

## Hungary

### *Key facts and issues*

Hungary is a centralised unitary country, with subnational governments responsible for 15.8% of public expenditures. It is the 4<sup>th</sup> least urbanised country in the OECD, with only 18% of its 9.8 million people living in the predominantly urban regions that generate 38% of GDP. Hungary had the 6<sup>th</sup> largest decline in the share of its population living in rural remote regions.

At almost USD 25 600, Hungary's GDP per capita is about 38% below the OECD average. Hungary has the 6<sup>th</sup> largest inter-regional disparities in terms of GDP per capita among small regions (TL3), as measured by the Gini index. These regional gaps have risen since 2000, and were among the largest increases in gaps in the OECD, especially in the years before the crisis. Outside of R&D expenditures and disposable household income, disparities among regions have also risen in Hungary since 2001 on several other indicators, such as life expectancy, the share of the workforce with tertiary education, and the gender gap in the labour force participation rate between men and women. Central Hungary, contributing 70% of Hungary's GDP growth between 2000 and 2013, is outperforming the rest of the country, except for its unemployment rate. Hungary has the 8<sup>th</sup> largest inter-regional disparities in unemployment rates: the region with the highest unemployment rate had three times that of the best performing region. On the productivity side, Hungary's regions are struggling to keep pace with Central Hungary, host of the country's capital. The majority of the country's regions are not contributing to national labour productivity growth.

### **Hungary: regional, urban and rural development policies**

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	<a href="#">Act on Territorial Development and Spatial Planning</a> (XXI/1996, amended in 2016) <a href="#">National Development 2030- National Development and Territorial Development Concept</a> (2014)	Focus on spatial planning, reducing disparities, competitiveness, balanced growth, accessibility and sustainability	Ministry for National Economy
Urban	<a href="#">National Development 2030- National Development and Territorial Development Concept</a> (2014)	No single document exists. Urban policy is partly framed by construction regulation. Main focus is on the built environment, with emphasis on infrastructure	Prime Minister's Office
Rural	<a href="#">National Development 2030- National Development and Territorial Development Concept</a> (2014) <a href="#">National Rural Development Strategy</a> (2012) <a href="#">Rural Development Programme</a> (2015)	Maintaining the rural population, diversifying rural economies, quality of life and employment	Prime Minister's Office

### *General policy approach*

Regional development and spatial planning are divided among three ministries, with the Ministry for National Economy providing the overall framework. They also prepare the EU operational programmes, with place-based elements found in the different sectoral programmes, along with a Territorial and Settlement Development operational programme that supports some decentralised development actions. The mid-term objectives of the current framework are to improve global competitiveness of firms, promote employment through economic and social policies taking into account territorial disparities, greater energy and resource efficiency, address social inclusion and demographic challenges, and implement economic growth oriented to local and territorial development. A national urban policy is under development, including prior elements of the national guidance on spatial planning. Cities also benefit from EU operational programmes. There is a separate rural development strategy along with the EU Rural Development Programme, which is now led by the Prime Minister's office.

