



**EXPERT EVALUATION NETWORK
DELIVERING POLICY ANALYSIS ON THE
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON
ACHIEVEMENTS OF COHESION POLICY**

HUNGARY

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EXECUTIVE SUMMARY

Macroeconomic trends in Hungary and the development of the Hungarian NUTS 2 regions show some particular characteristics when compared to other Central–European new member states of the EU. Strong economic growth and consequently rapid convergence characterized the country in the late 90s and the first half of the last decade; however, signs of a particular Hungarian crisis became evident before the global economic recession. Since 2006, the main macroeconomic figures have indicated a markedly weaker economic performance of Hungary compared to that of the Czech Republic, Poland and Slovakia. The **territorial aspects** of the development in Hungary are characterized by moderately high but gradually increasing territorial inequalities in a period when the convergence in the country practically stopped. The crisis did not cause a marked change in this trend.

The **regional policy** planned interventions along six priority axes: 1) economic development, 2) transport infrastructure, 3) social renewal, 4) environment and energy development, 5) regional development and 6) state reform, and have been integrated in 7 regional operational programmes and 7 comprehensive operational programmes. The funding of Convergence regions is concentrated on environment and energy, and transport with 57.6% of total funding. Approximately 37% should be allocated for the development of enterprise environment and territorial development. As these funds come from the ERDF, the type of development is related more to the improvement of physical infrastructure. In order to respond to the recession, in 2009 the government initiated a substantial restructuring of allocations between the different OPs, especially to the benefit of the Economic Development Operational Programme. Within this frame the majority of the funds were allocated to the priority Complex development of enterprises (focusing on SMEs), especially to the support of SMEs, and a smaller part to JEREMIE–type interventions.

As to the **forms of funding** there are three major types of projects: 1) major projects, 2) the so-called priority projects, i.e. projects where the selection is based on government decision and centrally managed, and 3) calls for proposal. By the end of 2009 some 26% of the funds was allocated to transport development, 19% to R&D activities, innovation and business promotion, and 18% to environment protection and risk prevention; these three areas represent 63% of the total.

First results indicate that **interventions** will probably have more positive **effects** on growth than on the employment situation which has actually worsened in the last two years. As already mentioned, as a response to the consequences of the recession some reallocation of funding was initiated by the government with the aim of encouraging development and supporting SMEs within the frame of the Economic Development Programme. However, according to preliminary

results, employment impacts may be lower than anticipated, and in some cases interventions even exert an adverse impact on employment. Another problem is that – according to international experience – positive effects of intervention can be assessed during the period of support, afterwards sustainability problems arise.

Regarding the *effects of interventions*, large scale investment projects are at present in the early stage of implementation. For several programmes 2007 was a preparatory year, the first calls were opened in 2008 and most of the contracts were signed in 2009. This delay caused a shortage of data on effects and impacts of the interventions. This kind of analysis should be made at a later date – this is the aim of the series of mid-term evaluations which are being conducted at present by the National Development Agency.

In Hungary, the first steps toward a coordinated *evaluation* strategy of (cohesion) policy interventions commenced already in 2004, but before 2007 the evaluations were ordered (and financed) occasionally, with casual focus and heterogeneous quality methods. Since the beginning of the 2007–2013 period the professional and financial independence of the evaluation unit has become stronger, and there has been a shift from a rather ad-hoc evaluation practice towards a more conceptual planning of the evaluations. The present evaluations concentrate on four main fields: the problematic constructions, the Monitoring Commission debates, the mid-term achievements of the operational programmes and the major action plans. A new idea, a coordinated ‘twinning’ evaluation practice with fellow Central-European new member countries has been launched as well. Only qualified evaluation consortia can participate in the Hungarian evaluation tenders, thus the quality of the prepared evaluations is rather good, while the strong competition lowers the costs of the evaluations. The two critical points of the present Hungarian evaluation practice are related to the professional independence of the evaluators (who are partly recruited from individuals working previously in cohesion-policy related fields in different ministries) and the access as well as quality problems of the databases necessary for completing the evaluations. In addition, we have to underline that a stronger legal-political feed-back requirement of the main evaluation findings would be necessary to anchor the rather promising tendencies of the evaluation practice.

SECTION 1 – SOCIO–ECONOMIC CONTEXT

Macroeconomic trends in Hungary and the development of the Hungarian NUTS 2 regions show some particular characteristics. Strong economic growth and consequently rapid convergence characterized the country in the late '90s and the first half of the last decade; however, signs of *a particular Hungarian crisis* became evident even before the global economic recession. *Since 2006*, main macroeconomic figures have indicated a significantly weaker economic performance of Hungary compared to that of the Czech Republic, Poland and Slovakia. The main cause of this weak economic performance was the *persistent fiscal imbalance*. On average, the general government deficit amounted to 6.7% of the GDP between 2000 and 2006 (EU average was 1.9% in the same period). The increase of the fiscal expenditure happened in the political ideology context of the 'well-being system change' that meant a *re-allocation of expenditure from development policy items towards public sector wages and pensions*. The introduction of the so-called '13th month' pensions and wages in the public sector was an emblematic measure in this period; these measures were cancelled in the period of the crisis.

The unsolved problem of lack of fiscal rigour gave rise to three serious socio-economic consequences. (1) The '*social results*' achieved by the unsustainable fiscal expansion were fragile and disappeared in late 2008 after constrained stabilization. (2) Instead of concentrating the economic and social policy efforts on the strategic problems of the Hungarian economic development (low level of education and high unemployment; insufficient innovation and entrepreneurial capacity in the poorer regions; weak domestic migration; structural problems of financing the health and pension regimes), the main debate took place in a politically populist context. A typical issue in the early 2000s was the 'wage convergence' and the main achievement of development policy was measured on the length of new motorways¹ – *most of the long-term socio-economic challenges of the country remained basically untouched*. In this context, it is not surprising that the EU cohesion policy resources were mainly targeted at the *maximisation of absorption* (i.e. 'no money should be 'lost' from the EU transfers') and the real socio-economic effects of the Cohesion Policy transfers were only of secondary importance (Bartha – Nagy 2009). (3) The third major consequence of the persistent fiscal imbalances was that by late 2008 Hungary became one of the few countries of the European Union that managed to avoid financial collapse only with the strong financial support of the International Monetary Fund and the EU. The price of this external support, however, was that Hungarian economic policy-makers were *constrained to apply extreme restrictive fiscal measures in the time of the crisis* (other Central-European new member states could temporarily mitigate the

¹ As a typical example see the press conference of Mr. Kóka, the Minister of the Economy from 2005 about the Competitiveness of Hungary: http://nfm.gov.hu/data/cms1729978/rendk_sajt.pdf

negative consequences of the crisis by applying anti-cyclical expansionary fiscal measures). Although the crisis-treatment measures could be considered successful from the point of view of the macroeconomic and fiscal stabilization², the long-term socio-economic challenges have been unsolved while *social inequalities increased further and territorial disparities remained*.

