreased, but competitive large farms represent a considerable weight in the Little Hungarian Plain. 98% of the industrial production comes from processing industries (machine, vehicle, chemical, and electronic industries); the traditional electric energy industry is decomposing; the utilisation of renewables is in the process of development. The re-industrialisation process slowed down due to the crisis; the 11 industrial parks have large spaces to offer. The R&D&I capacity of the county is weak. The per capita production value is four times the national average; the proportion of the economically active population is high, but the proportion of people with tertiary qualifications is low.



DEVELOPMENT GOALS

- To develop the Oroszlány-Tatabánya-Tata-Komárom town network hub: To preserve and further enhance the central economic role of Tatabánya as well as to form a competitive, family-friendly, urbanised landscape supporting innovations and investments; to continue infrastructure and economy-related developments as required for sustaining the results achieved; and to develop the valley of Által-ér stream for water management, ecology, and recreation.
- Structural shift of areas along the River Danube by drawing on the development of the central role of the town pairs of Esztergom-Párkány and Komárom-Komarno: to strengthen / establish north-south connections; to utilise international spatial arrangement functions, concerted logistics capacities and existing economic potentials; to co-ordinate flood protection and intermodal transport development for a diversified economy not demanding transport; and to exploit the tourism potentials of the River Danube, the hilly areas, and the areas awaiting to become World Heritage sites.
- To establish a new equilibrium of rural areas within the county (to integrate the agricultural plant of the Little Hungarian Plain into the large region; to support an integrated sustainable water management infrastructure and innovative initiatives by strong rural communities in co-operation; to improve the accessibility of labour market centres and to strengthen the functions of settlements playing a central role; to develop local economies based on co-operation by building on liveability, recreation functions and mosaic-type hilly landscape properties).
- To recycle, restate, and manage rusty areas, brown field areas, landscape wounds, and rural processing capacities existing but out of use in a diversified manner; to perform sustainable land management / settlement operations; to eliminate environmental hazards; to make arrangements for landscape guardianship and landscape development based on co-operation.
- To strengthen the energy industry position of the county based on the structural shift of the energy sector (by taking the following into consideration in a concerted manner: landscape, environment, and spatial structure properties, the European strategy (for the Danube Region), the national energy strategy, and investors' intentions).
- To reinforce the quaternary sector, R&D, higher education and secondary vocational education; to enhance a culture of co-operation and a propensity to venture; to encourage the integration, catching up, and inclusion of settlement parts and social groups falling behind.

4.13. Nógrád County

POSITION

This is a less urbanised county in a hilly region, mostly characterised by small villages. On the west, it is connected to the area of the capital by economic, employment and recreation ties; on the eastern part, its society and economy are lagging behind. Its natural resources carry considerable landscape and ecological values as well as forestry and grassland management potentials. In spite of mines being closed down and a recession in the heavy industry after the political changeover, industries still play a dominant role in its economy (especially firing equipment production, metal structures production, vehicle industry supplier operations); however, employment potentials are weak due to the predominance of small and medium-sized enterprises. Enterprise density is low. Income levels and life conditions are below, while unemployment is above the national average. The rate of population reduction has been two and a half times the national figure in the past ten years.



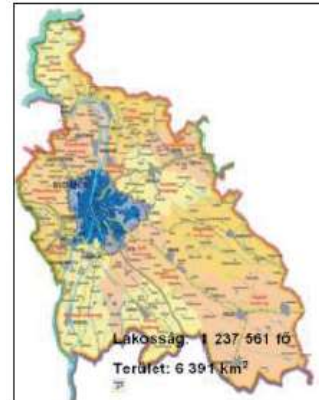
DEVELOPMENT GOALS

- To enhance the county's extremely weak population retention ability by improving life conditions and life prospects.
- To stop the impoverishment of the population, to reduce social depression, and to create jobs on the basis of self-sustaining local economies.
- To boost enterprises, to encourage the establishment of new ventures, with particular regard to agricultural operations, local production and tourism.
- To introduce activities with high added value (knowledge-based and high-tech industries) and environment industry based on the industrial heritage of the towns, by taking landscape and environment aspects into account. To strengthen the spatial organisation of Balassagyarmat and Salgótarján, even in cross-border arrangements.
- To attract labour-intensive investments to the multiply disadvantaged small regions of Szécsény, Salgótarján and Bátorfyerenye.
- To develop public road and railway connections towards the agglomeration of the capital to ensure economic and labour market circulation, and towards Northern and Eastern Europe and Budapest to enable goods transport.
- To develop services enabling longer periods of stay, particularly in respect of active, cultural, religious, and ecotourism.

4.14. Pest County

POSITION

It is the county of the largest population, with the highest population density and the highest economic output. It is one of the regions of Central and Eastern Europe with the best potentialities due to its resources related to nature, spatial structure, and the society, their multiplicity, economic diversity, the mobility of the population, and the life quality offered by communities. Its dynamically developing town network forms an integral part of the metropolitan area developing in the surroundings of Budapest. Its spatial structure is unique within the country: major development opportunities are presented by the central role of the capital, central network components, ring road M0, the international airport, the River Danube, and a texture of small towns. However, in respect of further development and the competition for positions between Central European regional centres - large regional hubs - major risks are posed by increasing spatial differences within the county, peripheral areas lagging behind, and the deficiencies of both inside and outside transport connections. The county's economy is closely connected to the capital in terms of a two-way flow of assets, knowledge and skilled labour, and co-operation between businesses, knowledge centres, and institutions. Export-oriented, knowledge and technology intensive processing industry sectors are present in the economy of the county together with their related support services. The total output of the economy is primarily determined by the processing industry, trade and logistics, information technologies, tourism, as well as cultural and creative sectors. The recession of agricultural production and food processing represents a serious problem in areas falling behind: the output of local economies falls short of opportunities considerably.



DEVELOPMENT GOALS

- To dynamize the economy; to develop the economy on various tiers, by simultaneously building on processing industry and agrarian economy traditions and developing new industries and services. To encourage investments and to improve capital attraction capabilities based on the endogenous resources of each area. To improve the innovative and competitive capacities of economic booster areas; to develop the logistics / entrepreneurial zones of ring road M0 and the Economic Zone of Ferihegy in order to eliminate the economic backlog of county areas falling behind, taking the SME sector as a high-priority basis.
- To induce social renewal, to strengthen communities and confidence, to encourage and institutionalise co-operation schemes, to promote family values, to improve the health condition of the population, to renew education in terms of institutions and contents, by paying particular attention to economic demands. To improve regional and social cohesion and equal opportunities.
- To develop and balance spatial structures; to establish the network-based spatial structure of the metropolitan area including that of Pest County; to make better use of the geostrategic properties of the region; to develop the internal transport connection system, with special regard to suburban transport, regional centres and catchment areas. To create a space in cooperation with other players of the metropolitan region, which is attractive at the same time and provides outstanding environmental conditions and life quality, by way of planned and co-ordinated spatial development and sparing area use.

4.15. Somogy County

POSITION

Somogy is the largest county of Southern Transdanubia located at the country border. Its most valuable natural endowments are forests, surface waters, thermal water resources, nature conservation areas and Lake Balaton. It is the fourth most forest-covered county in Hungary, benefiting agriculture, silviculture and wildlife management. The area of the Lake Balaton Priority Resort District is developing into an agglomeration area. Somogy is the most sparsely populated county of Hungary. As regards levels of development, it can be divided into three distinct parts. The area beside Lake Balaton constitutes a separate unit, interlinking the most developed settlements of the county. There are disadvantaged settlements in the catchment area of the county seat, Kaposvár, and along the River Dráva. Most of the towns have weak central functions; regions with isolated small villages are typical. The role of agriculture in the gross added value production of the county has been decreasing for years; as regards industrial output, the processing industry has a considerable share and services are predominant. The county is behind the national average in terms of levels of economic development, demographic indices, educational qualifications, average wages, and unemployment. The socially and economically disadvantaged areas of the county difficult to access are inhabited by considerable numbers of Roma population. Transport connections are deficient and / or in need of reconstruction and extension.



DEVELOPMENT GOALS

- To promote the development of economic bases capable to flexibly adapt to market conditions and applying innovative solutions, and to strengthen those already existing. To develop an integrated food economy, to support technical and technological innovation by exploiting the potentials of Kaposvár university. To produce high-quality, competitive agricultural products with high added value, including multi-purpose silviculture, fishing and wildlife management. To boost enterprises and to create jobs for the retention of rural population.
- To reduce the backlog of peripheral areas with small villages; to reduce regional differences; to enable disadvantaged areas and population segments to catch up; to reduce differences between the centre and the periphery (north and south). To assist social inclusion; to fight against poverty; to motivate backward social groups for employment.
- To establish large regional connections for the county; to improve accessibility; to improve the quality of main road and side road networks; to modernise railway lines; to develop community transport; and to construct a bicycle route network.
- To strengthen cross-border co-operation schemes; to improve cross-border economic and transport connections with the EU accession of Croatia; to establish a complex tourism development network system based on natural resources (e.g. common values associated with areas alongside the River Dráva); to develop thermal spas. To diversify the palette of tourism products of Lake Balaton; to establish a new ferry connection.
- To considerably increase the utilisation rate of renewables (especially biomass, geothermal and solar energy), primarily by the spread of local and community energy generation and supply systems.
- To reduce regional differences. To strengthen the central / polis role of Kaposvár. To promote the development of a harmonious town network; to improve the standards of public services.

