



MINISTRY OF FOREIGN AFFAIRS  
REPUBLIC OF HUNGARY



# Hungary's Report on the Millennium Development Goals

Taking stock

*October 2004 (revised), Budapest, Hungary*

# Foreword

At the Millennium Summit at United Nations headquarters in New York in 2000, world leaders from 189 nations agreed on a Millennium Declaration. The Declaration, which later was adopted by the United Nations General Assembly, calls for a holistic perspective on global development. Global issues like peace and security, poverty reduction, health, education, environment, human rights and democracy, require global solutions. In order to implement the Millennium Declaration, a road map was set out by the Secretary General of the United Nations containing eight specific goals, the Millennium Development Goals. Added to these are the outcomes of recent international conferences on financing for development (Monterrey, Mexico, March 2002), sustainable development (Johannesburg, South Africa, September 2002) and international trade (Doha, Qatar, in November 2001). The Millennium Development Goals can be seen as an agenda for global development efforts with poverty reduction as the main objective.

## MILLENNIUM DEVELOPMENT GOALS TO BE FULFILLED BY 2015 ARE:

- 1. Eradicate extreme poverty and hunger** Reduce by half the proportion of people living on less than a dollar a day. Reduce by half the proportion of people who suffer from hunger.
- 2. Achieve universal primary education** Ensure that all boys and girls complete a full course of primary schooling.
- 3. Promote gender equality and empower women** Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.
- 4. Reduce child mortality** Reduce by two-thirds the mortality rate among children under five.
- 5. Improve maternal health** Reduce by three quarters the maternal mortality rate.
- 6. Combat HIV/AIDS, malaria and other diseases** Halt and begin to reverse the spread of HIV/ AIDS, malaria and other major diseases.
- 7. Ensure environmental sustainability** Integrate the principles of sustainable development into country policies and programs, and reverse loss of environmental resources. Halve the proportion of people without sustainable access to safe drinking water. By 2020, have achieved a significant improvement in the lives of at least 100 million slum dwellers.
- 8. Develop a global partnership for development** Commitment to good governance, development and poverty reduction, nationally and internationally. Develop an open trading and financial system that is rule-based and non-discriminatory. Address the special needs of the Least Developed Countries (LDCs), landlocked-countries and small islands developing states. Deal comprehensively with the debt problem, youth employment, provide essential drugs and make available new technologies.

# 1.

## Introduction

Hungary, while acceding to the OECD and the European Union, assumed the responsibility to work out and implement an international development policy conforming to OECD and EU principles and practices. It agreed to fulfil the commitments and the targets set out in the UN Millennium Declaration and the Millennium Development Goals.

Determined to meet these obligations, in 2001 the government adopted the concept paper of the Hungarian international development co-operation policy, taking into consideration the actual economic and social background and previous International Development Cooperation (IDC) experiences.

Hungary is a medium developed country, where the per capita GNI was USD 6330 in 2003<sup>1</sup>. This is only 1/4-1/5 of the most advanced donor countries' or less than half, if calculated at purchasing power parity (PPP). The political transformation in 1989-90 caused a setback in the economy resulting in deterioration of social conditions, differentiation of personal incomes and in some places growth of poverty.

Today, in terms of macro-economic indicators, the Hungarian economy is steadily growing, but there is still much to be done in the field of structural reforms, especially in health care. Our endeavours to join the EMU by 2010 also put a heavy strain on our fiscal policy.

Against this background it is a great challenge for a small country like Hungary, with limited resources, to pursue an efficient IDC policy and catch up with developed donors. Nevertheless, on the basis of the concept paper, we have already attained certain achievements. By now the institutional, legal and financial frameworks of our IDC policy have been laid down. The implementation of development projects financed from the IDC allocation of the national budget, co-ordination of the activities by line ministries so far carrying out separate IDC projects, and the involvement of the private and civil sector into IDC have started and made certain progress. Our overall development policy, as well as the individual development projects and programmes, focus increasingly on MDGs.

Before the political transformation, the Hungarian government provided considerable assistance to developing countries, but this aid served basically ideological and political purposes. Before the OECD and EU accession, Hungary had already started to give preferences for goods imported from developing countries and eased or lifted the debt services of some of them. This policy has continued and the strictly professional positive elements of the past aid activity have been utilised in formulating our new IDC policy.

In order to use our limited resources in the most efficient way, we have set clear targets and preferences when deciding on our partner countries and IDC sectors. To be able to fully utilise our comparative advantages and to ensure maximum added value to the EU common IDC, we mainly focus on Western Balkan and CIS countries and would like to share our experiences gained during the political and economic transition and EU accession. Hungary, as an aid recipient country up to the recent past, has also rich experiences of receiving and best utilising aid, which can be conveyed to our partner countries as well. We are confident that a well-targeted knowledge-transfer project of modest financial value can have a really great intellectual impact.

<sup>1</sup> *World Development Indicators database, World Bank, September 2004*

It is important for us to co-operate closely with the new EU member states of Central Europe sharing many similarities to ensure complementarity and cohesion in our IDC policies.

Hungary exerts maximum efforts to try to reach the 0.1% ODA/GNI ratio by 2006 as a step towards the Barcelona commitments. We envisage a mid-term government strategy and may opt to initiate an IDC Law to strengthen the political and legal basis of our IDC activities. Another important task is to raise the awareness of policy-makers and the general public to the significance of IDC.

## 2. Focus of development policy and instruments on MDGs

### 2.1 Overall development policy

#### *2.1.1 The economic and social background of the Hungarian international development policy*

Hungary is a medium developed country, where the per capita GNI was USD 6330 in 2003. This is only 1/4-1/5 of the most advanced donor countries' or less than half, if calculated at purchasing power parity. The political transformation in 1989-90 caused a setback in the economy resulting in deterioration of social conditions, differentiation of personal incomes and in some places growth of poverty.

