



# **Expert evaluation network delivering policy analysis on the performance of Cohesion Policy 2007-2013 Year 3 – 2013**

## **Task 2: Country Report on Achievements of Cohesion Policy**

### **Hungary**

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**A report to the European Commission  
Directorate-General Regional Policy**

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### List of abbreviations

- AIR Annual Implementation Report
- CfP Call for Proposal
- CHOP Central Hungary Operational Programme
- CTOP Central Transdanubia Operational Programme
- EDOP Economic Development Operational Programme
- EEN Expert Evaluation Network
- EEOP Environment and Energy Operational Programme
- ELI Extreme Light Infrastructure
- EPAOP Electronic Public Administration Operational Programme
- FTE Full-time equivalent
- IB Intermediate Body
- IE Inhabitant Equivalent
- MA Managing Authority
- NDA National Development Agency
- NGOP Northern Great Plain Operational Programme
- NHOP North Hungary Operational Programme
- NSP New Széchenyi Plan
- NSRF National Strategic Reference Framework
- OP Operational Programme
- ROP Regional Operational Programme
- SGOP Southern Great Plain Operational Programme
- SIOP Social Infrastructure Operational Programme
- SME small and medium enterprises
- STOP Southern Transdanubia Operational Programme
- TA Technical Assistance
- TEN-T Trans-European Transport Networks
- TOP Transport Operational Programme
- WTOP West Transdanubia Operational Programme

## Executive summary

Although no significant departures were made from the policy objectives set out for the period, several Operational Programmes (OPs) were modified in 2012 for various reasons. Some of these changes were responses purely to the need for faster implementation in order to ensure a higher rate of absorption; others consisted of the adoption of measures which are considered better for achieving the policy goals, and reorienting funds towards more popular or efficient schemes. New types of interventions were also introduced; these include for instance a Joint Seed Capital programme, an experimental housing rehabilitation project, and a financial construction aiming to finance the use of renewable energy.

Implementation risks emerged in 2012 due to irregularity issues, although they are at least partly solved at the time of writing this report. According to the Commission, the selection criterion of public procurements in Environment and Energy OP (EEOP) that applying engineers (even those from other states) had to be registered with the Hungarian Chamber of Engineers was discriminative. Similarly, the criterion that at least one expert involved in the contract should have fluent/negotiation level knowledge of the Hungarian language, was discriminatory and violated Articles 2, 44(2), 46(2) and 48(2)(e) of Directive 2004/18/EC. By the summer 2013, the Commission found that this problem affected especially the Regional OPs (ROPs) and the Social Infrastructure OP (SIOP). Following a negotiation between the government and the Commission, it was announced on 9<sup>th</sup> September 2013 that a financial correction of about EUR 230-250 million is to be implemented, after which the payments regarding 10 OPs financed by the ERDF can be continued. The absorption goals of some OPs are still at high risk of decommitments due to the n+2 rule. These are especially the SIOP and the (EEOP). The implementation of SIOP has still not sped up in terms of contracting and payments, while EEOP showed somewhat greater progress. Despite the risks mentioned above, the n+3 targets of 2012 were met both in the SIOP and EEOP. Numerous measures were taken to ensure fast absorption, including the simplification of public procurement procedures, setting up the so-called "EU Own Fund" to help local governments, or lowering the minimum threshold for payment requests.

Achievements are numerous in every policy area, although most indicators in sectoral OPs are short of the target values due to the large number of projects being under implementation. In 2012 there was a significant increase regarding tangible achievements. Higher education and research capacities increased significantly, which includes physical as well as ICT infrastructure. A large number of small and medium enterprises (SMEs) received funding either through grants or financial instruments, and this contributed to the creation of more than 70 thousand jobs across the country. The improvement of public infrastructure such as roads, railway, wastewater treatment facilities or public education and social institutions affected the lives of tens of thousands of people. These developments contributed to the accessibility of these services and equal opportunities and also to a more sustainable environment. A comprehensive evaluation on the effects of the National Strategic Reference Framework (NSRF) on territorial cohesion<sup>1</sup> showed that development assistance contributed to territorial cohesion with regard to both employment and income, or at least slowed the increase of regional differences. The

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<sup>1</sup> (Pannon Elemző, Hétfa, Revita [2013a]).

capacities of the most disadvantaged micro-regions of the country to plan and implement projects and apply for funding improved as a result of the programmes.

30 evaluations were carried out during 2012 and early 2013, following the evaluation framework established in late 2011. These are dealing with the policy areas of enterprise support, human resources, transport, environment and energy, territorial development and institutional issues. Many of them used a wide variety of methods including counterfactual analysis to assess the impact of interventions. After the closure of the contract on the 31<sup>st</sup> of March 2013, no further evaluations were started regarding the current programming period, but the responsible bodies also contracted for the ex-ante evaluations of the 2014-2020 OPs. Efforts were made to incorporate the findings of the evaluations into policy making and implementation. These involved the discussion of results in workshops, the dissemination of results in the ministries, and the organisation of the Development Policy Academy, which is an event for experts working in the field of development policy aimed at exchanging experience and information and preparing for the next programming period.

Development policy faces three main challenges with respect to the near future. First, it has to solve the absorption problem which is mainly due to the slow implementation of some priority axes and the irregularity issues affecting the majority of OPs. The second challenge is the timely preparation for the next period, involving stronger focus on results and channelling the knowledge accumulated during the past two periods into the planning. The final important task of regional policy in the coming years is the smooth conduct of institutional changes. All these tasks require a significant increase in management capacities and human resources, the eventual lack of which would significantly hinder the success of development policy.

## 1. The socio-economic context

Main findings from the previous country report:

- There is a large difference between the regions, e.g. GDP per capita in Central Hungary is 2.8 times the value of the least developed region, and only the central region's exceeded the national average.
- The crisis further increased the disparities between regions, and recovery rates were also unequal: the GDP per capita the difference between the best performing central region and the worst performing Northern Hungary increased from the 2.6 multiplier in 2007 and 2008, to 2.7 in 2009 and 2.8 in 2010 (KSH [2012a])
- The unequal recovery rates seemed to result in growing disparities, for example the employment rates have increased in the more developed regions (1.1% in Central Hungary, 3.3% Central and 2% Western Transdanubia) and decreased in the less developed ones (by 0.4% in the Southern Great Plain, 2.4% in Southern Transdanubia and 1.4% in Central Hungary), with the exception of the Northern Great Plain, which showed a 2% increase (KSH [2012b]).
- The business and macro-economic environment were mostly negatively assessed as being fragile and instable.
- One of the consequences of fiscal consolidation was that the central government sought to influence the allocation of ERDF funding to crisis management objectives. Fiscal consolidation measures affected various social transfers to a large extent (especially the disability pension system), and it is highly plausible that these have more negative effect on less developed regions with fewer employment opportunities. Social problems may have been somewhat mitigated by the increase in the number of communal workers<sup>2</sup>, but this can be considered a short term treatment of an enduring structural problem.

### Developments since the 2012 report

According to recent data, it seems that 2012 was the bottom of the recession of the Hungarian economy, which returned to a modest growth in 2013. While fiscal consolidation remained in the focus of the government policy, that weakened growth in these years, it helped the country to turn back to international bond market in the beginning of 2013. After its historically lowest level in 2009 a continuous increase in the activity and employment rates can be recognized from year to year, although both of them remain low.

Since last years' report, there was no significant sign of convergence between the regions; the sharp division between the central and peripheral areas still prevails. However, modest signs of convergence between regions can be seen in the recent years, but some economic indicators (e.g. employment rates) are showing only the restoration of disparities to the pre-recession levels after the convergence caused by the recession (KSH[2012c]).

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<sup>2</sup> Their number more than doubled between 2009 and 2011, from 139,871 to 287,671 (Állami Számvevőszék [2013]).

Regarding regional GDP per capita data, even though some regions<sup>3</sup> got closer to the national average, other regions including two of the least developed ones (North Hungary and Southern Transdanubia) got even further from the average. Since last year, one convergence region (Western Transdanubia) has exceeded the national average in term of GDP per capita, which is the first time since 2007. Still, the region was much closer in this regard to the leading Central Hungary in 2000 than it is today.

Employment and activity rates also still sharply divide the country, as the more industrialised regions (Western and Central Transdanubia) and Central Hungary have employment rates above the national average, while the other four regions are below that, and this fact has not changed for at least a decade. Also, there is a growing gap between regions in terms of average salaries (KSH [2013a]): the average of gross salaries exceeded HUF 200 thousand<sup>4</sup> in the three more developed regions, but it ranged between HUF 174 and 185 thousand in the four less developed regions. Only Central Hungarian employees earned more on average than the country level mean of HUF 223 thousand.

Among the convergence regions, the most industrialised Western and Central Transdanubia regions continue to show a more solid recovery from the recession in terms of GDP convergence than the rest of the country. As we cannot see such a sharp difference from other regions in other indicators, this can show that the increase is due to the larger share of the recovering industrial production in their economic structure. It is also important to note that the highest foreign investments per capita rates are also in these two regions and in Budapest, and there are very large differences in this regard (e.g. in Southern Transdanubia it is only around 10% of the national average, in Western Transdanubia it is 130%, in Central Hungary it is around 220% (KSH [2012c]).

Concerning the least developed regions, it is a tendency since last year that the two Great Plain regions have performed better than the other two less industrialised regions. This difference is particularly pronounced in employment indicators (KSH [2013a]) as well as in relative GDP per capita change. On the other hand, this difference between the various less developed regions also shows that recently Northern Hungary and Southern Transdanubia were lagging behind in these respects, which is a sign that these regions have reacted differently to the macroeconomic and fiscal conditions. The situation of Northern Hungary can be particularly alarming, because it even shows a decrease in employment rate in contrast to Southern Transdanubia (KSH [2013a]), and it is already the lowest GDP per capita among the regions (KSH [2013b]).

Recent investments statistics (KSH [2012c]) show that the investments seem to happen along the already existing disparities. The national average of investments per capita was only exceeded by Western Transdanubia and Central Hungary regions (by 41% and 17% respectively). This ratio was the smallest again in Northern Hungary, at only 70% of the national average.

The expansion of the new public employment scheme - which is the main factor behind the increasing employment rates - seems to have also differently affected the regions. In Central Hungary, Western Transdanubia, and the two Great Plain regions the activity rates have grown,

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<sup>3</sup> For example Central Transdanubia, see Annex Figure A.

<sup>4</sup> EUR 1 = HUF 296.9108 (06 November 2013).

whereas in the other regions it has decreased (KSH [2013a]). This can be a sign, that while certain policies may result in better aggregate numbers for the country as a whole, they not necessarily appear to affect the regions equally, and possibly even result in growing disparities.

There was no big shift in the political, policy, or macroeconomic conditions in 2012. For example, access to financing and policy stability are still assessed by business executives as the most problematic factors in Hungary's competitiveness (WEF [2013]). The place of regional disparities did not change on the government's agenda compared to the previous years: the main policy concerns are still the low employment level and slow growth, and the sustainability and efficiency of public services such as healthcare and education.



## 2. The regional development policy pursued, the EU contribution to this and policy achievements over the period

### The regional development policy pursued

Main points of the previous country report:

- Development goals and funding in the period 2007-2013 were mainly influenced by sector policies. The ROPs received only a small share of the funding (2 to 7% of the total) and regions play a more influential role only in the fields of tourism and urban development
- The largest share of support is allocated to the Transport OP and the Environment and Energy OP, which together absorb more than 40% of the total funding.
- As an answer to the crisis, sums were re-allocated to the Economic Development OP in 2009. This increased support was provided for SMEs and the funding of JEREMIE-type interventions, but did not change the other OPs significantly.
- The measures of the seven ROPs were unified by 2009, as these programmes have the same Managing Authority (MA).
- The change of government in 2010 brought about the New Széchenyi Plan (NSP). The NSP is a long-term strategic document on development with the central aim of creating 1 million new jobs in 10 years.
- The share of ERDF resources allocated to Territorial Co-operation and cross-border activities is relatively small, approximately 2% of the total funding. The two OPs managed by Hungary (with Slovakia on the one hand and Romania on the other) support co-operation projects in numerous fields such as business, R&D, education and training, transport, health-care, environment, institution building and communication.

### Developments since the 2012 report

Several OPs were modified in 2012 for various reasons. Some of these changes were responses purely to the need for faster implementation in order to ensure a higher rate of absorption: others included the adoption of measures which are considered better in achieving and monitoring policy goals as well as in re-grouping of funding to more popular or efficient schemes. The most important changes included the following:

- HUF 385.7 billion was transferred from the 3rd, 4th, 5th and 6th (regional accessibility, intermodal transport, urban and suburban transport and TA) of the Transport OP (TOP) to the 4th, 5th and 8th priority of the EEOP (renewable energy, energy efficiency measures and TA). Funds were re-allocated within the 3rd priority as well to cycling lane construction projects. The reason was that TOP projects generally have longer preparation and implementation, therefore it was reasonable not to start the preparation of new ones.
- New activities were announced as eligible within TOP, such as the procurement of vehicles for public purposes, transport infrastructure in the castle district in Buda, and the support for preparation of feasibility studies for intermodal developments.

- Other modifications concerning TOP included the revision of its indicators, the deletion of support for bioethanol projects, the eligibility of preparation for the 2014-2020 period from Priority 7, and changes in the Intermediate Body (IB) structure.
- Funds were re-allocated within the 4th priority of Economic Development OP (EDOP) from the guarantee to the credit and venture capital measures since the demand for the latter was larger.
- The re-allocation of funding from the 2nd to the 1st priority of Electronic Public Administration OP (EPAOP) and the modification of these priorities' content to improve the efficiency of the realisation of policy goals was coupled with the re-defining of some indicators in accordance with the new contents of projects.
- The EU co-financing rate increased in the case of some measures. Regarding energy efficiency and renewable energy schemes in the EEOP, the rate of support grew by 5% on average. It must be noted that the effect of this measure was not reflected in the growth of the number of applications in 2012. The non-refundable components of combined credit guarantee and micro credit available to beneficiaries also increased. The former grew from 25 to 35% and the latter from EUR 13,500 to 35,500 (HUF 4 to 10 million). In addition, the re-financing rate was also increased to 100% in the case of every financial intermediary, although it was subsequently decreased to 75% in the case of credit institution. According to the analysis of KPMG (2013a), the increase in the available non-repayable funds and credits in the combined micro credit programme contributed to the large success of the scheme. According to this evaluation, the new scheme could reach numerous enterprises previously unable to obtain credit in the financial market. On the other hand, the programme did not change the strict credit policy of banks. The total amount of contracted credits and credit guarantees in the Jeremie-type programmes was EUR 330 million (HUF 96 billion), which is about 8% of the amount of the SMEs' investment credit in 2012. According to the Annual Implementation Report (AIR), the share of SMEs having access to credit and the loans outstanding per one unit of gross value added (GVA) in % values regarding the SME sector decreased in the last few years. Thus, the amount of credit provided within the programmes was not enough to offset the effects of the credit squeeze.

Although the new Calls for Proposals (CfP) launched within the OPs do not show significant departures from the regional policy pursued in the previous years, they led to innovation in some cases. The currently available schemes include:

- New RTDI schemes seeking to increase corporate research and development appeared in EDOP, included support for innovation and technology parks and development centres, R+D+I umbrella projects, and assistance to innovative supplier enterprises to improve their capacities and networks.
- Schemes focusing on technology development for enterprises, support for SMEs to increase employment, credit guarantee and credit combined with grant, broadband network developments and business consulting were also introduced in 2012 within the EDOP.
- Other new schemes seek to provide equal opportunities of employment and facilitate workplace integration for targets groups like the Roma, the disabled and women.

- Two new sub-programmes were announced within the New Széchenyi Venture Capital Programme, which set up the Joint Seed Capital and the Joint Growth Funds to support SMEs.
- Schemes available in the SIOP included the infrastructural improvement of e.g. multifunctional communal centres, the National Employment Service, regional vocational training centres, and institutions connected to the rehabilitation of people with disabilities.
- The EEOP CfPs open for applicants included grants for developments regarding the usage of renewable energy, co-generation power-plants and bio-methane production. A new type of scheme was a financial construction aiming to finance the use of renewable energy.
- The ROP schemes available in 2012 were mostly similar to the measures in the previous years. These included the development of industrial sites and start-up enterprises, tourism destination management, touristic attractions and accommodations, health tourism, education institutions. New important schemes responding to environmental issues were the water protection measures in the area of Devecser and Kolontár (Central Transdanubia OP - CTOP) and in the framework of the Ós-Dráva Programme (Southern Transdanubia OP - STOP). An experimental social-type urban rehabilitation project was also introduced in 3 regions<sup>5</sup> which aims at housing integration of disadvantaged people living in segregated areas.
- Policy measures related to ERDF and Cohesion Fund are not complementary but the mainstream policy sources of any development in Hungary, which means that they are actually offsetting budget constraints in this field since 2007. The importance of EU sources in development policy originates in the consolidation measures of the Hungarian fiscal policy since 2006 and the 3.5 times increase of structural fund sources since 2007. Thus, when we speak about development policy in Hungary, it means the allocation of structural fund resources. On the other hand, problems such as the dual structure of the economy cannot be solved purely by development policy measures. Although EU funds were considered as the main tools of crisis management in 2008 and 2009 by the government, these were actually previously planned measures to increase SMEs' access to finance. The funding allocated to this area was, however, not enough to solve the problem of low external financing of smaller businesses, which dates back to the years before the crisis (for a deeper discussion of the achievements of ERDF related policy in this field see page 9 above).

## Policy implementation

Main findings from the previous country report:

- The commitments covered 82% of total ERDF and Cohesion Fund allocation (including the competitiveness and employment region), in the case of the Central Hungary OP it was 87%.
- Contracts were concluded for 75% of the total funding, and payments sped up significantly in 2011-2012.

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<sup>5</sup> These are Southern Transdanubia, Northern Great Plain, and Northern Hungary.