The *territorial aspects of Hungarian development are* characterized by *high and moderately but gradually increasing territorial inequalities*. Long-term trends are clear in this respect: between 1995 and 2008 the GDP per capita compared to the national average increased by 25%-points in the most developed region, Central Hungary and reached 166%. The two dynamic regions of Transdanubia, Central Transdanubia and Western Transdanubia basically conserved their relative positions (in 2008, at 89% and 97% of the national average, respectively) while the relative position of the two Southern regions (Southern Transdanubia and Southern Great Plain) as well as the two North-eastern regions (Northern Hungary, Northern Great Plain) deteriorated further (in 2008 they were at 68%, 68%, 62% and 63% of the national average respectively). In other terms, the four poor regions of Hungary are among the poorest in the EU (around 40% of the EU GDP per capita level). Moreover, *regional disparities have been increasing in the country in a period when the convergence of Hungary towards the more developed EU members has practically been halted*. The causes of underdevelopment of these regions are undoubtedly structural: besides the low level of employment and the extremely low labour market participation ratio of the 55-64 age group, the high ratio of agricultural employment and the conspicuous weakness of business service sectors are also clear signs of fundamental problems of growth factors. Most development policy achievements occurred in the motorway network (but not in the general road and railway transport network); this hampered mobility and did not allow a full catching up of the poorest Hungarian regions.

The crisis had no particular impacts on the regional disparities. On the one hand, the decline in the export markets had more serious consequences in the regions with stronger export capacities (Central Hungary, Central Transdanubia, Western Transdanubia); on the other, the constraints of a restrictive fiscal policy caused more problems in the poorer regions where the local companies are typically more dependent on the domestic market environment. In brief, the crisis has been general; all public and private sectors as well as all of the regions had to face its negative consequences. In time of the crisis, the Hungarian fiscal and development policy was mainly funded by *EU resources*.

² According to the Eurostat News Release (Published 15 November 2010), the Hungarian General Government deficit was 4.4% of the GDP in 2009, while the respective figure was 6.3% in the Euro area and 6.8% in the EU27.

SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD

The two major goals of the Hungarian NSRF (called the New Hungary Development Plan) for 2007–2013 are to support economic growth coupled with a substantial improvement in employment. The latter is especially important as for Hungary a *low level of participation and stagnating employment* is characteristic, especially in the case of the less-qualified, untrained population. During the years of transition the Hungarian economy has become fully integrated into the world economy, a successful process of modernization took place, however *structural and regional disparities remained substantial*. Despite a non-negligible catching up at macro-level the welfare gap between North-West Hungary and the Eastern and Southern regions of the country has remained persistently wide in the last 20 years, and the predominant economic position of the capital compared to the other parts of the country has remained unchanged. Besides focusing on development policy goals, strengthening regional and social cohesion is also an important objective. In order to achieve the major goals of the NHDP, planned interventions will be implemented along six priority axes: 1) economic development, 2) transport infrastructure, 3) social renewal, 4) environment and energy development, 5) regional development and 6) state reform. The above priorities are addressed by 7 regional operational programmes and 7 comprehensive operational programmes.³ The initiatives that fall under national/sectoral responsibility are those that contribute to the improvement of the competitiveness of the country as a whole, or where the development covers the entire territory of the country, or where the intervention affects institutions operating under central surveillance. The initiatives related to regional programmes or requiring local accountability or programmes aimed at improving competitiveness at local/regional level fall under regional competence.

THE REGIONAL DEVELOPMENT POLICY PURSUED

Table 3 shows the breakdown of funding by main policy areas under the different Objectives. According to table 3, in convergence regions funding is concentrated on environment and energy, and transport with 57.6% of total funding. About 37% should be allocated to the development of enterprise environment and territorial development. As these funds come from the ERDF, the type of development is related more to the improvement of physical infrastructure. Funds allocated for Competitiveness and employment objective focus on the

³ According to the NHDP 2007–2013 Hungary is entitled to receive €22.4 billion (at 2004 prices) from the SF, 3.8 billion from the EARDF and €34.3 million from the EFF.

improvement of the enterprise environment and on territorial development. Accordingly the two most strongly supported operational programmes are the Transport OP and the Environment and Energy OP absorbing more than 40% of SF. Out of the European Social Funds 76.5% goes on human resource development, of which almost $\frac{3}{4}$ on education and training. In order to respond to the consequences of the recession, the government initiated a substantial restructuring of allocations between the different OPs in 2009, especially to the benefit of the Economic Development Operational Programme. Within this frame the majority of the funds were allocated to the priority Complex Development of Enterprises (focusing on SMEs), especially to the support of SMEs, and a smaller part to JEREMIE-type interventions⁴.

The share of funds allocated for Territorial Cooperation and cross-border activities is relatively small, approximately €300 million, i.e. 1.5% of total funding. Hungary elaborated bilateral cross-border programmes with neighbouring countries. The programme concerning the Ukrainian border is in this respect an exception, as a four-party programme involving the Hungarian-Slovak-Ukrainian-Rumanian border line will be implemented. These programmes also differ depending on whether the neighbouring partner is an EU member or not. Thus programmes affecting the Hungarian-Rumanian, the Hungarian-Slovak, the Hungarian-Austrian and the Hungarian-Slovenian borders are financed out of the ERDF, whilst programmes implemented along the Hungarian-Croatian and the Hungarian-Serbian border lines are partly financed out of pre-accession facilities (IPA), or in the case of the programme along the Hungarian-Ukrainian border territory the Hungarian funding is completed by funds from the European Neighbourhood and Partnership Instrument (ENPI). Cross-border cooperation is especially important as Hungarian-speaking minorities live alongside the Hungarian border. The aims of these programmes are to support cross-border activities responding to real needs: the development of transport facilities on both sides of the border, improving the preconditions of communication, pursuing common environmental projects serving mutual interests, supporting cross-border business cooperation and joint R&D activities, cooperation in the field of training and education, and supporting actions contributing to social cohesion.

As mentioned before the two major goals of the NHDP are to encourage sustainable growth and support employment. In order to achieve these goals, allocation of funds for the improvement of the transport infrastructure and for environmental purposes contributes to both objectives by providing sustainability, creating new jobs and additional demand. The modernization of the transport infrastructure contributes to better internal (regional and local) and international accessibility, improving mobility of labour, attracting direct investments. The improvement of the enterprise environment and the allocation of additional resources to this objective theoretically may also support the above mentioned two major objectives. As regards the

⁴ Gazdaságfejlesztési Operatív Program Éves Végrehajtási Jelentés – 2009

regional allocation of funds the three less developed regions (North Hungary, the Northern Great Plain and the Southern Great Plain) receive 45.5% of the total funding of regional operational programmes. Central Hungary receives the largest funding despite being the only region under the Competitiveness and employment objective; both, the population number and the absorption capacity justify this allocation. All non-regional Ops give special importance to the group of least developed sub-regions⁵ which are to be supported by special programmes.

