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Access to essential services for low-income people

Hungary

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European Social Policy Network (ESPN)

**ESPN Thematic Report on
Access to essential services for
low-income people**

Hungary

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CONTENTS

SUMMARY	4
1 OVERVIEW OF NATIONAL/SUBNATIONAL MEASURES AIMED AT SUPPORTING LOW-INCOME PEOPLE IN ACCESSING ESSENTIAL SERVICES	5
1.1 Definition of “essential services”	5
1.2 Definition of “low-income people” used in the context of access to services	6
1.3 Measures for facilitating access for low-income people to services	7
1.3.1 Access to water	8
1.3.2 Access to sanitation	9
1.3.3 Access to energy	9
1.3.4 Access to public transport	10
1.3.5 Access to digital public services	11
1.4 Access to financial services (Directive 2014/92/EU)	11
2 NATIONAL/SUBNATIONAL POLICY FRAMEWORKS AND REFORMS	13
2.1 National/subnational policy frameworks	13
2.2 Ongoing or announced reforms	13
3 A FOCUS ON ACCESS TO ENERGY	15
REFERENCES	20
ANNEX	22
Table A1: Essential service – Water	22
Table A2: Essential service – Sanitation	23
Table A3: Essential service – Energy	24
Table A4: Essential service – Public transport	25
Table A5: Essential service – Digital public services	26
Table B1: Essential services – Summary table	27

Summary

There is no comprehensive definition of essential services in Hungary. The concept of *essential services* is more often used in public discourse and in policy-related documents when referring to basic social services. Regarding water, the provision of safe drinking water is a state responsibility prescribed in the Fundamental Law of Hungary. Among the provisions that must be locally secured, local municipalities are responsible for providing safe drinking water. It is a state or municipal responsibility to provide sanitation, but essential services are not defined in this case either. Law 2012. XLI on personal transport services describes essential services in the case of public transport. In the case of energy provision, digital public services and financial services, essential services are not legally defined.

Low-income people, as a specific target group per se, are not defined in the context of the delivery of any of the six services under scrutiny. Current regulations often include certain segments of the low-income population indirectly, but not specifically, and there is no definition of "low income" in the relevant regulations. The closest concept is that of "protected consumers" (in the case of water, sanitation, gas, electricity and district heating): these are people identified directly as the recipients of various provisions, including individuals or household members who receive *old-age allowance*, *benefit for persons of active age* or *regular child protection benefit*, which are based on income criteria tied to the minimum old-age pension (described in detail in Section 1.2). As for digital public services, low-income people are not defined. However, they are mentioned as a specific target group among those who do not use the internet. Low income is only defined in relation to the so-called *settlement support*, introduced in 2015, which is regulated separately by each municipality in terms of both exact content and eligibility. A study of these regulations stated that if low income is defined, it is most often tied to a certain level of the minimum old-age pension.

Partly on account of the lack of a definition of low-income status in the service regulations under scrutiny, there are no measures that directly address the issue of access for low-income people. Measures that promote access to the essential services under scrutiny target either all consumers or certain defined groups (e.g. pensioners, households with three or more children) that happen to include low-income people (e.g. among the so-called "protected consumers").

Specific national policies to promote access to, or availability of, essential services for low-income people explicitly do not exist: neither the principle nor the practice of tariff setting includes differentiated social aspects based on income. Current state interventions disregard the fact that people living in poverty are far more affected by such problems than are more affluent households, and existing measures are least accessible to those households that have the greatest difficulties and the fewest resources to tackle them. The introduction of the municipality-based *settlement support* has widened the differences between municipalities regarding eligibility conditions and the availability of provisions and services.

The National Social Inclusion Strategy (2011–2020) refers to the need to guarantee access by the Roma and other vulnerable population groups to basic public services, but it provides no further details.

1 Overview of national/subnational measures aimed at supporting low-income people in accessing essential services¹

According to Principle 20 of the European Pillar of Social Rights (EPSR), everyone should have “the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications”. Moreover, support for accessing such services should be available for those in need. The importance of ensuring access to essential services is also well established globally in the framework of the United Nations 2030 Agenda for Sustainable Development and its 17 related Sustainable Development Goals (SDGs) which was endorsed in 2015 by all UN countries including all EU countries. This report investigates the extent to which Principle 20 of the EPSR has already been implemented in the six services under scrutiny in Hungary. The group of “those in need” is restricted in the report to people on a low income and low-income households.

1.1 Definition of “essential services”

There is no comprehensive definition of “essential services” in Hungary. However, for some of the services considered in this report, there are definitions; when this is the case, these are national definitions.

Regarding **water**, the provision of safe drinking water is a state responsibility prescribed in the Fundamental Law of Hungary (2011. April 25, article XX). The law on the tasks of municipalities (2011. CLXXXIX. 13.§), in accordance with the law on public water provision (Water Utility Supply Act, 2011. CCIX.), stipulates that it is a state or municipal responsibility to provide a water supply: 1.§ states that, among those provisions that must be locally secured, local municipalities are responsible for providing safe drinking water.

The law on the tasks of municipalities (2011. CLXXXIX. 13.§), in accordance with the law on public water provision (Water Utility Supply Act, 2011. CCIX.), stipulates that it is a state or municipal responsibility to provide **sanitation**, but essential services are not defined in this case. The Act on Water Management (1995. LVII.) states that municipalities are responsible for ensuring sewerage for settlements or agglomerations with a population of more than 2,000, and regardless of population size in other settlements where the law prescribes it (to protect water bases, the quality of sub-surface water, etc.). Moreover, in the case of properties not connected to the public sewerage system, municipalities are responsible for organising the collection and monitoring of household wastewater. Regarding **energy** provision, essential services are not defined.

The definition of essential services in the case of **public transport** can be found in Law 2012. XLI: provided the transport network is technically capable of it, scheduled public transport must be provided in every settlement to facilitate a direct connection between that settlement and the relevant district centre (*járási központ*); a maximum of one transfer to reach the county town and two transfers to reach the capital city; and direct connections between the county towns of neighbouring counties, and between the county towns and the capital city. Provided the infrastructure allows, there should be at least three services in either direction each weekday (and possibly at the weekends as well), by agreement with the municipality. Adequate access should be provided in order to satisfy basic needs regarding commercial services, education and employment, public administration and health services and other activities. In areas with population density lower than the national average, a scattered or remote settlement structure, or if it is justified by the lack of public transport infrastructure, regional or suburban transportation needs can be satisfied partially by demand-driven personal transportation services. These

¹ A number of ministry departments in charge of the related fields provided information for this report; the author is very grateful for their help.

demand-driven services must be especially ensured in periods when people do not go to work or school, at weekends and holidays, to access settlements better provided by public transportation services or to reach public transport hubs where timetabled services are provided.²

In the case of **digital public services**, essential services are not legally defined, but the Digital Welfare Programme aims to provide access – at least at the settlement level – to every citizen.

The regulations regarding financial markets that include **financial services** do not define essential services.

1.2 Definition of “low-income people” used in the context of access to services

Low-income people as such are not defined at all in the context of the delivery of any of the six services under scrutiny. Previous regulations did include the definition of low income, and in spite of the fact that current regulations often include certain segments of the low-income population, there is no direct definition of “low income” in the relevant regulations.

