

55th EOQ Congress
World Quality Congress
Budapest, Hungary - June 20-23, 2011

"Navigating Global Quality in a New Era"



June 21, 2011 (Tuesday) 55th EOQ Congress

KEMPINSKI HOTEL CORVINUS
BALLROOM

Erzsébet tér 7-8, Budapest V.
Tuesday 9:00 – 10:30

OPENING CEREMONY

9.00 Opening Ceremony

Zoltán Cséfalvay, Minister of State for Economic Strategy, Ministry for National Economy, Hungary
National Plan for Europe 2020 Strategy

Cséfalvay, Zoltán (Hungary)

Zoltán Cséfalvay is Minister of State for Economic Strategy at the Ministry for National Economy since June 2010. Between 2000 and 2002 he was Deputy State Secretary at the Ministry of Economy. He is professor at the Andrásy Gyula University of Budapest and at the Kodolányi János University of Applied Sciences.

He graduated at the Kossuth Lajos University of Debrecen as a history and geography teacher in 1982. He received a PhD in 1986, a C.Sc. (Candidate of Sciences) degree in 1996 and habilitated in 1999 at the same university. He studied at the Ludwig Maximilian University of Munich in 1988. From 1983 to 1990 he was a research fellow at the Institute for Geography of the Hungarian Academy of Sciences. Afterwards he was Head of the Cabinet Office of the Ministry for Industry for two years while became advisor to the President of the Hungarian National Bank in 1992.

Zoltán Cséfalvay received a Humboldt Fellowship at the Department of Geography, University of Heidelberg between 1995 and 1997.



MINISTRY
FOR NATIONAL ECONOMY

National Reform Programme

STATE SECRETARY FOR ECONOMIC STRATEGY



MINISTRY
FOR NATIONAL ECONOMY

Presentation overview

National Reform Programme of Hungary

Measures to sustainably reduce
public expenditure and debt

Building better business
environment in Hungary

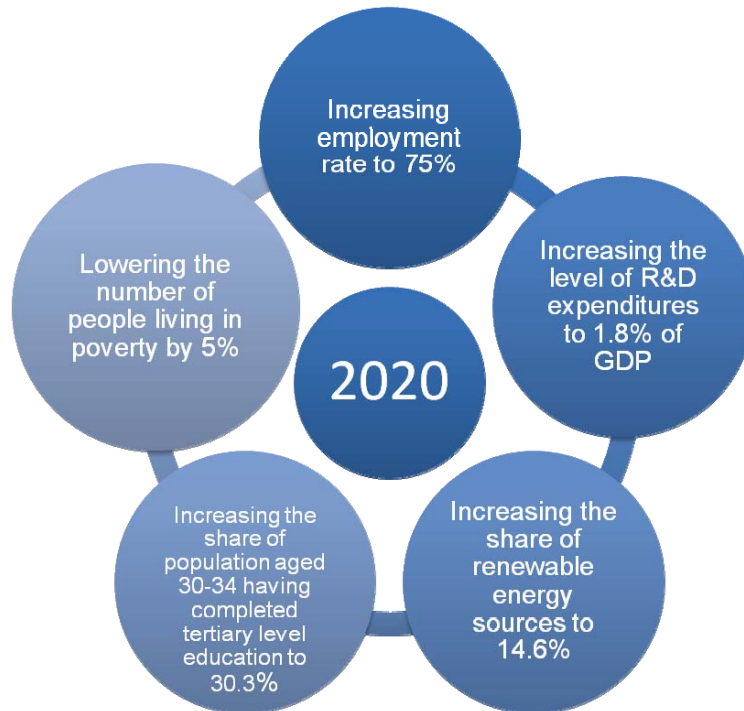
Structural reforms to enhance
the economic growth



EU2020 national targets

STATE SECRETARY FOR ECONOMIC STRATEGY

The main EU2020 national targets



Reaction to the structural challenges of Hungary:

In line with the national strategic programmes

- New Széchenyi Plan;
- Széll Kálmán Plan;
- Convergence Programme.