- The most critical part of implementation in terms of payment was the EEOP, just like last year. However, in terms of commitments and contracts this OP progressed by approx. 40 % points.
- Some priorities faced absorption risks while others encountered lack of financial resources.
- The 2012 government restructuring (or change) also affected development policy. Supervision of the implementation of NSRF became part of the prime minister's office, under the control of a new state secretary. This institutional change implied a further centralization.
- The National Development Government Committee was set up and became the most important decision-making body. Its members are the prime minister, the national development minister, the national economy minister and the state secretary from the prime minister's office responsible for development.

### **Developments since the 2012 report**

The implementation of the programmes of the NSRF is generally in accordance with the plans; however, there are differences between programmes and priorities within a given programme. The commitments cover 99% of total ERDF and Cohesion Fund allocation (including the competitiveness and employment region), in the case of the Central Hungary OP, it is 93%. Contracts were concluded for 92% of the total funding, and payments sped up significantly between 2011 and 2013.

**Table 1 - Commitment, contract and payment rate of the OPs on 31st August 2012 and on 31st August 2013 (%)**

OP	Commitment 2007-Aug. 2012	Contracted 2007-Aug. 2012	Payments 2007-Aug. 2012	Commitment 2007-Aug. 2013	Change	Contracted 2007-Aug. 2013	Change	Payments 2007-Aug. 2013	Change
Electronic Public Administration OP	64	57	30	103	39	95	37	43	13
Economic Development OP	78	75	39	109	31	101	26	59	20
Environment and Energy OP	79	74	16	97	18	87	14	32	16
Transport OP	99	84	33	107	8	98	14	48	15
Human Infrastructure OP	70	67	34	79	10	75	8	47	12
Southern Great Plain/Southern Great Plain OP	72	69	45	91	19	88	19	65	20
Southern Transdanubia OP	74	70	49	91	17	89	18	64	15
Northern Great Plain OP	66	56	39	91	25	89	33	57	17
North Hungary OP	72	65	42	93	21	91	26	60	18
Central Transdanubia OP	67	65	42	92	24	90	25	57	15
<u>Central Hungary OP</u>	<u>87</u>	<u>83</u>	<u>57</u>	<u>93</u>	<u>7</u>	<u>93</u>	<u>10</u>	<u>71</u>	<u>14</u>
West Transdanubia OP	74	72	51	89	15	86	13	66	16
Implementation OP	81	87	59	91	10	99	12	76	17
Total	82	75	35	99	16	92	17	51	16

Note: Cumulated data on 31 Aug 2012, 2013 [http://emir.nfu.hu/nd/kozvel/?link=umft\\_1\\_1](http://emir.nfu.hu/nd/kozvel/?link=umft_1_1)

The exchange rate is 280 HUF/EUR. The current value (296.9108 HUF/EUR as of 06.11.2013) shows that total funding in forints increased, and therefore so did the reserves. The Central Hungary OP belongs to the Regional Competitiveness and Employment objective.

Absorption in the Economic Development OP can still be considered outstanding in terms of contracting, although the ROPs and the EPAOP were catching up during the last year.

The highest risks of losing funds due to the n+2 rule are associated with the Social Infrastructure OP and the Environment and Energy OP. The implementation of SIOP has still not sped up in terms of contracting and payments, while EEOP showed somewhat greater progress. Despite the risks mentioned, the n+3 targets of 2012 were met both in the SIOP and EEOP.

As mentioned in earlier reports, the Transport OP can be considered a special case due to the large amount of major projects within it. Commitments and contracting compared to total funding in this OP are the highest, but the implementation of actual projects is slow. The problem of projects' implementation reaching beyond 2015 was solved by the guidance issued by the Commission, which allows Member States to phase projects. This means that a second

phase of long projects can be implemented in the 2014-2020 period after an agreement with the Commission.

Implementation risks emerged in 2012 due to irregularity issues, although they are at least partly solved at the time of writing this report. The Commission informed the MAs of the EEOP and TOP that further investigations are necessary with regard to the programmes as certain elements were linked to severe irregularity problems emerged during its audit. According to this, the selection criteria of public procurements in EEOP that applying engineers (even the ones from other states) had to be registered with the Hungarian Chamber of Engineers was discriminative and all experts involved in the contract should have fluent/negotiation level knowledge of the Hungarian language were discriminative, and violated Articles 2, 44(2), 46(2) and 48(2)(e) of Directive 2004/18/EC. By the summer 2013, the Commission found that this problem was prevalent in the case of the ROPs and the SIOP.<sup>6</sup> Following a negotiation between the government and the Commission, it was announced on 9<sup>th</sup> September that a financial correction of about EUR 230-250 million is to be implemented, after which the payments regarding 10 programmes financed by the ERDF can be continued. Another issue pushing absorption back was Hungary's losing the lawsuit concerning the eligibility of NIF VAT in the case of projects which generate income, which withheld the absorption of HUF 20.5 billion.<sup>7</sup>

Regulatory issues affecting implementation included changes in the ownership of numerous institutions. Every institution formerly owned by county level governments got into state ownership by January 2012 and all hospitals in towns by 1 May 2012. Institutions owned by local governments, such as public schools, were also taken into central state ownership. The projects affected by the changes were primarily those concerning healthcare and public education developments in the ROPs and the SIOP. The required modification of support contracts with regard to ownership and financing details slowed implementation down notwithstanding the careful preparation of the process.

Irregularities linked to larger projects can be considered a higher risk factor in terms of absorption, thus it is worth mentioning that 123 cases were suspected to be irregular within TOP in 2012, out of which 28 cases were found irregular after inspection. Within the EEOP, 188 suspected cases were reported and 70 irregularities were found by the end of 2012. The Commission's objections related to five EPAOP projects resulted in a 25% financial correction with regard to them. The most frequent subjects of irregularities were public procurements; but there were also several instances of costs which were not serving implementation or paid multiple times (e.g. SIOP). Another frequent issue was the difference between actual projects' implementation and the content of the contract.

The implementation of cross-border programmes was in line with the plans, as both the Hungary-Romania and the Hungary-Slovakia programmes met the n+3 targets of 2012. In the case of the former, the total programme budget was committed to projects and TA beneficiaries, and about one fourth of it was paid to them. To solve the problems associated with the lack of

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<sup>6</sup> Payments were also suspended in the case of the ESF funded Social Renewal OP.

<sup>7</sup> The expenses of TOP projects implemented by NIF Ltd. (the national infrastructure developer company) on value-added tax were originally counted as eligible expenditure, but the Commission argued that in the end this tax is paid by the users. The following lawsuit was lost by Hungarian authorities, therefore funds allocated to these expenses became "uncommitted".

own funds, both the Hungarian and the Romanian authorities adopted a measure to facilitate pre-financing.<sup>8</sup> The start of the Hungary-Slovakia OP was rather slow, but the focus on well-prepared projects ensured fast implementation. In addition, the establishment of an on-line management module called IMIS 2007-2013 ensured electronic application for the 4<sup>th</sup> round of CfPs and significantly improved communication according to the AIR of 2012.

There were numerous changes made in 2012 mostly to accelerate absorption and ensure the implementation of projects.

Shortening of deadlines and changes in decision making:

- Deadlines were shortened for the organizations participating in various phases of the implementation.
- Public procurement rules were simplified and also procurement deadlines were shortened.
- The Decision Making Committee delegated the decision on projects applying for assistance less than HUF 1 billion to the heads of the MAs in order to shorten decision making. To ensure the presence of professional considerations, the head of the MA can ask for the opinion of external experts.
- Several governmental tasks such as decision on the content of OPs, action plans and their modification, specifying priority projects were taken over by the National Development Government Committee.

Changes in payment rules

- There was an increase in the sum of supplier advance payments which were made generally applicable.
- The minimum value for payment requests was lowered.
- In order to speed up absorption, the percentage point limit regarding payments compared to the total funding of a project was eliminated, and payment requests over HUF 1 million were accepted.

Measures supporting project implementation and monitoring

- The so-called "EU Own Fund" was established in order to help local governments who want to apply for funding but do not have sufficient resources to pre-finance investments. This helped to mitigate the problems associated with the lack of own funds mentioned above.
- The Ministry of National Development made a decision to establish a project support system for the EPAOP. This gives recommendations on how to assess the risks inherent in the projects right at the start, how to identify the factors causing delays in the course of the projects and what tools may be used to eliminate potential problems. Projects are monitored on a daily basis and the responsible employees immediately recommend intervention at the adequate level as soon as it is required.

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<sup>8</sup> Romania provides advance payment up to maximum 80% of national co-financing for Romanian beneficiaries upon request and Hungary provides maximum 100% of national co-financing for Hungarian beneficiaries automatically after the conclusion of the ERDF Subsidy Contract.

- The whole indicator system of NSRF was revised and the indicators of the ROPs were changed. The reason for this is that the indicators of these programmes could not show any progress due to methodological problems and unavailability of data. The new system of ROP indicators is able to present timely values from 2011 on and it reflects the achievements of the programmes.

While the measures described above certainly helped implementation and accelerated absorption to a considerable extent, in light of the current state of irregularity issues concerning OPs, the risks of unfulfilling the n+2 rule are high in the case of the EEOP and SIOP. The probability of losing funds is ranging from low to moderate in the case of other programmes according to the AIRs. In addition, further measures were planned to accelerate implementation, which include the creation of a new own fund for businesses and local governments and the takeover of projects of settlements with slow progress. The changes in implementation described above can be considered as movements towards faster absorption. While some measures also aim at better monitoring, many of them (primarily the simplification measures) mean a potential risk to regularity.

### **Achievements of the programmes so far**

A few important notes must be made regarding the nature of Hungarian developments financed by the ERDF. First, the funds are rather dispersed among numerous sub-fields within each policy area therefore it often does not make sense to pick one or two of them to describe the achievements within the area. On the other hand, the higher level objectives of OPs are very general, which either cannot be measured or apply to the longer term effects of interventions. In order to provide a key for the interpretation of various achievements, the main areas in which achievements were made are listed in the first paragraph of the “Convergence regions” sections of the respective policy area. The developments implemented in the only Competitiveness and employment region (Central Hungary) were similar therefore the list regarding the main types of achievements applies to this region as well.

### **Enterprise support and RTDI including ICT and SMEs access to finance**

Main findings from the previous country report:

- An important measure of the overall success in this policy area is the indicator for job creation, which showed large regional differences, ranging from 149 in the Central Transdanubia OP to 3,031 in the Southern Transdanubia OP.
- The implementation of the R&D priority of EDOP showed relatively slow progress. Altogether 20 innovation clusters were accredited by the end of 2011, which enabled them to apply for the calls for proposals launched in the same year. Regional programs related to the field of innovation progressed more significantly: altogether 711 projects were completed in the competitiveness and employment region in 2011, which included cluster developments, business incubators, industry parks and other business infrastructure.
- SME support measures in EDOP made the greatest progress in implementation, making the largest contribution to some of the important core indicators related to the programme. Most of the support was given to SMEs – 98% of contracts and 76% of the funding connected to them.



## Developments since the 2012 report

### *Convergence regions*

The main types of measures in which achievements were made regarding this policy area in 2012 are 1) research, technological development and innovation, 2) support for SMEs, 3) the improvement of the business environment, 4) JEREMIE-type financial instruments, and 5) governmental ICT developments. The most significant achievements can be captured through the volume of investment induced and the jobs created by various types of measures within these categories, with a strong emphasis on the assistance received to SMEs.

The channel of supporting RTDI measures from ERDF is the 1<sup>st</sup> priority of EDOP. A major project, the implementation of the preparation<sup>9</sup> of the first phase of the Extreme Light Infrastructure (ELI) Project (a laser device) was completed on 28.02.2013. The main indicator capable of measuring achievements regarding various projects in the entire priority is the “number of jobs created in research and development”, which reached the cumulative value of 4,163 full-time equivalent (FTE) jobs by the end of 2012<sup>10</sup>. Another core indicator refers to the number of RTD projects supported increased by 1,600 in 2012, but this only means the number of contracted projects.

SMEs continue to be the main beneficiaries of the 2<sup>nd</sup> priority, they constitute 98% of the supported firms and 73% of assistance went to them in 2012. The number of beneficiaries was the highest among micro enterprises, but the amount of funding was equally distributed within sub-categories of SMEs based on size. The beneficiaries of technological development schemes for enterprises are the largest in numbers, and these projects contribute the most to the core indicators “Gross number of jobs created (FTE)”, “number of SME projects with support”, and “Investments induced by SMEs”. It is noteworthy that, out of the 56,105 jobs created with EDOP assistance, 24,090 occurred in SMEs, and 41% of the positions were filled by women. The increase of the net revenues of the 2<sup>nd</sup> priority’s beneficiaries compared to the initial status after the project has been closed was 3.5%.

The improvement of business environment, such as industry parks, business incubators and logistics centres are financed by both the EDOP and ROPs. The former mainly finances large projects in this field such as the establishment of broadband access for regions and municipalities, the development of logistics centres, or nation-wide consultancy services for business. Compared to the previous year, two result indicators showed improvement in this field within the EDOP. The sales revenues of logistics centres supported, which increased by 1% point, thus the overall increase was 8.7% during the current period. This is significantly lower than the target value of 25%, the primary reason for which is the decline in demand triggered by the economic crisis that strongly affected the logistics sector, according to the AIR of 2012. The share of population who gained access to broadband internet connection as a result of the programme also increased by 1% point compared to the previous year, and showed a 9%

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<sup>9</sup> Since this is a very complex, large and costly project, a long preparation consisting of many phases is required. The project is of EU level importance as it is included in the strategic plan for European research infrastructure made by the European Strategy Forum on Research Infrastructure.

<sup>10</sup> This contributed to the indicator measuring the total number of FTE jobs created in convergence regions in Table 2. The various job creation figures in the text were all considered when obtaining the aggregate value in the table.

increase between 2007 and 2013. Business incubators were supported from the ROPs, e.g. 24 such projects were completed in the Southern Great Plain OP (SGOP) with 180 enterprises using their services. The latter number can be considered relatively high among convergence regions, although it is below the planned values mainly due to the economic crisis. Altogether 11,240.66 FTE jobs were created in the convergence regions by the supported enterprises, which is about 62% of the sum of targets across ROPs (18,155). This can be considered satisfactory in light of the current state of implementation and the economic situation. The priorities of convergence ROPs focusing on such interventions contributed by EUR 559.564 million to the indicator of induced investment, which is almost 80% of the sum of the ROP targets.

EUR 65.1 million of Combined Micro Credit and EUR 28.9 million of New Széchenyi Credit reached enterprises in 2012, which constitute 70% of payments to final beneficiaries within the 4<sup>th</sup> priority of EDOP. Approximately EUR 23 Million were paid within the Venture Capital Programme the same year. The majority of final beneficiaries are micro-enterprises. The 2012 payments (EUR 131 million) represent a significant share of the total funding of the priority (EUR 727.1 million), and the GOP 4 funds that reached beneficiaries during the period exceeded EUR 283 million. There were 8,008 deals altogether by 31<sup>st</sup> December 2012, the largest share of which occurred in the Northern Great Plain (1,686) and Southern Transdanubia Regions (1,642). The Széchenyi Capital Investment Fund became a significant factor in the market in 2012, as 15% of all venture capital transactions in Hungary were implemented by it. Although these measures can be considered remarkable, they do not really seem to solve the problem of the lack of access to credit for SMEs: according to the 2012 AIR of EDOP the indicator “Access to financial mediation in the SME sector (loans outstanding/Gross Value Added)” dropped by 3.3 percentage points compared to the previous year’s figures, and it was forecasted to decline, even though only negligibly, in 2012

Some governmental ICT projects within the Electronic Public Administration OP were concluded in 2012, and a large number of them were expected to be finished in early 2013. Among these, there was the establishment of a safe electronic network between the Special Service for National Security and its clients. Another project completed in 2012 was the establishment of a digitalized jurisdiction database, which makes historical parliamentary documents, sources of law, and literature regarding administration, law and politics accessible for everybody. The project enabling citizens to access their data in the pension system was also completed. Besides the 24/7 service, this development enables clients to verify the data and notify the bureau about deficiencies. The indicator “Ratio of public administration organisations providing online (3rd level) official administration services” improved significantly due to the programme,<sup>11</sup> reaching 80%, thus exceeding the target value by 10%. The result indicators of the 2<sup>nd</sup> priority improved significantly due to the projects finished in the previous years. Other examples, in addition to the indicator in Table 2 are the “Ratio of private persons / businesses applying electronic payments to public administration organisations” increased by 15%, and the “number of visitors on the government portal providing central, integrated administration and information services per week (number of individual visitors)” which reached 959 thousand.

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<sup>11</sup> Since the establishment of these new services were financed by the respective measures, the causal relationship is direct.

The indicators of the Hungary-Romania cross-border co-operation programme measure achievements mainly by indicators referring to the number of joint projects completed in various policy areas. The number of joint research results was more than five larger than in 2011, reaching the value of 113, which was (at least partly) the result of 20 joint RTD projects according to the AIR. The cumulative number of settlements that gained broadband access to the Internet due to the projects reached 9 by 2012.

The indicators of the Hungary-Slovakia OP also focus mainly on the number of joint projects in various fields such as RTD (13) and business co-operation (41). On the other hand, the number of firms that took part in organized events (4,204) is still misleading, as some businesses could be counted multiple times. The number of users (businesses) of the jointly developed RTD facilities was 3,809. Thanks to the ICT projects, 53 settlements obtained broadband access to the Internet.

#### *Competitiveness and employment region*

The indicators of enterprise support measures within the Central Hungary OP were not fully available since the follow-up collection of monitoring reports was still in progress at the time of the preparation of the last AIR. According to the available data, the area of industrial parks, areas and sites equipped with modern infrastructures due to the projects was 267.64 ha, and 649 enterprises participated in the clusters supported by Central Hungary OP (CHOP) schemes. Considering the financial instruments, 3,053 transactions were completed by 31<sup>st</sup> December 2012, resulting in the payment of EUR 103.63 million to final beneficiaries. Enterprise support measures contributed to the core indicator of job creation by 5,460.3 FTE, while the investment induced by these schemes was equal to EUR 827.5 million.<sup>12</sup> The former significantly exceeded the target value of 4,500 while the latter was only EUR 1 million short of the target of EUR 828,57 million. 841 IT projects were supported within the economic development priority of CHOP, but no projects related to electronic public administration were closed in 2012 in the region.

