

4 A circular economy in Hungary by 2040

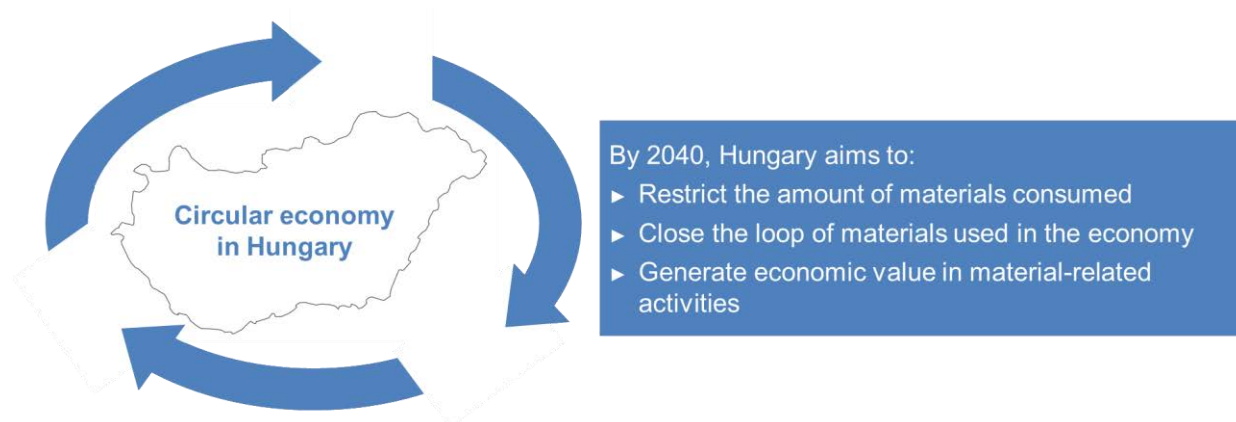
An integrated vision, supported by clear goals, quantified targets and concrete actions is required to guide the circular economy transition at the national level. This chapter puts forward the high-level vision and strategic goals required to transition to a circular economy in Hungary by 2040. In addition, it identifies and elaborates on three priority areas where actions are needed to achieve these goals.

4.1. A vision with clear goals steers the circular economy transition

The strategic vision and goals of the National Circular Economy Strategy (NCES) (as outlined in Figure 4.1) were developed by the OECD in consultation with the project steering committee and the stakeholder working group, and validated by the Prime Minister's Office and the Ministry of Energy. All the stakeholders will collaborate to reach the following targets by 2040 (compared to 2019 levels):

- To restrict the amount of materials consumed, the government will invest in research and implement incentives to encourage resource efficiency through innovation, eco-design, product sharing and reuse. Hungary aims to double its resource productivity (GDP/DMC).
- To close the loop of materials use and to use materials more sustainably, measures will be taken to double the Hungarian circular materials use rate to 15%.
- To capture a broader array of benefits related to the transition to a circular economy, the government will implement support mechanisms for innovation and new business models. Hungary aims to increase the number of circular jobs by 30% across industry, agriculture and service sectors, to achieve 2.5% of total national employment.

Figure 4.1. Strategic goals for the circular economy transition in Hungary by 2040



By 2040, Hungary will become a more competitive and sustainable economy. It will have adopted a holistic approach to the circular economy transition, focusing on industrial, agricultural and service sectors, as well as waste management. As a small open economy with few domestic material sources available, Hungary can secure and improve its competitiveness by encouraging circularity throughout its production and consumption processes. Education and digital technologies will be critical to create green jobs and resource-efficient value chains.