Regarding **water**, legal obligations aimed at the targeted assistance of vulnerable consumers labelled as *protected consumers (védendő felhasználó)*³ are regulated by Government decree 58/2013 88.§: individuals or their household members who receive either *old-age allowance* or *benefit for persons of active age*, those who receive home maintenance support,⁴ nursing fee, who are entitled to the *regular child protection benefit*, who have received home creation support (for three years thereafter), foster parents, or those failing to meet their mortgage-related obligations and thus are tenants of the National Asset Management company. This definition indirectly involves low-income people as well, because some of the benefits have income-related eligibility criteria. *The benefit for persons of active age (aktív korúak ellátása)*, which is in fact a minimum income scheme, is provided to ensure a minimum standard of living for people of active age who are not employed, and whose family has no property and has a monthly income per consumption unit⁵ that does not exceed 90% of the minimum old-age pension (25,650 Hungarian forints (HUF) – €79).⁶ The entitlement is determined on a family basis, with “family” meaning close relatives (spouse, domestic partner, a child under 20 years of age with no independent income; a child under 23 years of age with no independent income and pursuing studies that qualify as full time; a child under 25 years of age with no independent income and pursuing full-time studies at an institution of higher education; irrespective of age, a child who is permanently ill or disabled) residing and registered at the same address. In the case of *old-age allowance (időskorúak járadéka)*, a person is eligible if the monthly income per capita is no higher than HUF 25,650 (€79) in the case of a couple; HUF 30,150 (€93) in the case of a single person below 75 years of age; and HUF 40,700 (€126) in the case of a single person aged over 75. Regular child protection benefit is provided if the monthly income per person in the household does not exceed 135% of the amount of the minimum old-age pension – currently HUF 38,475 (€119) – or 145% (HUF 41,325 – €127) in the case of a single-parent household, a disabled child, or if the child in education has reached the age of 18.⁷

² 28. § (1) and (2).

³ 2 § of the 2011. CCIX. law defines the concept of protected consumers and consumers living with disabilities.

⁴ As a national provision it was abolished in 2015.

⁵ The first adult is 1.0 (+ 0.2, if he/she is a single parent), the spouse or partner is 0.9, the first and second child is 0.8, the third and other children are 0.7, a disabled child is 1.0 (if there are disabled and healthy children, the first healthy child counts 0.8).

⁶ The exchange rate used in this report is HUF 320/€.

⁷ Further details on eligibility conditions are to be found in the MISSOC database, <https://www.missoc.org/missoc-database/comparative-tables/>

Regarding **sanitation**, the situation is the same as for access to water, and it is regulated by the same decrees.

As for **energy**, the regulations both for the provision of electricity (2007. LXXXVI. law) and for the supply of gas (2008. XL. law on gas provision) acknowledge the term *socially eligible protected consumer* (*szociálisan rászoruló védendő fogyasztó*), and it is defined similarly (see above); however, as with water and sewerage, this is linked not to lower tariffs, but to special measures (such as the option to pay in instalments, extended payment, pre-paid meters). Consumers must apply for this status, submitting the documents required for registration, and each year they must reconfirm their eligibility.

State public/social policy measures related to **transportation** are regulated by Government decree 85/2007 (IV. 25.) on public transport benefits. This decree **does not specify low-income people explicitly**, but it does provide public transport allowances/reductions based on other social-policy considerations, which ultimately benefit those in need, on low incomes. The decree provides such allowances for approximately 7.8 million people in Hungary. There are more than 40 kinds of entitlement, which can be grouped into eight broad categories, including reductions based on age (to support the mobility of children and the elderly) and reductions to support the mobility of students or of families travelling together with three or more children; but none of these categories is income based.

Low-income people are not defined for digital public services; however, they are mentioned as a specific target group among those who do not use the internet. Of the four segments identified identified by a study (BellResearch Kft 2017), two contain references to low income as an important factor in non-use: the "equipment" segment (8% of non-users who wish to use the internet are in a very poor financial position and do not possess the necessary equipment or access); and the "chanceless" segment (57% of non-users): these people are disadvantaged across all dimensions (they are older, uneducated, in poor health, with low literacy, in –often deep – poverty, have limited social networks and live alone) and they lack not only the necessary equipment, but also the aspiration to use the internet.

The regulations regarding financial markets that include **financial services** do not define low-income people.

1.3 Measures for facilitating access for low-income people to services

Housing maintenance support – which had income criteria – used to be a general measure that affected the provision of water, sanitation and energy. However, in 2015, housing maintenance support was abolished, along with debt-management services, to be replaced by the so-called *settlement support* (*települési támogatás*), which is no longer regulated by the law on social provision, but is instead provided on the basis of local decrees. Every municipality has to issue its own decree, setting out the criteria for this provision; but these may or may not contain housing-related provisions or related income criteria.

Mózer (2016: 103) analysed the eligibility criteria for being considered "low income" across a sample of local measures, and identified 16 different sets of criteria. A common element was that they were all tied to various levels of the monthly minimum old-age pension (HUF 28,500 – €89); the most frequent version in the case of single-member households was twice the minimum pension, while for households it was 150% of the minimum pension per capita.⁸

There have been a number of analyses on the impact of this reform. All have concluded that, although the total number of recipients did not change, the real value of the

⁸ Even if the applicant meets the income threshold criterion, this never provides him with automatic access to support for essential services, as that is only one of the eligibility criteria in a separate application process prescribed by the given municipality.

provisions has fallen significantly, especially in smaller settlements and in the most disadvantaged areas. The change affected housing-related provisions the most: the number of those receiving such support decreased by 44% (Kopasz and Gábos, 2018). Previous studies on this question also concluded that local provisions target the poorest population segment less and provide less support for them; at the same time, discretionary elements are more abundant and the transparency of the allocation of provisions has often decreased significantly (Mózer, 2016; Kováts, 2015).

1.3.1 Access to water

There are no measures targeted at facilitating access to water for low-income people per se.

Access to water is generally considered universal in Hungary: in 2018, the vast majority of the population had access to public (95%)⁹ or private (3%) centralised systems. The 1–2% of the population without access mostly live in segregated settlement parts (slums, in Hungarian *szegregátumok*) in the inner or outer parts of settlements. In recent years, the focus has shifted towards water quality issues. The problems related to the quality of drinking water and access to mains sewerage are not negligible. These problems – and the related obligations of the European Union – form the focus of development strategies, and public policies (underpinned by immense investment) are devoted to their solution.

In the event of non-payment of water utility bills for more than 60 days, the supply may be limited either in time or in quantity, or consumers may be entirely cut off from the public water utility system – so long as the legally prescribed amount of water can be provided otherwise (e.g. from standpipes (*közkefolyó*)). The Act on Water Management (1995. LVII.) states that municipalities are also responsible for providing a settlement with a public water supply. If there is no public water provision, public standpipes provide drinking water for (among other groups) the vulnerable population without access to public water utilities; bottled water is another solution. Water from public standpipes can be used for household purposes (20 litres per person per day), and must be available within 300 metres. In the case of consumers who are cut off and where a public water utility system is available, 20 litres per person per day must be provided within 150 metres (or in the case of blocks of flats, within a distance of four storeys).¹⁰ If a consumer has the water cut off, the public health authority must be notified; in theory, it may raise an objection, but in practice that does not happen. There is some debate (since the law is unclear) about whether municipalities are obliged to provide drinking water in areas outside the settlement limits (*külterület*) and whether – provided the other household water needs can be secured from other sources (e.g. a well) – the municipality can meet its obligations by providing three litres per person a day, based on Government decree 201/2001. This is a fairly common occurrence.