The development of regional policy is closely correlated to the accession process of Hungary. The legal background of the territorial-spatial development policy in Hungary was regarded as one of the most advanced in Central Europe in the mid 90-ies. However, the regional actors (NUTS II) remained weak without any real political or economic power, the traditional territorial units of the Hungarian state administration, the counties (NUTS 3), survived and remained relevant actors in territorial-spatial development policy decisions. Thus the structure of the regional operational programmes follow very similar patterns, the share of funds allocated to these OPs is about 23% of total SF.

Table 3: Financial allocation by main policy area

	ERDF and Cohesion Fund	ESF	Total SF
Convergence objective	<i>EUR million</i>		
1. Enterprise environment	3794,3		3794,3
1.1 RTDI and linked activities	686,0		686,0
1.2 Support for innovation in SMEs	1051,2		1051,2
1.3 Other investment in firms	1850,6		1850,6
1.4 ICT and related services	206,5		206,5
2. Human resources	261,7		261,7
1.2 Education and training	190,1		190,1
2.2 Labour market policies	71,6		71,6
3. Transport	5013,9		5013,9
3.1 Road	3005,7		3005,7
3.2 Rail	1657,4		1657,4
3.2 Other	350,9		350,9
4. Environment and energy	6201,9		6201,9
4.1 Energy infrastructure	346,3		346,3
4.2 Environmental infrastructure	5855,6		5855,6
5. Territorial development	3413,6		3413,6
5.1 Tourism and culture	749,4		749,4
5.2 Planning and rehabilitation	544,3		544,3
5.3 Social infrastructure	2119,9		2119,9
5.4 Other			
6. Technical assistance	781,0		781,0
Total Objective	19466,4		19466,4

⁵ 33 regions selected on the basis of composite indicators the development of which is supported by a priority programme.

	ERDF and Cohesion Fund	ESF	Total SF
Competitiveness and employment objective	<i>EUR million</i>		
1. Enterprise environment	418,9		418,9
1.1 RTDI and linked activities	139,5		139,5
1.2 Support for innovation in SMEs	70,6		70,6
1.3 Other investment in firms	185,1		185,1
1.4 ICT and related services	23,7		23,7
2. Human resources			
1.2 Education and training			
2.2 Labour market policies			
3. Transport	280,1		280,1
3.1 Road	268,0		268,0
3.2 Rail			
3.2 Other	12,1		12,1
4. Environment and energy	151,1		151,1
4.1 Energy infrastructure	12,8		12,8
4.2 Environmental infrastructure	138,3		138,3
5. Territorial development	564,3		564,3
5.1 Tourism and culture	108,8		108,8
5.2 Planning and rehabilitation	132,1		132,1
5.3 Social infrastructure	323,4		323,4
5.4 Other			
6. Technical assistance	52,8		52,8
Total Objective	1467,2		1467,2

	ERDF and Cohesion Fund	ESF	Total SF
Both Objectives	<i>EUR million</i>		
1. Enterprise environment	352,0	576,7	928,7
1.1 RTDI and linked activities		576,7	576,7
1.2 Support for innovation in SMEs			
1.3 Other investment in firms			
1.4 ICT and related services	352,0		352,0
2. Human resources		2777,7	2777,7
1.2 Education and training		2046,7	2046,7
2.2 Labour market policies		731,0	731,0
3. Transport			
3.1 Road			
3.2 Rail			
3.2 Other			
4. Environment and energy			
4.1 Energy infrastructure			
4.2 Environmental infrastructure			
5. Territorial development			
5.1 Tourism and culture			
5.2 Planning and rehabilitation			
5.3 Social infrastructure			
5.4 Other			
6. Technical assistance	6,5	274,6	281,1

	ERDF and Cohesion Fund	ESF	Total SF
Competitiveness and employment objective	<i>EUR million</i>		
Total Objectives	358,4	3629,1	3987,5

POLICY IMPLEMENTATION

The data on policy implementation shows that NHDP commitments had made a substantial progress by the end of 2009, thus about 74% of total funding was committed by calls by the end of December 2009. Great differences emerge in the different operational programmes (see Table 4), e.g. commitments in the field of human resource developments were relatively moderate compared to the average, whilst they were above the average in the case of transport, energy and environment and economic development. The expansion of commitments may show further progress in 2010, as a result at present only about 23% of total funding has remained uncommitted.⁶ 43% of total funding was committed by contracts, and 9% was paid to beneficiaries. The development of expenditure on average showed slow progress, but since 2009 an acceleration of payments to beneficiaries has been observed. As to recent information the progress related to expenditure has become more marked in 2010. At the end of 2009 up to 70% of total payments to beneficiaries went on settling actual expenditure (i.e. submitted invoices) and about 30% on pre-financing.

As to the **forms of funding** there are *three major type of projects*: 1) major projects, 2) the so-called priority projects, i.e. projects where the selection is based on government decision and centrally managed, and 3) calls for proposal. The NHDP contained 35 major projects in its indicative list, 27 approved by the government, and 16 by the Commission by the end of 2009. These major projects focus on the improvement of transport infrastructure (public road construction, the development of railways, water transport and urban transport), on supporting environmental projects (waste water treatment, improvement of the quality of drinking water in the two Great Plain regions, flood protection, complex regional development alongside the Danube-Tisza region, waste management in Western and Central Hungary). By the end of 2009 358 priority projects were approved by the government: however real progress. i.e. the beginning of physical implementation only took place in transport development, ESF funding and some regional programmes. Projects contracted as a result of calls for proposal showed the most dynamic progress, especially in the last quarter of 2009. Almost half of the contracted funding falls on projects supported in the frame of the Economic Development Programme, the Social Infrastructure OP and of the Environment and Energy OP. The implementation of the financial tool Jeremie, the micro-credit programme supporting SMEs, seems to be the most successful intervention.

⁶ Presentation by the Nemzeti Fejlesztési Ügynökség, 04.08.2010.

The implementation of the policy is in line with the original plan; some 26% was allocated to transport development, 19% to R&D activities, innovation and business promotion, and 18% to environment protection and risk prevention, that is 63% of the total. The data confirm that these priority areas are able to absorb funding, and project generation is also progressing .

Table 4: Commitments, contracted projects and payments as % of total allocated funds

	Commitments	Contracted projects	Payments
State reform OP	39	33	10,8
Electronic Public Administration OP	57	43	11,5
Economic Development OP	71	44	12,9
Environment and Energy OP	100	17	2,1
Transport OP	90	63	12,7
Social Renewal OP	39	25	7,7
Social Infrastructure OP	58	34	3,2
Implementation OP	43	43	26,7
Central Hungary OP	69	43	14,7
West Pannon OP	67	27	9,2
Central Transdanubia OP	78	25	7,9
South Transdanubia OP	80	34	10,6
North Great Plain OP	61	23	7,6
South Great Plain OP	66	28	11,3
North Hungary OP	60	23	8,4
NHDP	74	43	9,2

Source: Data based on the different AIRs, as 31.12. 2009.