4.16. Szabolcs-Szatmár-Bereg County

POSITION

Szabolcs-Szatmár-Bereg County is located in the northeastern part of Hungary, bordering with the Ukraine, Romania and Slovakia. This county with basically Great Hungarian Plain features has a wide variety of natural and landscape endowments. Its settlement network is characterized by high proportions of areas with small villages and farmsteads. Following from its geopolitical position, cross-border co-operation is a dominant feature of connections, transport infrastructure is properly established; at the same time, its borderline areas constitute interconnected peripheries extending to neighbouring countries. In terms of economic structure, it is characterised by high proportions of small enterprises and less technology-intensive industries - therefore with lower income generating capacities. Agriculture plays a very important part (fruit growing in particular). It has the highest unemployment rate within the country, and the rate of employment is the second lowest. Typical features include trends of exodus, winding-up of businesses, a large number of under-financed local governments and a high proportion of Roma population.



DEVELOPMENT GOALS

- To strengthen small and medium-sized enterprises and to develop the processing industry sector.
- To increase value generating employment and activities by developing the profitable branches of the county economy and by strengthening the social economy.
- To strengthen competitive food industry sectors with export potentials, relying on agricultural products produced within the county, generating considerable added value, producing new values and new products, and being based on innovation and innovative solutions.
- To support energy efficiency and the rational use of energy resources in line with the potentialities of the county; to promote the application of new and renewable energy resources; to provide assistance in making them usable; and to support energy diversification.
- To establish and continuously develop vocational training, higher education, innovation, and research capacities to reflect the demands of the economy more precisely and to adapt to its changes more flexibly.
- To develop the agglomeration of Nyíregyháza as a centre for the economy, employment, public services, tourism and culture.
- To enable the complex inclusion of external peripheries of the county; to ensure the integrated development of rural areas through the traditional processing of Hungarian products and by strengthening tourism and rural subsistence economies.
- To extend the functions of decentres of county economy and district centres, including their concerted development and strengthening of their economic, employment and services roles.
- To make better use of the potentials of its favourable geopolitical situation and to encourage cross-border co-operation schemes (e.g.: Nyíregyháza-Szatmárnémeti, Szatmár-Bereg area, Záhony).

4.17. Tolna County

POSITION

It is a typical rural area: in addition to the county seat, Szekszárd, there are 10 small towns within the county. The strong agricultural features of the region determine the physiognomy of settlements. Agricultural production is significant and the county is staffed with properly qualified rural economists; however, there is hardly any processing industry built on these properties. The Paks Nuclear Power Plant, generating 40% of the electric energy demand of the country, plays a strategic role in the economy: its output represents a positive contribution to county-level economic indices. The per capita output and exports have exceeded the national average in recent years in the textile industry, leather manufacturing and leather processing. Tourist attractions include the River Danube, forests, popular arts, medicinal and thermal spas, and historical wine regions. There is a high proportion of residents of German nationality.



DEVELOPMENT GOALS

- To provide potentials for innovative environment industries and energetics developments with operating knowledge bases; to offer vocational and tertiary education in connection with the development of the Paks Nuclear Power Plant.
- To develop traditionally present, marketable industries (food industry, textile and leather industries, metal-working), to process and market agricultural products; to encourage bio-production; to develop agrarian marketing activities.
- To develop public road and railway transport infrastructure (expressway M9) by taking landscape and environmental aspects into account.
- To utilise thermal waters in health tourism, energetics and agriculture.
- To develop existing branches of tourism by establishing thematic connections (thermal and medicinal tourism: Dombóvár, Hőgyész, Tamási, Tengelic, Bonyhád; tourism for hunting: Gemenc, Gyulaj; landscape and cultural tourism: Sárköz, festivals at Szekszárd; water-based tourism: Fadd-Dombori, development of the Sió Channel; angling tourism: the River Danube and fishing lakes; wine tourism: Szekszárd wine district; Tolna wine district).
- To enhance the central and tourism functions of Szekszárd as a county development pole and to enable the towns in the county to harbour innovation.

4.18. Vas County

POSITION

The bordering position of the county provides excellent opportunities for cross-border co-operation with Austria and Slovenia. Together with its agglomeration, the county seat serves as a dominant centre of the settlement network; in addition, spatial structures are characterized by regions with small villages and internal peripheries. The railway network is dense; at the same time, the level of development of the north-south transport axis - the accessibility of the focal points of Budapest, Győr, Vienna and Bratislava - are not up to the expected standards as yet. Similarly, certain areas within the county are not sufficiently accessible. Based on general schooling levels, the proportion of university graduates, and foreign language skills, the population is highly qualified. The county is considerably lagging behind in the areas of R&D and tertiary education responding to economic demands. Its economic highlights include industries requiring skilled labour; a driver is the machine industry, particularly vehicle manufacturing. In 2010, the per capita GDP was 85.7% of the national average. This county is characterised by excellent potentialities for tourism, medicinal spas of international reputation, as well as cultural and natural endowments of national importance.



DEVELOPMENT GOALS

- To develop north-south and east-west international public road and railway transport axes and in connection therewith, to improve settlement accessibility within the county, as well as to expand logistics operations in the area of Szombathely and Körmend as a result of developments.
- To support cross-sectoral and cross-border co-operation schemes for economic development, employment and education, including in particular the development of Pannon Járműipari és Mechatronikai Centrum (Pannonian Centre for Vehicle Industry and Mechatronics): Szentgotthárd, Szombathely, Zalaegerszeg.
- Complex human resources development programme by the concerted development of local primary, secondary and tertiary education, as well as by strengthening existing capacities - the Szombathely university centre, academic training for healthcare and ELTE Gothard Observatory -; and the enhancement of R&D output, particularly in applied research.
- Sustainable utilisation of renewables (thermal, bio, wind, and solar energy).
- Development of high-priority regional brands in the tourism sector: Őrség, Kőszeg - írott-kő, Savaria, Pannonian spas.
- Tourism development based on medicinal spas (Bükfürdő, Sárvár), historical traditions (Savaria Carnival, St. Martin's cult), and on both built (Kőszeg) and natural (Őrség, írott-kő) heritage.
- Agriculture development by establishing local producers' markets as well as by strengthening local food processing to represent higher added value.
- To improve the population retention capabilities of small settlements and internal peripheries (inclusion of e.g. the Vasi Hegyhát, Kemenesalja, and Őrség areas) by infrastructure developments and regionally organised public services, and also as a result of local economic developments based on internal resources (e.g. value-adding development of local products and community-based employment).
- To expand cross-border connections along the Austrian and Slovenian borders, with special regard to the challenges of the common labour market and the joint sustainable utilisation of natural treasures; and to participate actively in transnational co-operation.

4.19. Veszprém County

POSITION

The social and economic “core area” of this county, located in the centre of Transdanubia, is the area alongside east-west main road no. 8, its centre being the county seat, Veszprém; the lakeshore area of Lake Balaton and background areas are more highly developed than average; the most problematic areas include the Bakony Hills and the Marcal Basin, and the area to the north of main road no. 8. 62% of its inhabitants are urban dwellers, but the settlement structure typically consists of small villages. The county has a significant population of German nationality. Potentialities for agricultural production are weak; forest covers exceed the national average by far. As regards certain special areas, the higher education potential of Veszprém University of Pannonia is significant at Transdanubian levels. Heavy industry has been replaced by the processing industry: the vehicle and the machine industries are competitive, but the chemical industry has also been modernised. Trade, logistics, and tourism services are continuously improving; still, the per capita GDP has been below the Hungarian average for long.



DEVELOPMENT GOALS

- To develop the east-west transport infrastructure network (main road no. 8 and railway lines) to enhance community transport, and to improve intertown connections.
- To increase the current output capacity and added value of the local economy; to strengthen new prospective industries and a “knowledge-based economy”.
- To increase the professional skills and educational standards of county residents, and to develop the conditions for and institutions of scientific research and development.
- To go on with the rehabilitation of industrial zones, and to minimize environmental loads by tourism and concentrated industrial operations.
- To develop cross-county healthcare services.
- To preserve the landscape, natural and monumental treasures of the county, to establish thematic connections between them, and to present them and utilise them in a sustainable manner.
- To improve environment quality by developing the protection of karst water as a potable water resource, and to increase the landscape and nature protection of Lake Balaton.
- To develop and co-ordinate the service and quality offer of the Lake Balaton tourism region as a recreational area to extend seasonality.
- To vitalise towns in their roles of regional organisation and co-operation; to develop areas with small villages and peripheries in a complex manner in the interest of population retention.
- To turn the county seat and towns into centres of culture and innovative knowledge.

4.20. Zala County

POSITION

This county is endowed with considerable natural and tourism attractions, to become a high-capacity economic area together with neighbouring Slovenia and Croatia after the expansion of the European Union as the unrestricted movement across borders is made possible. In addition to the favourable features of its spatial structure, the county also serves - in terms of transport - as the southwestern gateway of Hungary, so the capitals of four neighbouring countries (Bratislava, Vienna, Ljubljana, and Zagreb) are closer to the county than to Budapest; at the same time, it is necessary to develop the north-south transport corridor on an on-going basis. As a result of propitious geographical properties, the county has exceptional treasures of medicinal, thermal, and potable water in addition to high-standard agriculture, silviculture and wildlife management; besides, Héviz Lake is the largest medicinal hot water lake in Europe. Besides tourism (Lake Balaton, thermal and medicinal spas), considerable economic power is represented by the electronic, timber and furniture industries, as well as agriculture. With its 287,043 inhabitants residing in 258 settlements, this is the 16th among counties in Hungary. Average wage levels are low in a national comparison.