*Protected consumers*¹¹ are eligible for help with payment (payment in instalments, payment deferrals), and disabled consumers are eligible for special treatment and information when it comes to reading the meter and making payments, according to their needs. Protected consumers must be notified about the support available and the eligibility conditions. Neither the principle nor the practice of tariff setting includes differentiated social aspects to address affordability: issues of affordability and equity gaps fall outside the scope of both national and regional regulation, and the service providers lack legal liability (UNECE, 2016).

For those without access to public water utilities, there are no targeted programmes. It would seem essential to prevent the closure of public standpipes by providing adequate funding: their closure due to financial difficulties of the municipalities was identified as

⁹ http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_zrk001.html

¹⁰ Government decree 58/2013.

¹¹ For the definition, see Section 1.2.

one of the reasons behind adverse trends in access to water (the Office of the Commissioner for Fundamental Rights has dealt with a number of such cases). Recently there has been a tendency for poor people to move out to the edges of towns, where there are lots of garden-plots; thus, in certain areas, slums are being created, where the municipalities have even fewer obligations to provide water (Szilágyi, 2016).

The Rural Development Programme and the *Farm Programme* offer funding to install an individual water supply or wastewater treatment in areas without a public supply. The programmes, however, do not reach the most deprived, marginalised population groups. Access by these groups is not covered by official statistical data, and their support mostly depends on the potential and activity of non-governmental organisations.

Currently the *Ministry of Innovation and Technology* has a *pilot programme* for settlements in deep poverty, to support the creation of bathrooms in dwellings – and thus connect to the public water and sewerage system. This could be a good direction of travel, as the Office of the Commissioner for Fundamental Rights has also come to the conclusion that disadvantaged households may be able to pay the water fees themselves, but cannot cover the cost of actually connecting to the mains system.

1.3.2 Access to sanitation

Coverage by the sewerage system is lower than coverage by the drinking water system, but by 2018, 81% of households were connected. The number of settlements with at least 100 metres of sewage pipes rose from 854 in 2000 to 2,101 in 2018 – a 2.5-fold increase. In all, 1,054 villages and hamlets do not have mains sewerage; of those, 887 have a population of less than 1,000. In such instances, mains sewerage would not be economical: individual water-management facilities are the solution. In the county with the lowest rate of mains sewerage, 66% of dwellings are connected to it (KSH, 2019).

Household consumers cannot be cut off from the sewerage system.

Wherever there is a sewerage system, there is a legal obligation to connect to it. That stipulation may enhance the access of low-income people, but it is a problem that although some elements of connection have been made free of charge, the final cost may still run to hundreds of thousands of forints. The aforementioned pilot programme of the *Ministry of Innovation and Technology* for settlements in deep poverty concerns access to the sewerage system, as well; however, the programme has so far only affected a very small number of households.

1.3.3 Access to energy

There is a public electrical grid in all Hungarian settlements. In 2018, 91% of the 5,623,000 consumers of electricity were households; this number has increased by 1.1% over the preceding year, mostly by extending the system to the outskirts of towns and to the holiday homes and gardens with small buildings situated there. In 2018, 91% of settlements (2,877) had mains gas. Across the country, people use gas in 73% of dwellings, though there are significant regional variations (ranging from 45.5% in Tolna county to 83.8% in Pest county). The coverage of mains gas is also linked to the proportion of dwellings that use district heating: where teleheating is more widespread, gas is used less: 87% of gas consumers use gas for heating as well. District heating is used in 95 settlements, in 651,000 flats (15% of all flats) (KSH, 2019).

The national regulations governing the price of electricity and gas contain both a *reduced price element* (based on social and energy-saving considerations) for consumption of up to 1,320 kWh/year and 1,200 m³/year, respectively, and another household consumer category without any reduction (see decrees 4/2011 (I. 31.) and 67/2016 (XII. 29.) of the Ministry for National Development). Linked to that, there is a further measure to

support households *based on the number of children*, securing bigger gas consumption for them at reduced cost (Government decree 494/2017 (XII. 29.)).¹²

To help *all* household consumers, in recent years the government has introduced various individual measures that have universally and gradually reduced the cost of electricity, gas and district heating (law 2013. LIV. on the implementation of *utility price cuts*); this has resulted in prices 25% lower than in 2012. An additional measure (the so-called *winter utility price cut (téli rezsicsökkentés)*) was introduced in spring 2018; under it, all gas and district heating household consumers are reimbursed HUF 12,000 (€37.50) (Government decrees 37/2018 (III. 8.) and 39/2018 (III. 12.)).

In September 2019, all pensioners and certain categories of social provision recipients (e.g. those receiving orphan's allowance, parental pension, disability benefit, work accident annuity)¹³ were provided with a "*utility voucher*" (*rezsitalvány*) for HUF 9,000 (€28), which could be used to pay their energy bills (Government decree 202/2019 (VIII. 23.)) up until 31 March 2020. It should be noted, however, that those in receipt of income-related benefits – e.g. the *benefit for persons of active age (aktív korúak ellátása)* – were not targeted.

The *socially eligible protected consumers (szociálisan rászoruló védendő fogyasztó)* are offered the various options of paying by instalment, extended payment and pre-paid meters. Consumers must apply by submitting the documents required for registration, and each year they must reconfirm their eligibility. Consumers in arrears must be informed of the possibilities open to them to maintain their access to services. They must be notified about the support available and the eligibility conditions.

While these measures may reach a certain proportion of low-income, highly vulnerable population groups, they do not target those groups explicitly. This is especially true of the universal utility price cuts, which do more to help those who are better off and thus have higher energy consumption. As mentioned in the introduction to this section, the *settlement support* has become less accessible and less substantial in those municipalities with more vulnerable populations.

As a high proportion of those who live in poverty or are at risk of social exclusion use wood and coal for heating, certain additional measures exist to support them: the government provides funds for municipalities to purchase *wood and coal (tűzifa támogatás)*; this has become a significant measure since its launch in 2011, and the amounts have increased. Independently of this central programme, municipalities may also provide such support for those in need.

1.3.4 Access to public transport

On long-distance public transport (national, regional and suburban) the following social-policy-based reduced fare structure exists:¹⁴ 90% reduction for season tickets, 50% or 90% reduction for single tickets, and free travel. On local (settlement-level) public transport, the following social-policy-based reduced fares exist: discounted season tickets and free travel. Unlike in the case of longer-distance travel, the state regulates local season tickets not by specifying a percentage reduction in the price of the season ticket, but by fixing the actual price, based on the regulations of Government decree 121/2012 (VI. 26.).