Today, in terms of macro-economic indicators, the Hungarian economy is steadily growing but there is still much to be done in the field of structural reforms, especially in health care. Our endeavours to join the EMU by 2010 also put a heavy strain on our fiscal policy.

Before the political transformation, the Hungarian government provided considerable aid to developing countries mainly in education and training. The value of this aid in some years was close to 0.7% of the GDP, the target set forth by the UN. However, this aid policy served basically the ideological and political purposes of the so-called "Eastern Bloc".

After the political transformation, the centrally guided international development policy of Hungary practically disappeared. However, the actual amount of ODA provided by different state institutions was estimated at HUF 4 billion (at current rate approximately USD 20 million) in the year of 2000. This was about 0.025% of the GNI.

#### *2.1.2 Objectives and priorities of the Hungarian international development policy*

A new phase in the Hungarian international development policy started with the decision of the Government No. 2319/1999 (XII. 7) entrusting the Minister of Foreign Affairs, the Minister of Economy and the Minister of Finance with the task of formulating the Concept of international development assistance policy of the Republic of Hungary.

The Hungarian international development policy is consistent with our foreign policy and the moral goals set out in the Government programme.

We are in the process of devising a wide-ranging awareness-raising information campaign to ensure that the Hungarian decision-makers and public can learn, as soon as possible, about the theoretical and practical importance of international development cooperation.

*The main objectives of the Hungarian international development policy are the following:*

1. To preserve and support international peace and security, to create and sustain regional political and economic stability.
2. To contribute to the sustainable economic and social development of developing countries, with special regard to LDCs, and with particular emphasis on reducing poverty.

3. To protect human rights and equal opportunities, to strengthen democracy and civil society structures, to support local community autonomies.
4. To support efforts aimed at creating economic and social development (basic necessities, healthcare provision and primary education).
5. To promote good governance.
6. To protect and improve environmental resources, to promote sustainable development.
7. Active participation in the international institutional network of development cooperation.

These objectives do not represent a hierarchy of values. The strategic goals should preferably be treated in a complex manner, continuously ensuring coherence among international obligations, our own set of values, the principles of ownership and partnership, and recipient countries' priorities.

#### ***Priority regions and countries***

In view of our overall interests, it is necessary to accord special priority to the neighbouring countries, since we have a vital interest in the stability and development of the region. Hungary – in the framework of the Southeast European Stability Pact – had offered non-repayable assistance to the region and later it chose several IDC partners from the Western Balkan and the CIS. Broadening the technical development cooperation (training, sending of experts, etc.) would seem to be the most suitable form of assistance for this group of countries.

The geographical span of Hungary's international development policy, however, is wider than that, as it also reflects the main objectives of the European Community in this area such as sustainable development, poverty reduction in partner countries, their integration into the world economy and promoting democracy, the rule of law and good governance.

ODA partners therefore have been chosen from the LDC group, whereas some Far-Eastern countries were included on the list due to the traditions of our bilateral relations and previous personal contacts, and the experiences accumulated in the course of the cooperation of the past decades.

Based on the above consideration, there are four groups of partners targeted by the Hungarian development cooperation activities:

#### *Strategic partners:*

*Serbia and Montenegro, Bosnia-Herzegovina, Vietnam, Palestine Authority*

#### *Other partner countries:*

*Macedonia, Moldova, China, Mongolia, Kyrgyzstan, Ukraine*

#### *Least developed countries (LDCs):*

*Ethiopia, Yemen, Cambodia, Laos*

#### *International commitments:*

*Afghanistan, Iraq.*



Table 1

**Shares in percentages of main partner categories  
from state budget's ODA allocation – 2004**

Four strategic partners	60
Six other partner countries	20
Least Developed Countries	7
International commitments	6
Humanitarian aid	4
Unforeseen events	3

Source: Ministry of Foreign Affairs

Extending credits with an assistance component would only appear to be a viable option if the repayment is plausible over the long term as well. Hungary has frozen assets, inter alia, in Angola, Ethiopia, Sudan, Yemen, and Nicaragua. Debt cancellation is a realistic option only in the case of the neediest countries, pursuant to the prescriptions of the State Finances Act on the management of the receivables abroad of the budget.

**Sectoral priorities**

Obviously, we have concentrated our development assistance activities primarily on those sectors and areas where Hungary has comparative advantages. When identifying these areas, the experience accumulated through the relations we had earlier with developing countries and the domestic conditions were also taken into account.

Without observing an order of importance, the following fields of activities are given greater emphasis:

1. Sharing Hungarian experiences associated with the political-economic transition (establishment and operation of democratic structures, creating conditions for the transition to a free-market economy, privatisation, providing assistance to small- and medium-sized enterprises, good governance).
2. Knowledge transfer, knowledge-based assistance (methodological procedures, know-how, software, transfer of organizational and planning methods, etc.)
3. Promoting education (university and postgraduate), training of experts and technicians, developing curriculum, organizing distance learning.
4. Developing health services (planning, equipping, and running of hospitals and polyclinics, birth control, combating epidemics, etc.)
5. Agriculture (dissemination of state-of-the-art plant and animal breeding methods, seed improvement, plant hygiene – plant protection, freshwater fish breeding, forestation programmes, farm development plans, biotechnology, agro-meteorology, training of specialists and engineers in farming-related areas), food industry (planning of slaughterhouses.)
6. Contributing to water management and water resources development, planning and providing technical advice (reservoirs and barrages, water purification plants, planning of dikes, inland drainage, exploration and assessment of water stocks, etc.)
7. Developing general infrastructure.
8. Helping the general and transport engineering activity, cartography.
9. Providing technical advice on environmental protection.

**Legal and institutional framework**

International experience proves that a unified implementation of development cooperation policy and practice makes it absolutely vital that the management of the development resources should be concentrated in one single place.



In the leading donor countries including fellow EU member states, the Foreign Ministry tends to be the repository of international development cooperation policy. As IDC forms an integral part of foreign policy, the Ministry of Foreign Affairs should be assigned a pivotal role in policy making and the practical coordination of development programmes.

