



MINISTRY
FOR NATIONAL ECONOMY

Hungary on the Fast Lane: the New Széchenyi Plan is soon Under Way

Focus

The main objectives of the New Széchenyi Plan starting on the 15th of January, 2011 are to improve the competitiveness of Hungary and to create one million new jobs over the next ten years by the help of seven break-out points. The economic development programme of the Hungarian government provides an adequate response to every challenge the country is facing, and it secures sustainable economic growth for the long term.

Background

Ten years ago the Orbán government started that broad dialogue between professionals and private companies which has materialized in the competitions of the Széchenyi Plan, a catalyst of economic performance. The open planning quite unusual in Hungary at that time, the integration of private companies, business federations and local governments into a state-financed development programme has lived up fully to expectations. The success of the first Széchenyi Plan has proven that the alliance policy of the government was justified, and that an economic programme based on private companies can be viable and productive. Ten years after the first Széchenyi Plan, **the second Orbán government will start the New Széchenyi Plan on the 15th of January 2011**, the programme of Hungary's recovery and progress. Similarly to the first Széchenyi Plan, **the New Széchenyi Plan is also based on open planning and the cooperation with private companies.**

In 2010, there are three main challenges the Hungarian economy is facing. First, financial stability must be secured and the budget deficit must be contained. Second, the disadvantages in competitiveness must be quickly eliminated. Thirdly, the conditions promoting economic recovery and kick-starting the economy must be established. However, for investors and private companies it is of equal importance to understand **just where Hungary is heading**, which sectors the Plan focuses on, which governmental and municipal projects they could join, which projects the state

can aid with complementary, additional domestic or EU resources. The economic policy of the years ahead must have a vision about which activities may become the growth engines of the economy. In order to appear with competitive products and services on the international and domestic markets, Hungary must find the break-out points or “industries of the future” able to vitalize the entire economy and the devices connecting these break-out points.

A small country with an open economy can only be competitive if it relies on those unique and exceptional resources which it can optimally exploit, and from which it can generate world-class products and services.

“Cornerstones”

The seven break-out points of the New Széchenyi Plan have been defined as a result of broad consultations with economic players. According to the contributors to the preliminary version, the Hungarian economy can either face the most serious problems in these seven fields or they can prove to have the most promising potential for the future.

The seven break-out points of the New Széchenyi Plan:

1. Healing in Hungary – Health industry
2. Renewal of Hungary – Development of green economy
3. Home projects – Residential property policy
4. Network economy – Development of business environment
5. Knowledge economy - Science – Innovation – Growth
6. Employment
7. Transport – Transit Economy

It is a common characteristic feature of the break-out points that they integrate a number of different industrial sectors which, if developed, have serious potential to generate domestic products, services or companies competitive on the European or world markets already in the medium term. In case of each break-out point its development may open up new potential markets, and each of them can create high added value. As the break-out points include a number of sectors,

they can outline the trends of Hungarian economic development without restricting the innovations and ambitions of private companies.

The New Széchenyi Plan is a broad platform which various economic organizations, private companies and local governments can join with their ideas, plans, suggestions and competitions. The New Széchenyi Plan starting on the 15th of January 2011 is such a base which **economic players can eventually call to life**, with their ideas through development projects to completed investments.

The planning phase of the New Széchenyi Plan will be followed by a broad social consultation process to finalize the seven break-out points of the Plan. In the final version, the break-out points will include programmes, subprogrammes and action plans.

Into the preparation and the realization of the programme the government wants to integrate primarily **Hungarian small and middle-sized private companies**. The alliance between the government and the private sector is a vital precondition necessary for the improvement of the competitiveness of private companies and for the creation of one million new and tax-paying jobs. However, the essence of the new economic policy is well beyond the creation of one million new jobs. It will replace a redistributive economic policy with a growth-oriented one which aims to improve the general well-being of the nation. To this end, sustainable economic growth based on the potentials of the Hungarian economy must be established.

The New Széchenyi Plan is the basis and platform of the alliance between the state and private companies, a winning alliance for both parties. Private companies will win opportunities and progress, and people aiming for a better life will win jobs, salaries rewarding knowledge and diligence, order, good schools, proper healthcare. And the state wins with the easing of employment anomalies, the decreasing debt burden and with the released resources which may fund ambitious social objectives.

How can the New Széchenyi Plan be made better and more successful?

- Instead of trying to find out how the economy should be improved, the state relies on viable ideas and proposals of economic players.
- The government plans and implements the New Széchenyi Plan in cooperation with private companies.

- The New Széchenyi Plan is an economic policy based on the values and the trust in the country and in private companies, and not a technocratic modernization programme.
- During the planning and the implementation of the New Széchenyi Plan, we will also apply the procedures proposed by the European Union, like close cooperation with each party, monitoring of execution by a governmental institution and the concentration of resources on the break-out points.
- The competition system of the New Széchenyi Plan will be much more transparent, less complicated and less bureaucratic.

The New Széchenyi Plan is based upon the common sharing of risks between private companies, local governments and the state. Considering, however, the actual budget situation, **the state will take part mainly with EU resources in the risk partnership of development projects' participants of the New Széchenyi Plan.** For the above reasons the system of EU fund allocation and tendering must be radically changed. Instead of the free-for-all policy prevalent until now, the state must focus on the demands of private companies. The government will substantially reduce the number of competitions and it will make competition procedures as well as competition administration much simpler.

Additionally, Hungary will improve business environment and competitiveness by some other measures, like easing tax and administrative liabilities, eliminating imbalances distorting competition and fighting corruption.

Conclusion

The New Széchenyi Plan is the programme of Hungary's recovery and progress. It defines break-out points which will secure long-term economic growth and optimal competitiveness. The New Széchenyi Plan is the base of a new economic policy and the creation of one million new jobs.

Budapest, 5 November 2010.

Ministry for National Economy