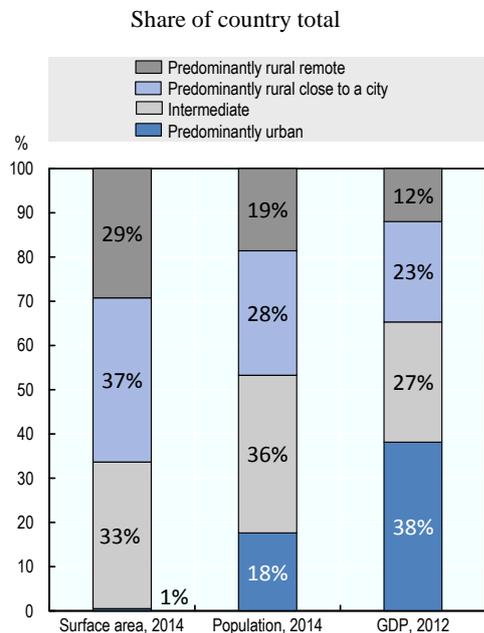
### Recent policy changes

- The municipal and territorial public administration reform of 2012 abolished the regional county and micro-regional development councils, making the elected county level the main territorial actor. A recentralisation of many responsibilities of counties and municipalities has been accompanied by new governmental offices at county and at district level (including the capital), operating as the Government's deconcentrated administration bodies with general competences.
- The new National Development and Territorial Development Concept (2014) offers the same guidance for both national and EU programming. For the 2014-2020 EU programming period, counties have set up their own regional development concepts and programmes to co-ordinate investments across sectors, and are responsible for the integrated territorial programme in parallel with those developed by the largest cities.
- In 2014, responsibilities for rural development were moved to the Prime Minister's Office, where a State Secretary for Rural Development is responsible for the Rural Development Programme.
- A national urban policy is under development.
- Anticipated changes to improve policy co-ordination and the effectiveness of public investments may include: integrating development in functional areas, greater use of monitoring and policy indicators, and public involvement in planning and implementation.

#### Hungary: Main regional, urban and rural development policy tools

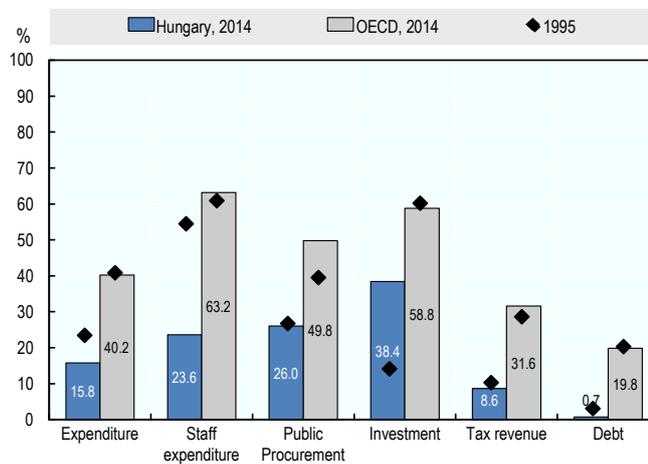
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	<i>Regional and Urban:</i> <a href="#">Territorial and Settlement Development operational program</a> for small-scale transport investments, sustainable urban transport, Integrated Transport operational programme for the main infrastructure investments and fixed-track urban transport, <i>Rural:</i> <a href="#">Rural Development Programme</a>
Other Infrastructure investments	✓	<i>Regional and Urban:</i> <a href="#">Territorial and Settlement Development operational programme</a> for business-oriented infrastructure, child-and healthcare infrastructure, <a href="#">Competitive Central Hungary OP, Environmental and Energy Efficiency for water &amp; wastewater infrastructure</a> <i>Rural:</i> <a href="#">Rural Development Programme</a>
Service delivery (subsidies for public services)		
Business development/ innovation support	✓	<i>Regional and Urban:</i> <a href="#">Economic Development and Innovation operational programme</a> mainly in SME competitiveness and innovation; energy efficiency and employment; <a href="#">Territorial and Settlement Development operational programme for business infrastructure</a>
Urban renewal	✓	Urban: <a href="#">Territorial and Settlement Development operational programme</a> through the development of deprived urban areas
Urban form and land use	✓	Urban: <a href="#">Territorial and Settlement Development operational programme</a> for renewal of public areas, brownfields, green infrastructure
Sustainability policies	✓	Urban: <a href="#">Territorial and Settlement Development operational programme</a> through improving energy efficiency in local government buildings; <a href="#">Environmental and Energy Efficiency operational program through promoting energy efficiency and the use of renewable energy</a> ; <a href="#">Economic Development and Innovation operational program</a> for firm energy efficiency <i>Rural:</i> <a href="#">Rural Development Programme</a>
Rural-urban linkages	✓	Urban: <a href="#">Territorial and Settlement Development operational programme</a> <i>Rural:</i> <a href="#">Rural Development Programme</a>
Clusters/technology platforms/ centres of expertise	✓	<i>Regional:</i> <a href="#">Economic Development and Innovation operational programme</a>
Special economic zones	✓	<i>Regional:</i> <a href="#">Economic Development and Innovation operational programme</a> through supporting Free Enterprise Zones in disadvantaged regions
Rural landscape preservation	✓	<i>Rural:</i> <a href="#">Rural Development Programme</a>
Skills/training programmes	✓	<i>Regional:</i> <a href="#">Human Resources Development operational programme for high and low skills Economic Development and Innovation operational programme job-creation &amp; upskilling</a>
Capacity building for subnational governments	✓	<i>Regional:</i> State budget chapter for supporting tasks related to regional development <i>Urban:</i> <a href="#">Territorial and Settlement Development operational programme</a> with additional public services to be provided, <a href="#">Public Administration and Public Services Development operational programme</a> aimed at improving efficiency and capacity