There are also *municipal-level public transport fare reductions* on local public transport, which vary from city to city; thus the local municipalities may provide bigger reductions than the government prescribes – but they have to cover the extra shortfall in the revenue of the service providers. Students generally pay 35–55% of the local season

¹² In the case of three children, 61,560 megajoules (MJ) in a calendar year; there is an additional 10,250 MJ per child per year from the fourth child.

¹³ For a comprehensive list of provisions, see <https://net.jogtar.hu/jogszabaly?docid=a1900202.kor>

¹⁴ E.g. the reduced fare based on disability or travelling with three or more children, etc.

tickets, with the remainder covered by the state and the municipalities. The share paid by the municipalities varies from about 6% to 40%, but is generally 20–35%.

Business travel allowances seek to involve new consumer groups, increase travel frequency and use this promotion potential for business communication. Thus, the 1.9 million Hungarians (20% of the population) not entitled to fare reductions may cut their public transport costs temporarily in this way, on the basis of a contract with the state and the service providers. They or the ministry in charge can initiate such reductions. One example of how this measure can promote access for those in need is described below.

Since 2015, the municipality of Záhony has been purchasing gift vouchers from the state railway company – MÁV-START Ltd. – to offer an incentive for those from the town who work or study far away to return home. The service provider gives the city a 15% discount on the vouchers, and the local authority offers a further 10% discount; thus those in need can get a 25% discount on fares.

1.3.5 Access to digital public services

Some 79% of the Hungarian adult population uses the internet on a daily basis. Within the framework of the Digital Welfare Programme, there is a coordinated package of measures that also affect low-income people: VAT on internet services was cut to 5% as of 2018, and the Digital Welfare Basic Package was introduced (Government decree 1189/2017 (IV.10.)) to offer low-priced cable internet service packages to those who cannot afford the prices currently available. The new package should be at least 15% cheaper than the provider's regular subscription with similar content. This measure – together with the VAT reduction – can save users 30–35%. However, in practice there are no income-related criteria for the package: the only stipulation is that the subscriber (or his/her close family members) must not have had an internet connection at their household address in the 12 months prior to the subscription. For those who cannot afford even that, the government is aiming to ensure free Wi-Fi access in all Hungarian settlements, so that people without their own private access can connect where they live, or within 30 km.

There is now Wi-Fi in all settlements – in at least one public building and a public space. Some 1,500 Digital Welfare Points have already been created and strengthened by a mentoring network in small settlements – these digital access points must be open for at least 20 hours a week, providing at least 30 mbps bandwidth and equipped with at least three laptops, two tablets, two phones, a multi-function printer, router, and external and internal Wi-Fi access. Training programmes are key to helping social groups in an economically disadvantaged position (no further definition of these groups is available) catch up, by improving their digital skills so as to enhance their economic competitiveness and employability.

1.4 Access to financial services (Directive 2014/92/EU)

So as to comply with Directive 2014/92/EU, a Government decree (262/2016) came into effect on 18 September 2016 *on access to a basic account, the characteristics and fees regarding the basic account (alapszámla)*. This obliges credit institutions to let anyone – assuming they meet certain criteria – open a basic bank account. A basic account is an account that provides limited services to people who otherwise could not utilise banking services on market terms. Banks are obliged to open a basic account for anyone, regardless of monthly income – and even if they have no permanent address (although those people already with an active bank account are not entitled to open a basic account). The only grounds for denying them is strong suspicion of terrorism or money laundering.

It is forbidden to link the opening of a basic account to the purchase of any other product or service, and so it can be claimed by anyone with legal residence in Hungary. The

account is very simple: the main features are that the client can make four transfers/group credit instructions per month, totalling up to HUF 100,000 (€312); and may withdraw money either twice a month from an ATM, up to a total of HUF 150,000 (€468), or once a month in a bank, up to HUF 50,000 (€156). The banks cannot limit any additional transactions (except there is a maximum daily withdrawal limit), but the fees for such additional transactions are determined by the banks' schedule of charges. It is also stipulated that the bank cannot charge for card payments in HUF, for depositing cash in HUF, or for recovery orders for the account. The basic fee for the account cannot exceed 1.5% of the minimum wage in effect on the last day of the previous calendar year; and as the services of this account are limited, no line of credit may be linked to it.

There is no information on how this measure has increased the access of disadvantaged groups. Bank accounts with similar conditions are accessible at significantly lower cost if, for example, someone has a decent salary paid regularly into an account (which is not the target group, of course). The law prescribes that the bank should provide the option of withdrawing HUF 50,000 (€156) in cash, which significantly increases the cost (monthly basic fee) of the basic account. Without that option, there are significantly cheaper products on the market.

A survey indicates that 87.3% of the population has not even heard of the basic account (Government of Hungary, 2018). Even a 2016 report by the State Audit Office of Hungary highlighted the fact that "most organisations, using significant public funds, targeting the improvement of financial literacy do not focus on adult groups most in need of it (e.g. those on low income, the unemployed). Moreover, most of such programmes are financed by the participants so those in low-income categories cannot utilise these opportunities. Thus, training for adults reaches only a tiny fraction of those in need" (Állami Számvevőszék, 2016: 44).

2 National/subnational policy frameworks and reforms

2.1 National/subnational policy frameworks

The **National Social Inclusion Strategy** (2011–20) refers to the need to guarantee access by the Roma and other vulnerable population groups to basic public services (p.9), but it provides no further details. Access to public services is mentioned in very general terms. Most often it refers (sometimes implicitly) to basic social services or to the provision of some essential public services. As far as the focus of this report is concerned, the access mentioned is linked to housing-related issues.

Page 170 of the **National Regional Development Concept**¹⁵ highlights the importance of “access to water, energy, channels of info-communication and transport networks”, with special reference to the developmental needs of the peripheral regions, very small villages and farms. It also refers to the importance of taking account of the environmental aspects of the management of wastewater and sewage, but it does not refer to the problem of access by disadvantaged (let alone low-income) population groups.

Several strategies address some aspects of equitable **access to water and sanitation**. However, mechanisms for cooperation and the coordinated implementation of the strategies are not in place, and this hinders the simultaneous enforcement of all aspects. In the National Water Strategy (the Kvassay Jenő Plan)¹⁶ – a framework strategy up to 2030 – some of the aims are to provide affordable, quality public water utilities for everyone.

As for **energy**, there is currently no comprehensive state programme for the social targeting of people with problems related to energy poverty (Bajomi and Feldmár, 2019). Among various horizontal issues, the National Energy Strategy mentions the problem of energy poverty and suggests that “social benefits targeting the elimination of energy poverty should be allocated on a needs basis”.¹⁷ It also refers to the importance of generally low energy prices and, in addition, differentiated tariff systems (not yet realised).

Regarding **public transport**, we are not aware of any such policy framework.

As for **digital communication services**, the Digital Welfare Programme launched in 2015 (Government resolution 2012/2015 (XII. 29.)) was further extended in 2017 to support digitalisation in almost every area of development. To promote access to digital communication services, the programme seeks to tackle both material and cognitive obstacles, including information campaigns on the importance of digital literacy, and to promote access by those for whom the internet is unaffordable.

Regarding **financial services**, we are not aware of any such policy framework.

