

HUNGARY

GDP growth has been brisk in recent years, but registered labour force participation and employment rates remain low despite increases in recent years.

Policy priorities

Reduce state control on the operations of the network industries

Challenge and recommendations: To facilitate entry and allow prices to better reflect market signals, it was recommended that the authorities time schedule for price liberalisation be followed, and preferably brought forward, and that the government's role in setting network access charges be reduced. This would be helped by greater independence accorded to the industry regulators.

Actions taken: In the electricity sector an obligation to re-negotiate long-term power purchasing agreements has been introduced. Full access to market-based electricity and gas provision for all users is scheduled for 2007.

Reduce the tax wedge for low-income workers

Challenge and recommendations: In order to reduce informal activity, it was recommended that the tax wedge for low-income workers be cut.

Actions taken: No recent measures have been taken as action in this area is limited by the lack of fiscal room.

Reduce administrative burden on start-ups

Challenge and recommendations: To bring down burdensome administrative procedures, it was recommended that the authorities implement plans for on-line business registration and standardisation of documentation, cut fees for business registration and simplify legal procedures for setting up a business.

Actions taken: Steps have been taken to streamline the registration system, which should make setting up a new business more attractive. In addition, opportunities for business to accomplish administrative duties on-line have increased.

Reform the disability benefit system

Challenge and recommendations: To help increase the employment rate, a further reform of the disability benefit system was recommended.

Actions taken: In 2005, a new set of medical guidelines for assessing disability were issued. These new guidelines are intended as a first step towards a system that takes better account of remaining capabilities and that encourages rehabilitation.

Further downsize housing-loan subsidies

Challenge and recommendations: A further downsizing of housing-loan subsidies was recommended, not only for budgetary reasons, but also to reduce distortions in housing markets and increase labour mobility.

Actions taken: After previous cutbacks to housing-loan subsidies prompting a reduction in the volume of new housing loans, the government introduced a new home-loan subsidy for those aged under 30 in February 2005.