Opinion of the National Economic and Social Council of Hungary on the Recommendation for a COUNCIL RECOMMENDATION on Hungary's 2014 national reform programme and delivering a Council opinion on Hungary's 2014 convergence programme

The National Economic and Social Council of Hungary (NESC) welcomes that the European Commission Recommendation recognizes Hungary's efforts in implementing the country specific recommendations of last year and that the Commission have several constructive recommendations for Hungary that address genuine problems. The NESC, as the highest forum for social consultation in Hungary is of the following opinion regarding the respective recommendations.

1. The NESC agrees with the Commission that the level of public debt in Hungary is high. Nevertheless, the NESC sees that recent policies show the government's commitment to meeting medium-term budgetary objective, increase growth and keeping the general government debt ratio on a downward path. Hungary's Convergence Programme for 2014 states that the medium-term objective will be met in the following years. The government should consider further structural measures by implementing targeted and efficient reductions in the expenditure ratio.

   The NESC also points out that the Commission's forecasts for the structural deficit in Hungary overestimated the deficit in the last years and this year's recommendations exclude additional incomes that are to be expected. The implementation of structural measures therefore is dependable on the level of budgetary income.

   The NESC agrees that strengthening the budgetary strategy to ensure reaching the medium-term objective and broadening the mandatory remit of the Fiscal Council would improve the credibility, transparency, and efficiency of the budgetary framework.

2. The NESC agrees that the high level of private debt requires measures to be taken. Nevertheless, the NESC sees that the root causes and processes are different with regard to household loans and loans in the business sector.

   The NESC sees that the 'Funding for Growth' programme's success is limited. The cause of this limitation is partially the availability of recently launched EU programmes, since borrowers prefer applying for EU funds over the onerous scheme of the programme.

   The causes for problems regarding household loans can be found primarily in the bank sector since the government already made steps in April 2014 by allowing loans to be calculated as expenditure when being repaid. Therefore the NESC expects initiatives not only from the government, but also from the bank sector in order to decrease the level of mortgages. The sector should start such measures by significantly decreasing interest rate margins.

   Large-scale portfolio cleaning is required for corporate loans. If banks are to initiate such process, the NESC recommends the government to support the initiative.

   An important recommendation is that the government should investigate and remove obstacles to portfolio cleaning inter alia by tightening provisioning rules for restructured loans, removing obstacles to collateral foreclosure as well as increasing the speed and efficiency of insolvency proceedings. Nevertheless, such measures should take into consideration that society expects the government to represent the interests of people whose current situation is only partially due to their own doing.

3. The NESC emphasizes the importance of equitable burden sharing in Hungary. With regard to the recommendation of the Commission it notes that the government has already taken measures in restructuring sector-specific taxes, since less distortive consumption taxes and VAT have been introduced to phase out some income taxes.

4. The NESC also deems it important to further stimulate returning to the job market. The NESC recommends the government to meet this goal not by general measures to increase the eligibility timeframe for unemployment benefits, but by targeted and active job market policies and targeted tax and social contribution benefits.

   The NESC agrees that the benefits of the job protection plan should be available to all people concerned. Therefore, in concert with the Commission, it recommends the government to further reinforce its effects on job creation.

   The NESC agrees that further strengthening the activation elements and enhancing the effectiveness in helping people find subsequent employment is of exceptional importance, but it sees the Commission’s expectations unrealistic. The NESC emphasizes that the increase in the number of people involved in the programme correlates with an increase in the number of people returning to the job market.

   The NESC also agrees that the youth mentoring network should be put in place.

5. The NESC welcomes that the Commission calls for continuing the road already taken in fostering market competition, reducing corruption and the overall administrative burden. The NESC expresses its hope that the improving business environment, the increasing investments, and the anti-corruption measures supporting these mark a long-term tendency. The NESC also sees it important to support investments that rely on highly educated labour force and represent high added value.

6. The NESC also sees the need for improving the access to inclusive and quality education for disadvantaged groups, though it deems the use of the word ‘segregation’ unfounded. The NESC also sees the need for inclusive support measures, eg. the obligatory inclusion of Roma history and culture in the National Core Curriculum for secondary education, and developing the network of Roma colleges for tertiary education in order to assist social integration. With regard to the decrease of the leaving age for compulsory education the NESC understands that improving dual education in every field is a crucial task. With regard to education, the NESC welcomes the Commission’s recommendation for further coordination between education institutions and local stakeholders through the Public Employment Service.

7. Regarding the decrease of household energy prices the NESC calls attention to the fact that these measures do not jeopardize cost recovery, but only limits the formerly unrealistic yields based on disadvantageous provider contracts.