2.2 Ongoing or announced reforms

Regarding **access to water and sanitation**, a complex alleviation strategy has been formulated for households that live in a neighbourhood with a supply, but that do not have access. The *complex slum rehabilitation* programme (TÁMOP-5.3.6-11/1), linked to the action plan of the National Social Inclusion Strategy, contains elements of community development, education, employment and health, and it also aims to improve the level of

¹⁵ Nemzeti Fejlesztés [National Development] – an annex to Parliamentary Decree 1/2014 (I.3.): http://www.terport.hu/webfm_send/4616

¹⁶ Kvassay Jenő Terv, Nemzeti Víz Stratégia [Kvassay Jenő Plan, National Water Strategy]: <https://www.vizugy.hu/vizstrategia/documents/997966DE-9F6F-4624-91C5-3336153778D9/Nemzeti-Vizstrategia.pdf>

¹⁷ The National Energy Strategy, pp.97–98: <https://2010-2014.kormany.hu/download/7/d7/70000/Hungarian%20Energy%20Strategy%202030.pdf>

housing for those living in slum-like settings. A mandatory element of the programme is the deployment of so-called *stellar points*, where social and sanitary services are provided (primarily appliances for personal hygiene and washing) for segregated people – this programme has been realised in 55 settlements but is to be continued.

Regarding **access to energy**, several measures in the framework of the National Social Inclusion Strategy are being implemented within the framework of slum rehabilitation, where Roma people are greatly affected.

As for **digital services**, a number of measures planned in the framework strategy are being implemented, providing internet access in various public locations, and training programmes for specific non-user groups.

In terms of **financial services**, we are not aware of any such planned reforms.

A package to help cover the expense of **connecting to public utility networks** (water, sewerage, electricity and gas) should be created for low-income households, providing not only financial but also administrative support.

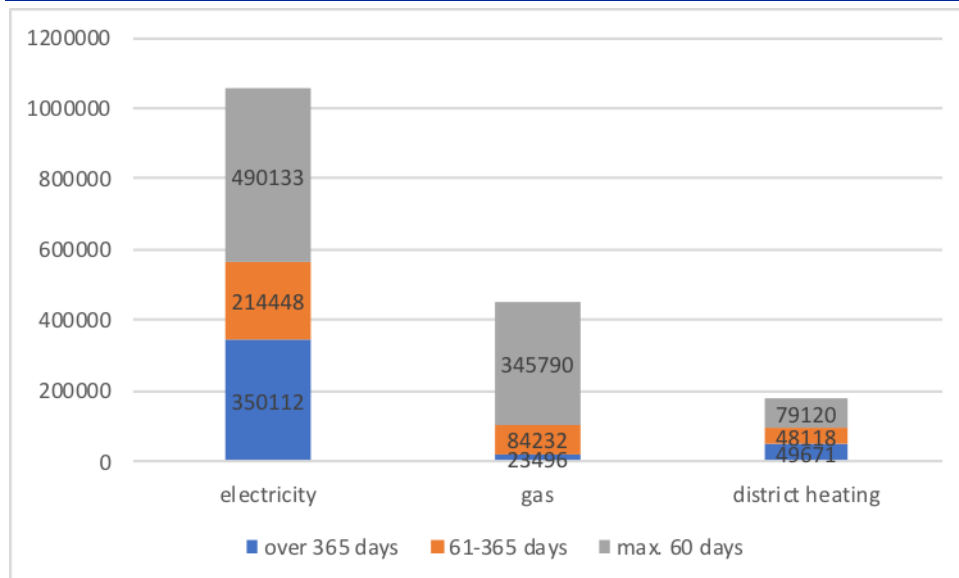
Debt-management services should be made more accessible, together with other measures that respond specifically to the problems of access by low-income people.

3 A focus on access to energy

Regarding the *barriers that low-income people face* in accessing energy-related services, some of the problems are rooted in the lack of infrastructure: although the coverage of the electricity network is quite comprehensive, that is less the case with gas, which is lacking most in rural areas. Between 1990 and 2017, energy prices increase 29-fold, whereas average consumer prices increased 12-fold in the same period, and nominal wages 17-fold.¹⁸

A major problem closely related to access and cost is indebtedness: in 2017, 16.2% of households had utility arrears (Bajomi and Pinkasz, 2019). Significant numbers of people are disconnected from both electricity and gas due to their inability to pay (this can be done after 60 days of arrears) (Figure 1), and there are no satisfactory measures to support them to manage/repay their debts. In 2017, 98,272 households were cut off at their own request, due to their inability to pay. In the case of gas, 32,683 were cut off, 12,166 are protected consumers and 14,645 have pre-paid meters. In the case of electricity, 18,173 were cut off, 32,817 are protected consumers and 94,779 have pre-paid meters. In the case of district heating, 6,061 were cut off (Bajomi and Pinkasz, 2019).

Figure 1: Number of households in arrears, by service type and length of indebtedness, 31 December 2017



Source: Habitat for Humanity (2019).

Some 74% of the energy consumption of households goes on heating,¹⁹ while 80% of the housing stock fails to meet modern, functional expectations; a significant proportion of the energy could be saved or used more efficiently.²⁰ Measures to tackle this problem are least accessible for households that have the greatest difficulties and the fewest resources (Bajomi and Feldmár, 2019).

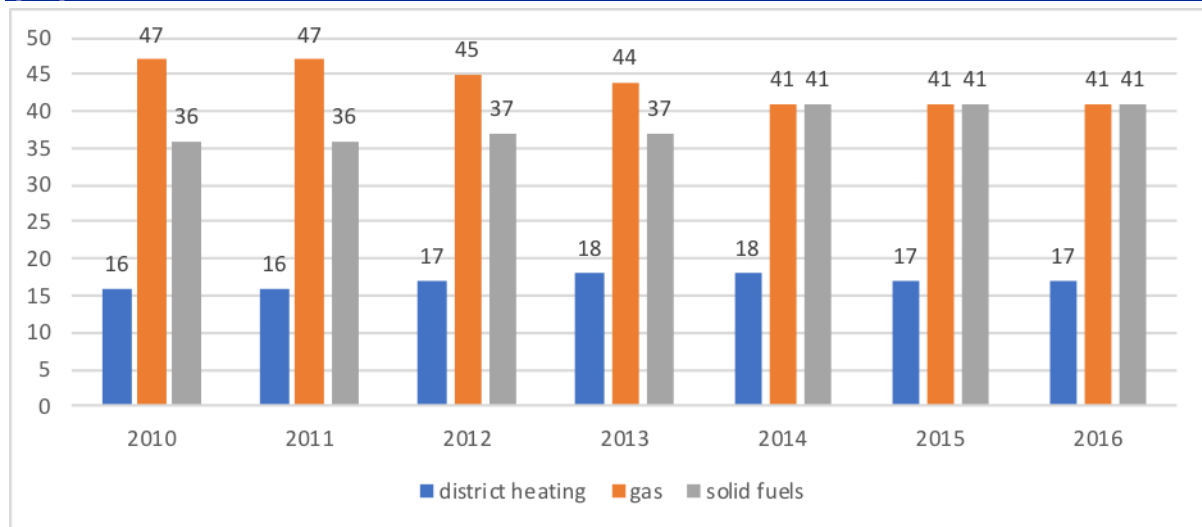
Another problem that exacerbates the situation of low-income households is that in recent years the share of solid fuels has significantly increased (see Figure 2).