DEVELOPMENT GOALS

- Integration of the county into the international expressway network; by construction of the elements of the Central European Transport Corridor (expressway M9 and railway line no. 17), Zala County may develop into a commercial and logistic transit region between Baltic states and the Adriatic.
- Economic specialisation of regions drawing on their potential energies:
 - The area of Zalaegerszeg is to develop into a productive economic centre of electronics, machine industry, and mechatronics (Third Centre for Vehicle Industry and Mechatronics).
 - The area of Nagykanizsa and Letenye at the triple Slovenian-Croatian-Hungarian border is to become a logistic center of international significance.
 - The area of Keszthely-Hévíz has a considerable potential for healthcare industry based on medicinal water resources and also for tourism services linked to Lake Balaton.
 - The area of Lenti is characterised by the prominent role of medicinal and culinary tourism.
- It is an important task to integrate peripheral areas with small villages (Zalaszentgrót); to improve rural life quality; to improve the conditions for agricultural production and integration; as well as to support rural subsistence economies, local markets, local food processing and rural tourism.
- Endeavours should be made to develop university potentials in technical, logistic, and agricultural higher education, as well as to establish an independent knowledge centre for university research and development and innovation.
- A priority objective is to utilise renewable energy resources in a sustainable manner as widely as possible.

5 Conditions of implementation

The National Development and Territorial Development Concept is **the framework document of the 2014-2020 development policy period**, which defines the objectives and aspects to be taken into account by combining the former National Development Policy Concept and National Territorial Development Concept. The planning schedule is defined in the **EU development policy framework**.

The planning documents are prepared with a tight schedule

5.1 Financial instruments involved in the implementation of the NDTC

The primary instruments of implementation of the National Development and Territorial Development Concept are financial resources; **mainly EU funds and in a smaller portion the national development funds** allocated in the national budget. Considering the tight status of the national budget, the national development resources may play a limited role in the financing of the development policy, but they still may have an important role in fields that are not financed from EU funds.

Implementation will be funded from EU and national resources

The national framework of funding and the rules of absorption will be laid down in the **Partnership Agreement**, while the development areas financed from the EU funds will be defined in the **operational programmes**.

5.2 Development policy framework of the European Union

Pursuant to the Treaty on the Functioning of the European Union (Articles 174 and 175), all policies and activities of the EU must contribute to economic, social and territorial cohesion. **Inclusive, sustainable and effective use of the territories and resources of Europe and the coherence of EU and the national policies are key components of cohesion. Better utilisation of the assets and capacities of the different areas may have a positive impact on economic development, on equal access to fundamental services, infrastructure and public goods, and on careful preserving and sustainable economic activities with natural and cultural resources.** The success of various sectoral policies may significantly increased by the optimisation of their territorial impacts and the coordination of sectoral policies for the maximisation of coherence. Sustainability, i.e. the ideal balance of competitiveness and social cohesion and wise economic activities with environmental and natural resources are fundamental aspects in the integrated development of territories.

5.2.1 Objectives of the Europe 2020 Strategy

The Europe 2020 strategy, which replaced the **Lisbon Strategy**, is the EU's 10-year growth strategy, aiming to eliminate the **inadequacies of the EU growth model** and calling for **smart, sustainable and inclusive growth**.

The EU defined five **objectives that should be actually achieved** by the end of the decade in

- **employment,**
- **education,**
- **research and innovation,**
- **social inclusion and combating poverty, and**
- **combating climate change and energy.**

The Europe 2020 Strategy will be implemented by the European Union and the authorities of the Member States, therefore **joint frameworks must be put in place** for the successful implementation of the **priorities of the strategy** (innovation, digital economy, employment, youth, industrial policy, combating poverty, resource efficiency) on the basis of EU level sectoral policy guidelines, country specific recommendations and Member State reforms. The distribution of Community funds and the elaboration of national programmes are subordinated to the above objectives.

Towns and urban areas are also key aspects of the Europe 2020 Strategy **in terms of** economic development and **territorial development**. **Strengthening territorial cohesion** and territorial cooperation are one of the most promising responses of Europe to global challenges. The most important aspects are connecting the different regions, mitigating negative factors arising from the correlation between the centre and peripheries and implementation of a polycentric Europe.

Towns and urban areas as driving forces of economic development and territorial cohesions

5.2.2 Territorial Agenda 2020: objectives

The basic territorial policy document, the **EU Territorial Agenda 2020** (TA 2020), adopted during the Hungarian EU presidency in the first half of 2011, focused on the objectives of Europe 2020 and defined the implementation of territorial aspects as key factors. In addition to the identification of the most important territorial challenges in Europe, it laid down the territorial priorities of EU development and the measures required for it. It serves as a strategic guideline for regional development, promotes the integration of the territorial dimension in the various sectoral policies at various government levels, and connects the principles of territorial cohesion to the objectives of the Europe 2020 Strategy. The Strategy highlights the following territorial priorities:

- Promotion of polycentric and balanced territorial development;
- Encouragement of integrated development in towns, in rural and in regions with special features;
- Territorial integration of cross-border and transnational functional regions;
- Ensuring the global competitiveness of regions with strong local economies;
- Improving territorial connectivity for individuals, communities and enterprises;
- Managing and connecting ecological, landscape and cultural values of regions.

5.2.3 Objectives of the Cohesion Policy

The Cohesion Policy is the primary framework of the European Union, which aims at reducing the internal social-economic and territorial disparities within the EU, harmonising development and increasing the EU competitiveness. This will enable the EU to handle challenges relating to territorial development and will also contribute to the exploitation of territorial potentials at local, regional, national and transnational levels. In line with the Europe 2020 Strategy, for the next 2014-2020 planning period, the Cohesion Policy will be defined by the **Common Strategic Framework** i.e., a common programming tool. The purpose of the framework is to provide strategic guidance for 2014-2020 with the following **11 thematic objectives**:

- strengthening **research, technological development and innovation**;
- enhancing access to, and use and quality of, **information and communication technologies**;
- **enhancing the competitiveness of small and medium-sized enterprises**, the agricultural sector (for EAFRD) and the fisheries and aquaculture sector (for the EMFF);

- supporting the shift towards a **low-carbon economy** in all sectors;
- **promoting climate change adaptation**, risk prevention and management;
- **protecting the environment** and promoting **resource efficiency**;
- promoting **sustainable transport** and **removing bottlenecks** in key network infrastructures;
- promoting **employment** and supporting **labour mobility**;
- promoting **social inclusion** and **combating poverty**;
- Investing **education, skills** and **lifelong learning**;
- enhancing institutional capacity and **efficient public administration**.

The above 11 thematic objectives **are fully in line with Hungary's interests**, and its potential future development trends.

5.2.4 Reform of the EU Common Agricultural Policy

As a Member State of the European Union, the **reform of the Common Agricultural Policy (CAP) after 2013 will fundamentally determine the room for manoeuvre for the Hungarian agricultural and rural strategy**. The agreement on the reform reached in June 2013 is consistent with the presidency conclusions adopted during the Hungarian EU Presidency. The legislative package, officially published by the European Commission in October 2011 for the CAP 2014-2020 period consists of seven draft regulations and is based on three main objectives:

- **Viable food production:** agricultural income and the competitiveness of the sector must be improved by focusing on the historically determined disadvantages.
- **Sustainable management of national resources:** in the course of using agricultural land, the production of public goods in agriculture and foreign management must be encouraged and paid for, innovation must support "green growth" and adaptation is required to the consequences of the climate change.
- **Balanced territorial development:** the rural communities should be sustained with rural jobs, local economy and sources of income must be made more versatile, variable economic structures must be preserved and local markets need to be enhanced.

The European Commission defined **ten key points** for the future of the CAP after 2013:

- **better targeted income support** in order to stimulate growth and employment;
- **tool to address crisis management** which are more responsive and better suited to meet new economic challenges;
- **"green" payments** for preserving long-term productivity and ecosystems;
- additional **investment in research and innovation**;
- a **more competitive** and balanced **food chain**;
- encouraging **agri-environmental initiatives**;
- facilitating the establishment of **young farmers**;
- stimulating **rural employment** and entrepreneurship;

- better addressing **fragile areas**;
- a **simpler and more efficient CAP**.

5.2.5 Territorial approach in planning

Territorial aspects and development are important components of competitiveness. The EU smart, sustainable and inclusive growth not only focuses on GDP growth, but also includes territorial, social, environmental and cultural approaches. Economic growth partially depends on the spatial organisation of a particular area. That spatial organisation is shaped by a large number of policies at different levels of government and spatial organisation is also affected by social processes, technical development and market forces. However, these “mainstream” macro-economic policies and sectoral policies may also have undesirable territorial impacts that distort the territorial aspects of development. **Policies that focus on territorial correlations not only reduce those impacts, but also have an added value as they integrate the economic, social and environmental effects of intersectoral policies.**

The **coordination of social-cultural, economic and natural-ecological aspects** is indispensable for sustainability. This becomes possibly **primarily in specific geographic units/areas, in the course of different actions, interventions and programmes**. Due to geographic diversity, the same activity may cause significantly greater benefits or damage in regions of different character and different degree of development. Consequently, one of the most important components of **sustainability is territorial thinking, territorial cohesion and enforcement of territorial aspects in the cycle of planning, implementation, evaluation and monitoring** tasks i.e., in each Hungarian strategic or operational document that has an impact on planning, development or any significant aspect and level of the related absorption of funds.

5.2.6 Requirements for the 2014-2020 EU development programmes

The most important experience of the absorption of EU funds between 2007 and 2013 is that between 2014-2020 we should use the available resources **with more target orientation, more coordination and better efficiency**.