Table 5: Data on expenditure by beneficiaries on the basis of the AIR 2009 (EUR)

Country	Fund	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority	Corresponding public Contribution	Private Expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the Commission
HU	CF	586 195 230,25	547 165 890,82		441 747 425,82	500 133 295,00
	ERDF	1 854 986 558,22	1 064 699 676,36		873 012 135,14	1 262 458 112,54
	ESF	194 908 820,00	194 908 820,00		172 116 815,00	432 882 317,00
HU		2 636 090 608,47	1 806 774 387,18		1 486 876 375,96	2 195 473 724,54

Source: European Commission

Table 6: Total amount of certified eligible expenditure (EUR)

Country	Fund	Total funding of the OP (Union and national)	Total amount of certified eligible expenditure paid by beneficiaries	Corresponding public contribution
HU	CF	10 167 430 844,00	338 050 459,97	327 388 090,33
	ERDF	14 882 051 576,00	1 025 660 964,05	626 719 103,57
	ESF	4 269 515 946,00	139 076 890,71	137 410 922,59
HU		29 318 998 366,00	1 502 788 314,73	1 091 518 116,49

Source: European Commission

According to calculations in the AIRs, 44.7% of committed resources was earmarked for Lisbon objectives, this share is even higher when looking at approved projects. In this respect funding related especially to transport, economic development and human resource developments is of importance.

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

So far indicators reflect moderate achievements of the programmes. Consequences of the recession 2008–2009 have also had controversial effects on implementation and achievements. Fiscal policy restrictions, exchange rate fluctuations have had negative influences on the business climate. The economic forecasts and assumptions of the NHDP were based on different business cycles and a more advantageous labour market situation. The first results indicate that *interventions will probably have more positive effects on growth than on the employment* situation which actually worsened in the course of the last two years. As already mentioned, as a response to the consequences of the recession some reallocation of funding was initiated by the government with the aim of encouraging development and supporting SMEs within the frame of the Economic Development Programme. Preconditions of the reallocations were as follows: the cut in funds should not have any negative result on the future implementation of the individual OPs, funds should be cut from programme areas where the demand for funding is less than expected, where possible risks in implementation may occur, and where problems with eligibility criteria are most likely. Reallocation was aimed at giving support to the most vulnerable groups on the one hand (to support SMEs, the employment of less qualified groups, and adaptability to new requirements on labour markets), and to preserve the competitiveness of the economic activities on the other, i.e. to pursue interventions in line with maintainability and sustainability considerations. (to improve the business climate, to encourage the settlement of local industries etc.). As a result of reallocations, the priority 2 axis of the Economic Development Programme (Complex Development of enterprises) became more dominant within the OP.

According to a model simulation in the Strategic Report, as a result of interventions economic growth might be up to 0.5% above the baseline scenario during 2007–2015. However, employment impacts may be lower than anticipated, and *in some cases interventions even exert an adverse impact on employment*. Another problem is that – according to international experience – positive effects of intervention can be assessed during the period of support, *afterwards sustainability problems occur*. Thus according to expectations the largest impact on employment can be forecast for 2015 (a growth in the number of employees of up to 2% above the baseline scenario), but afterwards these impacts will diminish. Investment impacts may show a similar curve: until 2015 a rapid growth may be expected in relation to the baseline

scenario, but afterwards these impacts diminish, and multiplicative effects remain moderate. In this respect there is some uncertainty as to what extent investments would have been implemented anyway, and what share of the implemented investments respond to additional funding possibilities.

Uncertainties related to regional impacts are even higher. In line with the objective of cohesion, least developed regions should catch up. However, the absorption capacity of these regions is limited; efficiency and optimality considerations might also hinder development. Funding in rural areas in most cases does not come from the NHDP, but from the New Rural Development Programme. The NHDP gives special importance to the development of the least developed sub-regions. The regional OPs also focus on these areas where project generation progresses slowly, due to human capacity shortages the elaboration of adequate project ideas is not so easy. Thus absorption in more developed regions, and consequently growth and employment impacts will be greater in Western and Central Hungary, than in the Eastern regions. Of course some dynamic urban areas may be an exception. This is also indicated by the regional distribution of commitments as at the end of 2009: according to data of the National Development Agency more than 1/5 of committed funding falls in Central Hungary.

A brief summary of the main outputs of the programmes follows:

1) Economic Development Programme:

The programme aims to support R&D activities, business innovation, SMEs, business climate infrastructure and complex enterprise development in convergence regions. The programme seems to be rather successful, commitments have shown very good progress from the very beginning, and the implementation of the projects is progressing. Micro- and small enterprises are the major beneficiaries of the programme (almost half of the funding was allocated to them), in line with original expectations. Regional allocation of funding is relatively balanced. Some 6.5 thousand project contracts were signed by the end of 2009, almost half, i.e. 44% of the seven year facilities was committed by contracts. Jeremie type interventions proved to be very successful; almost 11 thousand enterprises took advantage of this opportunity. The creation of new jobs is also an important objective of the Economic Development Programme: according to data as a result of all Ops 14,800 new jobs were promised by contracts by the end of the financing period; 324 research projects were started by 2009. Every HUF invested generates 1.7 HUF private capital investments which is a much better result than that achieved in the previous planning period.⁷

2) Operational Programme for Social Renewal

⁷ Jelentés a Gazdaságfejlesztési Operatív Program 2009 évi megvalósulásáról, 2010. június

The OP for Social Renewal aims at improving labour activity by influencing the supply side of the labour market and the development of human resources. It is a multi-objective programme as interventions affect both convergence and competitiveness and employment regions. The implementation of the programme follows the 7+2 priority axes: 1) Improving employability, promoting entry into the labour market; 2) Improving adaptability; 3) Providing quality education and ensuring access for all; 4) Developing the content and organisation of higher education to create a knowledge-based economy; 5) Strengthening social inclusion and participation; 6) Health preservation and human resource development in the health care system; 7) Implementing the OP's priority axes in the Central Hungary region. The largest funding goes to the 3 priority axis, whilst the first two priorities receive about 40% of total funding. About 12% of the total funding of the OP goes to Central Hungary. Reallocations took place only within the OP, between priorities 1 and 2. Commitments concerning interventions in the Convergence regions achieved 38.8% of total 7 year funding, whilst the same ratio for Competitiveness and Employment region (i.e. in the case of Central Hungary) totalled 71.8%. Expenditure remained moderate as most of the calls were published in 2008, and in the case of some priorities the first contracts were concluded late 2008 or 2009. Best progress was observed in the first two priorities. As a whole about 8% of the total 7 year funding was paid to beneficiaries. There are great differences in the progress of the individual priority axes. In the case of education and health care the implementation of projects will become more marked in 2010. Due to a slow start of the programme no real evaluation on indicators can be given. A special difficulty of the programme lies in its multi-objective character: the absorption capacity of Central Hungary is better than that of the other regions, but due to phasing-in the time-span for the use of funds is shorter, and consequently not all the funds may be used.⁸