In 2002–2003 government decrees established and defined various committees responsible for planning, implementing and coordinating the Hungarian international development cooperation activities. The Department for International Development Cooperation of Ministry of Foreign Affairs established in October 2002 works under the supervision of a deputy state secretary.

Its main tasks include:

- activities associated with the execution of the practical tasks of development cooperation (planning, work assignments at home and abroad, supervision, assessment),
- coordination of development cooperation between line ministries,
- management of development resources assigned to its competence (in the development and humanitarian field),
- executing inter-departmental and regional consultations, the drafting of a medium-term strategic framework plan and annual implementation plans,
- making proposals on geographical and sectoral priorities,
- evaluation of the effectiveness of assistance policy
- formulating a communication strategy designed to gain the support of the Hungarian public,
- preparing a database of technical personnel (government officials, independent experts, volunteers, etc.),
- ensuring that the criteria of transparency and accountability are satisfied in all the stages of the development cooperation activity,
- preparing annual reports for the Government.

Coordination is necessary with line ministries. This task, as well as outlining the main directions of the development cooperation activity, is carried out by the Inter-Departmental Committee (chaired by the Minister of Foreign Affairs), where all the ministries involved are represented. Its chief responsibility is to determine the geographical and sectoral priorities.

The Inter-Departmental Committee is assisted by a Civil Advisory Board for International Development Cooperation, which consists of representatives of the Ministry of Foreign Affairs, political parties, trade unions, employers' associations, the academic community, NGOs and individual experts.

International experience shows that, once development cooperation has been raised to a higher quantitative and qualitative level, the next step is to set up an implementing agency. In June 2004 the MFA signed a cooperation agreement with HUN-IDA, a not-for-profit institution with rich experiences in IDC activities.

The above institutional structure was established primarily to shape bilateral development activity within the ODA category and is to expand further.

In November 2003 the Ministry of Foreign Affairs concluded a cost sharing agreement with the UN



Development Programme on supporting the implementation of Hungarian international development projects in the strategic partner countries, mainly in Serbia and Montenegro and Bosnia-Herzegovina. Since 2004 we have started to implement development projects accepted by the Steering Committee where Hungary has a decisive vote. Hungary intends to involve the widest possible circle of Hungarian NGOs, experts and companies. Also with UNDP, there is a joint project of removing landmines in Ukraine. We have a mutually beneficial cooperation with the Canadian International Development Agency (CIDA) in the framework of ODACE (Official Development Assistance for Central Europe) programme, for training experts of international development assistance on post-graduate level. Hungary has also been given assistance by the European Commission and EU member states mainly through a task force for its IDC capacity building. Hungary's network of diplomatic missions play a substantial role in the implementation of development cooperation.

### ***Ensuring financial instruments***

Hungary's development assistance programmes are financed mainly from the central budget. In accordance with international practice, it is the responsibility of the Finance Minister to make a proposal to the National Assembly on the development assistance budget, in the annual Budget Bill. Resources are earmarked in proportion with the undertakings and activities of the ministries and institutions taking part in the implementation of bilateral and multilateral international development cooperation. The actual amounts of bilateral and multilateral sectors of international development cooperation are featured by the ministries in the central budget. In 2003 the proportion of the Ministry of Foreign Affairs in the total disbursement and commitments of international development corporation reached 25% in the ODA category and under 24% in the OA category. We should, over the long term, approximate the average ODA/GNI ratio of the OECD and the EU countries. The resources available for an integrated development cooperation should substantially exceed the amount of the earlier grants provided on an ad hoc basis and in a decentralised manner. We also aim to halt the trend of faster increase of multilateral versus bilateral aid. The desirable ratio would be 60:40. At the same time, there is a need to try and ensure that the representatives of the civil sector, too, recognise in growing numbers the importance of international development and humanitarian programmes, and involve themselves in the execution and financial assistance of these programmes. We are also reckoning with the support of the big corporations with interests in the countries of the developing world. Until the late 1990s, NGO aid missions targeting crisis areas were based almost exclusively on the donations of international non-governmental organisations. The Hungarian NGOs are being encouraged by their sister organisations operating in the advanced donor countries to join, as early as possible, the international development cooperation programmes. Since 2003 central budgetary financial support has been provided for humanitarian and development projects of Hungarian NGOs. The Ministry of Foreign Affairs announced a call for proposals late 2003. Winners (both NGOs and private companies) are given financial support in their aid and technical assistance activities. The

examples are provided, together with the actual amount of state support, in sections 3. and 4. of this document discussing our concrete contribution to fulfilling the MDGs.

## **2.2 Aid effectiveness**

### **2.2.1 Resource allocation**

A more effective development assistance is crucial. This can be achieved through a better focus on poverty reduction; improved coordination between donors; simplified and harmonized aid procedures; more support to general programs and sectors instead of individual projects, and by becoming more results-oriented.

The coordination of development assistance works best under local leadership in developing countries. The basis for more effective and coordinated development assistance should be the national and poverty reduction strategies drawn up by developing countries. A critical part is to strengthen the capacity of developing countries to improve their own poverty reduction and development strategies. This includes support to government administration, the involvement of national parliament and the participation of civil society in prioritising and formulating plans.

According to a planned EU-recommendation, any EU Member States' approach to aid policy and programs must be consistent with partner country led initiatives for harmonisation. The EU should always support and be part of donor wide initiatives at the country level. Where no such initiatives are underway, the EU should take the lead, but should also offer to open up the initiative to non EU-donors. Hungary welcomes this idea and considers it an advantage especially in our cooperation with ACP countries, where Hungarian experiences are lagging behind the EU donors.

