

## Addendum

### to the 2008 updated convergence programme of Hungary (summary of key measures included in the programme in order to facilitate structured reporting of information)

*Hungary submitted its 2008 convergence programme on 19 December 2008. The updated convergence programme is based on the 2009 Budget adopted on 15 December and, for 2008, the most recent macroeconomic projection. The Budget and, thus, the convergence programme contains all relevant information, all measures implemented (also relating to the recovery plan presented by the Commission, containing both short-term measures to boost demand, save jobs and help restore confidence as well as "smart investment" to yield higher growth and sustainable prosperity in the longer-term). In the light of the Commission's proposal for an addendum to SCP updates, this addendum provides for structured reporting of information, facilitating fiscal surveillance, enabling better comparability, but contains no additional information compared to the convergence programme.*

As it was also emphasised in the recovery plan, there are countries with less budgetary room for manoeuvre, where such a fiscal stimulus, as described in the recovery plan cannot be applied. Hungary launched its fiscal consolidation programme in 2006 to reduce the very high budget deficit. The first years of the programme yielded even better than expected results, nevertheless the deficit is still considerable. In this respect, the major objective is to continue with the deficit reduction, so as to strengthen confidence and stability on financial markets. Therefore Hungary does not have budgetary room for such a stimulus. Nonetheless, respecting Budget figures, restructuring of certain resources was made in order to help revitalising the economy. Furthermore measures improving the quality of public finances were also implemented.

Measures implemented or planned to have a short term impact are as follows:

- The measures implemented or planned to have a short term impact are as follows:
- In order to speed up and extend the availability of funds for the enterprises, a restructuring between and within the operative programmes of the New Hungary Development Plan will take place. In order to ease the conditions of the availability of funds, the application regime will be simplified;
- In the case of projects aimed at economic development, the scope of procedures facilitating faster implementation (so-called normative application procedures) will be extended. The obligations of the applicants will be eased;

- The conditions of the so-called micro-credit programme will be changed, in order to facilitate the financing needs of SMEs. Based on the Loan programme for SMEs, a financing framework with favourable conditions is available for commercial banks to finance investment projects of HUF 10 to 100 million of SMEs. Regarding the 'de minimis' support of technological developments, the scope activities and beneficiaries subject to subsidies is being extended. The government guarantees attached to the loans to SMEs is increased;
- SMEs being hit by the financial crisis will have an opportunity to receive loans or capital injection through enterprises or intermediaries specialised in developing and financing SMEs;
- From the beginning of 2009, preferential loans for financing working capital will be available through commercial banks with the involvement of the Hungarian Development Bank;
- Within the framework of application schemes and priority projects, measures aimed at the support of construction activities will be introduced;
- In order to support export activities, export promotion will be enhanced, short term export credits of SMEs will be secured by state-based export credit insurance and the advisory services for this purpose will be extended ;
- A re-location programme for new investments by foreign investors in Hungary is being applied and investments in labour intensive sectors and in less developed regions will be promoted ;
- The toolkit of the sub-contractors' programme will be developed;
- Strategies and implementation programmes based on comprehensive analyses of the sectors having a considerable impact on growth and employment will be elaborated (e.g. in the case of IT, car manufacturing, pharmaceuticals, biotechnology, logistics and special tourism sectors);
- Administrative burdens on entrepreneurs arising from national legislation and rules will be reduced by at least 25% till 2012.

**Table 1 Short-term fiscal measures with direct budgetary impact**

There has been no measure implemented, burdening the budget.

**Table 2 Medium-term measures improving the quality of public finances and the long-term sustainability**

| <b>Measure</b>   | <b>Date of adoption</b> | <b>Description of the measure</b>   |
|--|-------------------------|---|
| Act on the legal status and management of budgetary institutes | 15.12.2008              | The expected key results of the Act are that through the general re-regulation of the budgetary institutional, and chapter level operational and financial management system, it helps fiscal requirements to be respected, on the one hand; and supports efficient provision of public services, and the execution of public functions (public administration; defence; jurisdiction; etc.) in line with modern challenges, on the other |
| Fiscal responsibility act                                      | 17.11.2008              | The act sets out new fiscal rules regarding the central subsystem of the legal government; establishes the Fiscal Council, and introduces guarantee elements, prevailing in the planning of the budget, determines expenditure caps and balance limitations both for the coming years and in the long run.  |
| Parametric change in the pension system                        | 25.11.2008              | From 2009 onwards, payment rules of the 13th month pension change. The 13th month pension is capped to HUF 80,000 (about the average pension), and it can only be paid above the official retirement age of 62 years, or to persons receiving disability pension.   |

**Table 3 Structural measures to support demand and promote resilience**

| <b>Measure</b>            | <b>date of adoption</b> | <b>Description of the measure</b>   |
|---------------------------|-------------------------|---|
| Pathway to work programme | 15.12.2008              | This programme intends to help permanently unemployed persons who receive regular social allowance to take up jobs as well as to prevent working age, unskilled employees from being forced out of the labour market, and advance the group of young adults without schooling or incomplete schooling to be tied to the labour market through considerably raising the number of jobs that can be offered to them as well as by supported trainings, increased involvement in labour market programmes and providing services. The measures formulated in the programme might potentially affect approx. 100,000 persons. The necessary fund comes from the re-allocation of available resources. |