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year plan for reforming government institutions and services that would cut a combined Ft3trn (€11.8bn) from spending and taxes.

The programme is Hungary's first so-called convergence plan, a blueprint submitted to Brussels on how and when the country plans to meet the EU's Maastricht criteria on economic and fiscal performance. If implemented, it could allow Hungary to adopt the euro by 2010 and help to put the economy firmly back on its feet.

"It is important not only for adopting the euro but because it is good for the economy," says Mr Draskovics. The finance minister's recent steps have helped to calm the volatile currency, yet investors and analysts remain cautious.

"Last year really traumatised investors," says Olivier Desbarres of Credit Suisse First Boston. "Mr Draskovics has regained some of the market's confidence, but he is going to have to stick to his promises."

The root of Hungary's woes was simple: overspending. The budget deficit, on an accrual basis, exceeded 7 per cent of gross domestic product in both 2001 and

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2002. The figure fell to 5.6 per cent last year, and Mr Draskovics has targeted 4.6 per cent for this year.

Also damaging to industry was the government decision in 2001 to increase the legal minimum wage by 70 per cent. Meanwhile, the central bank pursued a single-

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