### Land, population and economy in rural and urban regions



### Subnational government role in public finance

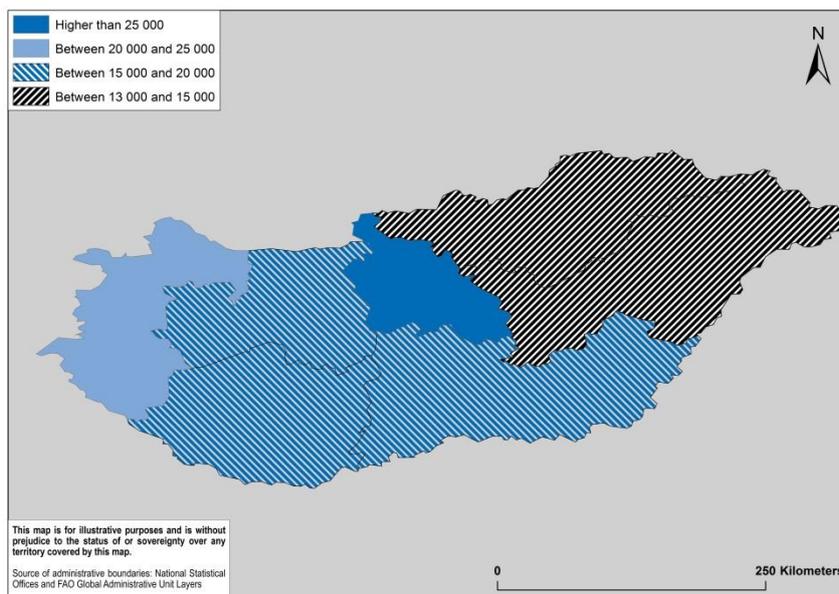
Share of general government



### Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
3 178		19	3 197

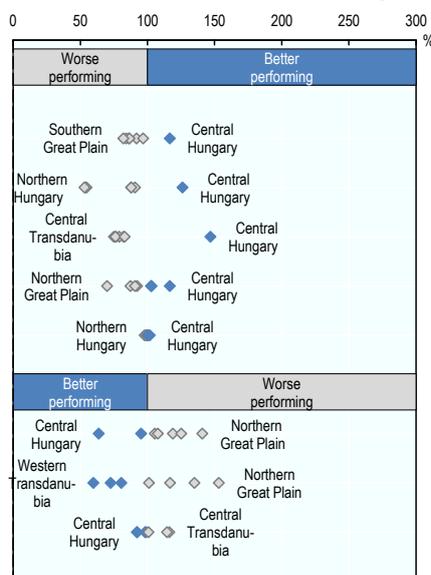
### Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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### Inter-regional disparities (as a % of the country average)