¹⁸ http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpt007.html and http://www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/h_qsf001.html

¹⁹ http://www.mekh.hu/download/5/ef/40000/8_haztartasok_felhasznalasa_eves_2015_2016.xlsx

²⁰ Magyarország Nemzeti Energiahatékonysági Cselekvési Terve 2020-ig [The National Energy Efficiency Action Plan of Hungary until 2020]: https://www.kormany.hu/download/1/25/80000/IIIINemzeti%20Energiahat%C3%A9konys%C3%A1gi%20Cselekv%C3%A9si%20Terv_HU.PDF

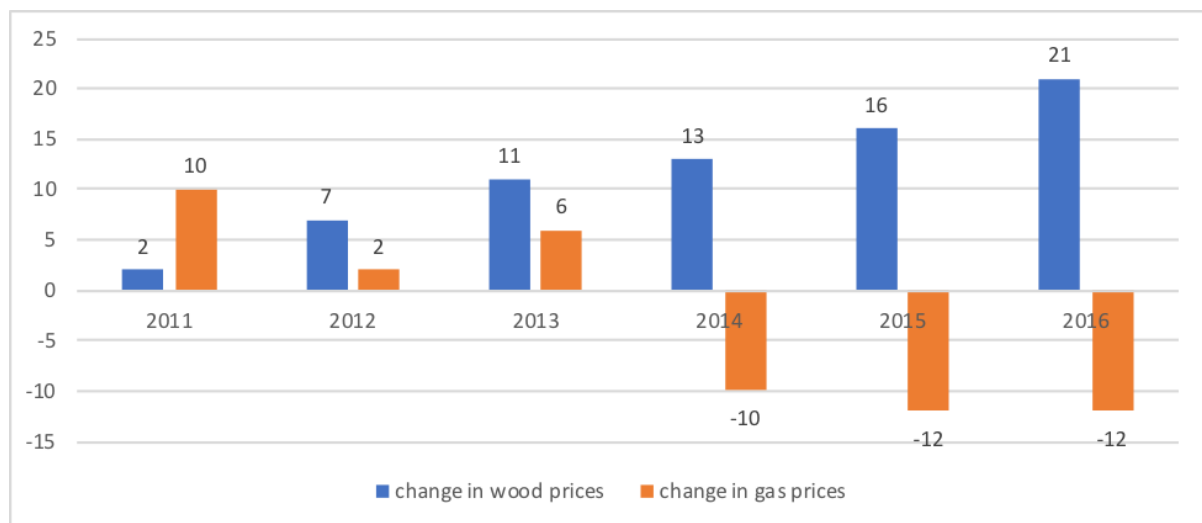
Figure 2: Energy use of the population, by share of energy type, 2010–2016 (%)



Source: KSH, http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zhc019c.html?down=1200

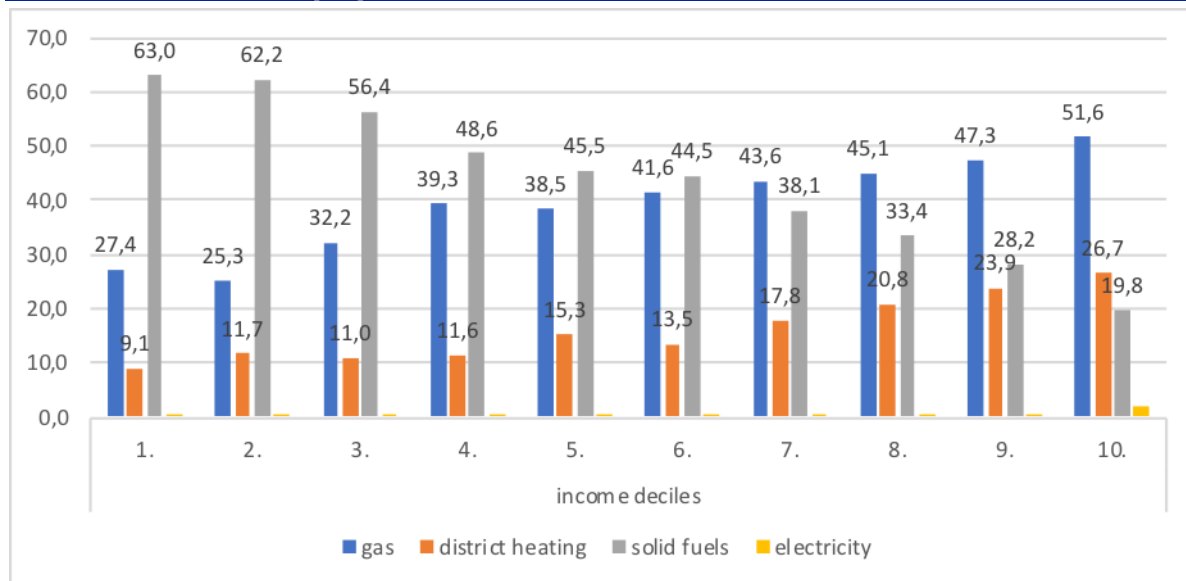
At the same time, the price of wood has steadily increased, while the price of other energy sources first decreased and then stagnated (Figure 3).

Figure 3: Change in energy prices as compared to 2010, by type of energy source, 2011–2016 (percentage points)



Source: KSH, http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qsf003a.html?down=642.4000244140625

As a significantly higher proportion of poor households use wood for heating (63%, compared to less than 20% of households in the highest decile), the increase in wood prices has affected them more (Figure 4). The lower the income of a household, the higher the chances that it has poor-quality housing and lives in energy poverty; and this is a vicious cycle, as poor-quality dwellings require more energy to heat them.

Figure 4: Distribution of households, by income decile, according to heating method used, 2016 (%)

Source: KSH, http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zhc019a.html

The inequalities in access to services are most pronounced in the case of mains gas, and so poor people have least access to this more modern heating fuel: 45.4% of households in the lowest income decile have mains gas, as opposed to 88.3% of households in the highest income decile;²¹ but not all those people who have mains gas can use it for heating – for example, due to a lack of equipment. Although the *wood and coal support (tűzifa támogatás)* – a provision that aids the needy in accessing solid fuels – has helped a number of households in need, it is a fact that people in more deprived settlements receive less support than people in more affluent areas. Municipalities with a population of more than 5,000 are not eligible for this provision, and funds are distributed not on the basis of need, but according to the average number of public works participants²² and the share of the population aged over 80; meanwhile it disregards factors such as the share of those who heat with wood or coal. This in-kind provision is regulated by the municipalities' own local decrees, which may vary greatly in terms of the (often discretionary) eligibility criteria, although they must favour socially needy households (Bajomi, 2018).

As mentioned earlier, in Section 1.3, the abolition of the central normative housing maintenance support and debt-management services, and the introduction of the municipality-based settlement support (possibly including housing subsidies) means that a number of people now receive less support than before (Kopasz and Gábos, 2018; Mózer, 2016; Kováts, 2015), but accurate estimates are not available. The new system also seems to have widened the differences between municipalities regarding eligibility conditions and availability of provisions and services. It is especially painful regarding debt-management services, as their provision used to be compulsory – at least in bigger settlements.