In practice, international experience shows that bilateral development cooperation is expanding at a faster rate. Assistance provided in the framework of bilateral cooperation usually serves the interests and aims of the donor country better (enforcement of foreign policy and economic-policy criteria, enhancing international prestige, the advantages of maintaining direct contacts with the partner country, etc.). Bilateral development assistance seems to be the most effective way of meeting the special needs of less developed countries.

From an emerging donor's point of view it is important that in case of multilateral assistance, the donor country becomes impersonal; having relatively limited control over the final usage of the assistance. It is possible to set certain conditions, such as reception of domestic products, hiring of specialists, involvement of institutions, but the experience of recent years shows that it is becoming increasingly difficult to ensure that these are actually met. Assistance provided through international organizations also offers certain advantages, primarily for the partner countries, as the development resources are added up, allowing the funding of more important projects designed to serve the development of larger regions. Also, this way of assistance helps to decrease transaction costs of development programmes.

In 1999 Hungary spent a total of USD 12.4 million (HUF 2 942 million), - 0.025% of the GNI - on official development assistance. In 2001, approximately HUF 4 000 million was spent on international development cooperation. This sum includes all the activities of different line ministries and contains not only ODA, but OA to transition economies as well.

In 2003 a separate IDC allocation of the national budget was established in the MFA budget chapter amounting to HUF 1 380 million, which was cut to HUF 1 040 million due to cutbacks in the central budget. However, the overall ODA was approximately HUF 5 300 million or 0.03% of the GNI. For 2004 HUF 1 400 million (USD 7 million) was earmarked, but was cut by HUF 290 million later. Of the remaining HUF 1 110 million, HUF 832.2 million was allocated for development assistance and cooperation; HUF 277.5 million for concessional (tied) credits with a grant element. Thus the ratio of tied aid of the total ODA is 25%.

#### ***Bilateral assistance***

In 1999 only a modest amount was spent on bilateral development cooperation and humanitarian assistance (USD 800,000, HUF 190 million, i.e. 15%). The assistance designed to help ethnic Hungarians living in the neighbouring countries – an item coming under the OA heading – USD 7 million (HUF 1,660 million) – fell entirely within the competence of the Government Office for Hungarian Minorities Abroad and the public foundations working alongside it.

The bilateral part of ODA rose after 1999 to about 65% of total Hungarian ODA by 2003.

#### ***Multilateral contributions***

In the 1990's activities classed as official development assistance (ODA) were predominantly conducted through multilateral channels, among which the highest contribution was made through the International Development Association (IDA), the world's largest single provider of concessional credits for low-income countries helping them to make progress towards the MDGs. (contributions, obligatory membership fees and, in some cases voluntary donations, etc. paid to UN institutions and funds of the IMF, the World Bank and the UN).

In 1999, the major part of the ODA category was represented by the multilateral obligations (USD 4.6 million, HUF 1,092 Million, i.e. 85%).

In 2003 Hungary's financial contribution to multilateral organizations taking part in the international development cooperation was HUF 2,207,726,539 (USD 9,836,600), from which HUF 1,646,426,540 (USD 7,335,709) is reportable as ODA and HUF 561,300,000 (USD 2,500,891) is reportable as OA.

Table 2

**Financial contribution to multilateral organizations  
in 2003 reportable as ODA**

International Institutions, Funds, Agencies	HUF
UNDP	230 363 320
WFP	14 588 600
UNFPA	5 659 250
OTHER UN	446 291 585
WHO	77 923 957
FAO	44 549 403
ILO	10 459 267
UNESCO	23 699 904
UNO	44 193 600
Other UN agencies and funds	245 465 454
IDA	836 800 000
OTHER MULTILATERAL	112 723 785
<b>TOTAL ODA MULTILATERAL</b>	<b>1 646 426 540</b>

Source: Ministry of Foreign Affairs

Note: Currency exchange rate 224,44 HUF/USD based on Hungarian National Bank's average exchange rate for the calendar year of 2003.

### 2.2.2 Harmonisation and coordination

In line with the commitments made in Barcelona and Rome, as well as with the present EU-harmonisation work, the final objective of Hungary is to facilitate as much as possible the alignment of procedures with those of the recipient countries' systems and policies (e.g. PRSP). Strengthening local ownership of the development agenda as well as alignment and harmonisation processes will be taken as the starting point for harmonisation activities.

We are looking for opportunities to join the division of labour between countries in the development field. The donor countries, too, endeavour to unify their resources to increase efficiency and to ensure that they can assume more ambitious tasks (the development of a region encompassing several countries). Our participation in international projects helps our preparation for a substantive development role, accelerating the learning process and helping us develop our ability to enforce our interests. In order to achieve a coordinated and coherent European Development Cooperation vis á vis partner countries, Hungary has been participating actively in the work of the Working Party on Harmonisation established by the Council.

Cooperation between the Visegrád countries (Czech Republic, Hungary, Poland and Slovakia) contributes to a more coordinated and effective development assistance and cooperation programme. Trilateral projects with other countries having more experience could contribute to an accumulation of knowledge for a new donor country like Hungary in the field of development assistance.

Proposals by partner countries for development projects make an important input to our decision-making processes. The needs of the partner countries to be supported should be assessed once we know the available resources; thereafter, we can go ahead with planning and implementing bilateral development programmes.

### 2.2.3 Aid modalities

Aid modalities of the Hungarian international development activities include technical cooperation, development projects, humanitarian aid, concessional (tied) credits with grant elements and cancellation or conversion of debts.

Hungary, as an emerging donor, started with simpler, easier-to-handle forms of IDC. Initially we brought into

the foreground the comparatively low-cost technical cooperation forms, the positive contributions we can make thanks to the capacity of Hungarian intellectual capital – (education, training, transfer of political and economic transition experiences). Following the preparatory phase (the establishment of financial and intellectual capacities necessary for development assistance), the project-type cooperation forms have been favoured. Hungary also makes further efforts to adopt its IDC structure and capacities in order to be able to gradually implementing multi-annual programs in accordance with EU recommendations.