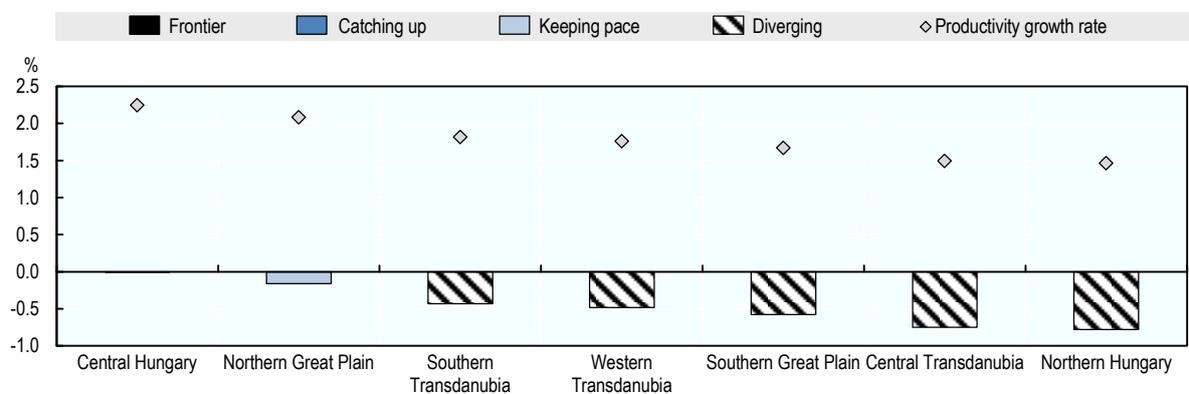


Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2012)	43 551	61 976	53 075	74 520	up
R&D expenditure as a % of GDP (2013)	0.75	1.78	1.41	2.4	down
Share of labour force with tertiary education	19.0	37.2	25.3	32.3	up
Disposable household income per capita (2012)	8 443	11 500	9 852	21 430	down
Life expectancy (2013)	74.2	77	75.7	80	up
Share of workforce with only primary education	8.1	17.9	12.7	25.2	up
Unemployment rate	4.6	11.8	7.7	7.3	up
Gender gap in participation rate	-11.9	-15.0	-12.9	-15.9	up

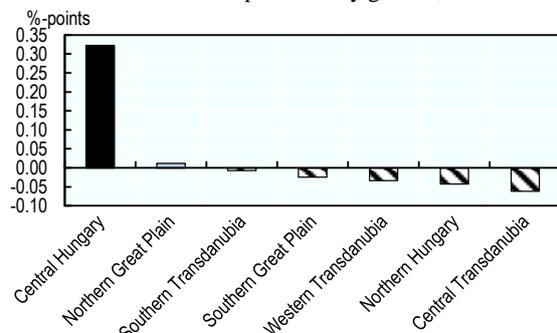
Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

### Productivity and catching-up trends among regions

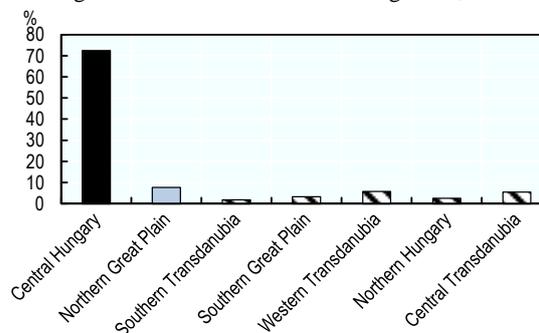
Average annual productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2012  
 See country page notes for classification of regions



Contribution to labour productivity growth, 2000-12



Percentage contribution to national GDP growth, 2000-12



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

StatLink <http://dx.doi.org/10.1787/888933420320>

## Country page notes

### Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km <sup>2</sup> grid cell population weighted average of satellite-based estimates of small particulate matter (PM <sub>2.5</sub> ).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

### Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

### Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, [http://dx.doi.org/10.1787/reg\\_glance-2016-en](http://dx.doi.org/10.1787/reg_glance-2016-en).