Target-oriented and coordinated development programmes

Consequently, **the following criteria must be applied during the planning and implementation of the development programmes:**

- the development policy serves the implementation of national strategic and development goals and objectives;
- enforcement of national objectives and criteria in addition to the compliance with the EU requirements and objectives;
- apart from the speed of fund absorption, the performance of professional objectives should also be a primary development;
- simple processes organised in transparent systems need to be developed;
- the relationship between sectoral policy and development policy must be restored and the ministries must be responsible for planning and implementation with sufficient central coordination;
- clear planning and development responsibilities must be identified;
- fund absorption should be concentrated, organised into a small number of programmes;
- there must be synergy among the operational programmes, priorities, application and support systems and there is a need to introduce system that are built on one another;

- it should be possible to implement integrated and coordinated development actions, also including integrated regional and local development programmes;
- the development actions must be based on sound plans and focused objectives in order to avoid any fragmentation of resources and development;
- the implementing institutions and potential beneficiaries must be trained parallel with planning;
- better targeted, more effective monitoring and evaluation systems need to be put in place that facilitate feedback.

5.2.7 Aspects of using Hungarian development resources

In order to achieve the objectives of the Concept, the **following criteria** may be defined **for the national development resources** allocated in the annual national budget:

Hungarian funds
supplementing the
EU resources

- the national budgetary instruments should facilitate the implementation of the National Development and Territorial Development Concept;
- the national resources must be concentrated on field not supported from the EU programmes;
- the national budgetary instruments should assist the absorption of EU development funds;
- the national budgetary instruments should be used to assist the performance of professional local and regional tasks under the development policy.

5.3 Regulatory instruments related to the implementation of the NDTC

A **regulatory environment that is favourable for the development actions** relating to sectoral objectives, and elimination of rules impeding the development activities of Hungarian enterprises, innovation, local development, local economy and partnerships are important prerequisites for achieving the national development policy objectives. In order to achieve the objectives of the Concept, the following criteria must be applied **in the Hungarian legislation process**:

Regulations that
promote
development

- the objectives and implementation tasks defined in the National Development and Territorial Development Concept and the underlying national and sectoral policy strategies must be taken into account in all legislative actions;
- the tax policy instruments must contribute to the renewal and growth of Hungarian and local economy and development of the strategic sectors of the national economy;
- in order to boost the economy, its regulatory environment and the rules pertaining to the use of any support should be made simpler and more practical without infringing security and environmental aspects;
- the legal regulations should assist in the protection of values of national strategic importance and national specificities, including the right to health, a healthy environment and healthy food, the preservation of biological diversity, the protection of natural resources, specifically the ground and water bases, the protection of cultural and built heritage and active community life;
- the regulatory systems of sectoral policies need to be coordinated in order to use funds effectively.

5.4 Institutional system, promoting effective absorption of resources

5.4.1 Regulatory framework of the territorial development institutions

Act CXCVIII of 2011 on the Amendment of Certain Acts on Territorial Development and Spatial Planning triggered major changes in the system of institution and instruments of territorial development. According to the act, territorial development and spatial planning tasks became the responsibility of county self-governments from 1 January 2012. Simultaneously, the regional, county and sub-regional territorial development councils were eliminated. The act also regulated the issues of legal succession in relation to those institutions. Consequently, the territorially competent county self-government became the legal successors of regional development and county territorial development councils. According to the new regulations, the preparation for, and implementation of development decisions and assistance in the institutional activities of territorial development in relation to the implementation of the county development programmes are the main tasks of the regional development agencies.

The act re-regulates the territorial development competence of county self-governments. The tasks cover the reviews constituting the basis of territorial development decisions, elaboration of county territorial development concepts, the potential international cooperation agreements and, in numerous important issues, grant a right to county self-governments to form an opinion. The county self-government decides on the allocation of the development funds that fall within its competence. Nonetheless, it has a reporting obligation concerning the performance of the tasks.

It is important that if a particular territorial development issue was beyond the territory of a county, then it falls within the scope of competence of the regional territorial development forum, consisting of representatives of the counties, forming the territory of the region and the municipality. In addition, county territorial development bodies were also formed from delegates of county self-governments and cities with county rights. The purpose of the county territorial development forum is to connect the cities with county rights in the preparation of the territorial development decisions of the counties.

The act also states that the spatial development plans must be reviewed at least every ten years, and terminates the spatial development councils.

5.4.2 Aspects related to the development policy institutions

An **effective set of development policy institutions with transparent operation** is a key to the implementation of the Concept, for which the current institutional system needs to be improved. It involves a new approach, institutional and organisational development, as well as coordination and simplification of the procedures.

Effective institutional operation that can cope with new challenges

The system of development policy institutions in 2014-2020 **must comply with the following criteria:**

- the system of institutions must ensure more effective and efficient use of the Cohesion Funds;
- the institutional system must be able to manage the integrated absorption of Cohesion Funds in order to contribute to the common EU strategic goals (EU2020 and 11 thematic objectives);
- the institutional system must be able to manage the integrated absorption of Cohesion Funds in order to contribute to the common EU strategic goals (EU2020 and 11 thematic objectives);
- it must be possible to state in the performance of the network of institutions, the quantitative and actual contribution to the European objectives, in a manner specified in the Partnership Agreement;

- the system of institutional and the respective authorities must be able to demonstrate the availability of a satisfactory strategic, regulatory and institutional system required for the effective absorption of funds as a prerequisite of the payments; the possibility to absorb other funds depends on the achievement of the set targets;
- the settlement rules must be harmonised to achieve cost efficiency;
- coordination of the professional added value of the network of institutions and its fund allocation performance and professional contribution and strengthening of results (better development contributing to national objectives) in addition to the fast fund allocation aspect;
- the system of institutions must be capable of managing developments and projects, as well as the required specialisation, specific topics and development aspects;
- the system of institutions must be capable of managing new development tools and procedures; each priority or integrated intervention may have their own intermediary bodies operating with a specific territorial scope;
- the system should support negotiated programme financing, the Global Grant type and normative fund allocation practices instead of or besides the traditional and often unproductive open call systems;
- the majority of the funds should be absorbed with professional strategic distribution i.e., in major programmes and projects;
- the consistent legal, financial and administrative requirements of the system of institutions should ensure the neutrality of competition, but should also provide some space for targeted interventions e.g., development of the most disadvantaged regions;
- the procedures must be simplified and captured in electronic forms by taking into account the interests of the beneficiaries and the requirement of transparency;
- the development policy institutions should not be separated from sectoral policy control; sectoral policies should be able to impact development, relevant for them in order to enforce professional criteria: the ministries should plan and implement their development actions with strong central coordination.

The system of institutions **should manage each of the following functions:**

- continuous planning: breakdown of the programmes into action plans, adjustment of the programmes and targets to the actual conditions;
- preparations for developments and projects: assessment of the beneficiaries' needs, project generation, especially in the case of new development tools;
- operational implementation: legal, financial and administrative call and project management procedures;
- communication: information to target groups and publication and promotion of the results;
- decision making: enforcement of the sectoral aspects, transparency;
- monitoring: financial and professional data collection about implementation;
- evaluation: evaluation of the performance of implementation according to objectives and the actual development environment;
- central coordination: maintaining contact with EU institutions, monitoring and evaluation of the operation of the whole institutional system, integration of various development actions and standardisation of the procedures.

5.5 Sectoral policy and territorial coordination assisting implementation

Adequate **sectoral policy and territorial coordination** that guarantees **sectorally and regionally coordinated development actions** are key aspects of the implementation of the National Development and Territorial Development Concept. The coordinated operation of the development policy institutions is required at national, regional as well as local levels.

Sectorally and territorially coordinated development actions

Aspects of sectoral policy and territorial coordination:

- coordinated operation of sectoral policy programmes and institutions based on central development policy coordination and consistent programme development;
- regional coordination for the implementation of territorial policy and rural development objectives;
- central and local institutional conditions, capable of implementing new development policy instruments, integrated development actions and regional programmes, preparation of institutional actors;
- the county self-governments should take a role in the coordination and promotion of regional and local developments within the framework of their territorial and rural development tasks, based on their renewed territorial development concept and programme;
- preparation of, and technical assistance to local governments;
- ensuring the operation of regional and local professional territorial development and rural development workshops, elaboration and strengthening of local partnerships;
- assistance in the extension of the professional connections between development policy organisations and experts, the exchange of their experience and methodology guidance, as well as mediation of good practices and progressive approaches.

Potential territorial and rural development tasks of the counties:

- the counties, as the middle planning and programming level of territorial development may be involved in the following territorial and rural development tasks in the 2014-2020 EU programme period:
 - identification, planning and coordination of development projects and monitoring of implementation;
 - monitoring and territorial coordination of developments taking place in the territory of the counties;
 - elaboration, planning, implementation and monitoring of integrated regional programmes;
 - coordination, professional and methodology guidance of local development programmes implemented on the territory of the county, assistance to implementation, monitoring and support during execution.

5.6 Monitoring of the processes

The implementation of the objectives of the Concept, the efficiency of the measures and professional performance must be evaluated on a regular basis, and reviewed in each implementation phase. A **single development policy monitoring and evaluation system** that supports monitoring, evaluation and feedback is a key requirement for that.

Measurable results and monitoring

In order to monitor the processes, the following **are needed**:

- a single development policy information, monitoring and evaluation system managing the absorption of cohesion and rural development, as well as fishery funds consistently and the continuous operation of the system;
- adequate and balance good quality, systemic data collection not only about the absorption of the funds, but also of the achieved professional outputs and results.

- coordinated operation of the development policy, sectoral and territorial information systems and their development in that regard;
- introduction of a system indicator measuring the implemental of the NDTC objectives in line with the indicator sets of the Partnership Agreement, the operational programmes and the national sectoral policies and strategies;
- revision of the evaluation activities by introducing an evaluation system with regulated feedback and viewpoints that are independent from the implementing institutions;
- transparency.