It is impossible to put an exact figure on the amount spent on humanitarian aid, since budgetary allocations are supplemented by the donations of non-governmental organisations, church foundations and private individuals.

### **2.3 Policy coherence for development**

Harmonisation with foreign and security policies is carried out through the international development cooperation working committee in the Ministry of Foreign Affairs. Coherence between development and external economic policies, with special regard to tied aid, is gradually being secured through a relevant inter-departmental committee. Harmonisation of international development cooperation with other national policies is basically ensured through the inter-departmental ministerial committee and the expert working group. However, further efforts are needed in adjusting the separate international development activities of line ministries to the central international development programmes managed by the Ministry of Foreign Affairs. Harmonisation of international development policy and other national policies in the EU context is ensured through the European Co-ordination Inter-Departmental Committee.



## 3.

# Contribution to MDGs 1-7

### General remarks:

The following chapter describes methods by which Hungary starts to reflect the realisation of the Millennium Development Goals in its IDC policy.

It is accepted that – as an emerging donor being in a transitional stage, moving from recipient to donor status – Hungary can not and should not be measured according to the same criteria as traditional donor countries with decades of experience in the field of development.

This general remark applies specifically to the MDG focus, therefore we could not even attempt to synthesize the few completed, ongoing or planned projects as part of clear-cut strategies, procedures and instruments. To add value, however, to the EU contribution to the 2005 Millennium Development Goals stocktaking exercise and to help ensure a strong and well coordinated contribution of the Union, we expressed our conviction that there is a “market niche” for emerging donors like Hungary as well. Recently formulated ideas – among them by traditional EU donor countries as well – that the concept of poverty reduction should be broadened to include questions of good governance, security etc. are strongly supported by us.

The poverty reducing dividends and most of the MDGs therefore are inherent in more and more projects the Hungarian international development cooperation program is pursuing not only in the Least Developed and Low Income group, but also in its several Middle Income Country category IDC partners mainly in the transition management – good governance type of training projects.

### 3.1.

#### **Goal 1**

#### **Eradicate extreme poverty and hunger**

Hungary is determined to take part in international efforts to free our fellow men, women and children who still suffer in alarming numbers (more than one billion) from inhuman conditions of extreme poverty.

As the two parallel and interrelated targets here are to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day and who suffer from hunger, projects in the LDCs can naturally contribute mostly to the achievement of this goal. The debt for development swap scheme (details see under Goal 8, target 13 and 15) Hungary initiated with Ethiopia holds out the prospect of projects falling into this category.

The orphanage to be built in Cambodia from the Hungarian Ministry of Foreign Affairs IDC fund support is another example, while a freshwater fishbreeding project under the same support is undertaken by the Hungarian Fishery and Irrigation Research Institute of Szarvas in neighboring LDC, Laos and also in Vietnam falling under the low income category. Experts from another LIC (North Korea) have also been trained in Hungary in this field and others – either LDCs or LICs – may opt in the future for receiving this form of assistance.



## **Goal 2**

### **Achieve universal primary education**

Hungary focuses on improving the quality and availability of education in partner countries, with the main emphasis on basic education in the form of in-service teacher training, teaching materials and construction of schools. We rely heavily on the expertise of Hungarian NGOs that have always been active in this field. A good example of our complex approach is a project by one of the largest NGOs, Hungarian Interchurch Aid. HIA has built an elementary school in Afghanistan from scratch and will train local teachers and supply teaching materials with the financial help of the MFA IDC budget allocation. The unique and famous Hungarian conductive teaching system for mentally or physically disadvantaged children – the so called Pető method – will help Iraqi children improve their quality of education through a project of another NGO, financed also from the IDC budget.

Hungary also takes an active part in the preparatory work for setting up UNESCO's "Euro-Arab Task Force" financed jointly by UNESCO, the Council of Europe, ALESCO and ISESCO.

## **Goal 3**

### **Promote gender equality and empower women**

The Hungarian Delegation participated in the elaboration of the Beijing Platform of Action (Beijing, 1995), which stated that to target the root causes of gender inequality, both women and men must be involved. It was only in 2002 that the post of Minister for Equal Opportunities was created in Hungary to raise the awareness about gender inequalities. Considering that the gender issue is mostly absent from national policymaking agendas in neighbouring ODA-countries, the Hungarian IDC will start – in the framework of the New European Neighborhood Policy, with the cooperation of UNDP – Sustainable Development Cluster – in 2004 through a development cooperation project aimed at specifically for women entrepreneurs in Serbia and Montenegro.

Women entrepreneurs have proved very responsive to Business Development Services in various developing countries and there have not been enough projects addressing their needs in Serbia's transition period. The project will contribute to economic empowerment of women, members of Women's Textiles Workshop Network (WTWN) and improve their positioning in the market, especially with respect to interregional cooperation and developing potential to export their products. Indirect activity related to this project is communication at the policy level, which is intended to provoke stakeholders (government officials, institutions, formal and informal groups) to consider the needs of small producers while developing economic policies.

Women's Textiles Workshops Network is one of the rare organizations with which UNDP works that has addressed this problem. Specifically, the project design addresses economic cooperation, SME development and cross border cooperation as unique instruments of the Reformed Szeged Process. In a limited time frame of 4 months the project will facilitate the networking of some 250 women entrepreneurs. Cooperation between the Szeged agency for SMEs and Vojvodina's SME Agencies in Zrenjanin, Novi Sad and Subotica will be enhanced.

#### **Goal 4**

##### **Reduce child mortality**

Hungary believes that infant mortality is one of the most accurate indicators of a country's health system as well as one of the gravest problems the international community is facing in terms of poverty alleviation. Even though there have been significant improvements in recent years, more than 10 million children die each year in the developing world. The vast majority of the factors that cause this terrible loss of lives would be preventable through good nutrition and proper medical treatment. Many of the diseases contracted by children are well known and thus easy to prevent if the necessary medical help is available.