In line with the EU strategic programmes

- EU2020;
- Annual Growth Survey;
- Getting Europe Growing;

- Long-term structural reform;
- Dynamising economic growth;
- Fostering employment;
- Reducing public debt to a sustainable level.

Key macroeconomic indicators

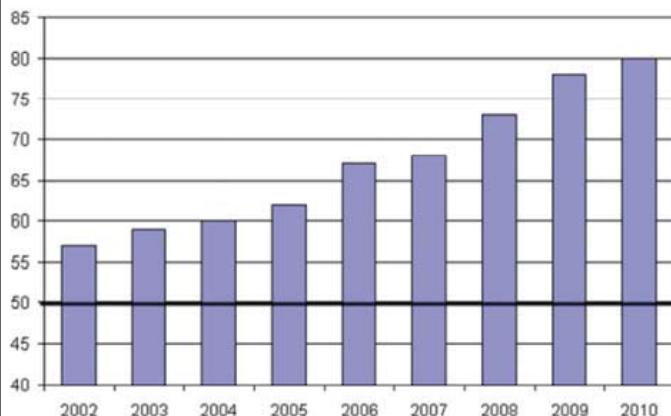
	2010	2011		2012		2013		2014		2015	
	Fact	Cons.	Dyn.	Cons.	Dyn.	Cons.	Dyn.	Cons.	Dyn.	Cons.	Dyn.
<i>Change in percentage from previous year</i>											
Gross domestic product	1.2	3.1	3.2	3.0	3.6	3.2	4.8	3.3	5.2	3.5	5.5
Households' consumption expenditure	-2.1	3.1	3.2	2.2	2.6	2.4	4.9	2.5	4.2	2.7	4.2
Gross fixed capital formation	-5.6	5.7	6.4	5.3	8.0	6.0	8.4	5.7	11.4	5.8	11.9
Exports (national accounts)	14.1	9.7	9.7	10.5	10.8	12.1	12.3	11.6	12.5	11.7	12.5
Imports (national accounts)	12.0	9.7	9.8	10.4	10.9	12.2	12.6	11.8	13.0	11.8	12.9
<i>Annual average in percentage</i>											
Unemployment rate	11.2	10.9	10.9	10.5	10.5	9.9	8.8	9.3	7.3	8.7	5.9
Employment rate(20 to 64 years)	60.6	61.1	61.1	62.4	62.6	63.6	64.7	65.0	66.8	66.3	69.1
<i>Percentage in relation to gross domestic product</i>											
Net external financing capacity	3.9	4.2	4.1	5.6	5.4	5.8	4.9	4.4	3.1	4.4	2.6
<i>Annual average in percentage</i>											
Consumption price index	4.9	4.0	4.0	3.4	3.4	3.0	3.1	3.0	3.0	3.0	3.0

Note: Cons.: conservative scenario, Dyn.: dynamic scenario

Structural reforms to enhance the economic growth

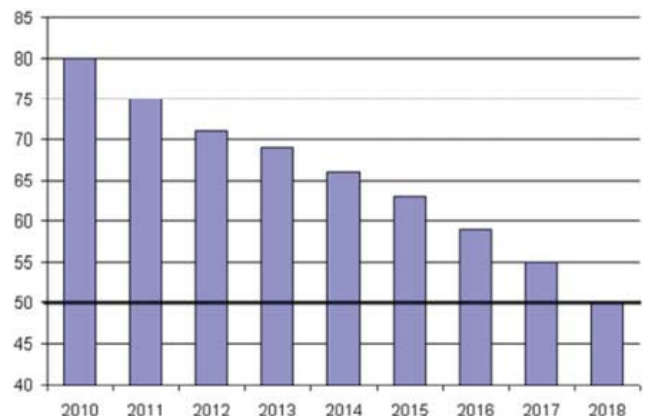
Széll Kálmán Plan: Measures to sustainably reduce public expenditure and debt