#### Human resources

Main findings from the previous country report:

- A significant share of the concluded projects concerned public education measures, which aimed at the reconstruction of elementary and secondary schools, classrooms and kindergartens. Other completed measures aimed at improving the ICT infrastructure of schools. The number of classrooms equipped with modern ICT devices almost tripled compared to the previous year<sup>13</sup>, and these developments affected about 3,000 institutions (kindergartens, elementary and high schools). As a result, the proportion of children using computers in elementary schools increased by 1.7 % points.
- The infrastructural development of higher education projects showed great progress in terms of physical achievements. According to the 2011 AIR of SIOP, higher education

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<sup>12</sup> These contributed to the indicators measuring the total job creation and investment induced in the competitiveness and employment region in Table 3. The various job creation figures in the text were all considered when obtaining the aggregate value in the table.

<sup>13</sup> It increased from 6,411 to 17,702. The baseline value was 2,802.

projects under implementation contributed to the actual value of the indicator measuring the area of modern spaces suitable for higher educational activity and research (105,550 sq. m.).

- 350 projects were completed aiming at the improvement of community centres and public collections, which included the development of 2,000 sq. m., of educational space virtual museum information development in 20 institutions and ICT improvements with educational aim in 250 libraries.

### **Developments since the 2012 report**

#### *Convergence regions*

The main areas in which progress occurred were the infrastructural development of public education institutions, higher education infrastructure and the improvement of social care and childcare institutions. It is noteworthy that despite the relatively slow absorption, many indicators of the human infrastructure projects on which the SIOP has a direct impact showed significant progress. Nevertheless, the targets of some indicators are considered excessive, as they significantly exceed the values achievable by the originally planned as well as the contracted projects.

Regionally, the number of elementary schools and kindergartens renewed ranges from 34 to 64 and 15 to 62 respectively, but numerous high school infrastructure projects were also completed (1-16 per region). The total number of improved educational sites across all levels and convergence regions was 651 by the end of 2012. Altogether 131,635 students were attending the public educational institutions which benefited from the ROP. About a 3<sup>rd</sup> of those students were disadvantaged. The ratio of disadvantaged students in these schools differs by region: it was the lowest in the most developed Western Transdanubia with 18%, while it reached the highest proportion of 57.5% in the least developed Northern Hungary Region. The developments focused primarily on the improvement of the infrastructure of elementary schools and kindergartens in most regions. In the field of ICT, it is plausible that the measures financed by the ERDF (within SIOP) contributed significantly to the context indicator of the first priority measuring the ratio of pupils using computers in the school, which rose by 7.1 % points compared to the baseline value of 65.8% in 2007.

Achievements regarding non-formal and informal learning facilities include the development of multifunctional service centres equipped with modern ICT devices was finished in Győr, Kaposvár, Szeged and Hódmezővásárhely. The criterion for support of such projects was preparing a long-term service plan. The environment of the buildings was made accessible for the disabled, and the projects also served the energy efficiency of the buildings. These developments contribute to the indicator measuring the area created in public education institutions suitable for non-formal and informal training, which was 29,678.35 sq. m. by the end of 2012, which is almost three times as high as in 2011 and the double of the target value.

The most important achievement of 2012 in the field of higher education are related to ICT. The SIOP 1.3.2 priority project established a data network integrated into the GÉANT European research network through which Hungarian higher education institutions can have access to European research resources, computer capacities, tools of distant co-operation or special large equipment (like CERN particle accelerators). The implementation of the project included the

creation of an organisational model overarching Hungarian higher education, making connections between various institutions more cost-efficient. Another important achievement in this project was the establishment of a supercomputer system with the capacity of 152 Tflop/s and a data storing system of 2.5 Pbyte.

#### *Competitiveness and employment region*

Achievements in the field of human resources in this region mainly involved the completion of the reconstruction of a large number of public education and social institutions. Concerning education projects, 28 elementary schools, 4 high schools and 48 kindergartens were reconstructed between 2007 and 2012, where the education of 12,027 children was affected by the developments. All 7 vocational training centre projects were closed by the end of 2012. The number of new or reconstructed social institutions more than doubled compared to 2011 reaching 32, half of which were nurseries.

### Transport

Main findings from the previous country report:

- One of the main achievements in the TOP was the completion of the Szeged – Makó section of the M43 motorway, all three sections of which were opened to traffic in 2011.
- The M0 southern sector had basically been completed as well, but the structures of the old road, opened in 1994, still had to be refurbished prior to the opening of the motorway. According to the 2012 AIR, 3 sectors of M0 were to be completed in 2012. Considering roads with regional relevance, 21 projects were completed in the 3<sup>rd</sup> priority of TOP with the goal of enhancing regional accessibility. As a result of a subproject financed by TOP, the 5.5 kilometre-long interconnecting road between Záhony and Tiszabездéd was built, which supports the intermodal centre in Záhony.
- The railway section Szombathely - Szentgotthárd (54 km) was electrified and reconstructed, as well as opened to traffic in 2011 according to the 2012 TOP AIR.
- The track reconstruction of the tramlines in Szeged (9.4 km) and Miskolc (9.6 km) were finished. Of the constructed new sections, the trolley route was completed in Szeged in 2010 (4.0 km), and the extended tramline was opened to traffic in the first months of 2012: in Szeged (tramline 2) 1.9 km, and in Miskolc 1.4 km.
- 159.31 km of roads were reconstructed and 102.26 km were newly built in the Central Hungary Region. The major project in Budapest for the reconstruction of the Margit bridge and the transport system connected to this was also completed.

### Developments since the 2012 report

#### *Convergence regions*

Three types of achievements were accomplished in this policy area: road (re-)construction, railway reconstruction, the establishment of cycling lanes and urban transport developments. Road developments can be further divided into motorway developments of national and EU level (TEN-T) importance, and roads of regional and local importance.

Considering road developments, the cumulative achievements of the period can be partly grasped by the length of improved roads of higher importance. The length of newly built TEN-T expressways was 38.2 by the end of 2012, which was 6.6 km higher than in the previous year.

The developments contributed to the reduction of the travelling time of the entire TEN-T network by 31 minutes by car and 27 minutes by truck. Specifically, the section between the M1 and M6 motorways of the M0 motorway ring around Budapest was completed and opened to traffic. However, there are sections which are still under construction; their implementation is slower than planned. The construction of the 33.8 km long first section of the M3 motorway was also finished in 2012. The length of newly built main roads of regional importance upgraded to resist an axis load of 115 kN<sup>14</sup> was 67.9 km, while the length of those upgraded to the same load bearing capacity was 231.6 km. These indicators show significant movement towards the targets, but are still far from them.<sup>15</sup> The only exception is the “number of working age people within 30 minutes access to a town of county rank by bus”, which reached 90% of the target value of 20 thousand people. Considering road developments of regional and local importance, the indicators of ROP transport projects can give a hint about the achievements of the current programming period: the length of renewed roads, as a large share of funding focused on such developments affecting roads owned by the state and municipalities. On the other hand, new km of roads were reported in only 4 out of the 6 convergence regions (see Table 2).

The 1<sup>st</sup> phase of section I of the reconstruction of the railway line Budapest-Kelenföld – Székesfehérvár – Boba was completed between Székesfehérvár and Tárnok. Another railway related achievement was the opening of Sopron – Szombathely – Szentgotthárd line to traffic, as the construction of operational facilities and urban structures were finished. The major project in the 4<sup>th</sup> priority containing the improvement of the broad gauge railway infrastructure in Záhony was also finished. As a result of the projects the “Length of TEN-T railway lines developed to resist an axis load of 225 kN (with a minimum speed of 120 km/h)” reached 159 km. The result of railway developments was the reduction of travelling time on the TEN-T network by 47 minutes based on the timetables of international express trains, which is about 77% of the target value.

The length of newly created independent bicycle lanes within ROPs during the current programming period reached 409.51 km, but this indicator is not consistent across programmes. While it refers to newly built roads in Northern Hungary, the indicator covers other ways of creating bicycle lanes in the rest of the OPs. An additional 65.2 km of bicycle lanes were built as the output of TOP projects.

Public transport projects within ROPs mainly focused on bus stops and stations, while TOP projects were concentrating on the establishment of entire lines. Numerous bus stops and stations were reconstructed due to ROP projects, for example 3 stations were reconstructed in Northern Hungary and 168 bus lay-bys were renewed or created in the Northern Great Plain Region. On the other, the achievements regarding more complex TOP projects in this field were more restricted. After the physical completion of the Szeged tramline in 2011, the public procurement of 9 trams was also successful, and 8 trams were delivered in 2012. The construction of bike parks (B+R) was also finished in 2012. The deadline of construction contract tramline project in Debrecen was 31.05.2012, but the implementing consortium did not finish the work by then, which brought the project to a halt. The Arbitrator involved found

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<sup>14</sup> Kilonewtons, a unit of force uses mainly in construction. 1 kilonewton roughly equals 100 kilograms.

<sup>15</sup> The targets of the indicators listed (in the same order): 313.1km, 182.8 km and 311.2 km.

that no party was responsible for the situation, so the resolution concluded a 568-day deadline extension. The line extension and track construction in the electric public transport project in Miskolc were 95% finished, and their infrastructural parts were expected to be completed in 2013. Altogether, the length of newly built and upgraded urban railway was 5 and 19 km respectively in cities other than Budapest. The savings in journey time due to these lines were 2,830 passenger hours per year<sup>16</sup> according to the AIR of 2012.

The AIR of the Hungary-Slovakia OP was optimistic about the achievement of the targets of the transport (and also the environmental) projects due to the careful planning. According to the progress reports by project holders, the length of improved transport infrastructure was 348.58 km. Regarding the Hungary-Romania OP no achievements were reflected in the value of the indicator “number of people with improved cross-border accessibility” which had a value of 0, probably due to the slow implementation of transport projects.

#### *Competitiveness and employment region*

The improvement of transport indicators were due to 17 completed projects in the transport priority of the CHOP. The output of these projects included the renewal of 185.9 km and the construction of 132.8 km of roads, and the creation of 77.3 km of independent bicycle roads. Thus, the length of newly built roads decreased compared to the previous year, mainly due to the change in the methodology of obtaining indicator values for such projects across the entire NSRF. The result indicator measuring the access to micro-regional centres (see Table 3) already met the target in 2011, and no further increase occurred in 2012. Public transport projects affected 2,050,000 people according to the respective indicators, thus the target value of 2,000,000 was exceeded. Among these projects, there was the construction of an intermodal bus station at Újpest Városkapu, the construction/renewal of 19 bus stops, and the establishment of the public water transport route on the Danube. The latter included, for instance, the construction of 10 stops and public lighting. The TOP major project in the region, the construction of the Metro 4 subway line, was still under implementation. The test runs of trains were expected to be started on 31 August 2013 without passengers and in the 1<sup>st</sup> quarter of 2014 with passengers. The test period without passengers actually started in October 2013 on the entire line. Surface constructions are still under implementation in the case of many metro stations.

#### **Environment and energy**

Main findings from the previous country report:

- Numerous completed projects consisted of awareness campaigns and events promoting sustainable lifestyles; thus, their indicators were also available.
- More than half of the indicators connected to energy efficiency and renewable energy registered positive figures in 2011, since some of these projects entered the maintenance phase in that year.

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<sup>16</sup> This indicator refers to the aggregate No. of hours saved per year due to the developed public transport lines, which is calculated by experts using the No. of passengers on these lines.

- The numerous projects completed in the Central Hungary Region included protection against damage caused by precipitation, the usage of renewable energy sources, re-cultivation of municipal landfills, environmental ICT.
- The consumption of renewable energy sources increased by 837,973 GJ in the Central Hungary Region according to the respective indicator.

## **Developments since the 2012 report**

### *Convergence regions*

It is noteworthy that some result indicators of the Environment and Energy OP will be available only in 2015 as complex measurements and assessment are required to obtain them after the completion of the projects. Many output and result indicators showed improvements in 2012 for the first time, but most of them are still far from meeting the target values due to slow project implementation (see below). The main areas in which achievements were made in terms of project completions and indicator values are 1) development of public services, 2) risk management and environmental protection, 3) renewable energy and energy efficiency, and 4) awareness raising which focused on sustainability.

The number of flats equipped with sewer as a result of the programmes was 43,472, which is a little more than one tenth of the target value (400,000). The population affected by the wastewater projects was 23,800, which is also far from the target of 1.3 million. The indicator of drinking water projects also showed improvement: 36,366 people gained access to drinking water of adequate quality.<sup>17</sup> The improvement of various indicators was achieved by 12 completed projects in 2012. Two of these projects focused on solid waste management in the cities Győr and Tura. Among the partly completed projects was the wastewater project of Békéscsaba, where the sewer was already built but wastewater plant was to be improved in 2013. The main environmental projects financed within ROPs were focusing on wastewater treatment in smaller municipalities on the one hand, and on flood, inland water and precipitation protection measures on the other hand. The former contributed to supplying 54,616 people with wastewater treatment in accordance with EU criteria, while the protection measures affected 808,616 people. The overwhelming majority of people affected by water protection measures live in the Southern Transdanubia and the Northern Hungary Regions; their number revolved around 300 thousand in both of these regions by late 2012.

As mentioned above, all preparation projects in the 2<sup>nd</sup> priority of EEOP were closed by late 2012 and several projects were physically realised as well. These contributed to the value of the indicator measuring the number of people protected adequately against flood: it reached 1.15 million people out of the target value of 1.63. The cumulative number of re-cultivated landfills was 135, and the indicator referring to the volume of contaminated geological medium that has been re-cultivated (including underground water) reached 50,700 m<sup>3</sup>. The target value of more than 3.3 million m<sup>3</sup> seems achievable based on the feasibility studies, according to the AIR of 2012. Another re-cultivation project almost completed in 2012 was part of the Mecsek-Dráva waste management programme, where the physical elements were completed by the end of

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<sup>17</sup> In the base year 2007 7.55 million people had access to adequate quality drinking water, the target of the EEOP is to reach 9.38 million.



2012. One flood protection project in the Nagykunság and one for Hany and Tiszasüly were similarly close to completion. The 38 projects closed in the 3<sup>rd</sup> priority of EEOP contributed to the restoration or improvement of 19,531.9 ha of natural habitat. Other projects under implementation in this priority include the improvement of forest schools<sup>18</sup>, but none of them were finished yet.

Renewable energy and energy efficiency interventions are concentrated in the 4<sup>th</sup> and 5<sup>th</sup> priority of the EEOP, and they have the same set of priority level indicators. According to the latest AIR 463 renewable energy and 330 energy efficiency projects were completed by the end of 2012. The former contributed to an additional capacity of renewable energy production of 1.43 GWh/year. This is a small increase compared to the total renewable energy production in 2006, which was 1,487 GWh, but the projects entering the maintenance period will probably produce significantly larger values – the target is 937 GWh/year. The amount of energy saved due to energy efficiency projects was 0.144 PJ/year based on the completed projects.

501 projects were completed within the 6<sup>th</sup> priority of the EEOP which support awareness raising projects such as campaigns and environmental IT projects. The implementation of about 600 awareness raising projects was completed physically, but the implementation of IT projects did not start, as the Ministry of Rural Development revised its applications so that they will be in accordance with the new governmental informatics strategy and regulations according to the AIR of 2012. The direct result of awareness raising programmes was captured by the indicators referring to the number of participants (see Table 2). According to the indicators, 1,618 people participated in short-term and 1,231 in long term activities related to e.g. sustainability and environmental protection.<sup>19</sup>

Considering the Hungary-Romania cross border co-operation programme, the indicator measuring the area with improved environmental situation decreased to a large extent<sup>20</sup> compared to the previous year. The reason for this was the change in the methodology of its calculation, as the area of those lands which were considered as indirectly affected by the developments were not taken into account in the AIR of 2012. The main achievement of the Hungary-Slovakia cross-border programme in this field was that by 2012 46,717 people benefitted from waste collection and 46,525 from renewable energy measures, according to the indicators.

#### *Competitiveness and employment region*

Achievements in the Central Hungary Region were also connected to wastewater, water protection and habitat reconstruction measures and the support for awareness campaigns. The number of people protected from flood, precipitation and inland water risks was 67,411 due to the completed projects, which affected 19 municipalities. 550 people were affected by wastewater measures in small municipalities and 10 landfills were re-cultivated. 10 renewable energy projects and 13 campaigns promoting sustainable lifestyle were also completed by 2012. 36 km of line infrastructure was reconstructed so that they do not endanger natural habitats.

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<sup>18</sup> Outdoor education facilities for children located in forests, which specifically aim at education regarding nature and environmental responsibilities.

<sup>19</sup> The target for short term programmes is 1700; for long term ones it is 255.

<sup>20</sup> From 968,000 to 17,000

The caves under the Buda castle and the Rácskai cave were also affected by developments aimed at the preservation of (lifeless) natural values. Habitat restoration projects affected an area of 1,410 ha, which includes the output of the 8 completed developments concerning historical and botanical gardens. Although the indicators measuring outputs of environmental interventions are far from the target values yet, the reason is that a large share of projects is still under implementation.