Intervention to reduce child mortality forms an important part of Hungarian international development cooperation.

The 'Hungarian Hospital' built earlier in Salahaddin (Yemen) is one example of such programmes. This facility will be newly equipped with medical apparatus and computers.

Various Hungarian NGOs and actors of the private sector won state support to carry out projects in this field. E.g. the Hungarian Baptist Aid, that supports an orphanage in Cambodia or companies like 'Innomed Medical Inc.', that delivered medical equipment to the Ministry of Health of Iraq in order to support Iraqi hospitals in grave need of life-saving instruments. These projects make an important contribution to achieving our goals. Involvement of international organisations is also inevitable. E.g. early 2004 the International Committee of the Red Cross (ICRC) delivered special medical equipment to Basra (Iraq).

#### **Goal 5**

##### **Improve maternal health**

Hungary is determined to play an active role in the international efforts to ease this problem. Millions of women worldwide still suffer from pregnancy-related illness and 500.000 die every year from complications of childbirth.

In our view one of the most important targets of this goal is a reduction in maternal mortality as well as make efforts to decrease the number of abortions. In the latter prevention is a key question.

Hungary regards it as vital to also focus on young people, in particular with regard to the man's role and his engagement in his partner's reproductive health and his child's development.

Education and awareness raising actions are as important in the field as providing medicines, or building well equipped hospitals. Hungarian NGOs are active in this field mainly in providing less costly solutions, such as training and education. The Hungarian Interchurch Aid has organised training altogether 20 social workers in the Sub-Carpathian area (Ukraine).

#### **Goal 6**

##### **Combat HIV/AIDS, malaria and other diseases**

Combating diseases is one of the core challenges for the developing world.

The spread of HIV/AIDS is one of the greatest threats to development, especially in poor countries. Around 40 million people are HIV/AIDS infected, 26 million in Africa alone. In Sub-Saharan Africa more women than men are infected due to the imbalance of power between men and women and to the prevalence of sexual violence, including women and girls being subjected to rape, especially in conflict and post-conflict situations. Although Hungary is firmly dedicated to halt the spread of HIV/AIDS, we believe that reducing the number of other diseases such as diseases of the circulatory system and various types of cancer can contribute to achieving the desired goal as well.

The Hungarian Heart Foundation has donated a mobile pulmonary screening centre to the Voivodina provincial government (of Serbia and Montenegro). With the help of this Hungarian-made digital mobile centre, it will be easier to screen those suffering from tuberculosis.

## Goal 7

### Ensure environmental sustainability

Hungary fully identifies itself with the targets set under this Goal.

It has integrated the principles of sustainable development into its policies and several programmes have been worked out and started to be implemented to improve environment in our partner countries.

In its development cooperation policy Hungary has already started to identify and implement projects aiming at helping partner countries in their efforts in relation to Target 10 and 11. For instance, Iraqi experts were trained in the field of drinking water supply, sewerage and waste material collection and treatment in Hungary in 2004.

### Millennium Development Goal indicators – the situation of an emerging donor country: Hungary

Table 3

#### Indicators for Hungary

Indicator	Content	2000	2001	2002	2003
1	Risk of poverty rate (%)	9	10	9	..
2	Poverty gap ratio (%)	15	16	14	..
3	Share of poorest quintile in national consumption (%)	11.58	11.73	11.77	
6	Net enrolment ratio in primary education (%)	100.0	100.0	100.0	100.0
7	Proportion of pupils starting grade 1 who reach grade 5 (%)	98.6	97.9	98.4	97.7
8	Literacy rate of 15–24 year olds (%)	..	99.5	..	..
9	Ratio of girls to boys in				
	Primary education (%)	93.6	93.6	93.5	93.4
	Secondary education	99.7	99.2	98.6	96.2
	Tertiary education	113.9	115.5	116.2	116.1
13	Under 5 mortality rate per 1000 births	10.84	9.38	8.59	8.56

Indicator	Content	2000	2001	2002	2003
14	Infant mortality rate per 1000 births	9.2	8.1	7.2	7.3
15	Proportion of 1-year-old children immunized against measles (%)	99.8	99.9	99.9	..
16	Maternal mortality ratio per 100,000 live births	10.25	5.15	8.26	7.40
17	Proportion of births attended by skilled health personnel (%)	99.5	99.6	99.6	99.6
18	HIV prevalence among 16–24 years	68	71	78	..
21	Incidence of malaria	14	21	14	..
23	Prevalence of tuberculosis	3314	2884	2812	..
	Death rates of tuberculosis (per 100,000 inhabitants)	3.60	3.18	2.80	2.32
30	Proportion of population with sustainable access to an improved water source %				
	Urban (towns)	92	93	95	..
	Rural (villages)	91	89	87	..
31	Proportion of population with access to improved sanitation, urban and rural (%)				
	Urban (towns)	67	69	72	..
	Rural (villages)	17	20	23	..
32	Proportion of Owner-occupier households	..	91.1	..	..
	And tenants (%)	..	6.7	..	..
44	Net debt service as a percentage of exports of goods and services	19.7	10.7	12.7	18.1
45	Unemployment rate of people aged 15–24 (%)				
	Male	13.8	12.2	13.2	13.8
	Female	11.2	10.0	11.9	12.9
	Total	12.7	11.3	12.6	13.4
47	Telephone lines and	80	76	74	..
	Mobile subscribers	27	52	84	..
	Per 100 households				
48	PCs per 100 inhabitants	8.5	9.8	10.8	..
	Internet connections per 100 inhabitants	1.3	1.7	1.9	3.6

Source: Central Statistical Office, Hungary; Ministry of Finance, Hungary.

Note: Indicator 30: Number of dwellings connected to the public water supply system as a % of total number of dwellings.

Between 2000–2003 there were no significant changes in terms of poverty and primary education. Female pupils and students are well represented in all levels of education, although at the tertiary level, the number of female students is higher at faculties with lower wage prospects.