5.7 Restructuring of the planning system

In order to implement the Concept, **the development policy and sectoral policy planning system must be restructured, consolidating the planning processes.**

This is a prerequisite of effective development actions, implemented in a synergy.

Planning at various territorial levels has a key role in increasing the efficiency of development tools. Planning is responsible for appoint and adjusting the objectives based on the valuation of results and processes, through the combination of the individual strategies of the respective actors. At the same time, by designating instruments for the attainment of the objectives, the development instruments can be used effectively. **A consistent and coordinated planning system** is a basic requirement that is a cornerstone of the overall Hungarian development policy practice, and is a key to the efficiency of territorial development.

The planning activities of the country **need to be restructured** by specifying the types and levels of plans, their contents and authors and the procedures and tools of implementation, as well as the correlation between the plans is absolutely necessary for effective and practical developments. In **the single planning system** the planning competences of sectoral control and various territorial levels, the planning tasks relating to priority territorial units in relation to other special territorial development policy objectives and their correlation with the other territorial agencies must be clearly defined in line with the NDTC.

Consistent national
planning system

It is an important requirement that the regulations should provide sufficient room for manoeuvre **for any “bottom up” planning initiative**, for which conditions must also be put in place in the system of institutions. In the planning process **vertical and horizontal coordination** is absolutely indispensable for enabling the legitimate planning documents to achieve their goals. The regulations pertaining to the planning system must make sure that the operational programmes, the priority programmes and projects and all national and community development activities are in line with the strategic and conceptional plans.

Vertical and horizontal
coordination

The **EU planning system**, expressions and procedures, adjusted to the Hungarian specificities, should still be applied in the Hungarian planning practice also outside the EU financing programmes. Nevertheless, the planning of EU resources must also be considered an integrated part of the Hungarian planning system and needs to be programmed with a view of planning documents independent or going beyond EU resources.

Consistency between EU
and Hungarian planning

A new set of values based on common sustainability principles that form the framework of a planning system is an important condition for the consistency of the increasing planning activities. **Sustainability framework strategies must be developed** at national level and for each region, in line with the sectoral or local

Set of sustainability values

specificities which may reflect not only sustainability but also other horizontal principles (e.g., equal opportunities, security heritage protection). The framework strategy sets vertical objectives which are required for the sustainability of a sector or region and which must be included in the plans focusing on the topics of the objectives and on the particular sector or region and also defines horizontal objectives of sustainable development that are integrated into each objective stated in the relevant planning documents.

Apart from the national level of development plans and programmes, **the most important territorial level of planning and programming is the county.** The counties have an important coordinating role in **micro scale local plans, formed in integrated town and catchment area aspects.** The counties coordinate and support the local plans. The medium and long-term development plans must also be defined at county and local level in line with the renewed NDTG, which defines the country's medium-term development objectives, with NSDP, Széll Kálmán Plan and the New Széchenyi Plan.

County and micro region
scale local planning

The individual regional programmes are built on one another in the planning process. The objectives of the local development programmes must be integrated into medium and long-term development programmes developed at county level i.e., county planning must have a definite territorial approach. The **principle of programming** must also be reflected in the planning tasks of the counties and local governments. The territorial programmes are commitments, to which a budget must be assigned, indicators need to be provided, in order to measure the implementation of the programme and efficiency of the absorption of support.

In order to create a basis of county development plans and successfully implement county integration, county, regional (especially priority regions) cooperation and cooperation with towns, and quick information flow must be created and the preparation and implementation of complex and integrated development programmes must be encouraged.

Within the framework of their territorial and rural development tasks, counties are involved in rural development planning and programming, in the assistance of local development programmes implemented within the framework of rural development, thus forming the basis of county level rural development coordination, planning and implementation activities.

In order to execute planning and programming, there is a need for a county and local level planning institutional system, partnership and cooperation, resources for planning and regulatory conditions i.e., the total local and county planning structure needs to be renewed.

Apart from the development instruments referred into its competence, the development of a region is also predominantly determined by the development and regulatory activities of various national and sectoral policies. Apart from the clarification of the planning competences of the territorial levels, this is the reason why the development actions implemented in a particular area (county, micro region) should strengthen each other's effects and form a synergy. It is a fundamental requirement that **sectoral (sectoral policy) and territorial planning should be implemented in close coordination.**

Consistency between
sectoral (sectoral policy)
and territorial planning

The development objectives of the territorial development policy and the particular territorial unit must be supported by conceptional and operational planning, as well as regulation type planning. The fundamental requirement for that is a closer combination of the spatial planning and development strategic territorial planning aspects in order to make sure that the development and land use regulatory instruments support the objectives of the territorial systems and territorial units in synergy.

Consistent territorial
planning: consistency
between regulation and
development planning

Apart from the analysis of the processes, in the course of planning the expectations of the actors representing the interest groups of a particular sector or region, or reflecting their own special values should be combined and taken into account increasingly.

Partnership and
communication in
planning

It is important to apply efficiently **the principle of partnership** and true **participation** in territorial planning. Transparency, legitimacy, partnership and inclusion must be strengthened in any spatial planning exercise.

The professional capacities of planning needs to be improved. Apart from experts and planning institutions, the strategic approach and territorial planning skills need to be improved also in public administration. A larger technical planning apparatus should be put in place in counties and at local levels in cooperation with the existing planning capacities of the regional development agencies. The planning and development capacities of the sectors should also be strengthened both in quantity and in quality.

Professional support
and improvement

In order to achieve all that, **the training of planning and territorial planning experts in higher education institutions and further training institutions should be re-considered.** At present there is no single set of competences required in the various planning courses and there is no consistent quality or quality assurance. More stress must be put on strategic planning and management, and on the integrated application of geographic, social-economic, ecologic and natural, technical and analytical knowledge.

The professional nature of planning and more specifically territorial planning activities relying on experts with versatile qualifications should be raised by introducing training principles, expert guidelines and recommendations, naturally adapted to the Hungarian environment. There is a need for a consistent national system that guarantees and improves the quality of planning and has also procedural, methodology, training and expert accreditation components. It is important to put in place the conditions that are required for the planning activities to form a complete cycle through continuous monitoring, regular evaluation, applied territorial research satisfying the information requirements of planning and other investigations.

5.8 Planning and implementation of sectoral policy programmes

The planning of sectoral policy programmes of national strategic importance must be launched after the approval of the NDTC, in the framework of the implementation of the sectoral policy strategies. The sectoral policy programmes are high priority complex action plans of the 2014-2020 period which can rely on EU and Hungarian resources, support policy instruments, as well as regulatory and other (advisory, training, attitude building and institution development) instruments. Certain actions may be integrated into the different programmes with institutionalised management and coordination during their implementation. The sectoral policy programmes must specify their topics, the parties responsible for their planning, implementation and coordination, the EU operational programmes supporting their implementation and the Hungarian support, regulatory and other instruments.

5.9 Use of regional integration instruments

In the course of the implementation of the NDTC and primarily during the absorption of EU development funds between 2014 and 2020, an outstanding role must be given to Community-led development programmes, established with bottom up initiatives and Community participation and other territorial integrated developments aimed at territorial convergence, and programme-based specifically targeted regional and urban development. The European Union supports these two areas with special territorial integration instruments.

5.9.1 Territorial integrated investments

Territorial integrated investments i.e., a new EU territorial integration instrument available during the 2014-2020 programming period is the most important instrument in the implementation of regional and urban development programmes in the intervention target fields, regions and towns defined among the territorial objectives of the NDTC. They **need to be applied** in compliance with the following criteria:

- they should support integrated territorial and urban development objectives;
- they should be implemented on the basis of integrated development programmes in a decentralised implementation model, in compliance with the single methodology regulations of the European Union;
- the regions and towns using the instruments should be appointed and the integrated development programmes should be planned under central coordination;
- in cooperation between towns and rural areas, the instrument should facilitate the strengthening of relations between town and rural areas, the convergence of rural regions, the implementation of local economic development initiatives and the development and social convergence of local communities;
- the county self-governments, local governments and regional development councils should have a role in the demarcation of the target areas and the implementation of the territorial integrated investments;
- the territorial and rural development capacities of the regional actors using territorial integrated investments should be strengthened in order to facilitate successful implementation;
- the instrument should be planned and implemented in view of the potential involvement of several EU funds in order to increase the added value of the complex developments, interpreted according to territorially integrated social, economic and environmental aspects.

5.9.2 Community-led local developments

Community-Led Local Developments, as a new EU territorial integration instrument available in the 2014-2020 programming period is the most important objective of the implementation of development programmes in local and regional cooperation, and in line with the principles of the NDTC. They **need to be applied** in compliance with the following criteria:

- it should support territorial and urban development, as well as rural development objectives in an integrated fashion;
- in cooperation between towns and rural areas, the instrument should facilitate the strengthening of relations between town and rural areas, the convergence of rural regions, the implementation of local economic development initiatives and the development and social convergence of local communities;
- the local development strategies and related development projects should be formed with a bottom up approach, reflecting the local social and economic needs in compliance with the EU single methodology regulations;
- the local self-governments should coordinate the demarcation of the areas and the implementation of the strategies planned by the local communities in order to make sure that the local strategies and county development programmes lead to more synergic effects;
- the territorial and rural development capacities of the local development actors should be strengthened in order to facilitate successful implementation;
- the instrument should be planned and implemented in view of the potential involvement of several EU funds in order to increase the added value of the complex developments, interpreted according to territorially integrated social, economic and environmental aspects;

- its favourable co-financing ratio should also be taken into account during the planning of the operational programmes.