3) Operational Programme for Social Infrastructure

The OP for Social infrastructure is closely related to OP for Social Renewal. The major objective of this OP is also the improvement of employment, coupled with the specific objectives of reducing regional imbalances with respect to social infrastructure and improving the efficiency of human public services by improving physical infrastructure. These objectives should be reached along 3 priority axes: the improvement of 1) the infrastructure of education and training; 2) health care; and 3) the infrastructure supporting labour market participation and social inclusion. The interventions of the programme can be implemented only in convergence regions. Similar developments are funded in Central Hungary in the frame of the Central Hungary OP. The OP showed relatively good progress in its commitments by call for proposals, more than 70% of total funding was committed by the end of 2009.⁹ Commitments were

⁸ Jelentés a Társadalmi Megújulás Operatív Program 2009. évi megvalósításáról, 2010. Június

⁹ Jelentés a Társadalmi Megújulás Operatív Program 2009. évi megvalósításáról, 2010. Június

especially high in the field of education, despite the fact that reallocation affected the programme and the funding planned for education and training was cut by about 12%. The largest funding (more than the half of the OP) goes on the improvement of health care infrastructure; however, payments to beneficiaries were especially low in these two areas. This slow progress can be explained by the fact that in both areas a number of large scale projects, investments are being implemented involving lasting public procurement procedures. Beneficiaries are schools, universities, training institutions, libraries, museums, municipalities, health-care institutions, public service institutions. As regards the territorial allocation of funding especially sub-regions with some kind of urban centre managed to get access to some resources. The least developed sub-regions received only minor support, especially as a consequence of less skills and human capacities in project generation. Indicators say little about the physical implementation of the programme, as results will become apparent in the coming years.

4) Operational Programme for State Reform

The major goals of the State Reform OP consist in supporting a renewal process within the public administration, improving the quality of human resources, and supporting certain interventions with regard to public administration in Central Hungary. The State Reform Operational Programme aims at increasing the quality of the administrative and legal procedures involved, improving the effectiveness of the government as well as making the operation of the administrative, defence and jurisdictional bodies as well as of non-governmental organizations performing administrative functions or the economic self-governments more efficient. Interventions of the OP cover the whole territory of Hungary. By the end of 2009 43% of the total funding was committed by contracts, and about 10% was paid to beneficiaries to cover expenditure.

5) Operational Programme for Electronic Public Administration

The OP for Electronic Public Administration aims at supporting ICT investments in order to improve the quality and efficiency of the public administration. The indicator showing the increase in the use of e-government services by the business sector and by the citizens will measure the efficiency of the programme. According to recent data the use of e-government services by citizens has not changed since 2007, but has improved significantly in the case of businesses. However, this is also due to legal changes, not only to developments. 34 ICT projects are supported by the OP (a core indicator). Priority activities within the OP are ICT technologies, interoperability, e-services to population (e-health, e-learning, e-inclusion etc.) Interventions can be pursued both in Convergence as well as in RCE regions. Within this OP there are numerous priority projects involving time consuming public procurement procedures. Beneficiaries of the funding are ministries, public authorities, justice institutions or state owned

enterprises. As a result of the OP interventions 4 new online e-government services have been introduced so far.¹⁰

6) Operational Programme for Transport

The OP for Transport aims at the improvement of the global transport infrastructure in Hungary. This major objective should be achieved along 5 priority axis: 1) Improving the international accessibility of the country and different regional centres by road. Contributions to the construction of the TEN-network. 2) Improving the international accessibility of the country and different regional centres by rail and waterways. 3) Improving the regional accessibility by the construction of public roads. 4) Supporting inter-modality and the improvement of the related infrastructure. 5) Supporting the development of urban and sub-urban transport. The OP mainly consists of priority, large-scale projects. A great number of major projects above € 50 million will also be implemented. Projects are funded out of the Cohesion Fund and the Structural Funds.

The Transport OP is one of the best performing OPs. Already in 2008 calls to the value of 40% of the total funding of the OP were published, and commitments by contracts were undertaken up to 25%. 35 contracts were concluded. In 2009 the OP was modified as a response to the recession, but the progress continued as these adjustments affected only the first and the third priorities of the programme. According to data, at the end 2009 calls were published in the value of 70% of total funding, commitments in the form of contracts were undertaken up to 50%. From projects under priority 3 (regional public roads) 61 km had been completed.

¹⁰ REPORT on the implementation of the Electronic Administration Operational Programme in 2009, June 2010,

The recent decision of October 13th 2010 of the European Commission to suspend interim payments within the frame of the Transport OP is a response to anomalies concerning public procurement procedures in relation to the Metro 4 project. It was already outlined in the Annual Implementation Report of 2009¹¹ that the Managing Authority launched a control procedure in 2009 to conduct a comprehensive analysis of a series of contracts, and submitted financial corrections to the amount of 26.8 million EUR. This was not accepted by the Commission, who suggested a revision of the total costs of 11 contracts. The negotiations between the Hungarian government and the Commission did not succeed, and at present the revision of 38 contracts is on the agenda. According to the National Development Agency the implementation of other parts of the programme can be continued, and the necessary funding will be provided. If negotiations take longer than anticipated, budget resources will be made available to run projects which are not affected by suspension.

7) Operational Programme for Environment and Energy

The EEOP is a multi-objective OP, serving thematic and horizontal policies at the same time. Major goals of the programme are strengthening environmental protection, development of environmental infrastructure support, a more rational use of natural resources, protection of cultural and natural resources especially in deprived areas. First results show that similar calls related to clean water projects went deserted because there was no satisfactory response on behalf of potential beneficiaries. In case of waste management projects cost-benefit analysis sometimes led to unsatisfactory results, and in some cases maintenance problems occurred as well. Projects in the field of creating sewage collectors exceeded the available resources. Data available for the OP in question show that about 21% of the total funding was committed by contract and only to 2.64% was paid to beneficiaries, which is much below the average.

8) Operational Programme for Western Transdanubia Region

The OP for Western Transdanubia Region (also referred to as 'West Pannon') focuses on environmental and transport infrastructure developments and on tourism development also aiming at the preservation of the cultural and historical heritage of the region. As in the case of other programmes the year 2009 showed a remarkable acceleration of activities: as to priorities 1-4 (regional economic development, tourism, regional transport and environmental projects, urban development) altogether 29 calls were launched, thereof 18 in 2009. 19 priority projects were specified, out of 587 project proposals some 134 were approved and 124 project contracts were also signed. By the end of 2009 7 projects could be finalized. In the field of

¹¹ Jelentés a KÖZOP 2009. évi megvalósításáról. HU1 7 AIR2007 HU161PO 007, pp. 94.

human resource development projects focused on the improvement of educational facilities, social welfare services. Recently decided priority projects involve the construction of a wellness bathing facility, regionally important tourist projects in the border region, urban reconstruction of one of the important regional centres (Nagykanizsa).¹²

9) Operational Programme for South Great Plain

The major goals of the OP are the same as those of all regional OP's, i.e. support of economic development, tourism, transport infrastructure, development of human resources and support of urban development interventions. The first two years of programming were completely taken up with preparatory work. 2009 was qualitatively the beginning of a new period. By this time 27 calls were available for potential beneficiaries, and by the end of the year altogether 456 project contracts had been concluded, 332 in 2009. The share of expenditure payments was around 10%, which can be regarded as satisfactory by Hungarian standards. The value of contracted commitments totalled 34% of total funding of the OP. By the end of 2009 some 22 priority projects were decided, their main focus was public road construction, environmental developments, tourist developments and urban rehabilitation. Projects related to economic development showed a relatively slow progress: in a number of cases beneficiaries gave up their projects due to financial difficulties, or the lack of credit guarantees. The inability of enterprises to undertake new investments could be felt during 2009. A further problem is the dramatic financial situation of municipalities in the region, which might prevent them for responding to future calls.