Infant, child and maternal mortality rates are showing a clear decline. HIV prevalence is on the increase, but due to a relatively low absolute number of incidences it is not considered amongst the most serious health related problems in Hungary.

Water and sanitation indicators are improving.

Due to strict monetary and fiscal policies, Hungary's total net foreign debt service (as a percentage of exports) is less than during the late 1990s. Slower export growth and a more relaxed budgetary policy led to an increase during 2002–2003, but the net foreign debt/GDP ratio is still less than 20%. Due mostly to a sluggish world economy, youth unemployment has slightly risen.

Telecommunication was a success story of the 1990's, with a sudden increase of fixed telephone lines. In recent years, there has been a boom of mobile phone usage.

In July 2004 Hungary became a member of the World Summit on the Information Society (WSIS) Bureau coordinating the preparation of the second, Tunis phase of WSIS.

Hungary adopted its national eStrategy, the Hungarian Information Society Strategy (HISS) in December 2003. The Strategy complies with the eEurope 2005 Action Plan and the WSIS Plan of Action aiming at the development of a worldwide information society and the elimination of digital divide.



Hungary has specific measures for increasing personal computer usage, too. The so-called 'Sulinet' programme of the Ministry of Education provides significant personal income tax allowances for obtaining information technology products, especially computer hardware. Steps were taken to spread legal software usage at educational institutions. The main bottleneck for internet usage is the relatively high level of fixed line telephone tariffs. In this field we can talk about modest improvements.

### **3.2. Main challenges**

When reporting about Hungary's contribution to the Millennium Development Goals, we have to point out that our capacity, experiences and resources are still very limited. ODA is considerably lagging behind the level necessary to achieve MDGs on the global level, as well.

The flow of capital from developing countries to developed ones is bigger than the other way round. In spite of some successes lately in the Doha round of global trade negotiations, the market opening process of goods and services by developed countries is still very slow.

Also, developing countries should be encouraged to enhance their own efforts aimed at reducing poverty. There is no development without peace and no peace without development. Situations are commonly known, when even delivering humanitarian assistance is impossible because of security reasons. Still, several developing countries, especially in Africa and the Middle East, encounter bad governance, economic instability and military conflicts. All these discourage foreign direct investment (FDI) that could be a major driving force in attaining MDGs in these countries.

Donors simply cannot wait until countries in post-conflict situations show a good track record, as the donor community will not be able to reach the MDGs and achieve long-term aid effectiveness if leaving failing states behind.

Strengthening fragile states is not only a development objective, but it is high on the donor countries foreign and security policy agenda, which calls for strong coherence and coordination between these policies on a national and multilateral level as well.

The peacekeeping and peace-making role of the United Nations should be further strengthened. An even closer coordination of international development activities between the UN, international organisations and institutions and donor countries is necessary.

## 4. Implementation of MDGs 7 and 8 commitments

### Goal 7 – Target 9

#### Sustainable development

As for environmental sustainability, an improvement can be witnessed in Hungary. Protected nature reserves make up almost 10% of Hungary's total territory. Considering the yearly average GDP growth rate of 4% and a yearly 0.3% decrease of population during 2000–2002, there is a decrease in absolute volume of emissions, behind the per capita increase in carbon dioxide emissions. Although not indicated here, pollution of our largest lake (Balaton) has been reduced in recent years.

Table 4

#### MDG 7 Target 9: Environmental sustainability – Hungary

Indicator	Content	2000	2001	2002	2003
25	Proportion of land covered by forest (%)	19.0	19.0	19.0	19.1
26	Protected nature reserves of national significance (thousand hectares)	816.0	816.0	820.6	820.6
27	Energy use (kg oil equivalent) per USD 1 GDP (PPP)	0.21	0.19	0.18	..
28	Carbon dioxide emissions per capita (tons)	5.81	6.07	5.97	..
	Consumption of ozone-depleting CFCs (ODP tons)				
	CFCs	0	0	0	..
	HCFCs	1103.7	1162.7	442.6	..
29	Consumption of solid fuels (thousand tons)				
	Coal	513	588	518	..
	Firewood	909	824	888	..
	Total	1422	1412	1406	..

Source: Central Statistical Office of Hungary.

Note: No data available on proportion of population using solid fuels.

### Goal 8

#### Official Development Assistance of Hungary

In 2003 HUF 1,380 million was earmarked for the MFA budget for international development assistance. This was cut to HUF 1,040 million due to restrictions in the central budget. However the overall national level ODA/GNI ratio almost reached 0,03% ODA/GNI (HUF 5.3 billion).

In 2004 HUF 1,400 million (USD 7 million) was earmarked for the MFA budget, but it was cut by HUF 290 million later. Thus, Hungary's net ODA is less than 0.1% of GNI. Of the actual HUF 1,110 million, HUF 832.2 million was allocated for development assistance and cooperation; HUF 277.5 million for concessional (tied) credits with a grant element. Thus the ratio of tied credits of the total ODA is 25%.

Table 5

## Official Development Assistance of the Ministry of Foreign Affairs of Hungary

Utilization of resources allocated in 2003 for development activities	HUF	USD
<b>Realized projects and commitments</b>	<b>18,159,683</b>	90,798
Of which:		
Humanitarian aid to Iraq	15,000,000	75,000
Delegation from China (studying the Ombudsman system)	559,683	2,798
Supporting elections in Georgia	2,600,000	13,000
<b>Further commitments</b>	<b>423,274,640</b>	2,116,370
Of which:		
Iraq (tender)	200,000,000	1,000,000
Partner countries	100,000,000	500,000
Training policemen in Afghanistan	30,000,000	150,000
Reconstruction of Matejce police station (FRY Macedonia)	26,000,000	130,000
Training Iraqi policemen in Jordan	67,274,640	336,373
<b>Commitments realized towards international organizations</b>	<b>370,000,000</b>	1,850,000
Of which:		
UN organizations doing development programmes	150,000,000	750,000
Cost sharing with UNDP	220,000,000	1,100,000
<b>Further commitments</b>	<b>6,603,988</b>	33,020
International Office of Migration training in Budapest	6,603,988	33,020
<b>Preliminary commitments</b>	<b>100,582,000</b>	503,000
Schengen related training	23,071,000	115,355
Training Palestinian electoral experts	17,511,000	87,550
Further training of policemen in Afghanistan (depending on the security situation)	60,000,000	300,000
<b>Projects under preparation</b>	<b>50,000,000</b>	250,000
Fresh-water fish breeding in Vietnam	50,000,000	250,000
Other expenses related to the above items	113,656	568
<b>Altogether</b>	<b>968,733,977</b>	<b>4,843,670</b>
Implementing agency's expected expenses	71,000,000	355,000
Funds not allocated	201,644	1,008