5.9.3 Application of regional aspects

Apart from the integrated territorial instruments provided by the EU, financing of development actions reflecting regional specificities and facilitating territorial convergence should be a key aspect of any development policy intervention on the basis of the principles and territorial objectives of the NDTC. They **need to be applied** in compliance with the following criteria:

- the enforcement of territorial regional and rural development aspects should be a key component of the planning and implementation of any development policy intervention implemented from EU and national resources;
- development actions implemented from EU and Hungarian resources should be planned and implemented by taking into account the regional specificities;
- the purpose of the developments is territorial equalisation and convergence;
- the territorial and rural development programmes must be planned by taking into account the territorial objectives and territorial units defined in the NDTC.

5.10 Measures relating to the implementation of the NDTC

In order to achieve the objectives of NDTC, the following planning **criteria should be applied**:

- the development objectives and priorities of NDTC must be taken into account during the planning and implementation of EU and Hungarian development programmes and during the absorption of funds, specifically:
 - in the Partnership Agreement for 2014-2020,
 - in the operational programmes implemented in the 2014-2020 programming period.
- the development objectives and priorities of NDTC must be taken into account in the county territorial development programmes, implemented from EU and Hungarian resources:
- the development objectives and priorities of NDTC must be taken into account during the planning and implementation of sectoral policy development action, specifically in the regulatory tasks and the absorption of funds.

GLOSSARY **National Development 2030 -** **to the National Development and Territorial Development Concept**

The explanations of the special definitions used in this document are attached to the National Development and Territorial Development Concept as a glossary. The purpose of the glossary is to explain the terms used in the NDTC and to make their understanding and practical application easier. It primarily concentrates on those definitions that are insufficiently explained in the Hungarian technical literature or where the NDTC interprets them differently from what is generally applied. If a definition contained in the text is not included in the glossary, then the generally applicable interpretation in the Hungarian technical literature prevails.

Agglomeration: a set of joined settlements with especially close relations between its central town and a surrounding area, suburban ring, and where a large number of employees commute to the central town of the agglomeration (or towns of a polycentric agglomeration). An agglomeration has high population density and economic activity. In Hungary the largest agglomeration is the area around Budapest.

Small village: A settlement with fewer than 500 residents.

Overall objective: development objective of the territorial development policy in the NDTC, which may be achieved in the long term and which has an impact on the country's territorial system. The individual territorial objectives are based on the components of the groups of overall objectives.

Intervention fields: interventions that ensure the achievement of objectives and milestones. Not all of them are recorded, as they cover mostly the indispensable components of implementation in the form of an expandable list. The outlined activities may affect competences of various sectors and territorial levels and may refer to the use of regulatory, financial and community organising tools. They may be integrated into the programme measures of the strategic and operational planning phase.

Unique landscape feature: a built or natural object with considerable landscape importance, as well as an impact on the landscape ecosystem. Such features contribute to the special character of the landscape with a positive aesthetic content. It may be of natural origin or man built for sacral or recreational activities and traditional landscape use. Examples: veteran trees, alleys, cliffs, boulder fields, abandoned small quarries, caves, surface karstic forms, springs, small wetlands, lawn patches, geological and soil excavations, old road signs, crosses, memorial places, stone heaps, stone walls, hedges, wells, bridges, historic ways and paths, ruins, economic and residential buildings, etc.

Access to values: access to and sustainable use of the landscape and cultural assets of the regions. (1) It refers to the potential viewing and recreational use of the values of the landscape and cultural heritage (e.g., forests, natural waterfronts, unique landscape features, historic monuments) where it is not impeded by strict nature conservation restrictions. (2) Often these values also constitute the basis of traditional sustainable landscape utilisation (e.g., tourism development, collection of forest products, water and other mineral deposit sites); such utilisation should also be ensured. Access is independent from ownership, managers of state-owned sites also have responsibilities in that regard.

Europe 2020 Strategy: The Europe 2020 Strategy is the response and draft solution of the European Union to the global crisis which has evolved since 2008 and intends to eliminate the inadequacies of the EU growth model. The purpose of the strategy is to put in place the conditions that are required for a more competitive economy with a higher employment ratio.

The Europe 2020 Strategy intends to achieve growth that is intelligent i.e., involves more effective investments into education, research and innovation; sustainable as switch to a low carbon-dioxide emission economy and competitive industry is its key component; and is also inclusive, as it pays a lot of attention to job creation and reduction of poverty. The strategy focuses on five ambitious goals which relate to employment, research, education, poverty reduction and climate change/energy.

Development pole: a large town that fulfils the functions of development mediation, generation of development within its cross regional and cross-border effective area and retention of the best qualified workforce for the region. Consequently, it supplies high quality services, cultural and special products in its effective area; it has a significant role in economic and administrative relations and decision making; with the help of extensive supplier networks, its large companies are integrated into the local economy and promote the development of the region. The pole may be described by the complexity of dynamic innovation-oriented sectors. Due to the available high quality university education, research and development, high standard infocommunications infrastructure and extensive qualified workforce, the pole also fulfils the role of a knowledge centre. The term hub, transferred to the international technical literature from transport refers to the interim regional centres of the network agglomerations which are responsible for promoting the development of their respective region.

Development policy monitoring and evaluation system: one component of the development policy tools. Its purpose is to give feedback on the implementation and efficiency of development interventions. Consequently, it is one of the most important tools in decision making, with the help of which the efficiency of the Hungarian development policy can be improved and its transparency may be enhanced. It has three main components: (1) monitoring of the tools and institutions of the development policy; (2) regular territorial (social, economic, environmental) monitoring; (3) preparing evaluations based on the monitoring data.

Cross-border development: decisions on, coordination and implementation of planned intervention, development directions and measures based on the monitoring and evaluation of social, economic and environmental and territorial processes beside or near country borders within the framework of different level regional development plans, programmes and projects, often prepared jointly by cross-border partners.

Local material and waste management: the environmental system organised by local governments and local communities in view of material and energy efficiency aspects.

Local (autonomous) energy management: energy management adjusted to the local specificities of individual (sub)regions. It assumes a strategic energy planning approach, aims at the development of extensive autonomous regional energy systems, primarily relying on renewable and alternative energy sources.

Local-regional identity: identity of people or communities stemming from and evolving along with local-regional specificities, the local and regional features of cultural and social economic life and community traditions.

Horizontal aspects: principles which must be reflected in the development and achievement of all development directions and goals in the course of programming and planning. Those criteria apply to both planning and implementation. Contrary to the development principles of the territorial development policy, these principles are not primarily methodology principles.

Infocommunications: a segment of society that serves the communication of information and data exchange (as well as the IT and communications technologies, devices and services used for such purposes), which involves not only communication, but also digital data traffic.

Integrated Territorial Investment: The Integrated Territorial Investment (ITI) is a new territorial integration tool to be implemented in the 2014-2020 EU planning period. If an urban or territorial development or any other territorial strategy requires an integrated approach because it contains investment projects according to more than one priority axis of more than one operational programmes of the 2014-2020 planning period, the activities supported from the Funds may be implemented within the operational programme as an integrated territorial investment.

Integrated rural development: rural development, implemented in an integrated manner, through the development of several economic sectors, clearly going beyond agriculture and according to social aspects. Integration is based on the territory, the rural region. The term also refers to environmental integration, sustainable development and value preservation based on the specificities of the local environmental sub-system. Integrated rural development is one of the most important pillars, serving the implementation of the objectives of the territorial development policy.

Gateway city: a large city that opens a gate to its region and takes part in the dissemination of the development dynamism that comes from external sources. The gateway city itself also benefits from innovation and the transfer of development dynamism. The term is used primarily on international scale; Budapest may take that role over from Vienna in the cohesion of the East European region. The interim regional centres of the agglomeration network that aim at promoting the development of their regions are known as hubs.

Sub-region: (1) a statistical territorial unit, LAU 1 level in the European statistical system (previously: NUTS 4). (2) An area formed as an association of local governments for functional cooperation of several settlements, which does not necessarily follow the borderlines of the statistical sub-regions.

Cohesion Policy: The Cohesion Policy of the European Union sets a primary goal of strengthening economic and social cohesion within the EU, and harmonic development of regions, as well as the reduction of any development disparities between them. The implementation of the policy is funded from a set of support tools (Structural Funds and Cohesion Fund), constituting an important part in the European integration process since the 1970s.

On 6 October 2011 the European Commission approved the draft legislative package that created the framework of the EU Cohesion Policy for 2014-2020. The most important modifications concerning the Cohesion Policy of the subsequent period are as follows:

- focusing on the intelligent, sustainable and inclusive growth priorities of the Europe 2020 Strategy;
- rewarding performance;
- support to the elaboration of integrated programmes;
- concentration on results - monitoring progress towards the set objectives;
- repeated strengthening of territorial cohesion, and
- simplification of the achievement of the objectives.

Common Agricultural Policy (CAP): The Common Agricultural Policy (CAP) is the title of the EU agricultural support system, which currently represents approximately 45% of the EU expenses. The main objective of the CAP is to boost agricultural productivity and, indirectly, to provide continuous and affordable food supply to consumers and offer fair living to EU farmers.

It achieves its objectives with the help of three closely related pillars: market support, income support and rural development.

Since established in 1962, the principles of the EU Agricultural Policy have been changed on several occasions in line with the conditions changing in Europe. These days, with the help of its Agricultural Policy, the EU concentrates on:

- ensuring that farmers produce a sufficient quantity of safe and good quality food products for European consumers, make rural economy more versatile and care about the environment and animals in compliance with the strictest norms and standards;
- enabling consumers to make informed decision on what food products to buy;
- developing innovation in the agri-food sector to improve productivity and reduce the burden on the environment;
- encouraging the development of fair trading relations with developing countries.