Rate of public debt between 2002 and 2010 in per cent of GDP



Source: The
Central Bank of
Hungary

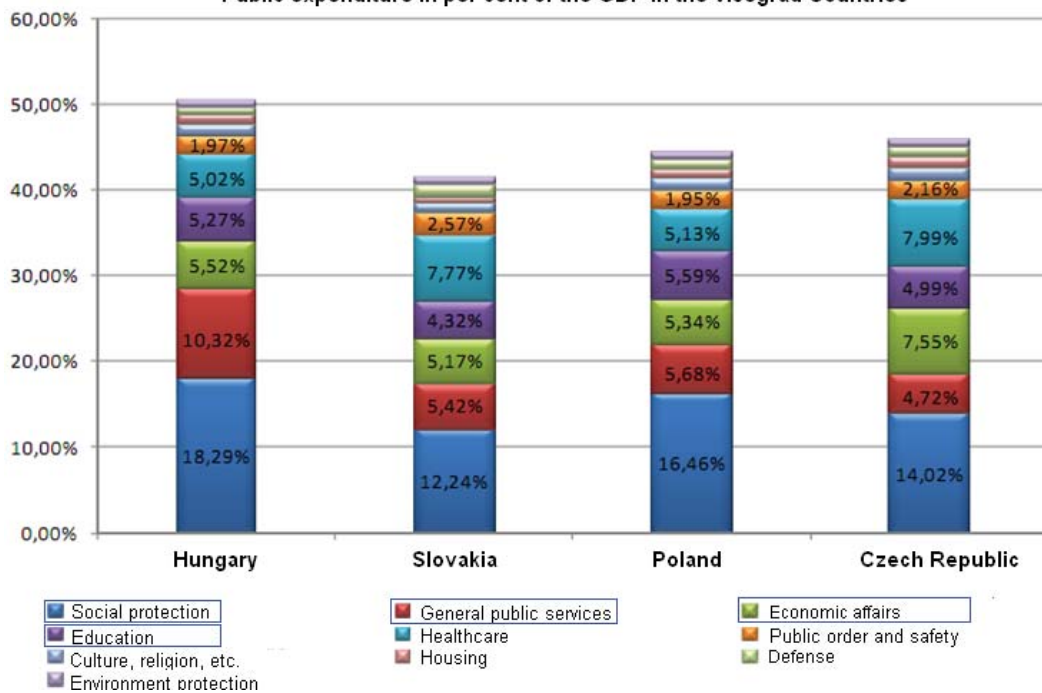
Rate of public debt between 2010 and 2018 in per cent of GDP according to the Széll Kálmán Plan