Source: Ministry of Foreign Affairs

The proportion of bilateral ODA for basic services (basic education, primary health care, nutrition, safe water and sanitation, including humanitarian aid) is approximately 20% of the total Hungarian ODA.

It has to be emphasized that for 2004 the Hungarian ODA/GNI ratio will almost be doubled due to the fact, that 4,68% of our contribution to the EU budget is accountable.

Landlocked countries have received approximately 10% of Hungarian ODA.

Hungary has not provided ODA for small island developing countries.

### ***Goal 8 Target 12***

#### **Good governance**

We attach great importance to promote good governance in our partner countries. Based on the initiative of the Hungarian Ministry of Interior a project has been ongoing for the training of Iraqi policemen in Jordan. Another good example is a training project by the International Training Centre of the Hungarian Ministry of Interior for 25 Palestinian electoral experts or training of Vietnamese government officials in a development cooperation program organised by the MFA.

### ***Goal 8, Target 13 and 15***

#### **Market access**

Since the late 1970's imports from 42 LDCs have received total and unconditional duty free entry to the Hungarian market. Under the GSP 95% of imports from developing countries have received preferential tariff treatment. The average GSP tariff rates have been less than half of the MFN rates.

In 2000 domestic agricultural subsidies were 1.06% of the GDP rising to 1.6% of the GDP in 2002. With a decline of state subsidies in 2003, this ratio has fallen slightly below 1.5%.

There is no ODA activity by Hungary that can be categorised as building trade capacities of developing countries.

#### ***Debt sustainability of LDCs***

Hungary joined the HIPC framework in 2000. Our contribution takes the form of depositing (from our National Bank's foreign currency reserves) SDR 9.24 million at 0% interest rate at the International Monetary Fund expiring in 2018. Interests are used to ease the debt burden. This sum is estimated to be approximately SDR 6 million. Hungary takes steps on bilateral level, dealing with the debts outstanding from individual countries. In September 2004 Hungary supported the EU commitment of going beyond the HIPC target by providing officially 100% bilateral pre-COD debt relief for all claims.

In 1985 Hungary joined the IDA as a donor country to be part of multilateral efforts to grant preferential credits and aid to countries with a per capita GNP less than USD 925. In May 2003 Hungary contributed SDR 5.95 million to IDA.

Hungary plans to eliminate 100% of Ethiopia's debt to Hungary, by writing down 90% of the country's debt,

with the remaining debt to be converted to development assistance. Hungary has written off 90% Nicaragua's debt, the remaining 10% is to be paid back in 16 years. We plan to write off 100% of Mozambique's debt to Hungary.

***Goal 8 Target 14***

**Landlocked and small island countries**

Hungary has got development programmes aiming to provide assistance for the landlocked countries of Laos, Kyrgyzstan, Mongolia, Ethiopia, and Afghanistan. No small island country is assisted.



## 5. Priorities and actions on the way towards 2015

Hungary will strengthen the legal and institutional framework of its international development policy in the years to come. In accordance with our capacities we will try to approach the target of 0.1% ODA/GNI by 2006 and gradually catch up to the level of other EU member-states in the subsequent years.

We are in the process of devising a wide-ranging awareness-raising information campaign to ensure that the Hungarian decision-makers and public can learn, as soon as possible, about the theoretical and practical importance of international development cooperation.

The resources available for integrated development cooperation should substantially exceed the amount of the earlier grants. The resources to be allocated to the bilateral sector of development cooperation should expand at a faster rate until reaching the desirable ratio than the development contributions of the multilateral sector.

Hungary will further strengthen its ties with partner countries (through framework agreements, country strategies, involving the private and civil sector into international development projects).

We also strive to increase Africa's weight in our international development activities both on a bilateral level and with joining EU-ACP co-operation. We will become a contributory country to the next European Development Fund (EDF).

## 6. Conclusion

As underlined in the September 2004 Government Programme, Hungary, as a member of the European Union, will see opportunities opening up that have been unprecedented in its history.

Being in the Union we can shape decisions that not only influence our future but – partly through the EU ODA – can help the less fortunate people of our globe. Consequently our foreign policy can move in a much wider space and also contribute to increasing the role of the European Union in the world affairs.

We do not only exploit the benefits of our membership in the EU but also meet obligations. An important segment of the latter is the implementation of the main features of the Development Policy Statement of November 2000: poverty reduction, enhancing democracy, human rights and good governance in the less developed regions of the world.

Hungary strives to fulfil the commitments and tasks provided for by the UN Millennium Declaration and the Millennium Development Goals.

In Hungary the legal, institutional and financial frameworks for international development policy conforming OECD and EU standards are in place, however, strong further efforts are to be made in order to meet quantitative and qualitative requirements. The Hungarian government is determined to catch up in accordance with the country's capability.

The Hungarian government holds, that in order to attain the MDGs, the international community, and above all the donor countries and organizations should make further efforts through raising new resources, strengthening the UN's role, harmonizing IDC activities and making them more coherent, and last, but not least, creating a real partnership with the developing nations.

Budapest, October 2004