Public areas: scenes of social interactions among the population of a particular settlement and specific people, institutions and sites that satisfy daily/weekly leisure needs, e.g., public parks, catering units, theatres, cinemas, sports fields.

Community-Led Local Development (CLLD): The Community-Led Local Development is a new territorial integration tool implemented in the 2014-2020 EU planning period. The CLLD tool and methodology assists in the mobilisation and in the involvement of local communities and organisations, so that they can contribute to the intelligent, sustainable and inclusive development set as an objective in the Europe 2020 Strategy, territorial cohesion and the achievement of specific sectoral policy objectives. The CLLD is based on the approach of the rural development LEADER Programme, as well as facilitates the integrated absorption of the resources of not only the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), but also the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

Cultural, landscape value: a component of the landscape that is dominant in terms of culture mostly from historical aesthetic, archaeological, ethnographic or anthropologic aspects. The cultural landscape values and the landscape features have close correlations and are often nourished from them and therefore, together with the natural landscape values, form nature created cultivated landscapes, created, formed and restructured by man.

Cultivated landscape: an area cultivated by agriculture or forestry management, or a cohesive area which contains a physical historic monument on a large cohesive part of the natural environment, which generally relates to a religious or popular tradition. These areas may not only exist as spots, but also form a cohesive spatial unit.

LEADER+: the former LEADER (Liaison Entre Actions de Développement de l'Economie Rurale; Links between Actions for the Development for the Rural Economy) EU Community initiative appears to be an independent development axis within the EU rural policy and, as a method, is recommended during the implementation of the other development axes of the sectoral policy. In its fundamental aspects the LEADER approach refers to bottom up initiatives relying on the cooperation of sectors, local governments, business and civil partners organised for the design and implementation of local development strategies for the development of well-defined rural areas.

Renewable energy sources: in the course of the utilisation of which the sources are not diminishing and they can also be used subsequently to generate energy in the same way. The renewable energy sources include solar energy, wind energy, various forms of biomass (e.g., straw briquette, wood, animal manure), geothermal energy and hydro energy.

With the exception of geothermal energy, the other energy sources originate directly or indirectly from solar energy. The geothermal energy stems from radioactive processes taking place deep in the earth.

Micro region: a geographically joined area, consisting of a few settlements, formed on the basis of close economic, social and cultural similarities and relations between the settlements. Its official form appearance is an association, or an alliance of local governments, established based on the recognition of common local interests and common performance of tasks.

Natura 2000 network: the network comprises the areas to be designated pursuant to two nature conservation directives of the European Union i.e., the special bird protection areas to be designated under the implementation of the Bird Directive adopted in 1979 (79/409/EEC) and its amending directive (97/49/EC) and the special nature conservation areas to be designated pursuant to the Habitat Directive adopted in 1992 (43/92/EEC). The detailed Hungarian regulations pertaining to the Natura 2000 sites are included in the Government Decree No. 275/2004. (X. 8.). The Hungarian 2000 sites stretch across approximately 1.95 million hectares. Nearly half of that area includes already protected natural sites. The Hungarian Natura 2000 sites include 55 special bird protection areas, 62 special nature conservation sites and 406 nature conservation sites of special importance.

Nature Park: an integrated regional development and nature conservation organisation formed in a specific area. It is a territorial unit, typically organised with a bottom up approach as a result of cooperation of regional actors (natural persons, social organisations, local governments and regional administrative agencies) and operated on network basis, usually with a fair sized nature conservation area that has great tourist potential. It is generally established to preserve a specific culture or natural landscape, to protect nature and environment and to facilitate their sustainable use for tourist purposes. The measures applied in that interest include the establishment and strengthening of value adding, organic, traditional nature friendly economic activities that rely on local values, as well as support to craftsmanship, ecotourism and infrastructure development, environmental education and awareness building, strengthening of cooperation between settlements and project applications in the interest of such activities.

NUTS system: (Nomenclature des Unites Territoriales Statistiques, Nomenclature of Territorial Units for Statistics) a statistical system of territorial units, established for the analysis of European regional social economic processes and in support of regional policy, as confirmed by the European Parliament and Council in its decision No. 1059/2003. The previous five levels have been replaced by three levels in the NUTS system, defined according to the number of population. In Hungary there are three NUTS 1 level regions (Transdanubia, Central Hungary, Great Plain and North), the NUTS 2 level comprises the seven planning statistical regions, while the NUTS 3 level equals the county system. The NUTS 3 level may be divided into LAU units (local administrative unit). The LAU 1 level is not used by each Member State, but in Hungary it equals a sub-region. Settlements are LAU 2 category units in each Member State.

National Ecology Network: the collective title of natural and semi-natural areas, as well as protected natural sites, defined in the National Spatial Development Plan, and the biological relations of their protective zone, existing in the form of ecological corridors.

Ecotourism: environmentally responsible trips and visits to relatively undisturbed natural sites in order to enjoy and assess their natural, as well as past and present cultural values with an environmentally friendly approach by reducing the impacts of the visit and by providing social and economic benefits to the local population.

This type of tourism offers complex solutions to managers of protected natural areas with the preservation of nature conservation assets, renewal of tourism and local resources and controlled guest turnover. The main features include small groups and benefits occurring at the local society. The types of tourism that fits within the category of ecotourism include certain forms of rural, water, beach, active tourism and natural tourism. The latter refers to the complexity of experiences gained in relation to the flora and fauna of the natural environment, natural and cultivated landscapes, the possibility of informal learning and special tourist programmes organised in line with the protection of natural conservation areas and cultural assets.

Ecotourism infrastructure: all fixed route and point like infrastructure systems that relate to ecotourism in its wider sense, as a type of tourism, facilitating the use of tourist programmes and services, including e.g., cycling paths and related services, hiking routes, rest places and tourist hostels, accommodation available in rural tourism, etc.

Partnership Agreement (PA): The Partnership Agreement is a document constituting the basis of Hungary's development programmes for the period of 2014-2020, financed from the EU and approved by the EU Commission based on consultations with Hungary's Government. The document, which is at the top of the Hungarian planning hierarchy for the 2014-2020 planning period, identifies the most important challenges facing Hungary and sets out the country's main development priorities. The Partnership Agreement describes how EU development resources (the ESI funds) received by Hungary contribute to the fulfilment of the Europe 2020 Strategy (EU2020) and the objectives of EU Cohesion Policy. The PA also incorporates key issues addressed in the National Reform Programme and the Country-specific Recommendations published by the European Council. In addition, the document outlines the conditions for the successful and efficient use of funds.

Priority: a planning tem, containing the main objectives and future intervention fields of the programmes aimed at achieving the objectives in a classified form. The territorial development priorities are complex. Each represents several sectoral measures or may also be concentrated on certain areas or types of areas.

Programming: a system of coordinated tools, designated according to the objectives established on the status analysis. The programme itself is the combination of a plan and a development budget, which regulates the absorption of EU support and related national contributions. It is an important component of the programme that it is not designed for a year, but is based on a longer term plan and is in line with the EU practice according to which since 1988 the EU budget and the support disbursed from the structural and (from 1993) the Cohesion Funds are defined from programming periods. Consequently, the main function of programming is to set out the EU support policy for a particular period.

Region: (1) As an everyday concept it is a synonym of a territorial unit, area, rural area, zone, landscape or district. (2) In territorial studies, a region is a defined spatial unit, a territorial unit separated from its environment, based on certain natural, social and economic factors, generally between national and settlement levels; it may be distinguished from the concept of an area on the basis of a specific borderline, regional cohesion, regional identity and regional institutionalisation. (3) In regional policy it is a territorial level between national and local levels, most frequently situated directly below national level, and may be an administrative (with elected or delegated representation) or non-administrative (statistical planning) functional unit.

Slum formation: the term stems from the English word 'slum' and refers to the process of erodation of the physical and social environment, leading to a residential environment with a degraded physical status, when mostly poor people settle down.

It is typically a problem in towns, yet it also appears in villages and rural areas.

Segregation: a social process, in which the places of residents of different social and ethnic groups are spatially separated and the individual social groups are spatially concentrated.

Suburbanisation: the process during which the population and activities (industry and services) move from the town centre to the surrounding settlements. The outflux of the population from the centre is the most severe sign of suburbanisation, yet the process may also be observed in relation to economic functions. In Hungary the strongest suburbanisation process takes place in the region of Budapest.

Landscape (geographic): in terms of science it is typically a spatial basic category used in sciences dedicated to the natural environment (natural geography, (landscape) ecology, forestry or landscape geography, regional geography): part of the ground surface which has a visually different special profile as a result of the interaction of the landscape forming factors. The transition between unique features and borderlines is one of the most typical characteristics of a landscape. The concept of cultivated landscape has been introduced for areas that have been fundamentally reshaped by anthropogenic activities.

Landscape utilisation: use of the resources of a landscape (soil, minerals, energy, aesthetic value, activities) by the local society.

Hamlet: a typical suburban scattered settlement, generally occurring in the Great Plain with a residential function, as well as traditionally significant agricultural activities, as well as increasing tourism and recreation functions.

Distance work: type of home employment based on infocommunications technologies (e-employment). This type of employment is important in terms of territorial development and sustainable regional development, which contributes to the elimination of employment problems of not only certain social groups (primarily groups excluded from the primary labour market), but also of special regions (small villages).