Structural reforms to enhance the economic growth

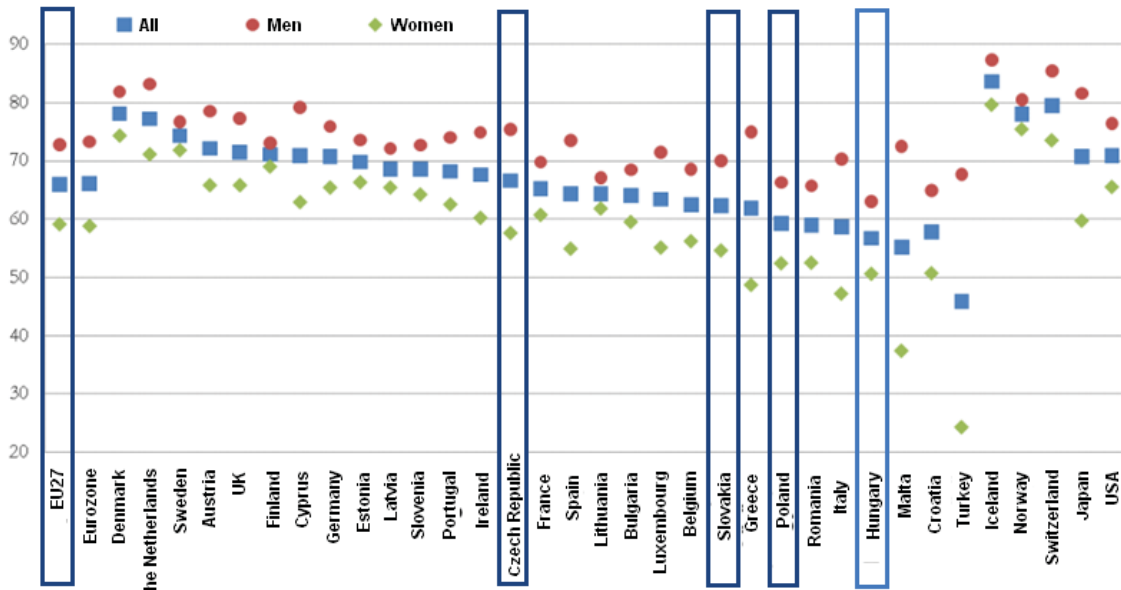
- **Improving the balance of the public sector:**
 - by HUF 550 billion in 2012 and HUF 900 billion annually from 2013 onwards public deficit should sink below 2 per cent of GDP by 2014 with gross public debt falling below 65 per cent relative to GDP by 2015.
- **New Constitution:**
 - Strict rules: the public debt is to be decreased under 50% in long term.

Public expenditure in per cent of the GDP in the Visegrád Countries



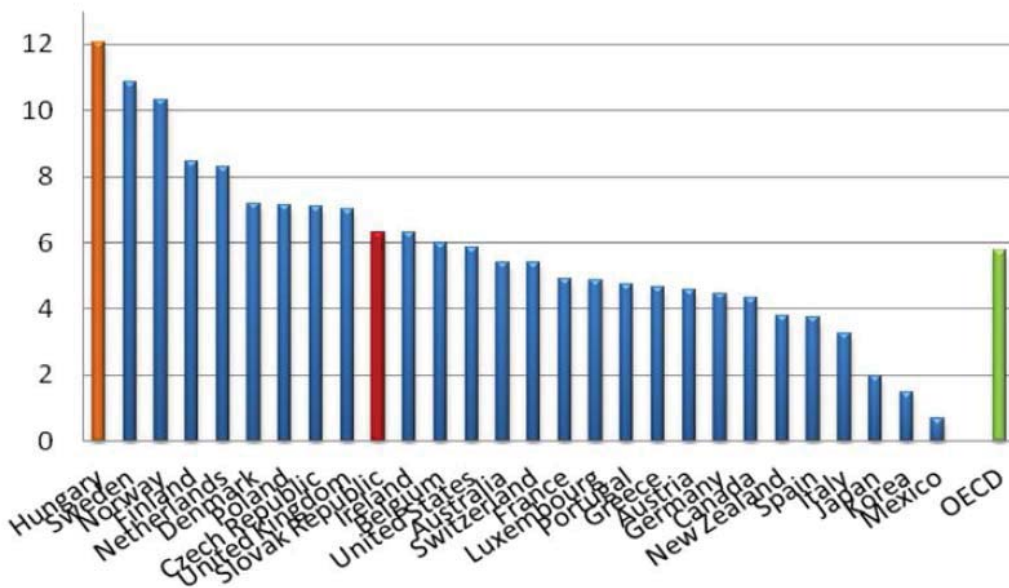
Source: OECD

Employment rate (age 15-64 years) (%)



Source: Eurostat

Disability pension beneficiaries in the working age population (%)



Source: OECD

Structural reforms to enhance the economic growth

Labour market

- National Plan for Work: 1 million new jobs until 2020;
- New Public Work Programme;
- New Labour Code.