10) Operational Programme for Central Transdanubia

The OP for Central Transdanubia is focused on the development of local transport infrastructure and the improvement of local environmental facilities. The other major pillar of the program is the improvement of the tourism infrastructure and related facilities. About 53% of the total funding of the OP is allocated for these two areas. During the first three year period altogether 48 calls and 9 priority projects were published. The demand for funding was more than four times larger than the value of actual contracts. Commitments in the form of contracts amounted to about 28% of the total 7-year funding of the OP, whilst some 6.7% reached actual beneficiaries. Institutional problems like the shortage of human capacities at the regional development agency hindered the implementation of the OP. There are moderate results concerning implementation: macro economic indicators showed a mixed picture, i.e. the employment situation deteriorated, the income situation improved a little. Job creation due to SF is at present moderate but according to plans 600 new jobs should be created, of which 100 for women. The demand for the improvement of local business facilities proved to be much

¹² Jelentés a Nyugat-dunántúli Operatív Program 2009. évi megvalósításáról, 2010. június

higher than originally planned. Tourist developments seem to show progress even if the global climate of tourism suffered from consequences of the recession. Urban rehabilitation projects are less popular, the results of support cannot be assessed at present.¹³

11) Operational Programme for Central Hungary

Due to its phasing-in character for Central Hungary special regulations were introduced. The level of funding will drop by 2011, when the region will slide into the RCE objective. In the meantime Central Hungary has become eligible for the same type of developments as the Convergence regions. Major objectives of the OP are economic development, support of tourism, human resource development, transport, energy and environment and urban development. As a response to the global crisis reallocations were initiated in case of the Central Hungary OP as well, the global funding has not changed, but support for economic development increased by 23%, and that for human resource development by 9%. Progress was especially high economic development and transport and tourism. In these areas there was a lively demand for funding, well exceeding available resources.

A special feature of the region is that the capital Budapest, the most developed area, is a part of it. When considering territorial allocation attention was paid to the fact that a balanced funding fall on the county Pest and on Budapest. The majority of the funding falls on local municipalities and on businesses. On the basis of OP indicators no real progress has been observed yet.¹⁴

12) Operational Programme for North Hungary

The major goals of the OP for North Hungary are: support of urban development, enlargement of the tourism potential and the improvement of human resources; approximately 72% of total funding falls on these three priorities. As a result of support development could start in 517 settlements, consequently 4220 new jobs should be created, of which 1483 have been committed so far by beneficiaries. Major implementation problems are: the shortage of financial resources of local municipalities; the rise of the VAT, and substantial exchange rate fluctuations (those beneficiaries who relied on imports faced severe financial tensions).¹⁵

13) Operational Programme for North Great Plain

The major goals of the OP for North Great Plain are: developing human resources in the region, urban and regional development, the improvement of transport infrastructure in the region, tourism development and regional economic development. About 45% of total funding is

¹³ Jelentés a Közép-Dunántúl Operatív Program 2009. évi megvalósításáról, 2010. június

¹⁴ Jelentés a Közép-Magyarországi Operatív Program 2009. évi megvalósításáról, 2010. június

¹⁵ Jelentés az Észak-Magyarországi Operatív Program 2009. évi megvalósításáról, 2010. június

absorbed by the first two priority axis. The implementation commitments on job creation suggest that the number of planned new jobs (1700) will be reached, and the gender quality objective will be fulfilled. The impacts of investments on regional economy cannot be assessed yet. Regional allocations of funds suggest that the absorption capacity is the highest in the regional centres and their agglomeration areas. ¹⁶

14) Operational Programme for South Transdanubia

The major goal of the OP South Transdanubia is: to reduce the development gap of the region as compared to the North-Western or central part of the country, thus improving the competitiveness of the region; the quality of human resources; integrating urban rehabilitation interventions and strengthening the tourism potential. The OP showed a relatively good progress: about 1/3 of total funding is covered by contracts and 10% was paid to beneficiaries at the end of 2009. Human capacities for project management are available and are able to meet growing challenges. The recession and related credit crunch caused tensions especially in the field of tourist developments, health service related development were slowed down by uncertainties caused by the health reform. The support of integrated cultural centres was less successful as hoped for, partially because project proposals did not reflect the intentions of planners. Projects related to the development of the local economy will be emphasized after 2009. On the whole potential beneficiaries need more assistance in elaborating high quality project proposals especially in the field of urban development. The actual implementation of projects started in most cases in 2009, thus impact indicators are not available. ¹⁷

Economic Territorial cooperation

The ETC programme Austria-Hungary is co-financed with 82 Mio € from ERDF funds and encompasses the following programming area: the NUTS III regions of Wien, Wiener Umland-Südteil, Nord-, Mittel- and Südburgenland, Győr-Moson-Sopron, Vas and Zala, and the adjacent regions Niederösterreich-Süd and Oststeiermark (according to Art. 21, ERDF Regulation).

The aim of the programme is to intensify economic, social, cultural and ecological cross-border cooperation in order to strengthen regional competitiveness and to decrease regional disparities in the Austrian-Hungarian border area. A variety of Action Fields help to achieve this aim. The 3 priority axis are 'Innovation, integration and competitiveness', 'sustainable development and accessibility', 'technical assistance'. By the end of 2008, however, the ERDF contracts were still not signed, mainly because the Memorandum of Understanding had not been finalised, and the ERDF contract template which was agreed on in an English version in

¹⁶ Jelentés az Észak-Alföldi Operatív Program 2009. évi megvalósításáról., 2010. június

¹⁷ Jelentés a Dél-Dunántúli Operatív Program 2009. évi megvalósításáról, 2010. június

September 2008 had not been finalised in German and Hungarian until the end of 2008. Therefore no ERDF funds were utilised in 2008. Data for 2009 are not available yet.

The European Commission approved the Hungary–Romania Cross–Border Co–operation Programme on the 21st of December. In 2008 the activities concentrated on assuring a solid base for the start of the programme implementation process, like the establishment of joint management structures, preparation of basic documents indispensable for the proper functioning of this management structure and programme implementation process, launching the first two calls for proposals. In 2009 activities already shifted towards programme implementation activities, thus project development and selection activities, as well as contracting and implementation activities and the setting up of the programme monitoring and information system, IMIS 2007–2013.

