

Annex. Progress in main structural reforms

The objective of this Annex is to review action taken since the previous Survey's main recommendations

Recommendations in previous Survey	Action taken since May 2016
A. Recommendations on macroeconomic policies	
Reduce government expenditures to further lower the structural deficit.	No action taken.
Implement a strategy for the asset management company to step-up offloading of non-performing assets.	In early 2017 the Hungarian Restructuring and Debt Management Ltd. (MARK Zrt.) has been acquired by a private investor, resulting in a lack of official trading platform for selling impaired loans.
Expand capital surcharges on nonperforming loans detained by banks beyond a certain period.	Since 2017 banks have to comply with enhanced capital requirements, if their stock of impaired project financing loans exceeds 30% of domestic Pillar 1 capital requirement.
Continue the fight against VAT fraud.	Since 2017, the compulsory use of online cash registers has been expanded to particular service sectors and from 2018, the use of the online invoice system became obligatory. In 2018, VAT rate has been reduced further on selected products.
Rely more on non-distortive consumption taxes.	In 2016-2017, the excise duty rate on tobacco products has been increased, and the excise duty rate on petrol, petroleum and diesel has been linked to the world price of Brent crude oil.
Sell stakes in state-owned banks.	In 2016 and 2017 public stakes in MKB and in Gránit Bank have been sold, leaving Budapest Bank (8 th largest) fully state-owned, Erste bank (5 th largest) with a 15% and FHB bank (11 th largest) with a 7.3% share.
B. Recommendations to bolster private investment and the business environment	
Improve transparency, stability and formulation of regulatory policies and continue efforts to cut red tape.	Since 2017, large state registers and systems have been connected to each other resulting in faster procedures and easier supplies of data. In 2017, the Cutting Red Tape Programme has been continued as part of the State Reform II. Programme to improve the efficiency of the public administration and the competitiveness of the enterprises.
Remove sector exemptions and review mergers that might reduce competition.	No action taken.
Introduce market-based energy pricing and open market segments to competition.	No action taken.
Facilitate new entry in the retail sector.	No action taken.
Stimulate investment in telecommunication.	No action taken.
Increase reliance on feed-in tariffs and use competitive auctions for renewable energy projects.	The new renewable energy support scheme (METÁR) in 2017 has been introduced with a combination of feed-in tariffs, feed-in premiums and competitive bidding procedure.
Promote a regional stock exchange to foster capital markets in the region.	The Budapest Stock Exchange (BÉT) has continued to organize joint roadshows to London, Paris, Warsaw and Zagreb.
Facilitate the introduction and adoption of new financial technologies.	In March 2018, the central bank has launched its Innovation Hub to identify actually arising legal obstacles.
Apply RIA to all significant policy initiatives, and introduce mandatory public consultations.	All legislative actions are subjected to regulatory impact assessment and ex post evaluation since the end of 2016.
Establish a regulatory impact assessment (RIA) commission.	No action taken.
Strengthen public procurement through a more effective e-procurement system.	Since April 2018, the use of a newly established central electronic public procurement system (EKR) is a compulsory.
Establish a dedicated anti-corruption agency.	No action taken.
C. Recommendations on enhancing skills to boost growth	
Improve reintegration of public works' participants.	Since early 2018, NGOs cooperating with PES provide counselling and mentoring services as well as financial benefits for disadvantaged jobseekers to foster their re-entering to the labour market.
Tighten the conditions for public work schemes by efficient implementation of a profiling system.	A new client profiling system implemented in 2016 contributes to the better targeting of the public work schemes.
Improve the evaluation of the efficiency of existing training programmes to better match different categories of participants to specific training programmes.	PES has been creating individual action plans (IAP) with all the registered job seekers since 2016 based on the profiling category of the client.
Create a toolset to promote lifelong learning.	No action taken.
Continue integrating the vocational training programmes into secondary vocational schools.	No action taken.

Enhance education outcomes and reduce inequalities by better targeting more resources to disadvantaged schools.	Since 2016, several programmes and EU-funded projects support disadvantaged students by providing them tutoring classes, free schoolbooks, scholarship and subsidies for the tuition fee. New testing procedures have been developed for disadvantaged students and the number of special education teachers has been increased.
Continue to strengthen career counselling to improve responsiveness of tertiary education to labour market needs.	Since 2017, a career-orientation day has been organised in schools, fully focusing on the choice of career and higher education.
Improve teacher's working conditions by further increasing their wages and reducing unnecessary administrative burdens.	In 2017-2018 almost 5% wage increase has been achieved in the tertiary education. Administrative burdens are mitigated by a new online administration system called 'KRÉTA' implemented in 2016.
Postpone tracking and extend the period of compulsory grammar school to enhance general skills.	No action taken.
Expand early childhood care.	From January 2017, all local governments are required to organise nursery services where such services are demanded.
Reduce the effective length of parental leave and provide incentives for paternity leave	No action taken.

D. Past recommendations on education

Recommendations in previous Surveys	Action taken
Improve general skills of pupils and their future adaptability to change jobs.	No action taken.
Enhance education outcomes and reduce inequalities by better targeting more resources to disadvantaged schools.	Since 2016, several programmes and EU-funded projects support disadvantaged students by providing them tutoring classes, free schoolbooks, scholarship and subsidies for the tuition fee. New testing procedures have been developed for disadvantaged students and the number of special education teachers has been increased.
Improve teacher's working conditions by further increasing their wages and reducing unnecessary administrative burdens.	In 2017-2018 almost 5% wage increase has been achieved in the tertiary education. Administrative burdens are mitigated by a new online administration system called 'KRÉTA' implemented in 2016.
Continue to strengthen career counselling to improve responsiveness of tertiary education to labour market needs.	Since 2017, a career-orientation day has been organised in schools, fully focusing on the choice of career and higher education.
Create a toolset to promote lifelong learning.	No action taken.

Thematic chapters





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