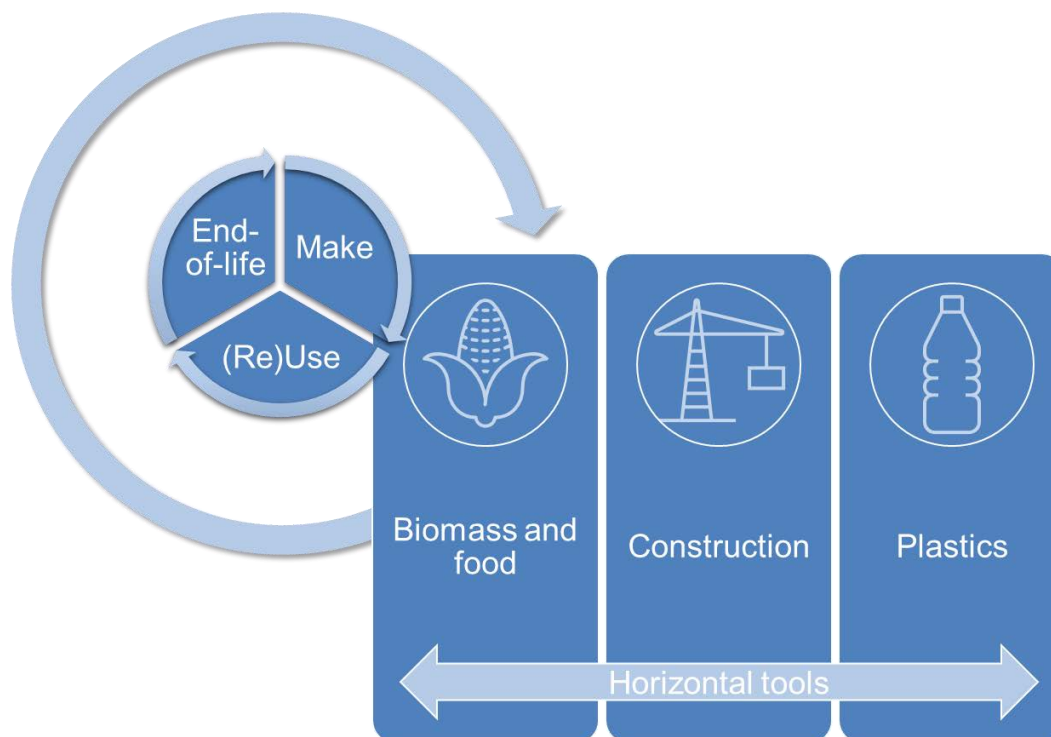
Realising this vision requires the support from all levels of government in order to facilitate the adoption of circular business models by the private sector and incentivise citizens to take ownership of the transition through a shift in behaviour.

4.2. Concrete action in priority areas drives economy-wide circular transition

By combining the insights of chapters 2 and 3 with the outcomes of the stakeholder dialogue and a multi-criteria assessment, the OECD has identified a set of priority areas and high-impact actions that are crucial for the circular economy transition in Hungary (see Figure 4.2).¹ The selected areas include **biomass and food, construction, and plastics**. The in-depth analysis of these areas advocates a life cycle approach with a focus on **design, production, (re)use** and **end-of-life** stages. This approach identifies the circular

potential and policy recommendations for all stages of the value chain, including but not limited to waste management. The analysis also addresses key horizontal tools and topics that cut across product and materials life cycles. This horizontal perspective is integrated within the three vertical priority areas, and concerns a high-level view on the needs for **education**, **research and development** and **circular business models** (with a focus on SMEs and digitalisation) related to the circular economy transition. These horizontal tools go beyond the individual sectors and can contribute to the economy-wide transition.

Figure 4.2. Priority areas covered by the NCES



4.2.1. Circular economy potential of biomass and food

Biomass and food are key to the circular economy transition due to their high potential to contribute to climate change mitigation, socio-economic development and environmental protection. The economic relevance of biomass and food in Hungary is substantial, with the country's value added in the agricultural sector outperforming other countries in the EU. Moreover, industrial processing and the distribution of food products, beverages and tobacco represents the third largest sector of Hungary's economy. The rising potential of circularity in biomass and food is underlined by Hungary's increasing rates of materials recovery, which are critical for achieving the EU municipal waste targets and obligations. The strategic and public importance of biomass and food are evident from the multitude of strategies, concepts and plans introduced in Hungary, which target various parts of the value chain. Increasing circularity in biomass and food also appear to be the top priority area for the consulted stakeholders of the circular economy.

4.2.2. Importance of construction for circular economy transition

Construction is another priority for the circular economy transition in Hungary due to its high relevance to the country's economy and its important circularity and strategic considerations. The value added and employment in the industry have grown over the past years. At the same time, the construction industry plays an important role in both materials consumption and waste generation in the country. Reducing

primary raw materials use along the construction life cycle, and minimising construction and demolition waste (CDW) have become two of the key priorities of Hungary's National Waste Management Plan 2021-2027 and its Waste Prevention Programme. Moreover, construction also has a high decarbonisation potential, with buildings accounting for about one-fifth of global GHG emissions. The dialogue with stakeholders confirmed the importance of targeting construction in general and buildings in particular for a circular economy transition in Hungary.

4.2.3. The strategic importance of a more circular life cycle for plastics

Plastics in Hungary are assessed as more strategically important than construction with a similar circularity potential as building materials, albeit their economic relevance is lower. Plastics are a key input to several sectors in Hungary's economy, of which the most important applications are packaging, construction and transportation. Plastic packaging currently makes up one-quarter of total packaging used in Hungary. Although waste generated from plastic packaging has increased at a much faster pace than the EU average, only about one-third of it is currently recycled in Hungary. The recent plastics-specific legislation only has limited policy instruments in place, which might impede Hungary's ambition to meet the relevant EU targets. The circularity potential and strategic importance of plastics, especially plastic packaging, is therefore very high in Hungary. In consultation with the stakeholders, plastics have been determined as an important priority within the NCES.