Axis: a dynamically developing economic zone or band between developed large cities (poles) and areas which are based on busy transport routes along which new sites may be opened (plants, logistics centres, etc.) and intensive economic activities may evolve. An axis stands out from its environment socially and economically, and its settlements are connected to the dynamic economic network through the axis. Often motorway networks are considered the basis of axis development.

Territorial Agenda 2020: The European territorial development and territorial planning framework document entitled "Territorial Agenda of the European Union 2020 - Towards an Inclusive Smart and Sustainable Europe of Diverse Regions" was approved by the ministers of the EU Member States responsible for territorial planning and development in 2011. The document summarises the main principles and directions of the EU Territorial Policy in 71 points and in 4 sub-chapters: territorial cohesion as a common goal, challenges and potentials for territorial development, territorial priorities for the development of the European Union, and making EU territorial cohesion a reality.

Spatial use: the category of land use comprises territorial use and other mobile (spatial use organising) elements (social and economic spatial movements and territorial regulations).

Region: part of a geographic space that can be defined on the basis of some social or economic criteria; a summary name of various social spatial categories, and territorial units (region, county, sub-region, agglomeration, group of settlements, etc.).

Regional development: part of territorial development, which concentrates on development of a specific region or on the development of a functional territorial unit. Such regions could be e.g., a region, county, sub-region, a priority region, etc. (Regional) sustainability framework strategy: a plan document that constitutes the basis of all developments in an area and defines the vertical objectives to be implemented in order to ensure sustainability in the region, as well as the horizontal aspects, classified into types by sector, for the development projects (it also defines principles for territorial planning).

Spatial structure, territorial structure: it is an operable system formed by spatial objects and the relations and correlations between them. It is a complex spatial category, the interpretation and description of which are heavily determined by the methods and views of the approach. In regional research, it is most frequently referred to as the total (regional) disparities and soundness specificities, generally identified through the breakdown into clearly defined spatial parts and in general assessment and mapping of regions according to a key feature.

Spatial organisation: deliberate spatial organisation and regulation of social and economic activities, one form of the use of spatial areas. In terms of territorial development policy, spatial organisation mostly means the establishment of territorial levels and their distribution between various decisions and activities through deconcentration and decentralisation. It is a process generally controlled from the top and therefore, in this sense, the concept may be distinguished from the bottom up initiatives of social and economic actors based on their voluntary decisions and their spatial organisations, in the course of which regions evolve although they do not need to be categorised by level. Territorial development cannot be effective without adequate spatial organisation.

Territorial dimension, territorial aspects: It is an approach/theory that highlights the joint complex appearance of various spheres in space and their correlations that may be perceived, described or analysed only in a geographic space contrary to or as a complementary feature of, the typically sectoral dimension and activity of society and economy. On the basis of various territorial research activities, territorial development follows this approach and tries applying it with its own tools.

Territorial system: The joint appearance in space, the interconnection in a particular area and a complex system of various organised systems of different natural, social and economic objects (spatial elements). It refers to a particular region or territorial unit (region, county, sub-region, etc.) and all environmental/social and economic sub-systems forming it, as well as their connections. For the purposes of territorial development the interconnections within one territorial unit of the social/economic/political and environmental elements of functional micro and sub-regions, as well as agglomerations are also considered a territorial system. The increasing role of organisation at territorial levels below the national level in the near future (in line with the objectives of regionalism and decentralisation) is a key to the harmonic development of the territorial system.

Territorial development: (1) as an overall definition and a sectoral policy and activity system, it refers to the monitoring and assessment of the social, economic and environmental territorial processes of a country and its regions, and decisions on the required planned intervention directions; furthermore, it refers to the identification, coordination and implementation of short, medium and long-term overall development objectives concepts and measures within the framework of development programmes and their enforcement in other sectoral decisions. (2) In a narrower sense, as a development activity, it includes the development interventions and related activities that are performed specifically (primarily) in relation to territorial objectives, with which the community sphere deliberately impacts the territorial distribution and operation of various activities and phenomena, or implement integrated development in a particular territorial unit (region, county, sub-region) covering several specific fields.

Land use: this term refers to part of spatial use under the NDTC. It refers to the categories of use of the territory of the country. It primarily relates to the use of uninhabited areas of settlements, classified according to the typical economic sectors. Its classification within agriculture is in general on a smaller scale than within land use (only certain thematic characteristics based land use classification may be an exception to that) but includes arable farming, grazing and grassland management, forestry management, mining, industrial and transport as separate categories.

Territorial objectives: NDTC objectives for a specific region or region category which indirectly influence the territorial system of the country through the development of the respective areas. These objectives are based on components of certain overall objectives and contribute to their attainment in the medium term.

Territorial level: a set of equal territorial units created as a result of the horizontal spatial distribution of a geographic area (e.g., country). One area may be divided into several territorial levels (e.g., a continent into countries, regions, or a country into regions, counties, sub-regions); for the purposes of the regional policy, the administrative, planning and statistical territorial levels below the national level are important.

Territorial planning: territorial planning falls within the category of planning with a specific feature of a territorial (spatial) dimension compared to the planning activities of other sectors. Its components are regional (national) planning and urban planning. Territorial planning itself is the use of the strategic planning cycle for defining the future vision of a region/settlement, their further development as an integrated system (status analysis, future vision, objectives and priorities, strategic and operational planning steps, feedback, evaluation, monitoring). In the course of planning, the region/settlement as a social or economic entity and their physical framework should be managed in an integrated fashion. The territorial principle as a dimension also appears in various policy (sectoral) plans, but in territorial planning spatiality (as a social, economic and environmental system, organised by region) is the dominant and primary aspect. The objectives and tasks defined in the course of planning must reflect the will of the region/local community, the residents must be informed of the decisions of the parties involved in the decision and of the specific steps of the planning process.

Territorial development policy: a legitimate and consistent system of objectives described with territorial features related to the development of the country.

Planning: in general it is a tool of deliberate shaping of the future, a future-oriented mode of thinking, in the course of which planners organise the actions and implementation on the basis of scientific and methodology aspects. The term planning is used in the concept for activities and documents resulting from them that relate to a planning process and the elaboration of (a) written document(s) consisting of several parts (status analysis, future vision, objectives and priorities, strategy building, development of operational programmes, etc.).

Tourism Destination Management (TDM): The purpose of Tourism Destination Management (TDM) is to create and operate a sustainable and competitive tourism system in a region visited by tourists.

Tourism Destination Management Organisations (TDMO): The Tourism Designation Management Organisations are organisations implementing the successful development and operation of TDM on local, regional and national levels. Activities pursued by destination management organisations: planning, strategy and development support; cooperation organisation - coordination; supply of marketing functions (research, product development support, sales, communication).

Urbanisation: (1) quantitative feature: urbanisation - the process (status) of an increase in the number and ratio of towns and town residents; (2) qualitative feature: urbanisation - the process of dissemination (dissemination) of cityscape, lifestyle and consumption habits, typical of towns.

Urban rehabilitation: complex reconstruction of parts of settlements, which involves not only the reconstruction of development of the built environment, but also the development of green areas, social and economic environment, as a result of which the part of the town may be given new functions.

Protected natural sites: sites declared protected or increasingly protected by law (increase nature conservation protection). Types: national park, landscape conservation site, nature conservation site and ex lege protected natural sites, of which springs, gullies, kurdans and hill-forts are considered natural memorials, while bogs and saline lakes are also subject to ex lege protection.

Rural development: definition and implementation of programmes reflecting the local specificities and formulated with the participation of the people living in the region based on the assessment of the social, economic and environmental processes of rural regions. Essentially small-scale regional development implemented through the identification, detection and mobilisation of local resources. In its approach, the environmental integrity of developments has a higher than average role due to the dominant role of the environmental sub-system in the rural territorial systems. Rural development is one of the most important pillars in the attainment of the territorial development policy objectives, which concentrates on the development of rural areas.

Rural areas: areas with typically rural features (e.g., low population density and built-in ratio, extensive natural environment, less pollution), facing typical rural problems and challenges (e.g., migration, ageing, long-distance from functional centres, weak infrastructure supply, cumbersome accessibility, high ratio of agricultural employees, low productivity). In the course of definition and development of rural areas it must be kept in mind that certain problems and specificities do not occur consistently but vary by region and region type.

World heritage: in 1972 UNESCO decided to protect assets, extremely valuable to mankind, and establish the World Heritage Committee, which was joined by 172 countries. The list of assets of universal importance includes 8 Hungarian attraction sites (Danube bank and Buda Castle District; Andrásy út - Heroes Square - Synagogue district; Hollókő; Aggtelek: Baradla cave; Hortobágy National Park; Pannonhalma: Benedictine Abbey; Pécs: Old Christian tombs; Lake Fertő; Tokaj wine region).

Catchment area: a specifically defined area around one spatial element i.e., a settlement (generally town or an institution service providing unit, etc.), in which one or more social, economic movements and flows are directed to the specific spatial element with a specific objective (commuting workers, commuters with the purpose of shopping or selling goods, etc.). In regional research mostly the catchment area of towns is used, but it may vary according to different criteria (labour market, education, cultural services, etc.), hence these days it is difficult to specifically define the general (multi-factor) catchment area of one town. It is distinguished from agglomeration by the fewer factors involved in the flows, their less frequency and, as a consequence, a potential greater radius of the catchment area (e.g., the catchment area of a capital city is the country from several aspects). It is different from the term of district as here the reasonable cause generating the movement is based on a voluntary decision (catchment area of a department store, compared to e.g., land registry district). In territorial development catchment area is important primarily through spatial organisation: when the borderline of the territorial development units is drawn, attempts are made to take into account the borderlines of spatial formations that are based on catchment areas.