## Territorial development

Main finding from the previous country report:

- There was a large quantity of completed tourism projects in 2011, but the mix of achievements varies across the regions. While some regions focused more on the development of commercial accommodations (like North Hungary Operational Programme - NHOP), others completed, for example, mainly tourism destination management projects (SGOP).
- Spa developments constituted an important part of multiple ROPs, e. g. 17,672 sq. m. of indoor spas were created as an output of the Northern Great Plain Operational Programme (NGOP).
- In most regions, the result indicator of attraction developments showed great improvements, the aggregate number of visitors did not improve in regions other than Western Transdanubia, as is shown by context indicators.
- Altogether 2,629 jobs were created in the convergence regions by tourism projects.
- The social type of urban development projects from the 2007 CFP were completed in the STOP, where altogether 18 buildings were renewed and more than 10 thousand inhabitants were involved into the “soft” programme elements according to the indicators.
- The projects within the Cultural Capital of Europe Programme in Pécs were major developments in the Southern Transdanubia region in this field. Most of these projects were completed by the end of 2011, except for those concerning the renewal of public spaces.
- In Central Hungary, the social type of complex urban development actions affected 2,600 people, while the smaller scale developments in Pest county affected more than 230 thousand.
- Almost all projects focusing on barrier-free access to public services were completed and 29 calls for proposals were closed last year within ROPs.
- The development of nurseries and daytime childcare services affected a large number of children, e. g. 14,000 in the West Transdanubia and 13,000 in the Central Transdanubia Regions. 38 kindergartens and 23 school sites had their infrastructure improved as the result of public education projects in the CHOP. The latter also included the development of ICT infrastructure, and classrooms ICT equipped increased by 15%.

## Developments since the 2012 report

### *Convergence regions*

Being a broad policy area, the achievements in territorial development were numerous during the period due to interventions in the fields of tourism, urban rehabilitation and healthcare. The

results of tourism developments can be grasped by the number of visitors in developed sites and the investment and number of jobs generated in the sector. Urban rehabilitation, on the other hand, aimed at making cities more attractive and reduce segregation; so the result can be captured by the number of people affected by such developments. The outputs of healthcare projects are numerous and range from the procurement of new equipment in hospitals to the construction of new outpatient care centres.

Although the absorption within the tourism priorities of ROPs was lagging behind other policy areas in some regions (SGOP, NGOP), the number of completed projects increased to 265 by the end of 2012; ranging between 36 and 50 per region. Typical completed projects included health tourism (primarily spa developments), museums, "wine and palinka tourism", historical and cultural heritage (especially in Northern Hungary), active and ecological tourism (especially in the Southern Great Plain), projects related to conferences and events, and the improvement of accommodations and services (e.g. 2,811 accommodations in Southern Transdanubia). In addition to the significant increase in the number of visitors at the sites supported - a larger share of which is probably due to the data coming from newly closed projects, not actual new visitors - tourism projects contributed to the creation of new jobs and the indicator of induced investment as well. The actual value of the job creation indicator was somewhat lower than expected: 3,039.8 FTE jobs were created in the convergence regions so far. The cumulated contribution of such projects to investment induced was EUR 360.3 million. It is worth noting that the context indicator measuring the number of guest nights per 1,000 inhabitants in the regions improved since 2010 but it did not reach the 2007 levels everywhere. On the other hand, the utilization of (probably increased) accommodation capacities also showed improvement compared to the previous year (except for Southern Transdanubia). A project which included the development of an eco-centre at Tisza-to was considered a best practice in the Northern Hungary region by the AIR of 2012. The developments included an aquarium, an exhibition space, a conference room and a cinema presenting the unique flora and fauna of the region to visitors. Another notable achievement in this area is the physical completion of all 6 key projects within the framework of the programme for the European Cultural Capital of Pécs. This included the renewal of public spaces (e.g. parks and a large exhibition space), a library of regional significance, and the conference and concert centre of the city.

Other territorial development projects were mostly focusing on integrated social and functional urban rehabilitation, of which the latter type proved to be more popular among beneficiaries. Other types of projects included smaller scale urban developments, or targeted smaller municipalities to supplement the rural development programme by the renewal of local infrastructure such as public roads. The area affected by such development projects was 7,486.36 ha in 2012, the largest share of which (almost the third) took place in the Northern Great Plain Region. Social urban rehabilitation projects included the renewal of apartments and social maisonettes in municipal ownership – for example, 613 apartments were renewed in Northern Hungary and 449 in the Northern Great Plain Region, but most projects were still under implementation. Another aim of the reconstruction projects was reducing energy consumption, which resulted in saving 57.66 TJ by the end of 2012 (almost the half of this was achieved in Central Transdanubia). The functional rehabilitation projects sought to make urban centres more attractive to citizens and business, the achievement of which was measured by an indicator counting the number of firms settling in the areas affected by developments. In most

regions the actual values of this indicator were below the targets based on the closed projects (except for Southern Transdanubia), but about half of the projects were still not completed, so a significant increase can be expected in the coming years. The total value reached 283 in 2012 based on the completed projects.

Healthcare related achievements were also numerous by 2012. The total number of clinics improved in the convergence regions through ROP projects was 613 by the end of 2012, ranging between 63 and 143 across regions. The improvements mostly affected basic services: primarily family doctors (49-150 per region), but also health visitors and dentists in numerous cases. The number of health centres improved ranged between 10 and 20 by region except Southern Transdanubia with no such projects, but ROPs also supported the improvement of a fewer number of existing out-patient care centres. The only consortial project aimed at the development of in-patient rehabilitation in all regions is expected to be completed by early 2015, therefore no increase in the corresponding indicator values has been reported yet.

The development of all green-field micro-regional and all but one brown-field advanced outpatient care centres was finished by the end of 2012 within the SIOP. These projects contributed to decreasing the “number of settlements which do not reach acute in-patient and out-patient care within the national standards” to 254. The developments enabled 300-310 people to reach basic healthcare by car in 20 minutes, although real accessibility is not necessarily improved due to the state of public transport. This means that the impact was smaller than implied by pure indicators, as the insufficiencies regarding public transport routes and schedules are often hindering the accessibility of developed facilities. The development of institutions with higher progressivity levels (“health poles” and hospitals affected by “structural change”) was mostly under implementation in 2012, but one hospital development project was physically completed in Karcag. The average age of expensive healthcare equipment grew recently after a period of decrease, but due to the new projects in the field the target value of 6.5 years is achievable according to the AIR of 2012. The Karcag project was considered a good practice by the AIR of 2012. The project included the development of basic diagnostic units, setting up a Computerised tomography scan, modernisation of the central sterilisation room, and widening the outpatient care portfolio. Another good practice in the field of healthcare was the development of the Petz Aladár educational hospital in Győr according to the AIR of 2012. The yet unfinished project comprised of creating a new building of 22,326 sq. m., a helicopter landing site, and renovating 3,778 m<sup>2</sup>; the modernisation of the equipment was in progress.

A measure in the 3<sup>rd</sup> priority of SIOP aimed at modernising social and childcare institutions. These resulted in the improvement of capacities by 2,174 capita, of which 990 rooms are for children, 546 for the elderly, and 384 for the homeless, 214 for the disabled, and 40 are temporary homes for families. The number of new social institutions developed within ROPs is 147, these developments contributed to the creation of numerous new services locally and affected 86,334 children participating in day-care. The latter indicator showed uneven distribution regionally, affecting for instance 7,051 in Northern Hungary and 27,959 in West Transdanubia (having a 7,383.85 standard deviation across the 6 regions).

#### *Competitiveness and employment region*

2012 saw the physical completion of the project aiming at the reconstruction and development of the Lukács spa in Budapest, a project in the Budapest Zoo, and the priority projects including

the 1<sup>st</sup> and the 2<sup>nd</sup> phases of the reconstruction of the royal palace in Gödöllő. Altogether 6 spa and 3 other health tourism development projects were completed in the region. The number of developed tourism sites connected to cultural heritage was 26, out of which 9 were museums. The result indicator measuring the number of visitors of newly improved attractions was far from the target, the reason for which is that the completed projects have just entered the maintenance phase, and that a large number of projects are still under implementation. The development of 326 quarters was finished by 2012, and the improved accommodations included 7 hotels of 3 and 4 stars. 4 out of the 13 active tourism projects completed by 2012 were water related projects, while the others were focusing on e. g. bicycle and hiking routes.

The number of enterprises increased by 330 in the areas affected by functional urban rehabilitation measures as a result of 17 completed projects. This is only 60% of the target, which is explained by the economic crisis according to the AIR. Also, 4 social urban rehabilitation and 48 smaller scale projects were physically completed by 2012. The number of apartments renewed due to social urban rehabilitation projects was 8,842. The energy savings achieved due to the reconstruction of buildings was 51 Tj. The various types of projects altogether affected an area of 931 ha. The values output indicators of urban rehabilitation measures were close to their targets.

An important achievement in the field of healthcare was the completion of the two hospital projects, both including the second phase of the reconstruction of the respective hospitals (Szent Imre Hospital and the Uzsoki utca Hospital). Other finished healthcare projects in the region include the development of 5 outpatient care centres. The area of various types of institutions affected by healthcare projects was 51,420 m<sup>2</sup>.

Regarding the Hungary-Romania cross-border OP, the number of joint tourism development projects was 8, which resulted in a 21% increase in the number of visitors of the affected destinations. Based on the comments in the AIR of the Hungary-Slovakia OP, the most significant co-operation was established in the field of tourism, in which 196 joint projects were completed by the end of 2012. In this respect, one tourism project, for example, sometimes included the development of several attractions therefore the actual achievement was much higher. In contrast to these areas, the complicated, high budget projects in the field of healthcare were still under implementation.

**Table 2 - List of main indicators in Convergence regions**

Policy area	Main indicators	Outcomes	Notes
Enterprise support and RTDI, including ICT	Jobs created	70,656	Shows the number of FTE jobs created. Core indicator, the sources are the EDOP and ROPs.
	Investment induced	2,723.9	EUR Million. Core indicator, the sources are the EDOP and ROPs. The exchange rate used was 280 HUF/EUR.
	No. of RTD projects	2,585	Core indicator, the source is the EDOP.
	No. of co-operation projects (enterprises-research institutions)	325	Core indicator, the source of its value is the EDOP.
	No. of enterprises participating in clusters and co-operations supported	3,095	The sources are the respective measures of ROPs.
	Area of industrial parks, industrial areas, sites equipped with modern infrastructure as a result of the developments (ha)	3,487.3	The sources are the respective measures of ROPs.
	No. of direct investment aid projects to SMEs	2,536	Core indicator referring to EDOP measures
	No. of start-ups supported	1,285	Core indicator referring to EDOP measures
	No. of information society projects	2,305	Core indicator referring to EDOP measures
	No. of additional population covered by broadband access	69,506	Core indicator. The value of the context indicator, which measures the increase of broadband access compared to the total population, was 9% in 2012.
Human resources (only ERDF)	No. of classrooms equipped with modern ICT devices	20,847	The indicator covers measures of SIOP priority 1.
	Amount of modern complex spaces (renewed and reconstructed) suitable for higher education activity and research	123,769	The indicator covers measures of SIOP priority 1.
	No. of children participating in day-care affected by social developments.	86,334	The sources of the value are the respective priorities of ROPs.
Transport	Km of new roads	211.1	This indicator is produced by TOP and a number of ROPs but is it not used by all of them. <sup>21</sup> The core indicator includes only data from TOP: 106.1 km.
	Length of renewed roads	1,530.8	The core indicator measures the

<sup>21</sup> Last year only TOP developments were covered by the indicator.

Policy area	Main indicators	Outcomes	Notes
	(km)		output of TOP projects; its value was 231.6 km in 2012. <sup>22</sup> Here we considered additional 1,299.17 km of roads which were renewed within ROPs and are not included in the core.
	Value for time-savings in Euro / year stemming from new and reconstructed roads (EUR M)	13.7	Core indicator.
	Increase of the population with public road and community transport access to a micro-regional centre within 15/20/30 minutes	163,884	The indicator's value refers to the result of road construction projects in ROPs.
Environment and Energy	No. of people reached by campaigns and model projects according to types of activity: Short term / Active participation <sup>23</sup>	1,618	Indicator covering EEOP's short-term awareness raising measures.
	No. of people reached by campaigns and model projects according to types of activity: Long term / Active participation	1,231	Indicator covering EEOP's long-term awareness raising measures
	No. of inhabitants in municipalities under 2000 inhabitant equivalent (IE) supplied with wastewater treatment complying with EU criteria due to the projects	54,616	Its value stems from an important measure in every ROP.
	Size of area affected by habitat restoration and improvement (ha)	19,531.9	The target value is 65,000 ha, as the MA doubled it compared to the previous year due to the large number of projects under implementation.
Territorial development	Size of the area affected by urban rehabilitation measures (ha)	7,486.4	Indicator measuring the outputs of ROP developments.
	Average No. of visitors at supported tourism attractions	13,550,373	The sum of yearly averages of completed projects in the maintenance period. Indicator measuring the results of ROP developments. The same visitors may have been counted multiple times at different attractions.
	No. of inhabitants affected by urban rehabilitation projects	1,400,161	Indicator measuring the results of ROP developments (a sum of all ROP indicators in the convergence regions of the country)

<sup>22</sup> The content of the TOP and ROP measures are somewhat different, as the former have the additional criterion that the renewed roads should resist an axis load of 115 kN.

<sup>23</sup> Model projects refer to special solutions to environmental issues which are hoped to be utilized more widely with regard to certain target groups. These projects are supported with the intent of popularizing such solutions.

**Table 3 - List of main indicators in the Competitiveness and employment region**

Policy area	Main indicators	Outcomes	Notes
Enterprise support and RTDI, including ICT	No. of RTD projects	968	Enterprise support and RTDI amount to one third of the CHOP funding (the OP of the only RCE region). The target is 900.
	Investment induced	1,021.5	EUR million. This is the total investment induced in the region, most of which (827.5 is accounted for by enterprise support and RTDI measures, which amount to one third of the CHOP funding - the OP of the only RCE region). The exchange rate used was 280 HUF/EUR.
	Jobs created	8,540	This refers to the total number of FTE jobs created within CHOP, the majority of which (5,460.3) were created in the fields of enterprise support and RTDI. The latter amount to one third of the CHOP funding (the OP of the only RCE region).
Human resources (only ERDF)	No. of students in developed educational and training institutions	12,027	It is affected by the measures in the 4 <sup>th</sup> priority of CHOP.
	No. of children participating in day-care affected by social developments	21,300	It is affected by the measures in the 4 <sup>th</sup> priority of CHOP. Human resources developments add up to roughly one fifth of the OP total.
	No. of persons availing themselves of services developed in higher education	93,387	It is affected by the measures in the 4 <sup>th</sup> priority of CHOP.
Transport	Km of new roads	132.8	The length of new roads financed by CHOP. The funding of transport developments in CHOP is EUR 267 million. The target is 180 km.
	Increase of the population with public road and community transport access to a micro-regional centre within 15/20/30 minutes	2,341	The funding of transport developments in CHOP is EUR 267 million. The target was set to 2,300.
Environment and Energy	Total area covered by habitat rehabilitation and development (ha)	1,410	Environmental developments are in the same priority with tourism-related ones in CHOP, which together make less than 12% of the funding. The target is 3,500.
	No. of inhabitants in municipalities under 2000 (Inhabitant Equivalent - IE) supplied with wastewater treatment complying with EU criteria due to the projects	550	Environmental developments are in the same priority with tourism-related ones in CHOP, which together make less than 12% of the funding. The target is 3,200. This value was corrected and is much lower than the one reported in the 2011 AIR.
Territorial development	Average No. of visitors at supported tourism attractions (capita)	43,554	Tourism developments are in the same priority with environmental ones in the case of CHOP and add up to less than 12% of the funding. The target was set to 1,200,000
	No. of new jobs created through tourism-related projects	284	The target value is 300
	No. of sites of enterprises opening units in the regenerated urban areas	330	The new target is 550.
	Population directly covered by the developments (Urban development)	931	The target is 350,000



### 3. Effects of intervention

Main findings from the previous country report

- The number of studies analysing the effects of funds distributed in the current programming period was low, since the evaluations made by then were mostly implementation oriented. Nonetheless, some conclusions can be drawn regarding the effects and efficiency of development policy in Hungary.
- A study by Jablonszky [2011] sheds light on the effects of development policy regarding aspects of territorial cohesion. The study found no connection between the development level and the amount of requested and contracted EU grants. The investment induced by EU funds as a ratio of the investments conducted by the given region showed correlation with the level of development of the region. On the other hand, the 33 least developed micro-regions (LHH) were able to concentrate a disproportionately high amount of grants, in addition to the grants dedicated especially to them.
- A research by Terra [2012] found that the transportation development was successful in terms of improving accessibility of most areas. But at the same time, as the public road developments concentrated on the highway network, the local road network deteriorated, so in some cases local accessibility decreased. Emission increase due to the traffic and greater speed on the new roads exceeded the emission reduction on the municipal roads. This means that in total the transportation development increased the CO<sub>2</sub> emission.
- A study by Pannon Elemző et al. [2012] focusing on the topic of integration of the Roma concluded that due to the disconnection of development policy and public policies, the current institutional settings of development policy (1) cannot handle conflicting local interests, (2) do not mitigate uncertainties stemming from the volatility of public policies, (3) cannot vindicate the horizontal priorities of social inclusion even within the funding schemes. This evaluation found that proportionately little funding flows into regions with insufficient capacities, among them regions with an overrepresentation of Roma. The lack of projects in these regions often originates in the lack of capacities and competences of civil society.

#### Developments since the 2012 report

The most extensive analysis of the effects of 2007-2013 ERDF and Cohesion Fund interventions is provided in the evaluation assessing the impacts of the Funds on territorial cohesion (Pannon Elemző, Hétfá, Revita [2013a]). According to this study, the employment effect of the support appears to be statistically significant two years after the funding, and it spills over to neighbouring areas. Spending on R&D and higher education also has an effect on neighbouring areas with a time lag; it was found that national level employment would increase by 6.5 % points if this kind of spending was increased by HUF 1 million in every micro-region. On the other hand, support for business and communal infrastructure has a slight negative effect on employment (-2.18 and -0.45 % points per HUF 1 million per capita). The effects of support on the income of micro-regions (i.e. the regional economic power) were statistically significant already in the period the support was provided. The greatest increase in income was induced by the assistance aimed at the training of employed people; these generated 16 times larger

income than the volume of the investment in the year of the support and 20 times greater one year later. Positive effects on income were estimated in the case of development support for firms and communal infrastructure developments as well. All in all, the estimation showed that development assistance contributed to territorial cohesion both with regard to employment and income, or at least slowed the increase of regional differences. Emigration was decreased and/or immigration was increased as a result of support for measures against unemployment, training for employed and active people, and the improvement of communal and business infrastructure. The analysis showed however, that the effects on migration are heterogeneous and depend on the economic and social characteristics of the micro-regions. In areas where the local labour market was not able to give jobs to people whose employability was improved the assistance induced to emigration. The standard deviation of net migration rates would have been larger without the assistance according to econometric estimations, which implies that the support had a mitigating effect on migration.