Main achievements of 2009 were in line with the goals set: 1) continuous functioning and effective work of all programme bodies, joint commitment regarding the implementation of the programme; 2) setting up of a properly functioning monitoring and information system (IMIS 2007–2013), 3) consolidation of the process management activities (finalization of the detailed procedure manual and audit trail of the programme) 3) preparation of documents necessary for project implementation –from ERDF Contracting to reporting and project monitoring–, support in project implementation activities; 4) continued dissemination of information regarding the programme. Commitments were undertaken but no expenditure was paid until the end of 2009.

The Slovakia Cross–border Co–operation Programme 2007–2013 showed similar progress. 2008 was the period of preparation, however for the first three years no achievements can be reported, since in the given period no projects were finalised or gave internal progress reports including information on the physical progress. The subsidy contracts for the selected projects were signed in autumn; therefore the first progress reports and finalisation of some short term projects are expected in the first half of 2010.

The Slovenia Hungary 2007–2013 OP shows some progress. In the frame of the 1st Call for Proposals (hereafter 1st Call) approximately 50% of community funding (ERDF) were published on 27 June 2008. Within the 1st Call more than 90% of available community funds were committed. 19 projects were approved; 9 within Priority Axis 1 and 10 within Priority Axis 2. The highest number of projects included four of the set criteria which are “Joint development”, “Joint staffing” “Joint implementation” and “Joint financing”. The majority of the projects were started in 2009, but not one has been completed, and beneficiaries had not received any payments at the end of 2009.

On the basis of developments the *employment* situation may also improve, however, the core indicators fail to reflect these impacts, as a consequence of the recession the situation on the

labour market is still rather unfavourable. As we have already mentioned, labour market impacts of interventions will not be as durable as demand generating effects.

SECTION 3 – EFFECTS OF INTERVENTION

At the present stage of intervention it is rather difficult to comment on effects. In most cases the projects are still in the implementation phase, and as indicators show plan figures, the effects of interventions may be assessed on the basis of contracts but actual facts are rather rare. The first direct impacts of interventions can be analysed in those projects where the implementation has been completed, and the closing report has been prepared, but even in these cases, only multiple effects can be assessed, and verified after some time.

In a number of projects (construction, other kind of investments, job creating projects) beneficiary institutions promise to meet the requirement of sustainability. *Mid-term monitoring* can assess whether this requirement can really be met, but only *ex-post evaluations* can verify it.

In large scale investment projects, at present in the early stages of implementation, real effects may be assessed vaguely, while monitoring will really show whether the implementation proceeds according to plan.

2007 was a preparatory year for several programmes, the first calls were opened in 2008 and most of the contracts were signed in 2009. This is also the reason why at present there are no figures available for growth impacts or other kind of quality effects of interventions. This kind of analysis should be undertaken at a later date.

Of course if there are signs that the implementation of some programmes or projects are not progressing as planned, interventions are needed and necessary corrections should be pursued. This is the aim of the *series of mid-term evaluation which are being conducted at present* by the National Development Agency.

SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION¹⁸

In Hungary, the first steps toward a coordinated evaluation strategy of (cohesion) policy interventions commenced in 2004 – related to the EU-accession of the country. However, between 2004 and 2006, the professionally responsible authority, namely the Central Department of Evaluation, Analysis and Modelling of the National Development Office (later:

¹⁸ In this section, our expert opinion is supported by the main findings of our interview prepared with the administrative leader of the evaluation unit of the Hungarian National Development Agency and our previous research prepared about the History of the New Hungary Development Plan (Bartha – Nagy, 2009).

National Development Agency) had no specific financial resources for evaluation. In this period, the evaluations were ordered (and financed) occasionally by the Managing Authorities; hence the focus, the approach as well as the different methods applied in these evaluations were rather heterogeneous. Today, evaluation experts consider those years a learning period when the professional circle of the potential evaluators as well as the knowledge–share network of evaluation practices and results were crystallized.

Since the beginning of the 2007–2013 period, the name and the organisational positioning of the evaluation unit has changed several times; however, its professional and financial independence have remained untouched. In 2007–2008, the Managing Authorities launched their own public procurement tenders based on the professional suggestions of the evaluation unit; since 2009, however, an ‘evaluation framework system’ has been introduced. It implies a shift from a rather ad–hoc evaluation practice towards a more conceptual planning of the evaluations; the evaluation framework system presents a plan of the evaluations for the 3 following years and they are revised every year. (The evaluation plan for 2010–2012 is attached in a separate file.)

There are four main *topics of the evaluations*: (1) evaluations of the problematic constructions; (2) evaluations on the basis of the Monitoring Commission debates; (3) mid–term evaluations of the OPs; (4) evaluation of the action plans. A new idea, a coordinated ‘twinning’ evaluation practice with fellow Central–European new member countries has been launched: Czech, Hungarian and Polish evaluators are preparing an evaluation of cohesion policy impacts on job–creation and job maintenance with a harmonized evaluation methodology. (The individual evaluators are already in the final stage of these evaluations – at the beginning of 2011 a synthesis report will be prepared based on the main findings of the 3 countries’ individual evaluations.)

The experts of the evaluation unit are closely involved and largely responsible for the *methods of evaluations*: they prepare detailed and well–specified evaluation terms of references for the particular tenders. As according to the framework system only qualified evaluation consortia can participate in the particular evaluation tenders, the quality of the prepared evaluations are rarely disappointing, while strong competition lowers the prices (i.e. the costs of the evaluations). The applied methods of the evaluations are heterogeneous: contra–factual approaches, econometric analyses, case studies, traditional and focus group interviews, questionnaire–based descriptive statistics are also used.

The experiences with regard to the *human–resource* context of the evaluations are rather positive. The expertise of the professional people in the evaluation unit is obviously increasing, and that makes stronger quality control of present and future evaluations possible. As for the external experts, the ‘short–list’ of the qualified evaluation consortia includes practically all

major professional institutes and relevant experts in the main socio-economic fields. However, we have to point out that the composition of the different consortia often implies a certain ***hidden conflict of interest***: a typical consortium of evaluation is recruited from academic researchers, private institute researchers and specified evaluation experts – the last group is generally made up of individuals who previously worked in cohesion-policy related fields in different ministries. Although this might be rather beneficial for the quality of the evaluations, in some cases it might cast some doubts on the professional independence of the evaluators.

We identified another particular problem of the present Hungarian evaluations: the expected quality of the evaluations makes a good ***database background*** indispensable. However, several evaluators complain about access and quality problems of the databases necessary for completing the evaluations. (In fact, this uncertainty reflects a more general problem of the availability of public databases in Hungary and probably several other EU countries.)