Pensions and social security system

- Review of disability benefits;
- Comprehensive review of early retirement schemes;
- Reform of social benefit system;
- Review of sick-pay system.

Structural reforms to enhance the economic growth

Reform of Public Transport

- National Transport Company;
- Electronic toll-paying system.

Educational reform

- new laws to regulate public and higher education will be adopted;
- Improving the contribution of educational system to human capital formation.

Public administration and local governments

- Magyary Programme
- New career model of public servants;
- Local government reform.

Better business environment

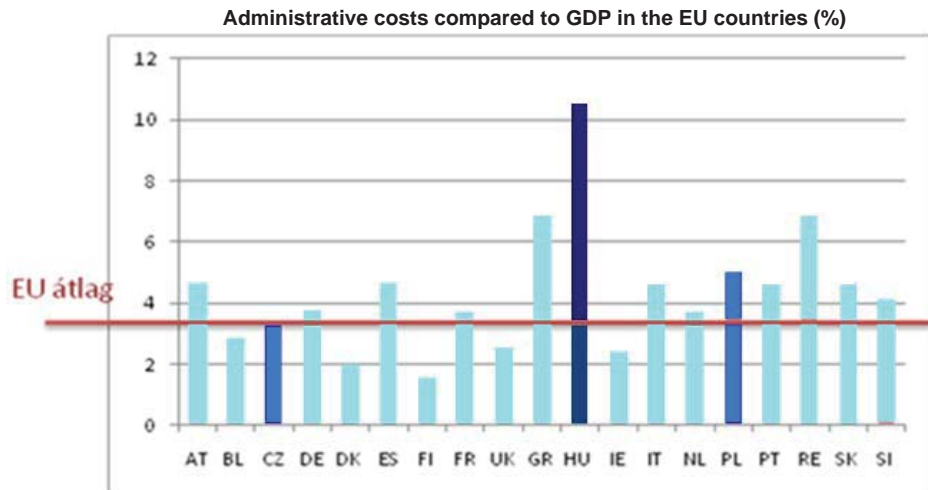
- New act on public procurement;
- Transparent executive and liquidation proceedings;
- Reducing entrepreneurs' administrative burden.

Structural reforms to enhance the economic growth

Programme to reduce entrepreneurs' administrative burden

Background:

- Entrepreneurs' administrative burden = 10.5% of GDP;
- Administrative cost per employee is 18 times bigger for an SME than a large company.



STATE SECRETARY FOR ECONOMIC STRATEGY

13

Programme to reduce entrepreneurs' administrative burden

- The planned moves will ensure that administrative burden from national regulation is reduced by 25 per cent as Hungary committed itself previously.
- Simplifying tax administration;
- Narrowing the scope of audit requirements;
- Elimination of overlapping traits in administrative and statistical data collection by the Government as well as irritating elements;
- Making fining practice the authorities' more predictable;
- Simplifying employment administration.

„First strike”	„Second strike”	Preventing red tape increase
Steps to reduce irritative regulations and red tape	Improving business environment especially for SMEs	setting up an institutional and legislative framework to prevent administrative burden from being increased as a result of government measures
HUF 100 billion	HUF 400 billion	
First half of 2011	Second half of 2011	From 2012-2013