The evaluation cited above also attempted to estimate what impact the funding received by the Central-Hungary Region had on the income of other regions. They estimated very large spill-over effects in every year, especially in the neighbouring regions. According to the results of the econometric model, an amount spent in the central region had much stronger effect on country level income than the same amount received by other regions, and assistance to Central Hungary accounted for a very large share of the overall effects of EU assistance.

The evaluators found that, despite the significant impact on the three key dimensions mentioned (employment, income, migration), achievements were below the potential effects of development policy due to the lack of synergies and the discrepancies between needs and possibilities. The qualitative analysis based on interviews showed that the reasons for this lie in “the 1) fragmentation of development funds, (2) differences between the investments and (funding) regulations, (3) low efficiency of incentives for co-operation due to the lack of actors concerned in the development coordination, (4) the harmful, quantity-oriented competition of project implementers, (5) the deficiencies of information flow between developers and decision makers” (Pannon Elemző, Hétfá, Revita [2013]).

Another evaluation (Pannon Elemző, Hétfá, Revita, Budapest Intézet [2013]) found that the special programme for the 33 most disadvantaged micro-regions, which earmarked funds from various OPs to these areas, had the unintended consequence that 14 other micro-regions with similarly bad socio-economic situation received very low funding.

Measures improving healthcare infrastructure mainly target longer term goals, but some short term effects can be listed here based on the evaluations. Here, short-term effect means increased accessibility and utilization of healthcare infrastructure, which is an important element of territorial cohesion. A recent evaluation found that support to healthcare was well-targeted in the sense that it was allocated to micro-regions with poor healthcare indicators in a proportion higher than the average (Budapest Intézet [2012]). As a result of outpatient care improvements, basic care became accessible by car within 20 minutes for 300-310 thousand people. This means only theoretical travel time though, and accessibility did not necessarily improve in practice as well due to e.g. the current routes and schedules of public transport. The capacity building resulted in a 25-30% increase in the number of outpatient care cases in the micro-regions affected by the developments, by which they reached the national average level of

cases (per 100 people). Also, the developments led to a decrease in the cases and days of incapacity for work.

In the case of the development of cultural institutions, the proportion of young and disadvantaged people among the visitors increased due to the assistance, but after the cessation of the services' being free of charge the demand by these groups may decrease (Hétfa, Revita [2013d]). The allocation was in accordance with the objective of territorial equalisation as a relatively high proportion of funding was received by the disadvantaged micro-regions. The developments improved and broadened the availability of cultural services through smaller scale developments in villages and towns and co-operations between schools and cultural institutions.

It can be concluded that the indicators (e.g. income, employment) measuring the economic development of regions improved as a result of EU funded investments, but these effects could not translate to the actual convergence despite the concentration of a large share of funds to less developed micro-regions. The reason for the latter was mainly the dispersion of funds in terms of development goals, policy areas and instruments. It is clear that interventions focused on important areas especially regarding public services, but the co-ordination of various policy areas would be necessary to make the results and effects sustainable.

#### **4. Evaluations and good practice in evaluation**

Main findings from the previous country report:

- The evaluation system of 2009-2010 was based on a framework contract with the list of 14 evaluators and 4 lots. This system was frozen in May 2010 and officially terminated in May 2011. The new framework was launched in November 2011.
- Like in the previous years, the evaluation activity was coordinated by the Evaluation Division of the National Development Agency (NDA), which operated under the MA of the Implementation OP.
- DE had at its disposal the financial resources for evaluations and also provided technical and methodological support to evaluation activities.
- MAs did not have their own evaluation capacities, but they played a crucial role since they were the final beneficiaries and coordinated the information support for external evaluations.
- The new framework contract includes 8 different evaluation lots, 2 of them concerning the methodology and the other 6 concerning the sectors (1. Statistics-econometrics; 2. Survey; 3. Economic development; 4. Transport; 5. Development of public administration; 6. Environment; 7. Human resource development; 8. Territorial cohesion.)
- At the end of the procurement process, in January 2012 eight winner consortia/companies were selected, one for each lot.
- When an individual evaluation is ordered by the NDA, the company of the methodological lot and the company of the sectoral lot have to conduct the evaluation together.

- The main difference from the previous framework contract is that there is only one evaluator for each lot, so there is no second purely price-based selection method.

## **Developments since the 2012 report**

### **Changes in the evaluation system**

The main events related to evaluation in the past roughly one and a half years were the launch and completion of the framework contract. During the course of this contract between late 2011 and early 2013, there was no significant departure from the evaluation strategy presented in the last year's report. After the closure of the contract on the 31<sup>st</sup> of March, no further evaluations were started regarding the current programming period.

The responsible bodies were focusing on the public procurement for the ex-ante evaluations of the 2014-2020 OPs. The public procurement was open for six lots: human resources, economic development, infrastructure, regional/territorial development, methodology and strategic environmental assessments. An external evaluator was selected for each lot, except for the methodological one, where the public procurement was invalidated. In the latter case, a new public procurement procedure is under implementation.

The number of evaluations we know about is 56<sup>24</sup>, many of which are still not available. 30 evaluations were completed in 2012-2013 within the aforementioned framework contract. The evaluation plan on the website of the NDA is the last available evaluation plan, which was approved by the Monitoring Committee of the Implementation OP on April 12<sup>th</sup> 2011, but was not updated since June 2011. Thus, the plan is the same as in the previous report, but the list does not entirely correspond to the actual evaluations completed so far. These show that there is some discrepancy between the evaluation plan available on the website of NDA and the actual evaluations implemented in the 2011-2013 period, although many topics covered in the plan are by and large addressed by evaluations.<sup>25</sup> Without counting the strategic environmental assessments and ex ante evaluations the list includes 37 evaluations, out of which 15 were not covered by the evaluations completed so far. The NDA is planning to launch another framework contract for evaluations in the fall of 2013, and it also announced a framework contract for the ex-ante evaluations of the 2014-2020 OPs.

Multiple efforts were made to incorporate the findings of the evaluations into policy making and implementation. After the completion of every evaluation and in some cases after reaching important milestones workshops were organized with the participation of various stakeholders such as planners, executives or external experts and professionals. For instance, the evaluations of social developments were presented by the Coordination MA in 2012 to Monitoring Committee members delegated by ministries and the European Commission. In order to incorporate the findings of evaluations into the planning of the 2014-2020 period, the Evaluation Division is constantly sending the evaluation results and proposals to the ministries responsible for planning.

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<sup>24</sup> This includes 5 evaluations focusing on ESF funded programmes.

<sup>25</sup> For example, topics corresponding to one evaluation in the 2011-2013 were analysed in separate evaluations, or one evaluation was completed in a topic which was mentioned in multiple evaluations in the plan. On the other hand, there are several evaluations completed but missing from the evaluation plan 2011-2013.

The Development Policy Academy is an event organised for experts working in the field of development policy aiming at exchanging experience and information and preparing for the next programming period. The topic of the 2012 session was “Evaluations of human resources developments”, and it presented 3 evaluations and the related conclusions and plans of MAs and government departments to 80 experts. Another significant event organised by the Coordination MA was the 3<sup>rd</sup> international evaluation conference with the title “Preparing for EU 2014-2020”. The objective of this conference was to provide national experts with information on the expectations of the Commission regarding ex ante evaluations and strategic environmental assessments, and to highlight the uses of evaluations during planning and implementation.

### **Evaluations made available since last year’s report**

Compared to last year when there were only a few evaluations we could report about, the closure of the framework contract for evaluations on 31<sup>st</sup> March 2013 enables us to present the results of a large number of new assessments. Some of these are not public yet, thus we can only mention their titles here. On the other hand, no new evaluations dealing with the 2007-2013 period were started since then.

**Table 4 – Evaluations completed since the last report.**

Title and date of completion	Policy area and scope (*)	Main objectives and focus (*)	Main findings	Method used (*)	Full reference or link to publication
Hétfa, Revita (2013): A középületek utólagos akadálymentesítését szolgáló NSRK-fejlesztések értékelése, 12 October 2012  Evaluation of NSRF developments targeting subsequent improvement of accessibility for public institutions	3  Barrier-free accessibility of public institutions	13	Absorption proceeded in accordance with the plans in the case of local governmental institutions but not with respect to central organizations. Disabled people still do not know about opportunities for administration, and administrators are still not well prepared for them.	4	<a href="http://www.nfu.hu/a_kozepuletek_utolagos_akadalymentesiteset_szolgal_o_nsrk_fejlesztések_ertekelese">http://www.nfu.hu/a_kozepuletek_utolagos_akadalymentesiteset_szolgal_o_nsrk_fejlesztések_ertekelese</a>
Hétfa, Budapest Intézet, Revita (2012): Egészségügyi tárgyú NSRK-fejlesztések értékelése, 31 March 2013  Evaluation of health-care-related cohesion-policy interventions in Hungary	7  Healthcare developments	3	This evaluation also incorporates the findings of the quantitative evaluation (see the next row in the table). Funding was well targeted in the sense that it reached inhabitants of micro-regions with worse health indicators in higher proportions than the average. The accessibility of specialist care increased in terms of theoretical travelling time, but the availability of public transport hindered actual improvement.	1	<a href="http://www.nfu.hu/egeszsegugyi_fejlesztések_ertekelese">http://www.nfu.hu/egeszsegugyi_fejlesztések_ertekelese</a>
Budapest Intézet (2013): Egészségügyi tárgyú NSRK-fejlesztések kvantitatív értékelése, 20 March 2013  Quantitative evaluation of health-care-related cohesion-policy interventions in Hungary	7  Healthcare developments	3	The programme contributed to the policy objective that lower progressivity levels should represent a larger share of healthcare services	1	<a href="http://www.nfu.hu/egeszsegugyi_fejlesztések_ertekelese">http://www.nfu.hu/egeszsegugyi_fejlesztések_ertekelese</a>
Hétfa, Revita (2013): A felsőoktatást célzó programok értékelése, 28 February 2013  Evaluation of programmes targeting higher education	3  Higher education	3	The measures improving the information technology infrastructure enhanced the capacity of Hungarian higher education to join international research. Higher levels of funding per instructor resulted in higher incomes from RTDI and international calls for proposals.	4	<a href="http://www.nfu.hu/a_felsooktatást_celzo_programok_ertekelese">http://www.nfu.hu/a_felsooktatást_celzo_programok_ertekelese</a>
Hétfa, Revita (2013): A foglalkoztatást célzó programok értékelése 25 March 2013	10 (non-ERDF)  Employment programmes	3	The National Employment Service made significant progress becoming a real service provider; and the professionally competent group of non-profit organizations was able to	1	<a href="http://www.nfu.hu/foglalkoztatathatosag_javitasat_szolgaló_intezkedések_ertekelese">http://www.nfu.hu/foglalkoztatathatosag_javitasat_szolgaló_intezkedések_ertekelese</a>

Title and date of completion	Policy area and scope (*)	Main objectives and focus (*)	Main findings	Method used (*)	Full reference or link to publication
Evaluation of measures targeting the improvement of employment			address target groups not reached so far. The success of complex programmes was hindered by the fact that they were not implemented as a part of a stable system and only provided ad hoc opportunities. Final beneficiaries considered the programme beneficial due to the newly acquired skills, network of contacts, and mediation to companies willing to employ them.		
KMPG (2013): Értékelés komplex vállalati technológiafejlesztés kis- és középvállalkozások számára kiírt konstrukciókról 16 April 2013  Evaluation for measures for Complex Technology Upgrade for SMEs	2  Complex technology development of SMEs	2	The territorial distribution of funding is balanced considering the population both at the regional and county level. Payments are the most difficult part of the implementation for applicants., since they take plenty of time and are rather unpredictable.	3	<a href="http://www.nfu.hu/a_komplex_vallalati_techologiafejlesztes_kis_es_kozepvallalkozasok_s_zamara_kiirt_konstrukcioinak_ertek_elese">http://www.nfu.hu/a_komplex_vallalati_techologiafejlesztes_kis_es_kozepvallalkozasok_s_zamara_kiirt_konstrukcioinak_ertek_elese</a>
Hétfa, Revita (2013): A kulturális intézményrendszer oktatást támogató szolgáltatási és infrastrukturális fejlesztéseinek értékelése 25 March 2013  Evaluation of cultural institutions' service and infrastructural developments supporting education	3  Cultural institutions	3	The infrastructural endowment and services of the institutions improved significantly, which was coupled with the widening of their contact networks and an institutional learning process. The proportion of young and disadvantaged people among the visitors increased due to the assistance, but after the cessation of the services' being free of charge the demand by these groups may decrease.	1	<a href="http://www.nfu.hu/a_kulturalis_intezmenyrendszer_oktatast_tamogato_szolgaltasi_es_infrastrukturalis_fejleszteseinek_ertekelese">http://www.nfu.hu/a_kulturalis_intezmenyrendszer_oktatast_tamogato_szolgaltasi_es_infrastrukturalis_fejleszteseinek_ertekelese</a>
KPMG (2013): Értékelés a Gazdaságfejlesztési program Kutatás-fejlesztés és innovációt célzó beavatkozásairól, 10 April 2013  Evaluation of Research, Development, and Innovation interventions (EDOP, priority 1.)	1  RTDI interventions	2	The selection of applications focused on implementation aspects at the expense of professional considerations. This can result in losing sight of real innovation goals. The evaluation forecasted that by the end of 2013 the entire funding can be covered by contracts, but the realisation and closure of the major project is necessary for full absorption.	3	<a href="http://www.nfu.hu/a_kutatas_fejlesztesi_es_innovacios_tamogatasok_ertekelese_gop_1_prioritas">http://www.nfu.hu/a_kutatas_fejlesztesi_es_innovacios_tamogatasok_ertekelese_gop_1_prioritas</a>
Pannon Elemző, Hétfa, Revita, Budapest Intézet (2013): A fejlesztési források szerepe a leszakadó térségek dinamizálásában	7, 8, 9  Funding to regions lagging behind	3	The main result of the MDM programme targeted at the 33 most disadvantaged micro-regions was that it significantly improved the absorption capacities, the networks of local	1	<a href="http://www.nfu.hu/a_fejlesztesi_forrasok_szerepe_a_leszakado_tersegek">http://www.nfu.hu/a_fejlesztesi_forrasok_szerepe_a_leszakado_tersegek</a>

Title and date of completion	Policy area and scope (*)	Main objectives and focus (*)	Main findings	Method used (*)	Full reference or link to publication
27 March 2013  The role of community funds in the dynamization of underdeveloped regions			actors and the institutions of these areas. The increased absorption of these micro-region occurred at the expense of very low levels of funding going to 14 other micro-regions lagging behind, but not being subject to the programme.		<a href="#">dinamizalasan</a>
Pannon Elemző, Hétfa, Revita (2013): Az EU-s támogatások területi kohézióra gyakorolt hatásainak értékelése 27 March 2013  Evaluation of the Effects of EU Funding on Territorial Cohesion	7  Territorial cohesion	3	The employment effect of the support appears to be statistically significant two years after the funding, and it spills over to neighbouring areas. The effects of support on the income of micro-regions (i.e. the regional economic power) were statistically significant already in the period the support was provided. Emigration was decreased and/or immigration was increased as a result of the following interventions: measures against unemployment, training for employed and active people, the improvement of communal and business infrastructure	1	<a href="http://www.nfu.hu/az_eu_s_tamogatások_területi_kohezionara_gyakorolt_hatasainak_ertekelese">http://www.nfu.hu/az_eu_s_tamogatások_területi_kohezionara_gyakorolt_hatasainak_ertekelese</a>
Pannon Elemző, Hétfa (2013): A területi koordinációs kapacitások vizsgálata 28 March 2013  Assessment of Territorial Coordination Capacities	10  Territorial coordination capacities	1	Hungarian development policy is still highly centralized and local actors use their capacities only to improve their position in the competition for funding. The unpredictability with regard to the types of developments becoming eligible for support prevents local actors from harmonizing and linking their investments.	4	<a href="http://www.nfu.hu/a_területi_koordinacios_kapacitasok_vizsgálata">http://www.nfu.hu/a_területi_koordinacios_kapacitasok_vizsgálata</a>
Pannon Elemző, Hétfa, KPMG, Revita (2013): A turizmusfejlesztés területi kohézió szempontú értékelése 27 March 2013  Evaluation of Tourism Development with Respect to Territorial Cohesion	7  Tourism development from the aspect of territorial cohesion	3	The projects that included the development of accommodations increased the No. of quality quarters, but also contributed to bias and tension in some markets due to the resulting oversupply of hotel capacities and subsequent diminishing prices.	4	<a href="http://www.nfu.hu/a_turizmusfejlesztés_területi_kohézió_szempon্তু_ertekelese">http://www.nfu.hu/a_turizmusfejlesztés_területi_kohézió_szempon্তু_ertekelese</a>
Pannon Elemző, Hétfa, Revita (2013): Városhálózati hatásértékelés 28 March 2013	7  Impact assessment with respect to the	3	Absorption was adequate but the utilization of funding was questionable, which is coherent with the opinion that the development policy process in Hungary was supply-led and does	1	<a href="http://www.nfu.hu/varoshalozati_hatasertekeles">http://www.nfu.hu/varoshalozati_hatasertekeles</a>