Nevertheless, according to the professional leaders of the evaluation unit, almost all of the prepared evaluations were of a sufficient quality according to the international standards and some of them can be considered as a '***best practice***', for example the evaluation of the operation of the State Employment Service or the evaluation of the industrial park development.

Both the Hungarian evaluators and the administrative leaders of the evaluation units agree that the ***legal-political feed-back*** of the prepared evaluations is rather ***disappointing***. Without stronger legal support or socio-economic harmonisation (and obligatory prescription) of certain core indicators, there is a danger that 'instead of an evidence-based policy-making there will be a policy-based evidence-making' (a quote from one of our interviews).

SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES

Signs of a particular Hungarian socio-economic crisis became evident before the global economic recession: since 2006, the catching-up of Hungary has practically come to a halt; meanwhile we can register the persistent character of high and moderately but gradually increasing territorial inequalities. The crisis has not caused a marked change in this trend and the long-term socio-economic challenges have remained the same since the fiscal stabilisation of 2008–2010: low level of education, high unemployment as well as insufficient innovation and entrepreneurial capacity in the poorer regions, weak domestic migration and structural problems of the health-care and pension systems.

To achieve the major goals for 2007–2013 (economic growth coupled with a substantial improvement of employment) the New Hungary Development Plan envisaged interventions along six priority axes: 1) economic development, 2) transport infrastructure, 3) social renewal,

4) environment and energy development, 5) regional development and 6) state reform. The data on policy implementation of NHDP commitments showed substantial progress by the end of 2009, about 74% of total funding was committed by calls by the end of December 2009, although the different operational programmes vary greatly 43% of total funding was committed by contracts, and 9% was paid to beneficiaries. Progress in the development of expenditures was on average slow, but on an upward trend. By the end of 2009 the allocation of funds was in line with the original plan: 26% was allocated to transport development, 19% to R&D activities, innovation and business promotion, and 18% to environment protection and risk prevention. That is 63% of total expenditure was allocated to these three areas.

So far indicators reflect *moderate achievements* of the programmes. The economic forecasts and estimates of the NHDP were based on different business cycles and a more advantageous labour market situation. First results indicate that interventions will probably have more positive effects on growth than on the employment situation. As a response to the negative labour market consequences of the recession some reallocation of funding was initiated by the government with the aim of encouraging development and supporting SMEs within the frame of the Economic Development Programme.

The *evaluation practice* of Hungary is promising: a professional community of evaluators obviously exists in the country and there are several examples of good practices of evaluations. The main challenge of the future evaluations in the country (and probably more generally, in the entire European Union) is related to the stronger political–legal feed–back requirement of the main evaluation findings.

Regarding the *policy issues*, the main challenge is the strengthening of the growth fundamentals in the 4 poorest regions using Cohesion Policy resources while maintaining the innovation and export capacities of the more dynamic regions. An additional challenge is the creation of a beneficial synergy between the development policy resources of the EU Cohesion Policy and that of the domestic policy.

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Fejlesztési Tervről (Presentation about the New Hungary Development Plan), 4 August, 2010.

Report on the implementation of the Electronic Administration Operational Programme in 2009,
June 2010,

Evaluations:

1. Programme evaluations 2004–2006

Evaluation of ROPs

Analysis of the emergence of sustainable development as a horizontal principle in the ROP. The
methodology is based on analysis of documents and case studies.

2. Programme evaluations 2007–2013

Detailed evaluation of SIOP indicators; Review of the human programme indicators of NHDP
Evaluation report, 2010.

3. Reports

**National Strategic Report according to Article 29 of Council Regulation (EC) No. 1083/2006
Hungary**

Date: 09–30–2009

Programming period: 2007–2013

1. SOCIO–ECONOMIC SITUATION AND TRENDS
2. RESULTS OF NHDP ACHIEVED AND EXPECTED
3. PROGRESS AND CHALLENGES ENCOUNTERED WHEN IMPLEMENTING AGREED
4. PRIORITIES AND STRATEGIES
5. BEST PRACTICES

4. Impact assessment – modeling

The economic effects of EU Community Support Framework interventions

An ex–ante impact analysis with EcoRET, a macroeconomic model for Hungary

Date: 2007

Programming period: 2007–2013

For the programming of these policies (Community Support Framework – CSF) a reliable (ex-ante) assessment of their likely macroeconomic impacts on general and specific objectives has to be performed in the context of the development of the Hungarian National Development Plan (NDP). Such an analysis of the impacts on key variables like GDP, investment, employment and unemployment, productivity, competition, budget deficit and foreign trade is considered by the Commission an indispensable prerequisite for the efficient allocation of the financial supports from CSF.

EcoRET (the macroEconometric model with Regionally Endogenized Technological change for Hungary) is unique in that it incorporates spatial structure into a traditional macroeconometric model through a regional Total Factor Productivity (TFP) block to explicitly model changes in technology. This TFP model serves two purposes: First, it creates the bridge between certain CSF support instruments (infrastructure investment, education and training, research and development) and the macro-model, thus making it available for ex-ante evaluation of CSF as well as for the concrete evaluation task. Second, by this modeling the macro-model can now serve its main purpose, that is to analyze the long-term supply side impacts associated with the various CSF interventions.

5. Ex-ante evaluations

Ex-ante horizontal evaluation of the NHDP's OPs

Date : 31th March 2007

Programming period : 2007–2013

The examined horizontal dimensions are: public finance, long-term employment, long-term economic growth, disadvantageous social groups, social division

The five dimensions of the tender were enriched by a sixth, social partnership ex-ante evaluation. The methodology used was document analysis, and the study of 36 interviews with 15–18 open-end questions. The aim was to study whether the social agreement promoted the public planning procedure and whether it satisfied transparency expectations.

6. Strategic environmental assessments

(1.) State Reform Operative Programme

Date of evaluation: 31th of May, 2007

Programming period: 2007–2013

The ex-ante evaluation is an analysis of the relevance, the internal consistency, the external coherence of the OP; furthermore, the authors examine its feasibility, the indicator-system, as well as the strategy and the single priority axes.

In the course of the evaluation the authors worked with the following methods:

- Document analysis;
- Interviews;
- Workshops;
- Personal consultations.

Continuous communication with the designers of the OP is a central element of the methodology.

(2.) Economic Development Operative Programme (GOP) SEA

Evaluation Summary

In order to promote the enforcement of sustainability and environmental aspects and to assure legal compliance¹, the National Development Agency (NDA) has had a strategic environmental assessment (SEA) prepared for the operational programmes. The objective of the environmental assessment is to promote the integration of the complex environmental sustainability aspects during the preparation of the New Hungary Development Plan (NHDP). In an open public procurement process, the National Development Office (predecessor of NDA) selected consortium 2, led by Respect Ltd., as the executor of this task. The programme on which the SEA report is based was discussed on 19 June and was open for review and comments for 30 days. Representatives of the invited civil, scientific and governmental bodies participated in a forum.

INTERVIEWS

Interview with the administrative leader of the evaluation unit (National Development Agency).

Focus group discussion with some members of the evaluation unit and some evaluators.