The following three chapters 5 (on biomass and food), 6 (on construction) and 7 (on plastics) discuss in detail the respective priority areas, and outline the actions needed for structural change.

References

- OECD (2021), *Analysis of national circular economy strategies across selected EU Member States (Interim project deliverable)*. [1]
- OECD (2021), *Circular economy related policy landscape in Hungary (Interim project deliverable)*. [5]
- OECD (2021), *Economic and materials use projections for Hungary (Interim project deliverable)*. [4]
- OECD (2021), *Proposal for the National Hungarian Vision Statement (Interim project deliverable)*. [2]
- OECD (2021), *Proposed priority areas (Interim project deliverable)*. [6]
- OECD (2021), *Socio-economic and circular economy-related performance: past trends and current developments in Hungary (Interim project deliverable)*. [3]

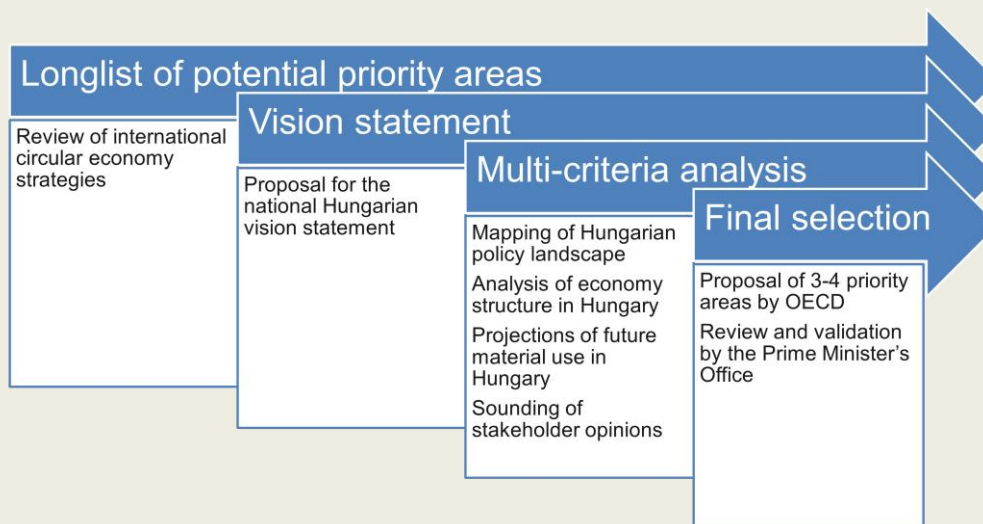
Annex 4.A. Supplementary information

Annex Box 4.A.1. Methodology for the selection of priority areas

As illustrated in Annex Figure 4.A.1, the OECD has carried out the following customised process to develop the proposal for the priority areas:

- A long list of potential priority areas has been identified based on a review of circular economy strategies across selected European countries (OECD, 2021^[1]). This long list contains four categories of priority areas: materials, manufacturing sectors, service sectors and horizontal tools.
- A vision statement along with a proposal for quantitative targets for 2040 has been developed and discussed with stakeholders to determine the ambitions and direction to take (OECD, 2021^[2]).
- The policy landscape and economy have been analysed in different steps:
 - Hungary's current socio-economic characteristics and performance related to the circular economy have been analysed to provide a snapshot of circularity in the country (OECD, 2021^[3]).
 - Trends towards 2050 have been projected, including for economic indicators (such as GDP per capita, value added, trade structure) and for environmental indicators (such as materials use, GHG emissions, air pollutants) (OECD, 2021^[4]).
 - The Hungarian policy landscape related to the circular economy has been mapped, and policy areas that need to be strengthened for a circular transition have been identified (OECD, 2021^[5]).
 - Stakeholders have been consulted to collect deeper insights on the current status and challenges.
- The elements above have been integrated in a multi-criteria analysis to select the priority areas (OECD, 2021^[6]).

Annex Figure 4.A.1. Stepwise process to identify and select the priority areas for the NCES



Note

¹ The methodology for the selection of priority areas is outlined in Annex Box 4.A.1.



From:

Towards a National Circular Economy Strategy for Hungary

Access the complete publication at:

<https://doi.org/10.1787/1178c379-en>

Please cite this chapter as:

OECD (2023), “A circular economy in Hungary by 2040”, in *Towards a National Circular Economy Strategy for Hungary*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/360d9b62-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.