Title and date of completion	Policy area and scope (*)	Main objectives and focus (*)	Main findings	Method used (*)	Full reference or link to publication
Impact Assessment of the Urban Network	urban network		not take sustainability into consideration. The statistical analysis confirms that the level of EU funding received by towns and cities in 2007-2008 did not affect the change in the level and the dynamics of key social and economic indicators.		
AAM Consulting (2012): Értékelési zárójelentés az Államreform Operatív Program 2007-2010 között megvalósított szervezetfejlesztési célú fejlesztéseiről November 2012  Evaluation of SROP organizational developments	8  Organizational developments within the State Reform OP	3	Although the methodologies and training materials developed at local governments constitute significant knowledge capital, these were not implemented in practice. The actual implementation would often require further investments and measures ensuring their sustainability  The intended effects were achieved only in the case of the project including the organizational development of penal institutions.	4	<a href="http://www.nfu.hu/kozgazgatasi-fejlesztések-ertekelese">http://www.nfu.hu/kozgazgatasi-fejlesztések-ertekelese</a>
Hétfa (2013): A közoktatás fejlesztését célzó NSRF-támogatások értékelése 25 March 2013  Evaluation of the NSRF measures on the development of public education	3  Development of public education	3	The territorial distribution of projects preferred disadvantaged regions. The projects have positive effects (e.g. popularity of the school, lower attrition rates, and organizational development) which may appear in the results of PISA measurements in the longer term.	1	<a href="http://www.nfu.hu/a-kozoktatás-fejlesztését-célzó-nsrf-támogatások-értékelése">http://www.nfu.hu/a-kozoktatás-fejlesztését-célzó-nsrf-támogatások-értékelése</a>
Viteco, Terra Studio, Revita, KETOSZ (2012): A kerékpáros közlekedésfejlesztés időközi értékelése a 2007-13-as időszakban October 2012  Interim evaluation of bicycle traffic development between 2007 and 2013	4  Bicycle transport developments	3	Because of the hardships associated with inter-municipal cooperation, often only smaller unconnected projects were realised. As quality assurance was missing from the development process at many points, technical problems were often revealed only during the realisation of the projects.	3	<a href="http://www.nfu.hu/a-kerékpáros-kozlekedésfejlesztés-időközi-értékelése-a-2007-13-as-időszakban">http://www.nfu.hu/a-kerékpáros-kozlekedésfejlesztés-időközi-értékelése-a-2007-13-as-időszakban</a>
Viteco, Terra Studio, FBK-Med(2013): Városi és elővárosi közösségi közlekedési konstrukciók értékelése a 2004-2013 időszakban March 2013  Interim Evaluation of Urban and	4  Urban and suburban transport developments	3	The sustainability of realised projects is difficult and they increase the lack of funding in the future, which can be considered a serious risk. Two problems of the implementation and monitoring are that 1) they cannot report on the physical progress of projects and 2) they rarely measure the results	3	<a href="http://www.nfu.hu/varosi-es-elovarosi-kozossegi-kozlekedési-konstrukciók-értékelése-a-2004-2013-as-időszakban">http://www.nfu.hu/varosi-es-elovarosi-kozossegi-kozlekedési-konstrukciók-értékelése-a-2004-2013-as-időszakban</a>

Title and date of completion	Policy area and scope (*)	Main objectives and focus (*)	Main findings	Method used (*)	Full reference or link to publication
Suburban Public Transport between 2004-2013			and effects of the projects on the final beneficiaries, the passengers.		
Viteco, Terra Studio (2013): Közösségi közlekedési szolgáltatás értékelése menetrendi és utasszolgáltatási mutatók alapján March 2013  Evaluation of Public Transport Services on the Basis of Timetable and Passenger Service Indicators	4  Assessment of public transport in Hungary	None, it has a strategic focus: what is the current situation regarding accessibility and what needs to be improved	Individual transport is more competitive than public transport, especially on weekends, except for municipalities near railways, as train enables people to reach administrative centres as fast as with car.	3	<a href="http://www.nfu.hu/a_kozossegi_kozlekedesi_szolgalatas_ertekelese_menetrendi_es_utasszolgalatasi_mutatok_alapjan">http://www.nfu.hu/a_kozossegi_kozlekedesi_szolgalatas_ertekelese_menetrendi_es_utasszolgalatasi_mutatok_alapjan</a>
KPMG (2013): A Gazdaságfejlesztési Operatív Program pénzügyi eszközeinek értékelése 30 April 2013  Evaluation of financial engineering measures of EDOP (EDOP priority 4)	2  Financial instruments for firms within the EDOP and the CHOP.	2	A significant factor in the success of credit facilities was the increase in the upper limit of the available credit to HUF 50 million. The most adequate mediators proved to be financial enterprises and business development funds, many of these focused most of their activities on these facilities.	3	<a href="http://www.nfu.hu/a_gazdasagfejlesztesi_operativ_program_penzugyi_eszkozenek_ertekelese_4_prioritas">http://www.nfu.hu/a_gazdasagfejlesztesi_operativ_program_penzugyi_eszkozenek_ertekelese_4_prioritas</a>

Note: (\*) Legend:

**Policy area and scope:** 1. RTDI; 2. Enterprise support and ICT; 3. Human Resources (ERDF only); 4. Transport; 5. Environment; 6. Energy; 7. Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development); 8. Capacity and institution building; 9. Multi-area (e.g. evaluations of programmes, mid-term evaluations); 10. Transversal aspects (e.g. gender or equal opportunities, sustainable development, employment)

**Main objective and focus:** 1. assess the arrangements and procedures for managing or administering programmes; 2. support monitoring, or check the progress made in implementing programmes, such as many mid-term evaluations; 3. assess the outcome or effects of programmes in terms of the results achieved and their contribution to attaining socio-economic policy objectives

**Method used:** 1. Counterfactual; 2. Cost-benefit analysis; 3. Other quantitative; 4. Qualitative

Summaries in English are available on the website of the NDA: [http://www.nfu.hu/programme\\_evaluation\\_2007\\_2013](http://www.nfu.hu/programme_evaluation_2007_2013)).

### **List of evaluations completed within the framework contract but not available**

These evaluations were completed last year but are not accessible through the website of NDA. (We have no information when they will be available publicly.)

- Evaluation of the combined credit guarantee measure
- Impact evaluation of the awareness-raising interventions of the EEOP
- Evaluation of certain conditions related to EEOP measures, especially the intensity of support and the interests of applicants
- The impact of measures with significant environmental effects on the fulfilment of EU obligations and national objectives
- Sustainability of urban development measures
- Evaluation of wastewater and drinking water measures affected by derogation
- Summary of 2000-2006 ISPA/Cohesion Fund ex post environmental cost-benefit analyses by the Commission
- Evaluation of the result indicator of the Electronic Public Administration OP (average administrative time spent on the procedures of public administration)
- Evaluation of regulatory conditions prohibiting absorption
- Comprehensive analysis of institutional functions
- Evaluation of the absorption of EPAOP funding
- Accessibility analysis attached to the “Evaluation of developments improving employment”
- Summary of 2000-2006 ISPA/Cohesion Fund ex post transport cost-benefit analyses by the Commission
- List of other unavailable evaluations:
- There are nine mid-term evaluations which are not available, but their synthesis can be found on the website of NDA.
- Impact analysis of the EDOP 2.1.1 measure
- Evaluation of financial engineering instruments
- Impact assessment of EU financed measures focusing on employability
- Evaluation of kindergarten/nursery developments
- Comprehensive evaluation focusing on territorial cohesion prepared by the Centre for Regional Research at the Hungarian Academy of Science
- Evaluation of integrated developments
- Impact assessment of the NSRF concentrating on employment effects

### **Description of evaluations completed since last year’s report**

A large number of evaluations were completed to date and cover numerous narrower policy areas. It was not rare that a paper had to answer more than 30 questions, therefore including all such questions here would demand too much space. It must be noted in advance that all evaluations listed here include proposals mainly for the 2014-2020 period. The utilization of the evaluations has begun, and they primarily feed into the planning of interventions of the next period.

The quality of evaluations improved significantly since the beginning of the period, which occurred at least partly due to the new framework. Most of them use various qualitative and

quantitative methods to assess the results and impacts of interventions. They frequently use a counterfactual approach to separate the actual effects from changes with other sources, and employ case studies and interviews to get a deeper insight how the lives and activity of the target groups were affected by the measures.

The broad policy areas in which evaluations produced important insights so far are RTDI, enterprise support, human resources (e.g. employment, social inclusion and education), transport, territorial development (urban areas, tourism, rural development, local development) and Capacity and institution building. On the other hand, there are no publicly available evaluations regarding the results of environment and energy.<sup>26</sup> It is also important to note that the first evaluations with regard to the 2007-2013 period were completed in 2012-2013 in most policy areas. Due to their multi-area nature, we summarize findings related to territorial development at the end of the entire section (in contrast to other areas).

### **RTDI**

The **evaluation focusing on research, development and innovation measures financed by EDOP and CHOP** had to answer questions related to the progress of implementation, the obstacles to absorption, and factors determining the success of projects (KPMG [2013b]). This evaluation, which is listed among the good practices in Annex 1, also gave proposals regarding the improvement of using the funds and a forecast on absorption. There was a significant delay with respect to payments, which applied primarily to the convergence regions. The support was territorially concentrated on a few large university towns and those with Accredited Innovation Clusters. Most of the funding went to SMEs: 79% in the convergence and 88% in the competitiveness and employment regions. The assessment of the application took too much time: the final decision required more than 100 days on average, which exceeds the official deadline significantly. On the other hand, the selection of applications focused on implementation aspects at the expense of professional considerations.

### **Enterprise support and ICT**

The evaluations of enterprise support measures were mainly focusing on the implementation of EDOP priorities and their counterparts in the Central Hungary OP. The evaluation of the schemes aiming at the **complex technology improvement of SMEs** covered the changes in implementation and regulations, the institutional capacities and forecast with respect to absorption (KPMG [2013c]). The ratio of payments to commitments is uniquely high in both the competitiveness and employment (only Central Hungary) and the convergence regions, and the implementation of projects had a better progress in the latter. The territorial distribution of funding is balanced considering the population both at the regional and county level. Although the performance of the institutional system was appropriate, the capacities need to be increased due to the increasing demand for payments by the end of the period. Payments are the most difficult part of the implementation for applicants, which stems from the high administrative burdens, the unpredictability of timing and the volume and interpretability of rectifications. Another problem mentioned by the evaluation was that on-site verification was not based on real risk assessment but on data availability in the information system and on cut-off levels of

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<sup>26</sup> An evaluation is available focusing on the monitoring aspects of such programmes.

assistance. The **financial instruments available in the EDOP** were evaluated mainly in a process oriented fashion (KPMG [2013a]). The evaluation questions focused on topics such as the changes in the measure and its economic and institutional context in the 2007-2012 period and the appropriateness of the identification of market failures (e.g. unavailability of credit). It notes that the relatively combined micro-credit programme turned to be a huge success and also venture capital funds became important elements of the Hungarian venture capital market. A significant factor in the success of credit facilities was the increase in the upper limit of the available credit to HUF 50 million. The most adequate mediators proved to be financial enterprises and business development funds, many of these focused most of their activities on these facilities. The lower sums of credit do not make it profitable for banks to handle Jeremie clients separately from others, which results in similarly strict conditions for EU refinanced credits in the case of these institutions.

It can be concluded that the area of enterprise support was successful in absorption mainly due to some very popular schemes. While supporting a large number of smaller projects is capable of mitigating the risks related to absorption, this requires large administrative capacities to ensure the timeliness of implementation and adequate verification of project contents.

### **Human resources**

The evaluations concerning human resources infrastructure assessed measures aiming at **improving the accessibility of public buildings, healthcare-related NSRF measures, higher education developments, and public education development** projects financed by the SIOP, ROPs and SROP. It must be noted that the latter three fields are plurifund areas, but here the focus is on ERDF related measures.

In the case of **accessibility schemes**, absorption proceeded in accordance with the plans in the case of local governmental institutions but not with respect to central organizations (Hétfa, Revita [2013a]). The reason for the latter is the low priority of the issue, the lack of experience in applying for funding, the cumbersome operation and the low liquidity of central institutions. Although a large number of public institutions were affected by the improvements (910 local and 159 central governmental projects were completed), accessibility objectives were only partly met according to the evaluation. Disabled people still do not know about opportunities for administration, and administrators are still not well prepared for them. The evaluators note, however, that great improvements were made regarding the social acceptance and the technological knowledge of barrier-free accessibility.

**Healthcare** related evaluation questions were focusing on the connection between ERDF and ESF assistance, the effect of human resources problems in the sector on the programme, the territorial dimension of developments, and the effects of the changing strategic environment (Budapest Intézet [2013] and Budapest Intézet, Hétfa, Revita [2013]<sup>27</sup>). According to the evaluations, the policy objective of accessibility was only partly met, since the accessibility of specialist care increased in terms of theoretical travelling time, but the availability of public transport hindered actual improvement. On the other hand, the objective of increasing the relative weight of outpatient and one-day care in healthcare was met. The capacity building

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<sup>27</sup> The results of the former (quantitative) evaluation are incorporated into the latter, which is among the good practices in Annex 1.

resulted in a 25-30% increase in the number of outpatient care cases in the micro-regions affected by the developments, by which they reached the national average level of cases per 100 capita. Also, the share of one-day care drastically increased in the fields of surgery, obstetrics and gynaecology, and eye care. The evaluators found that the assistance was well-targeted in the sense that it was allocated to micro-regions with poor healthcare indicators in a proportion higher than the average, which means that the measures contributed to the policy objective of decreasing territorial inequalities in the accessibility of public services. However, the newly built capacities were underutilized (machines, buildings, instruments) to some extent, which can be explained partly by the smaller-than-average scale of the developments, although the utilisation also stayed below the average of similar institutions except for internal medicine. Only 35-45% of the cases in the affected micro-regions were managed by the new service providers regarding the three most important basic professions. The residents are content with the developments according to the interviews. These results show that utilisation is supply-led in this sector and the programme contributed to the policy objective that lower progressivity levels should represent a larger share of healthcare services.

The evaluation of **public education development projects** assessed the relevance of CfPs with regard to actual strategies and demand by institutions, the interplay between institutional changes and support, effects on education activities, and the synergies between developments and the efficiency (Hétfa [2013]). The evaluators found that because of the “spraying approach” of funding, only capacities and willingness influenced the chance of winning and the role of assessment was small. This was not favourable for institutions with strategic importance but in dire situations. Local governments were forced to apply due to the decrease in national funding, and they tried to “alter” the contents so that they suit their needs. Thus, they preferred those CfPs that enabled them to realize more activities e.g. through the reallocation of the remaining sums. Applying together was based on similar considerations, i.e. with the intent to realize necessary but missing investments. Thus, synergies between projects could sometimes emerge only as accidental interactions of these developments and not necessarily in accordance with the original intentions of the planners. Considering territorial allocation, higher amounts of funding per school aged person aimed at real estate and educational programme improvements were received by disadvantaged regions. The case studies suggest that the projects have positive effects (e.g. popularity of the school, lower attrition rates, and organizational development) which may appear in the results of PISA measurements in the longer term.

**The development of cultural institutions** was financed both by the ERDF and the ESF. The evaluation of these measures focused on the interpretation of lifelong learning and on the national strategies in accordance with the concept, the objectives and policies of cultural organizations implemented in connection with education, and the effect of the changes in their environment on their operation (Hétfa, Revita [2013d]). The evaluation found that cultural institutions with state and local governmental ownership adapted quickly to EU expectations and elaborated high quality applications in partnership with public education institutions. The funding set off a differentiation process between institutions: supported organization quickly broadened their services and improved their infrastructure, while these processes were much slower or entirely missing in the case of others. On the other hand, the group of supported institutions was significantly different from the others even before the assistance. In contrast to earlier years, services related to lifelong learning and education appeared in the portfolio of

smaller institutions as well. The infrastructural endowment and services of the institutions improved significantly, which was coupled with the widening of their contact network and an institutional learning process. The proportion of young and disadvantaged people among the visitors increased due to the assistance, but after the cessation of the services' being free of charge the demand by these groups may decrease. The allocation was in accordance with the objective of territorial equalisation as a relatively high proportion of funding was received by the disadvantaged micro-regions. The members of target groups considered the supported services useful.

It can be concluded that NSRF developments increased the accessibility of public services in many areas through newly built and improved infrastructure. The policy objectives were not entirely met due to various reasons, such as the lack of synergies between developments and other policy areas. More complex goals such as Roma integration require coherence between policies and connections between projects as well.

### **Transport**

Three evaluations were completed since last year's report with respect to the transports policy area (Viteco, Terra Studio [2013], Viteco, Terra Studio, FBK-Med Viteco [2013], Terra Studio, Revita, KETOSZ [2012]). Two of these revolve around public transport, one of which evaluated the actual urban and suburban transport projects<sup>28</sup>, while the other had a strategic focus and assessed the quality of all such services in Hungary<sup>29</sup>. National transport development strategies always preferred motorway, public road and transit railway developments to urban and suburban public transport projects which restricted the opportunities for support. In the 2007-2013, the main priorities were the Metro 4 and the tram projects in cities other than Budapest. This resulted in only a few prepared projects, especially in Budapest. The quality of project preparation was often low, which was caused by absorption pressure. As a result, there was not enough time for profound professional preparation and assessment studies. Public procurements were dominated by price-based competition which also contributed to the general low quality. On the other hand, in the hope of getting more funding, project owners tried to increase the size of projects by adding sometimes unnecessary or inefficient elements. Some of the project owners improved a lot in the field of project management and created a professional management organisation in many towns, while others clearly lack sufficient capacities. The evaluators note that the sustainability of realised projects is difficult and the newly completed projects increase the lack of funding in the future, which can be considered a serious risk. Two problems related to implementation and monitoring are that: 1) they cannot report on the physical progress of projects and 2) they rarely measure the results and effects of the projects on the final beneficiaries, the passengers.