STATE SECRETARY FOR ECONOMIC STRATEGY

14

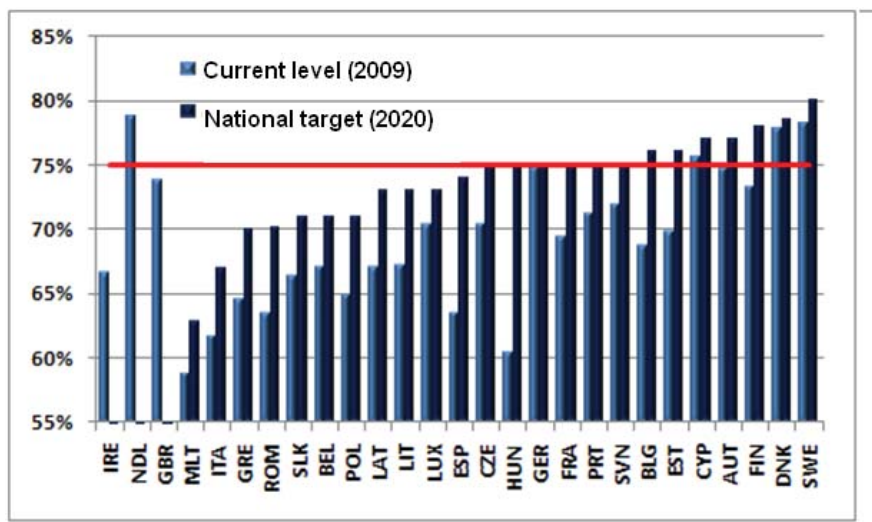
Hungarian national targets linked to the Europe 2020 Strategy's headline goals

1. Fostering employment

- EU target: The Europe 2020 Strategy aims to increase the EU level employment rate to 75 per cent within the population aged 20-64 from the current (2009) rate of 69.1 per cent.
- Most of the Member States' target is between 70 and 75 per cent.
- Highest and lowest: Sweden (80%), Malta (62,9%);
- **Hungarian target: increasing employment rate from 60,4% to 75% until 2020** – the highest rate of employment growth among EU countries.

Hungarian national targets linked to the Europe 2020 Strategy's headline goals

1. Fostering employment (age 20-64)



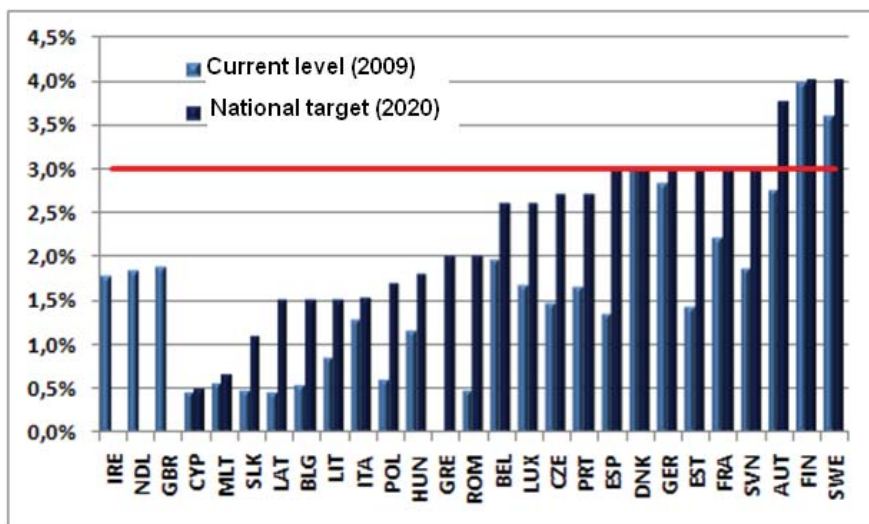
Hungarian national targets linked to the Europe 2020 Strategy's headline goals

2. Improving R&D expenditure (in per cent of GDP)

- **EU target:** improving R&D expenditure from the 2% of GDP (2009) to 3% of GDP until 2020;
- Most of the national targets are between 0,5 and 1,5 per cent.
- Highest and lowest: Sweden and Finland (4% of GDP); Cyprus (increasing from 0,46% to 0,5% of GDP);
- **Hungarian target:** increasing R&D expenditures until 2020 to the 1.8% of GDP. (2009: 1,15%).

Hungarian national targets linked to the Europe 2020 Strategy's headline goals

2. Improving R&D expenditure (in per cent of GDP)



Hungarian national targets linked to the Europe 2020 Strategy's headline goals

3. Climate change, energy efficiency

EU target by 2020:

- reducing total energy consumption by 20 per cent;
- increasing the share of renewable energy sources to 20 per cent;
- cutting green house gas emissions by 20 per cent (relative to 2009).