One positive trend is that the number of pre-paid meters is increasing, but this is only an option where there is access to the network (either gas or electricity) – if one cannot pay

²¹ http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zhc019a.html?down=1200

²² The public works scheme has been the most important employment scheme for vulnerable people in Hungary since 2010. Unemployment benefits are linked to the acceptance of employment opportunities, and if there are no employment opportunities, one is obliged to join the public works scheme or else lose entitlement to the benefit for people of active age (a minimum income). However, use of the number of people engaged in public works in the regulation as an index of the vulnerability of a settlement may be questioned.

to be connected, it is not an option. The administrative aspect of connecting to the system also causes problems, but we have no information on the scale of these.

The *Roma* are over-represented among households living in deep poverty. A significant number of them also live in segregated settlement parts (slums), where the quality of the dwelling and the energy efficiency of appliances are especially low. Often, there is no access to electricity in these dwellings because of arrears. As gas is not linked to these houses, firewood is the only heating option, and that is more expensive than gas.

The poorer a household, the bigger the share of its income that goes on utilities. The dwellings of poor people tend to have much worse energy efficiency: it costs 4.5 times more to heat one square metre in a so-called "square house" (so called because its floor-plan is essentially square) built before 1945 – a type typically inhabited by poorer households – than in a newly built dwelling where well-off people live on a residential estate. The fact that the poorer household spends more on heating the home means that it has less to spend on other things, including such essentials as health care or home maintenance. Some 62% of the two lowest income deciles use wood for heating. As some (mostly poor) households do not have enough wood to heat the home, they burn anything they can, thus damaging the air quality (and posing a significant health risk during the heating season).²³ Yet heating with wood could be sustainable, energy efficient and environmentally friendly, provided proper devices and materials are used. Measures targeted at the housing quality and energy efficiency of low-income groups could have significant benefits; but currently low-income groups cannot access those provisions (Habitat for Humanity, 2019). This also results in indebtedness: in 2015, 15% of the total population had arrears and debts (mortgage, rent, utility bills); however, the figure was 36% in the lowest two income deciles, but only 4% in the most affluent decile (Hegedüs and Somogyi, 2018: 19).

Together with mortgage and credit-related problems, inability to pay utility bills is a major source of indebtedness. This leads poor people easily into a debt-trap and to loss of their home. In a segregated part of Bag (a village 40 km from Budapest), a local survey of households was conducted. It concluded that almost every second household owes money, often to multiple service providers. A significant part of this overall huge debt problem stems from overdue payments, related fines and interest. The people affected try to cover the debts by taking out loans, which they can only get on terms that are significantly worse than for better-off people. If they work, half of their salary (or if they have dependent children – 33%) is automatically deducted to pay off the debts; this reduces their motivation to work legally. If their electric supply is cut off, they often gain access illegally; not only is this very dangerous, but if they are found out it could involve significant fines or even a prison sentence (Albert, 2018).

The EU Horizon 2020-funded STEP-IN - Using Living Labs to roll out Sustainable Strategies for Energy Poor Individuals has a Hungarian rural pilot site in deprived North-Eastern Hungary. In its interim report, which drew on a baseline survey (N=305), the project highlighted several unique challenges – partly country specific and partly local area specific. These are briefly described below.

In some households, especially in segregated areas, there is no access to electricity because of arrears. The cooperation of the utility company is essential in order to provide safe and legal access to energy. The arrears need to be managed: as municipalities are not obliged to help with this, NGOs may step in. During the winter period, air pollution is very bad in this area, because some households use waste and rubbish to heat. This is a serious problem from an environmental perspective, but it also affects the health of the household and the wider area, and damages the heating system. In areas where mains gas is not available, households may use bottled gas to heat water and for cooking; but for heating, they have to use firewood (other heating methods are not used). The survey reinforces some of the statements above regarding the lack of necessary equipment, the increased price of wood and housing quality problems:

²³ <https://mno.hu/belfold/hazank-riaszto-merteku-ketteosztottsagarol-mesel-orszagszerte-a-tuzifa-2433414>

“Fireplaces and tiled-stoves are the most common heating methods in these dwellings, but these are much harder to control. The price of firewood is not frozen, and the proper storage of firewood could also be challenging. Based on 93 home visits, our study found that 11% of households did not have any problems with the dwelling, but around 35% indicated three or more problems. Some 16% of households had to cut back on medicines in order to pay the energy bills. Only 26% of households had a low risk of energy vulnerability.”

The baseline survey went on to identify the three most vulnerable target groups: pensioners living alone, households with three or more children, and ethnic minority people living in segregated districts (slums).

“People were very disappointed about policies linked to energy subsidies: 75% said that the state should do more to support households that cannot pay for energy, and 11% said that existing social support measures were not adequate. Some 16% of households get some kind of social subsidy from the local authorities in order to cover their energy costs. However, 60% of them still felt that the state should do more to handle this problem. Energy companies were also evaluated negatively. Only 9% of the respondents said that low-income consumers were treated fairly by them.” (Kmetty, 2019: 7–10)

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Annex

Table A1: Essential service – Water

1) Definition of “low income” used in the context of the delivery of the service in the country:²⁴

Low income is not defined, only the “protected consumer” is defined by Government decree 58/2013. 88/B § (1): individuals or their household members who receive either old-age benefit, or benefit for those of active age; those who receive home maintenance support, nursing fee; who are entitled to the regular child protection benefit; who have received home creation support (for three years afterwards); foster parents; or those failing to meet their mortgage-related obligations and thus are tenants of the National Asset Management company.

2) Measures aimed at facilitating access for low-income people to water (for hygiene purposes, to cook...) in the country:

	National (*)	Subnational	
		Regional (only if <i>no</i> for national) (**)	Local (only if <i>no</i> for national) (**)
Reduced tariffs	No	No	No
Cash benefits	No	No	Yes-few
In-kind benefits	No	No	Yes-few
Advice/training or information services	No	No	No
Provision of a basic/uninterrupted supply	No	No	No

(*) For each measure: Does the measure exist in the country at national level (“Yes”/“No”)?

(**) **Only** if the measure does not exist at national level **and** if the service is organised at subnational level: Does the measure exist at regional level (Yes in all regions; Yes in most regions; Yes but only in a few regions; No)? And at local level (Yes in all local entities; Yes in most local entities; Yes but only in a few local entities; No)? Important: if a measure exists as a **general social support measure**, not specifically aimed at facilitating access for low-income people, the answer is “No”.

²⁴ **National definition** used in this context (most frequently used definition if there is more than one definition). **Only if** there is no national definition **and if** the service is organised at subnational level, most common definition used in this context at regional (if any) or local (if any) level.

Table A2: Essential service – Sanitation

1) Definition of “low income” used in the context of the delivery of the service in the country:²⁵

Low income is not defined, only the “protected consumer” is defined by Government decree 58/2013. 88/B § (1): individuals or their household members who receive either old-age benefit, or benefit for those of active age; those who receive home maintenance support, nursing fee; who are entitled to the regular child protection benefit; who have received home creation support (for three years afterwards); foster parents; or those failing to meet their mortgage-related obligations and thus are tenants of the National Asset Management company.