**The evaluation of bicycle transport developments** aimed at providing a comprehensive analysis of supported projects and detailed examination of projects in selected municipalities. The evaluators emphasize that bicycle transport did not get enough attention in the strategic documents, which is reflected in the results as well. On the other hand, transport network

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<sup>28</sup> This evaluation is listed among the good practices in Annex 1, Viteco, Terra Studio, FBK-Med Viteco [2013]

<sup>29</sup> The latter provides a quantitative analysis of the current situation in the country and not the intervention, so we only summarized it only in the table.

considerations became an organic part of thinking about developments and the reason for missing sections in the network are mainly due to the lack of funding or some physical barriers. Although it is an important goal, the real inter-modality of developments is currently missing (e.g. with respect to railways and bus lines). Because of the hardships associated with inter-municipal co-operation, often only smaller unconnected projects were realised. As quality assurance was missing from the development process at many points, technical problems were often revealed only during the realisation of the projects. This resulted in the change of contracts and plans or additional work, which increased the costs. The outputs of the projects between 2007 and 2012 include e.g. 1,670 km of bicycle roads out of which 1,036 km constitute independent roads or bicycle storing capacity of 24,496.

Drawing upon the findings of the evaluations so far, it can be concluded that one of the main issues is the sustainability of transport projects due to the lack of funding. In addition, implementation was slow during the period, the main reason of which was the low quality of project preparation. The synergies and connections between projects were not ensured in many cases.

### **Territorial development**

Two evaluations were completed and made public by early 2013 in the field of territorial development. Other evaluations also cover the broader topic of territorial cohesion, but these are multi-area evaluations, therefore they are not included in this section. The document assessing **the role of EU assistance in making more dynamic the regions that lag behind** focused on questions regarding the content of relevant policy documents, regional effects of related programmes, absorption capacities and needs of regions (Pannon Elemző, Hétfa, Revita, Budapest Intézet [2013]). According to the evaluation, making more dynamic these regions was an important task of development policy in the last years, but the interventions so far were not enough, since they did not reach the critical amount to induce measurable changes. The assistance targeted at these regions is significantly higher than market investments, implying that there is a potential to catalyse changes. The institutional system of the NSRF prefers these regions by giving additional points during the assessment of their applications and making higher assistance rate available for them. This approach is insufficient in itself due to the lack of capacities, human resources and inner inequalities in these regions which are reflected in the decision-making mechanisms. The main result of the MDM programme targeted at the 33 most disadvantaged micro-regions was that it significantly improved the absorption capacities, the networks of local actors and the institutions of these areas. The increased absorption of these micro-regions occurred at the expense of very low levels of funding going to 14 other micro-regions lagging behind, but not being subject to the programme.

**The evaluation of tourism developments** analysed the correspondence between national and regional strategies and ROP objectives, the allocation and absorption of funding and their timeliness, the supply capacities built and the demand for them, and the territorial distribution and its effect (Hétfa, KPMG, Pannon Elemző, Revita [2013]). The Balaton area and health tourism in Eastern Hungary constituted the special focus of the evaluation. Only a few new attractions were developed, the projects were mainly aimed at improving existing facilities. The evaluation notes that developing complex services was not common, although the support of such projects would be important due to contemporary trends in tourism. The projects that



included the development of accommodations increased the No. of quality quarters, but also contributed to bias and tension in some markets. The evaluators stress that this kind of developments requires prior assessment, and due to their nature they cannot be planned centrally. Another critical issue was the financial sustainability of projects, which was sometimes questionable due to the deficiencies of projects' planning and professional assessment as well as to the economic crisis. Allocation was by and large in accordance with territorial equalization, but according to the evaluation this approach is not efficient due to different touristic potentials. Projects in the Balaton area were successful in lengthening the touristic season, but the developments were concentrated territorially. On the other hand, the marketing activity of the area was weak, and other kinds of developments (e.g. transport) are required to increase the touristic potential of the area. The spa developments in Eastern Hungary produced facilities of good quality, but they can primarily supply to local markets only. The selection was not based on location and profile, so some of the supported projects subsequently competed with each other. The assistance contributed to the spread of Tourism Destination Management organizations in the region, but horizontal cooperation between the actors of development was weak in Eastern Hungary.

### **Capacity and institution building**

**Territorial coordination capacities** were evaluated in a newly published study (Pannon Elemző, Hétfa [2013]). The evaluation questions cover coordination institutions in the 2004-2006 and 2007-2011 periods and their experiences, the factors contributing to success and failure, the roles and capacities of the regional and central levels in the coordination of allocation and the participation of cities and other actors with special roles in the coordination process. In addition, the study also names the necessary steps to make the actors responsible for regional coordination able to fulfil their tasks, also in the light of the 2014-2020 proposals by the Commission. The conclusions of this evaluation include that Hungarian development policy is still highly centralized and local actors use their capacities only to improve their position in the competition for funding. The unpredictability with regard to the types of developments becoming eligible for support prevents local actors from harmonizing and linking their investments. Although they focus on formal institutions in this study, the evaluators note the importance of informal mechanisms through which the distribution of funding and the coordination of projects are decided upon. Important benefits of the programme were that every micro-region could participate in some kind of development and local actors could learn about the operation of development policy.

Earlier evaluations in this area were focusing on communication measures, projects selection and the financing system of IBs. They found that:

- The communication measures in the 2007-2013 NSRF are appropriate and efficient
- The introduction of "global grant" procedure was proposed, and an advice included the division of priority project procedure into 3 separate procedures. This procedure could also help harmonizing local developments, which is an important opportunity for improvement according to the evaluation described above.
- The current period saw the introduction performance-based financing of IBs, although the pricing was not optimal

### Multi-area

Higher education projects financed by the ERDF are related to the policy areas of human resources and RTDI as well. The evaluation questions addressed in this field covered the context of developments, such as the Bologna Process and the change in governmental objectives, the indicators and absorption of funding, the performance of institutions, the results achieved so far and the sustainability of the achievements (Hétfa, Revita [2013b]). The evaluation notes that the system based on calls for proposals is not appropriate for higher education development. This system had sometimes led to unexpected, spontaneous allocation of large amounts of funding, which redrew the capacity map of higher education to an extent the future consequences of which are unseen yet. Another problematic element of the measures is that institutions built identical R&D capacities in parallel. This allocation of resources is sub-optimal in itself, and the lack of cooperation between the research centres also exacerbates the problem. The embeddedness of technology transfer offices is weak, and they have only restricted licenses. The evaluators found that higher levels of funding per instructor resulted in higher incomes from RTDI and international calls for proposals. There was also positive correlation between the funding per instructor and the increase in the No. of international publications. On the other hand, the sustainability of research programmes is problematic after the closure of projects as then they have to be financed from the budgets of higher education institutions.

Another evaluation, which is listed among the good practices in Annex 1, concentrated on a similar, but broader topic: **the effects of EU assistance on territorial cohesion** (Pannon Elemző, Hétfa, Revita [2013a]). The evaluation questions focused on 1) whether there had been progress regarding the development of regions compared to the European average, 2) the decrease of inner inequalities, 3) the correspondence of the level of funding to local needs, 4) the existence synergies between territorial interventions, 5) the prevalence of subsidiarity and 6) whether the territorial governing capacities, cooperation and trust increased or not. Based on the analysis of documents, the evaluators conclude that the definition and use of the concept of cohesion was not consistent during the planning, which contributed to changing objectives and instruments during the implementation. The funding of the NSRF was territorially much more balanced than in the previous period, although a “grey zone” emerged which was not reached by the NSRF nor the EAFRD despite its being underdeveloped.<sup>30</sup> The evaluation found that spending on R&D and higher education had a statistically significant effect on employment, while support for business and communal infrastructure had a positive effect on the income of micro-regions. According to the case studies conducted during the evaluation, satisfaction with funding is determined primarily not by their volume, but by their number, their accordance with the goals of the relevant actors, and the difficulty of the rules of support.

**The effects of EU assistance on the urban network of Hungary** were also evaluated in a separate evaluation (Pannon Elemző, Hétfa, Revita [2013b]). This document answers questions related to the implementation of urban and public services development plans, the inclusiveness of integrated developments with respect to local actors, the factors of success in accessing EU assistance, and the effects of EU funding on relative situation in the urban networks, economic potential and stability. According to the statistical analysis provided in the

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<sup>30</sup> This was true especially for some regions of the counties Heves and Nógrád.

evaluation, better accessibility was coupled with better economic performance and attractiveness and the faster growth of these two measures. The “slippery slope” hypothesis was confirmed by the estimations, which means that those areas which had deviated downwards from their development path/expected development subsequently fell behind more and more. The statistical analysis showed that the economic wealth of cities did not influence the level of support, while there was a negative relationship between the quality of the urban environment and the sum of assistance. The capacities of public facilities also influenced the sum of absorbed funds positively. Other factors positively related to funding were the number of employees and the income of the local government and the proportion of people participating in public education. On the other hand, profits of firms and personal income did not influence access to support. Experts interviewed during the evaluation claimed that absorption was adequate but their utilisation was questionable. The statistical analysis confirms that the level of EU funding received by towns and cities in 2007-2008 did not affect the change in the level and the dynamics of key social and economic indicators.

It is hard to draw a simple conclusion regarding the territorial effects of ERDF and Cohesion Fund financed measures. Although significant territorial effects were estimated regarding certain policy areas and indicators by one study, it can be concluded that the achievements were below what would have been possible by using the funds. This would have required better coordination and connections between developments. EU funding was not sufficient in itself to significantly decrease the disadvantages of regions lagging behind, although the programme targeting the most disadvantaged micro-regions had important achievements regarding the improvement the absorption capacities, the networks of local actors and the institutions of these areas.

- Currently, the most important factors to be considered during the planning of the evaluation system of 2014-2020 are the institutional changes, most importantly the moving of MAs into the line ministries. A coordination unit with strong, independent evaluation capacities and steady access to the information base required to conduct these activities is an indispensable element of a system that is required to deliver up-to-date and useful evaluations.
- The evaluation capacities of the MAs responsible for various OPs should also be enhanced. This would enable them to improve implementation and make the necessary corrections more quickly based on policy area specific evaluations procured at their discretion. We expect the importance of such evaluations to increase in the 2014-2020 period, as the performance framework requires each priority to reach their milestones to be eligible for further payments and the performance reserve. Besides monitoring, timely evaluations can contribute significantly to good decisions that are necessary to reach the targets.

## 5. Further Remarks - New challenges for policy

Main points from the previous country report:

- In 2011 and 2012 the development policy entered a new phase, after launching the calls for proposals between 2007 and 2010, the implementation of the contracted projects started. In 2013 the big challenge will be to complete high number of projects of the current NSRF and to focus on the preparation of 2014-2020 period.
- The preparation for the 2014-2020 period started in 2012, so the main issue is whether Hungary can introduce a more efficient and effective implementation system than the current one.
- In order to cope with the new challenges with regard to development policy, the National Development Government Committee was also set up and became the most important decision-making body. Other ministries started to take part in the development policy (especially in the planning tasks) with bigger resources.
- There are many areas, where changes are in process, e.g.: municipality system; counties and regions, education. These changes might lead to a more efficient system, however currently they need management resources of the institutions.

The tasks listed in the previous report are still of high relevance, although the nature of the issues has become somewhat clearer. There are three main challenges for Hungarian development policy to cope with in the years 2013-2014. First, it has to solve the absorption problem: although irregularity issues seem to be resolved in the next few months the OPs SIOP and EEOP have otherwise low levels of contracting and payments. Although absorption sped up on the NSRF level, this does not apply to certain priorities.

The second challenge is the timely preparation for the next period. This involves a stronger focus on results in accordance with the guidance given by the Commission and channelling the knowledge accumulated during the past two periods into the planning. This is especially a hard task, since the current phase of implementation of the 2007-2013 programme requires a large amount of human resources in order to cope with the higher number of payment requests and the need for quickening absorption mentioned above. It is also noteworthy that result orientation and the incorporation of experiences are very important for the last years of the current period as well: the strong regularity focus should be shifted towards results besides absorption, and the utilization of evaluations can help in enhancing these aspects.

The final important task of regional policy in the coming years is the smooth conduct of institutional changes. According to press information and the relevant government decree, the institution system will change considerably from the 1<sup>st</sup> of January 2014. The MAs of the 2014-2020 OPs will not be placed in the NDA. These MAs will be in the line ministries. The NDA will be responsible for the implementation of the 2007-2013 programmes with reduced No. of staff. Part of the staff will be moved to the MAs of the ministries. The NDA will belong to the Prime Minister's Office. The implementation of such changes will mean further risks to implementation if it is coupled with the loss of human capital and institutional knowledge related to EU funds due to the turnover. Besides the institutional changes there will be elections

in the spring of 2014 in Hungary. The election campaign has already started, and this might impede the long term planning. All in all, the challenges to be faced by development policy require higher management resources in order to mitigate risks and accomplish the goals set out by the various plans.

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## Interviews

- Anikó Kabai. National Development Agency. Managing Authority of Economic Competitiveness OP. Deputy Head of Department.
- Szilvia Hajdú. National Development Agency. Central Monitoring Department. Head of Unit.
- Kornél Kalocsai. National Development Agency. Managing Authority of Regional Development OPs. Deputy Head of Department.
- Kinga Kenyeres. National Development Agency. Coordination Managing Authority. Deputy Head of Department.

## Annex 1 - Evaluation grid for examples of good practice in evaluation

### Evaluation Grid A - Az EU-s támogatások területi kohézióra gyakorolt hatásainak értékelése (Evaluating the impact of territorial cohesion of the EU funds)

BASIC INFORMATION	
Country: Hungary	
Policy area: Territorial cohesion	
Title of evaluation and full reference: Pannon Elemző, Hétfa, Revita (2013): Az EU-s támogatások területi kohézióra gyakorolt hatásainak értékelése, 27 March 2013, <a href="http://www.nfu.hu/az_eu_s_tamogatások_területi_kohézióra_gyakorolt_hatasainak_ertekelese">http://www.nfu.hu/az_eu_s_tamogatások_területi_kohézióra_gyakorolt_hatasainak_ertekelese</a>	
Intervention period covered (2000-2006; 2007-2013; specific years): 2007-2012	
Timing of the evaluation (when it was carried out): 2012-2013	
Budget (if known): -	
Evaluator: external evaluators (think tanks)	
Method: counterfactual spatial econometric models	
<p>Main objectives and main findings:</p> <p>The main objective was to evaluate the effect of various types of EU assistance on social and economic indicators of micro-regions.</p> <p>The employment effect of the support appears to be statistically significant two years after the funding, and it spills over to neighbouring areas.</p> <p>The effects of support on the income of micro-regions (i.e. the regional economic power) were statistically significant in the same period the support was provided already.</p> <p>Emigration was decreased and/or immigration was increased as a result of support for measures against unemployment, training for employed and active people, and the improvement of communal and business infrastructure.</p>	
Appraisal: It uses a wide range of methods to analyse the effects of funds on important economic and social indicators, and uses both qualitative and quantitative techniques. The two types of methods support similar results, which are also theoretically well grounded. The evaluation articulates the main problems well and provides practical proposals to improve the efficiency of development policy.	
CHECK LIST	
Score each item listed below from 0 to 2 as follows: 0: No; 1: Yes, but not fully; 2: Yes	
Report	
Are the objectives, methods and findings of the evaluation clearly set out?	2
Are the findings and recommendations clearly supported by the analysis?	2
Are the methods used suitable given the objectives of the valuation and have they been well applied?	2
Are the quantitative and qualitative data used reliable and suitable for the purpose of the evaluation?	2
Are the potential effects of other factors (e.g. the economic situation) on the outcome fully taken into account?	2
Is a serious attempt made to distinguish the effects of the intervention from these other factors?	2

### Evaluation Grid B - Egészségügyi tárgyú NSRF-fejlesztések értékelése (Evaluation of health care-related NSRF developments)

BASIC INFORMATION	
Country: Hungary	
Policy area: Human resources (healthcare)	
Title of evaluation and full reference: Budapest Intézet, Hétfa, Revita (2012): Egészségügyi tárgyú NSRF-fejlesztések értékelése, 31 March 2013, <a href="http://www.nfu.hu/egeszsegugyi-fejlesztések-ertekelese">http://www.nfu.hu/egeszsegugyi-fejlesztések-ertekelese</a>	
Intervention period covered (2000-2006; 2007-2013; specific years): 2007-2012	
Timing of the evaluation (when it was carried out): 2012-2013	
Budget (if known): -	
Evaluator: external evaluators (think tanks)	
Method: econometric models, case studies	
Main objectives and main findings: The objective was to evaluate the implementation and the contribution of 3 types of healthcare measures to their goals. The programme contributed to the policy objective that lower progressivity levels should represent a larger share of healthcare services The target of e-healthcare measures aiming at the development of an up-to-date comprehensive database about the machines and instruments of healthcare service providers was not reached.	
Appraisal: The evaluation answered the questions with the most appropriate methods and incorporated qualitative as well as quantitative methods well in order to provide a comprehensive picture of the developments. The value of the evaluation is also enhanced by the comprehensible wording and the graphical content (maps). On the other hand, the evaluators were honest about the limitations of the study.	
CHECK LIST	
Score each item listed below from 0 to 2 as follows: 0: No; 1: Yes, but not fully; 2: Yes	
Report	
Are the objectives, methods and findings of the evaluation clearly set out?	2
Are the findings and recommendations clearly supported by the analysis?	2
Are the methods used suitable given the objectives of the valuation and have they been well applied?	2
Are the quantitative and qualitative data used reliable and suitable for the purpose of the evaluation?	2
Are the potential effects of other factors (e.g. the economic situation) on the outcome fully taken into account?	2
Is a serious attempt made to distinguish the effects of the intervention from these other factors?	2

### Evaluation Grid C - Értékelés a Gazdaságfejlesztési program Kutatás-fejlesztés és innovációt célzó beavatkozásairól (Evaluation of the RTDI measures of the Economic Development OP)