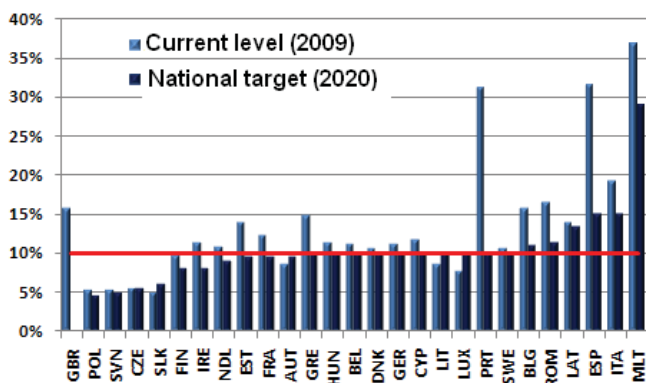
Hungarian National target by 2020:

- increase the share of renewable energy sources to 14.6 per cent;
- cut total energy consumption by 10 per cent as well as limit the increase of
- green house gas emissions at 10 per cent (relative to the level of 2005).

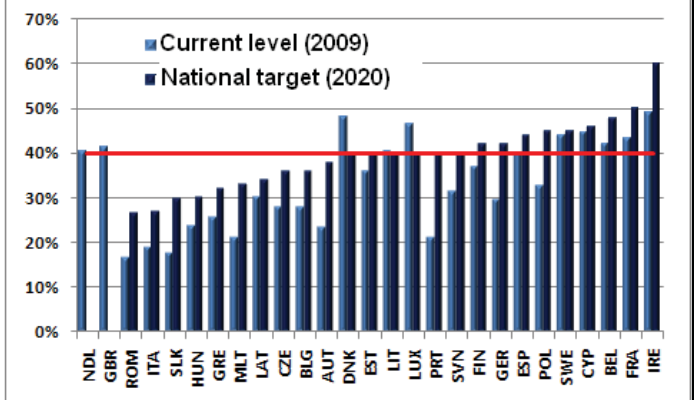
Hungarian national targets linked to the Europe 2020 Strategy's headline goals

4. Education

Reducing the number of early school leavers by 2020

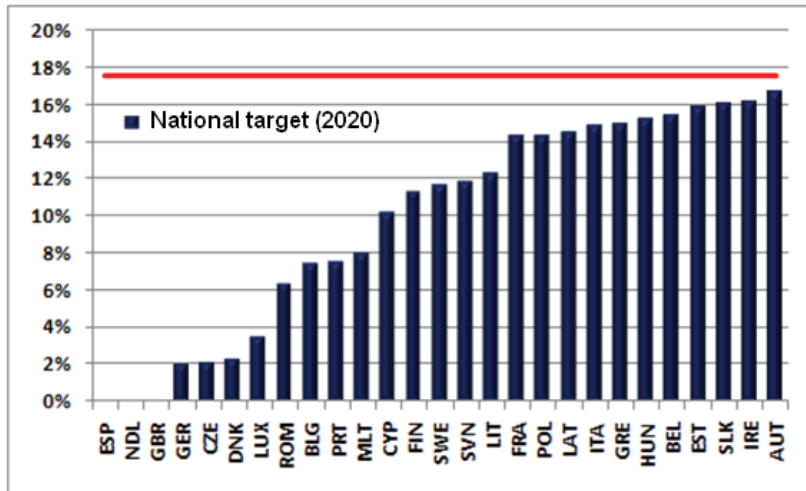


Increasing the share of population (aged 30-34) having completed tertiary level education or equivalent by 2020



Hungarian national targets linked to the Europe 2020 Strategy's headline goals

5. Reducing the number of people living in poverty



Thank you for your attention!