2) Measures aimed at facilitating access for low-income people to sanitation (i.e. systems for taking dirty water and other waste products away from dwellings in order to protect people’s health) in the country:

	National (*)	Subnational	
		Regional (only if <i>no</i> for national) (**)	Local (only if <i>no</i> for national) (**)
Reduced tariffs	No	No	No
Cash benefits	No	No	Yes-few
In-kind benefits	No	No	Yes-few
Advice/training or information services	No	No	No

(*) For each measure: Does the measure exist in the country at national level (“Yes”/“No”)?

(**) **Only** if the measure does not exist at national level **and** if the service is organised at subnational level: Does the measure exist at regional level (Yes in all regions; Yes in most regions; Yes but only in a few regions; No)? And at local level (Yes in all local entities; Yes in most local entities; Yes but only in a few local entities; No)? Important: if a measure exists as a **general social support measure**, not specifically aimed at facilitating access for low-income people, the answer is “No”.

²⁵ **National definition** used in this context (most frequently used definition if there is more than one definition). **Only if** there is no national definition **and if** the service is organised at subnational level, most common definition used in this context at regional (if any) or local (if any) level.

Table A3: Essential service – Energy

1) Definition of “low income” used in the context of the delivery of the service in the country:²⁶

Low income is not defined. The regulations both for the provision of electricity (2007. LXXXVI. law) and for the supply of gas (2008. XL. law on gas provision) acknowledge the term *socially eligible protected consumer (szociálisan rászoruló védendő fogyasztó)*.

2) Measures aimed at facilitating access for low-income people to energy (to light dwellings, heat or cool dwellings, use home appliances) in the country: None of these measures are directly aimed at low-income people, only indirectly, or they are inclusive measures, so low-income people are affected as well.

	National (*)	Subnational	
		Regional (only if <i>no</i> for national) (**)	Local (only if <i>no</i> for national) (**)
Reduced tariffs	No	No	No
Cash benefits	No	No	Yes-few
In-kind benefits	No	No	Yes- few
Advice/training or information services	No	No	Yes- few
Provision of a basic/uninterrupted supply	No	No	No

(*) For each measure: Does the measure exist in the country at national level (“Yes”/“No”)?

(**) **Only** if the measure does not exist at national level **and** if the service is organised at subnational level: Does the measure exist at regional level (Yes in all regions; Yes in most regions; Yes but only in a few regions; No)? And at local level (Yes in all local entities; Yes in most local entities; Yes but only in a few local entities; No)? Important: if a measure exists as a **general social support measure**, not specifically aimed at facilitating access for low-income people, the answer is “No”.

²⁶ **National definition** used in this context (most frequently used definition if there is more than one definition). **Only if** there is no national definition **and if** the service is organised at subnational level, most common definition used in this context at regional (if any) or local (if any) level.

Table A4: Essential service – Public transport

1) Definition of “low income” used in the context of the delivery of the service in the country:²⁷

There is no such definition. There are a number of measures from which low-income people may profit, but none is explicitly targeted at them.

2) Measures aimed at facilitating access for low-income people to public transport in the country:

There are a number of measures from which low-income people may profit, but none is explicitly targeted at them.

	National (*)	Subnational	
		Regional (only if <i>no</i> for national) (**)	Local (only if <i>no</i> for national) (**)
Reduced tariffs	No	No	No
Cash benefits	No	No	No
In-kind benefits	No	No	No
Advice/training or information services	No	No	No

(*) For each measure: Does the measure exist in the country at national level (“Yes”/“No”)?

(**) **Only** if the measure does not exist at national level **and** if the service is organised at subnational level: Does the measure exist at regional level (Yes in all regions; Yes in most regions; Yes but only in a few regions; No)? And at local level (Yes in all local entities; Yes in most local entities; Yes but only in a few local entities; No)? Important: if a measure exists as a **general social support measure**, not specifically aimed at facilitating access for low-income people, the answer is “No”.

²⁷ **National definition** used in this context (most frequently used definition if there is more than one definition). **Only if** there is no national definition **and if** the service is organised at subnational level, most common definition used in this context at regional (if any) or local (if any) level.

Table A5: Essential service – Digital public services

1) Definition of “low income” used in the context of the delivery of the service in the country:²⁸

“Low income” is not defined.

2) Measures aimed at facilitating access for low-income people to digital public services (e.g. digital post, digital fiscal services, digital social security services, digital health care appointments...) in the country:

	National (*)	Subnational	
		Regional (only if <i>no</i> for national) (**)	Local (only if <i>no</i> for national) (**)
Reduced tariffs	Yes		
Cash benefits	No	No	No
In-kind benefits	No	No	No
Advice/training or information services	Yes		
Provision of a basic/uninterrupted supply	No	No	No

(*) For each measure: Does the measure exist in the country at national level (“Yes”/“No”)?

(**) **Only** if the measure does not exist at national level **and** if the service is organised at subnational level: Does the measure exist at regional level (Yes in all regions; Yes in most regions; Yes but only in a few regions; No)? And at local level (Yes in all local entities; Yes in most local entities; Yes but only in a few local entities; No)? Important: if a measure exists as a **general social support measure**, not specifically aimed at facilitating access for low-income people, the answer is “No”.

²⁸ **National definition** used in this context (most frequently used definition if there is more than one definition). **Only if** there is no national definition **and if** the service is organised at subnational level, most common definition used in this context at regional (if any) or local (if any) level.

Table B1: Essential services – Summary table

- 1) Measures aimed at facilitating access for low-income people to the different services that exist at national, regional and/or local level in the country
- 2) Broader policy framework under which all or some of these measures are organised in the country
- 3) Ongoing or announced reforms of the measures and/or related frameworks aimed at (further) enhancing effective access to the service for low-income people in the country

	1. Measures (NAT, SUBNAT, BOTH, NONE) (*)	2. Policy framework (**)		3. Ongoing or planned reforms (Yes/No)
		National (Yes/No)	Subnational (Yes/No)	
Access to water	SUBNAT	No	Yes	Yes
Access to sanitation	SUBNAT	No	Yes	Yes
Access to energy	SUBNAT	No	Yes	Yes
Access to public transport	NONE	No	No	No
Access to digital public services	NAT	Yes	No	Yes
Access to basic financial services (***)	Not applicable	No	No	No

(*) This column summarises the response provided in Tables A1-A5 above. "NAT" means that all the measures that exist in favour of low-income people are national measures; "SUBNAT" means that there are no national measures but some of/all the measures that exist are subnational measures; BOTH means a mix of NAT and SUBNAT; "NONE" means that there are no measures, be it at national or subnational level.

(**) Is there a broader national policy framework under which all or some of these measures are organised in the country for some of/all the services under scrutiny ("Yes"/"No")? **Only if** there is no such national framework for one service **and if** the service is organised at subnational level: Is there a broader subnational policy framework under which all or some of these measures are organised for this service ("Yes"/"No")?

(***) Open and use payment accounts with basic features (Directive 2014/92/EU).

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