

# 1 Introduction

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This chapter introduces the context and provides an overview of the objectives and the structure of the report.

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## 1.1. Context

Hungary has managed to decouple the increase of many environmental pressures from its economic growth and has a long-established policy and legal framework for waste management, supported with quantitative targets and economic instruments. The national waste framework is aligned with the relevant European Union (EU) legislation and the Organisation for Economic Co-operation and Development (OECD) Council decisions. However, Hungary has not yet succeeded in integrating circular economy principles into its sectoral policies nor has it adopted a whole-of-government approach to the circular economy transition. For instance, although waste quantities have decreased, waste management practices have not improved significantly, leading to linear life cycles with landfilling remaining the most frequent treatment option. The share of secondary materials used from recycled products is low, well below the EU average. In addition, Hungary's material resource productivity is below the OECD average, pointing to the inefficient use of resources in generating economic value.

Further improvements in resource efficiency and waste management can lower environmental externalities in the use of materials and enhance Hungary's competitive advantages. Fostering and investing in recycling and promoting eco-design can increase the availability of green jobs, products and services. The development of product reuse and repair can generate local product loops that create local jobs and make the economy less dependent on imports. This transition, however, requires the adoption of a comprehensive circular economy policy framework.

## 1.2. Objectives

Hungary aspires to unleash the potential of the Hungarian economy, aligning it with the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), and the ambitions of the European Green Deal. Hungary aims to live up to the EU Circular Economy Action Plan (CEAP) and the EU Strategy for Plastics in the Circular Economy, and achieve its 2030/35 EU waste management targets. Hungary is therefore determined to extend existing plans and create new policies and programmes, and it has requested technical support from the Directorate-General for Structural Reform Support (DG REFORM) of the European Commission to develop its national circular economy strategy. With the financial assistance from the DG REFORM, the technical assistance was provided by the OECD.<sup>1</sup>

The overall outcome of this technical support is the development of a National Circular Economy Strategy (NCES) and Action Plan (AP), which will complement and expand existing policies. This report is the concrete output of the technical support<sup>2</sup> and outlines a set of key elements for the Hungarian NCES and AP. It is expected that Hungary, having been closely involved in the development of this report, will integrate these elements into its NCES and AP through its internal mechanisms. The expected result will be the creation of a coherent policy framework and a set of actions by the Hungarian government that will enable the circular economy transition and improve resource efficiency, material security, innovation potential, competitiveness, productivity, as well as job creation. The action was funded by the European Union via the Structural Reform Support Programme, and implemented by the OECD, in cooperation with the Directorate-General for Structural Reform Support of the European Commission.

### 1.3. Report structure

This report is structured as follows:

- Chapter 2 provides insights into global trends in resource use and its environmental implications, and discusses the rationale for transitioning to a circular economy in Hungary.
- Chapter 3 reviews the existing circular economy-related policy landscape in Hungary, and highlights the prevailing policy gaps.
- Chapter 4 presents the Hungarian vision for a circular economy transition by 2040, and outlines the selected priority areas to implement this vision.
- Chapters 5, 6 and 7 analyse three priority areas in great detail: biomass and food, construction, and plastics. Their circular potential is identified and recommendations for policy measures for each priority area, as well as horizontally across different areas, are put forward.
- Chapter 8 outlines the recommendations for an action plan and a monitoring framework.
- Chapter 9 provides an overview of the public funding mechanisms for a circular economy transition.
- A summary of the Strategic Environmental Assessment (SEA), assessing the potential impacts of the policy recommendations and implementation actions put forward in this report, is included in the Annex A.

Supplementary information, in the form of tables, figures and text boxes, is included within the respective annexes following each chapter.

### Notes

<sup>1</sup> The mission of the Directorate General for Structural Reform Support (DG REFORM) of the European Commission is to provide support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilising EU funds and technical expertise. Hungary has requested support from the European Commission under Regulation EU 2017/825 on the establishment of the Structural Reform Support Programme (“SRSP Regulation”). The request has been analysed by the Commission in accordance with the criteria and principles referred to in Article 7(2) of the SRSP Regulation, following which the European Commission has agreed to provide support to Hungary, together with the OECD, in the area of circular economy and resource efficiency. The purpose of this support is to develop a report comprising elements of a draft National Circular Economy Strategy and Action Plan under the conditions set out in the Framework Delegation Agreement (REFORM/IM2020/018).

<sup>2</sup> Communication and awareness materials are prepared as separate documents.



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