BASIC INFORMATION	
Country: Hungary	
Policy area: Research, Technological Development and Innovation	
Title of evaluation and full reference: KPMG (2013): Értékelés a Gazdaságfejlesztési program Kutatás-fejlesztés és innovációt célzó beavatkozásairól, 10 April 2013	
<a href="http://www.nfu.hu/a_kutatas_fejlesztési_es_innovációs_támogatások_ertekelese_gop_1_prioritas">http://www.nfu.hu/a_kutatas_fejlesztési_es_innovációs_támogatások_ertekelese_gop_1_prioritas</a>	
Intervention period covered (2000-2006; 2007-2013; specific years): 2007-2012	
Timing of the evaluation (when it was carried out): 2012-2013	
Budget (if known): -	
Evaluator: external evaluator	
Method: trend analysis	
Main objectives and main findings: The aim of the evaluation was to analyze the progress of RTDI related interventions, absorption and expected absorption; and to define the factors hindering absorption. The evaluators found that there is a significant delay with respect to payments, which applies primarily to the convergence regions. The assessment of the application took too much time: the final decision required more than 100 days on average, which exceeds the official deadline significantly. The selection of applications focused on implementation aspects at the expense of professional considerations.	
Appraisal: The evaluation is well-structured, its objectives and findings are clearly set out. The evaluators explored the institutional and demand-side factors influencing implementation in depth, and the proposals are grounded on these established facts.	
CHECK LIST	
Score each item listed below from 0 to 2 as follows: 0: No; 1: Yes, but not fully; 2: Yes	
Report	
Are the objectives, methods and findings of the evaluation clearly set out?	2
Are the findings and recommendations clearly supported by the analysis?	2
Are the methods used suitable given the objectives of the valuation and have they been well applied?	2
Are the quantitative and qualitative data used reliable and suitable for the purpose of the evaluation?	2
Are the potential effects of other factors (e.g. the economic situation) on the outcome fully taken into account?	2
Is a serious attempt made to distinguish the effects of the intervention from these other factors?	0

### Evaluation Grid D - Városi és elővárosi közösségi közlekedési konstrukciók értékelése a 2004-2013 időszakban (Urban and suburban railway transport engineering evaluation for the period 2004-2013)

BASIC INFORMATION	
Country: Hungary	
Policy area: Transport	
Title of evaluation and full reference: Viteco, Terra Studio, FBK-Med(2013): Városi és elővárosi közösségi közlekedési konstrukciók értékelése a 2004-2013 időszakban, March 2013 <a href="http://www.nfu.hu/varosi-es-elovarosi-kozossegi-kozlekedesi-konstrukciok-ertekelese-a-2004-2013-as-idoszakban">http://www.nfu.hu/varosi-es-elovarosi-kozossegi-kozlekedesi-konstrukciok-ertekelese-a-2004-2013-as-idoszakban</a>	
Intervention period covered (2000-2006; 2007-2013; specific years): 2007-2012	
Timing of the evaluation (when it was carried out): 2012-2013	
Budget (if known): -	
Evaluator: external evaluators (think tanks)	
Method: analysis of travel time	
Main objectives and main findings: The objective of the evaluation was to analyse the implementation and effects of transport projects. The quality of project preparation was often low, which was caused by absorption pressure. The evaluators note that the sustainability of realized projects is difficult and the projects increase the lack of funding in the future, which can be considered a serious risk. Two problems of the implementation and monitoring are that 1) they cannot report on the physical progress of projects and 2) they rarely measure the results and effects of the projects on the final beneficiaries, the passengers.	
Appraisal: The evaluation provides a good overview of the implementational aspects of transport projects. It clearly articulates the conclusions of the analysis and the policy recommendations stemming from these.	
CHECK LIST	
Score each item listed below from 0 to 2 as follows: 0: No; 1: Yes, but not fully; 2: Yes	
Report	
Are the objectives, methods and findings of the evaluation clearly set out?	2
Are the findings and recommendations clearly supported by the analysis?	2
Are the methods used suitable given the objectives of the valuation and have they been well applied?	2
Are the quantitative and qualitative data used reliable and suitable for the purpose of the evaluation?	2
Are the potential effects of other factors (e.g. the economic situation) on the outcome fully taken into account?	1
Is a serious attempt made to distinguish the effects of the intervention from these other factors?	1

## Annex 2 - Tables

See Excel tables 1-4:

Excel Table 1 – Regional disparities and trends

Excel Table 2 – Macro-economic developments

Excel Table 3 - Financial allocation by main policy area

Excel Table 3cbc - Financial allocation by main policy area – cross border cooperation

Excel Table 4 - Commitments by main policy area (by end-2012)

Excel Table 4cbc - Commitments by main policy area (by end-2012) – cross border cooperation

### Annex Table A - Broad policy areas and correspondence with fields of intervention (FOI)

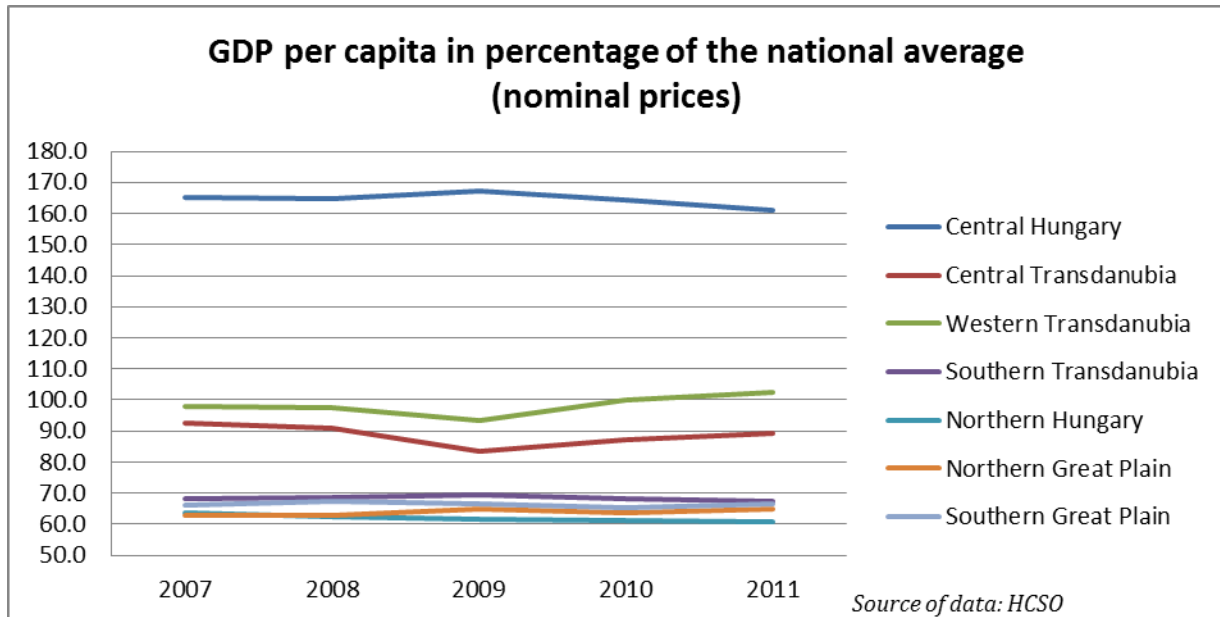
Policy area		Code	Priority themes
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked to research and innovation (...)
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks ...
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
		15	Other measures for improving access to and efficient use of ICT by SMEs
	ICT and related services	11	Information and communication technologies (...)
		12	Information and communication technologies (TEN-ICT)
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
	Other investment in firms	08	Other investment in firms
	2. Human resources	Education and training	62
63			Design and dissemination of innovative and more productive ways of organising work
64			Development of special services for employment, training and support in connection with restructuring of sectors ...
72			Design, introduction and implementing of reforms in education and training systems ...
73			Measures to increase participation in education and training throughout the life-cycle ...

Policy area		Code	Priority themes
	Labour market policies	65	Modernisation and strengthening labour market institutions
		66	Implementing active and preventive measures on the labour market
		67	Measures encouraging active ageing and prolonging working lives
		68	Support for self-employment and business start-up
		69	Measures to improve access to employment and increase sustainable participation and progress of women ...
		70	Specific action to increase migrants' participation in employment ...
		71	Pathways to integration and re-entry into employment for disadvantaged people ...
		80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders
3. Transport	Rail	16	Railways
		17	Railways (TEN-T)
		18	Mobile rail assets
		19	Mobile rail assets (TEN-T)
	Road	20	Motorways
		21	Motorways (TEN-T)
		22	National roads
		23	Regional/local roads
	Other transport	24	Cycle tracks
		25	Urban transport
		26	Multimodal transport
		27	Multimodal transport (TEN-T)
		28	Intelligent transport systems
		29	Airports
30		Ports	
31		Inland waterways (regional and local)	
32		Inland waterways (TEN-T)	
4. Environment and energy	Energy infrastructure	33	Electricity
		34	Electricity (TEN-E)
		35	Natural gas
		36	Natural gas (TEN-E)
		37	Petroleum products
		38	Petroleum products (TEN-E)
		39	Renewable energy: wind
		40	Renewable energy: solar
		41	Renewable energy: biomass
		42	Renewable energy: hydroelectric, geothermal and other
		43	Energy efficiency, co-generation, energy management
	Environment and risk prevention	44	Management of household and industrial waste
		45	Management and distribution of water (drink water)
		46	Water treatment (waste water)
		47	Air quality
		48	Integrated prevention and pollution control
		49	Mitigation and adaption to climate change
		50	Rehabilitation of industrial sites and contaminated land

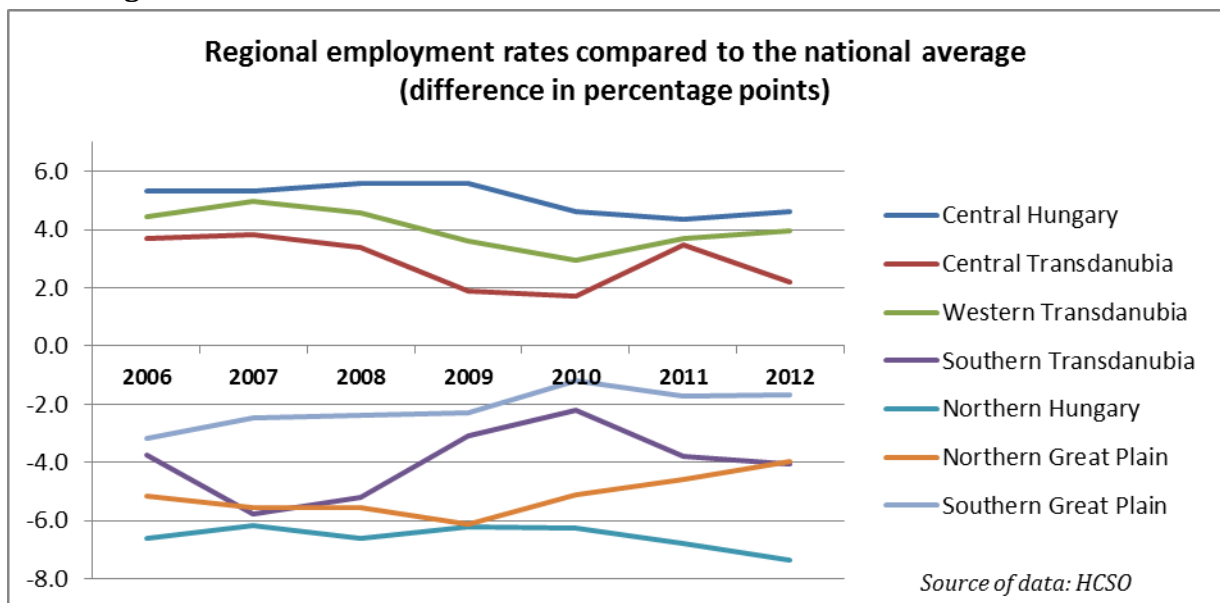


Policy area		Code	Priority themes
		51	Promotion of biodiversity and nature protection (including Natura 2000)
		52	Promotion of clean urban transport
		53	Risk prevention (...)
		54	Other measures to preserve the environment and prevent risks
5. Territorial development	Social Infrastructure	10	Telephone infrastructure (including broadband networks)
		75	Education infrastructure
		76	Health infrastructure
		77	Childcare infrastructure
		78	Housing infrastructure
	Tourism and culture	55	Promotion of natural assets
		56	Protection and development of natural heritage
		57	Other assistance to improve tourist services
		58	Protection and preservation of the cultural heritage
		59	Development of cultural infrastructure
		60	Other assistance to improve cultural services
	Planning and rehabilitation	61	Integrated projects for urban and rural regeneration
	Other	82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
		83	Specific action addressed to compensate additional costs due to size market factors
	6. Technical assistance		84
81			Mechanisms for improving good policy and programme design, monitoring and evaluation ...
85			Preparation, implementation, monitoring and inspection
86			Evaluation and studies; information and communication

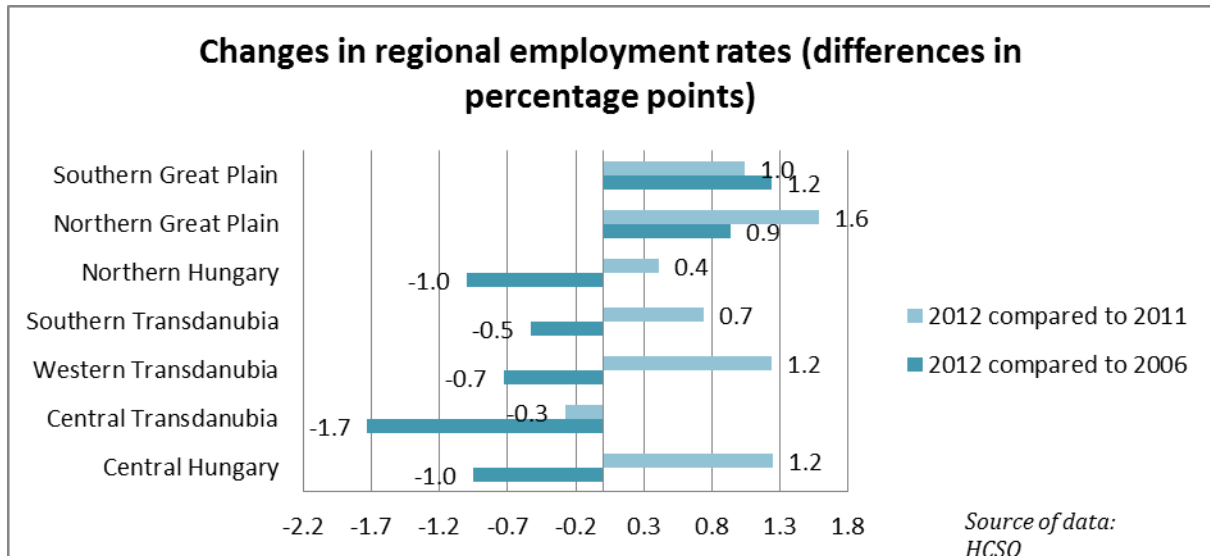
**Annex Figure A**



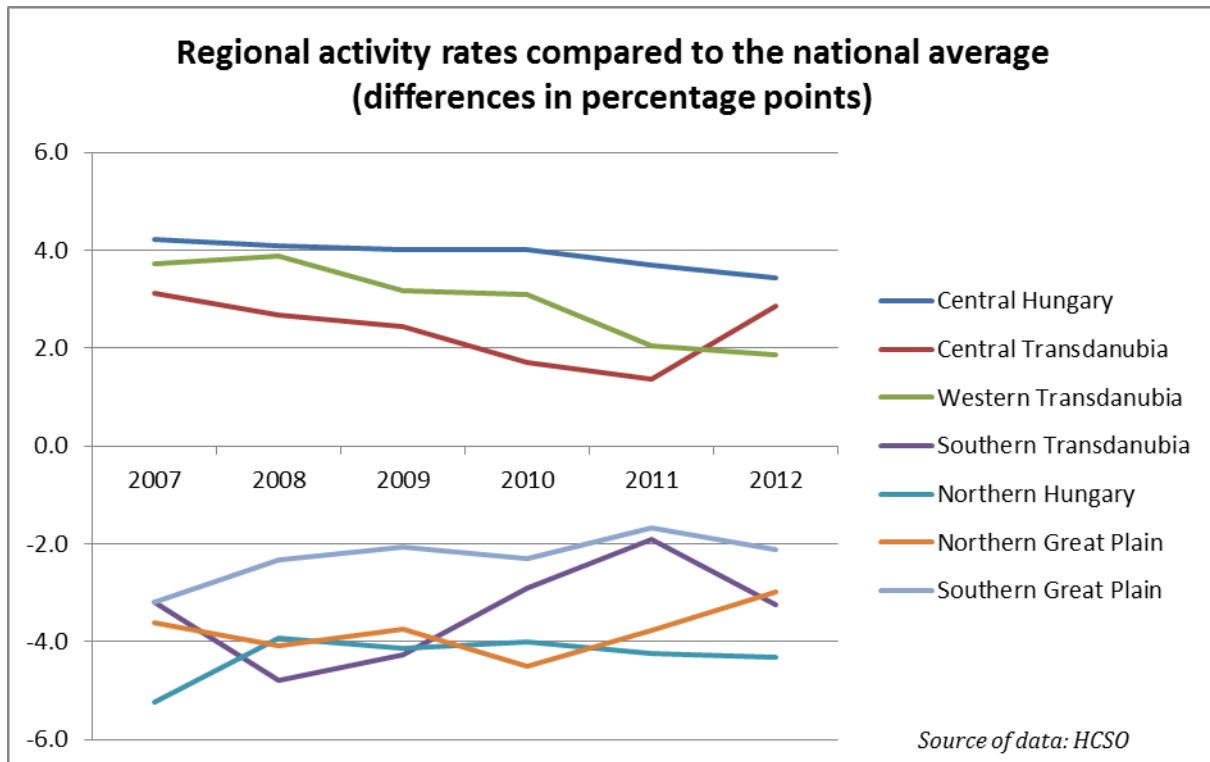
**Annex Figure B**



**Annex Figure C**



**Annex Figure D**



**Annex Figure E**