



**Expert evaluation network
delivering policy analysis on the
performance of Cohesion policy 2007-2013
Year 2 – 2012**

**Task 2: Country Report on Achievements of
Cohesion policy**

Hungary

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**A report to the European Commission
Directorate-General Regional and Urban 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
- DE Division of Evaluation
- EDOP Economic Development Operational Programme
- EEOP Environment and Energy Operational Programme
- ELI Extreme Light Infrastructure
- EPAOP Electronic Public Administration Operational Programme
- HCSO Hungarian Central Statistical Office
- HIOP Human Infrastructure Operational Programme
- IB Intermediate Bodies
- IE Inhabitant Equivalent
- IOP Implementation Operational Programme
- LHH Least Developed Micro-regions
- MA Managing Authority
- NDA National Development Agency
- NDP National Development Plan
- NGOP North 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 South Great Plain Operational Programme
- SIOP Social Infrastructure Operational Programme
- STOP South Transdanubia Operational Programme
- TISZK Regional Integrated Vocational Training Centres
- TOP Transport Operational Programme
- WTOP West Transdanubia Operational Programme

EXECUTIVE SUMMARY

As described in last year's report, in 2011 the new government introduced a 10-year development strategy (called Szechenyi Plan) to provide guidelines for the improvement of current measures and the forthcoming development programmes. In 2011 the government tried to bring the development policy more in line with the Szechenyi Plan.

Although the implementation of the National Strategic Reference Framework (NSRF) programmes is generally in accordance with the plans, there are differences between programmes and priorities within the given programme. Commitments cover 82% of total ERDF and Cohesion Fund allocation (including the Competitiveness and employment region), the percentage rises to 87% in the Central Hungary Operational Programme (CHOP). Contracts were concluded for 75% of the total funding, and payments sped up significantly in 2011-2012. In summary:

- The most critical part of implementation in terms of payment seems to be the Environment and Energy Operational Programme (EEOP), just like last year. However, in terms of commitment this OP progressed by around 40%. We assume that in the following years the payments will speed up, as well.
- Since 2011 there have basically been no additional resources allocated to the Regional Competitiveness and employment region (Central Hungary region).
- Some priorities face absorption risks while others suffer from a lack of financial resources. The absorption risks occur especially in the Human Infrastructure Operational Programme (HIOP).

In order to ensure faster implementation and absorption, the government changed the management of the development policy in 2012; Supervision of the implementation of NSRF is now under the control of a new state secretary. This institutional change implies further centralization. Besides, the National Development Government Committee was set up and became the most important decision-making body made up of the prime minister, the national development minister, the national economy minister and the state secretary from the prime minister's office responsible for development.

Compared to the previous year, the 2011 Annual Implementation Reports (AIRs) focused more on the achievements of Operational Programmes (OPs) since huge numbers of projects were completed in 2011. It must be mentioned that many AIRs still focus overwhelmingly on implementation, and the description of achievements is mainly done through indicator tables without comprehensive qualitative analysis. The greatest achievements were reached by those programmes/priorities which financed simpler projects and used one-round and automatic selection processes.

As far as evaluations are concerned, the Evaluation Plan for 2011-2013 of the National Development Agency (NDA) has not changed since last year's study was finished. In November 2011 a new evaluation framework contract was launched. The NDA started to launch evaluations within this new framework contract in the spring of 2012. At the moment many evaluations are in progress, but only two evaluations of the plan were actually completed at the time of writing this report: an evaluation of the results and efficiency of transport development

measures of the Transport Operational Programme (TOP) and of the Regional Operational Programmes (ROPs) and an evaluation of EU financed measures that aimed at the integration of the Roma people.

The preparation for the 2014-2020 period has already started, so the main question is whether Hungary can introduce a more efficient and effective implementation system than the current one by learning from the 2007-2013 experiences. At the same time there are many areas, where changes are in process, e.g.: municipality system, counties and regions, education, higher education. We see the risk that the lack of enough management resources can seriously jeopardizes Hungary's success in all 3 areas, namely: successful absorption of the current NSRF; proper preparation for the 2014-2020 period; and the management of the transformation of the Hungarian public institution system.

1. THE SOCIO-ECONOMIC CONTEXT

Main points from previous country report:

- In the last decade the Convergence of the Hungarian GDP towards the EU average slowed down. This slow-down took place parallel to a fiscal easing and the growing indebtedness of the private sector and made the Hungarian economy particularly vulnerable to the crisis.
- The western regions of the country were able to catch up with the central region in the second half of the 90s due to the foreign direct investments-led industrial growth. This impetus weakened in the last decade, while regional disparities between central Hungary and the other regions became more striking.
- The crisis affected regions differently and the recovery was also different in its territorial dimensions. The export-oriented central and western regions adapted to the crisis more quickly in 2009 and their recovery was also faster in 2010.
- The fragile recovery of 2010 led to a decrease in regional disparities in employment. This was mainly triggered by the strong public employment programme in the less-developed southern and eastern regions, which had run its course by the end of 2010.
- The consequence of fiscal consolidation was that the central government sought to influence the allocation of ERDF funding to crisis management objectives.

The crisis in 2009 was followed by slow recovery in Hungary as its main European export markets started to recover. This recovery was dual by nature: fast growth in export-oriented manufacturing industries/sectors and slow recovery in domestic demand (despite large projects like Mercedes and Hankook). This recovery was halted by the second wave of crisis in 2011, which - as the OECD's 2012 country report (OECD [2012]) states - hit the Hungarian economy in a very fragile state and consequently found it difficult to cope with the repeated global economic slowdown and financial market stress (mainly due to the sovereign debt crises in Portugal, Ireland, Greece and Spain), which further decreased its economic growth potential (OECD [2012]). The fragility was mainly caused by the high indebtedness of the state and private sector, and the high proportion of the debt denominated in foreign currency.

The government launched a very ambitious fiscal consolidation plan, the Széll Kálmán plan, which focused on curbing public expenditure (OECD [2012]). The plan also contained many measures (e.g. reforms of pension system) that had been detailed for a long time, and despite the fact that some parts were not well formulated, it gave rise to some optimism in the capital markets. So far the implementation of the plan has not been followed through, some decisions were delayed, other ideas were only partly implemented.

In the meantime investments declined even further. According to the World Economic Forum's Global Competitiveness Report (Klaus [2012]) the Hungarian business executives considered the problematic factors hampering the setting up of businesses a crucial problem of the country arising from the shortage of credit (credit rationing) and policy instability.¹ According to the OECD's country report (OECD [2012]), the unpredictability of the policy results from controversial, seemingly ad-hoc policies (levying crises taxes on various sectors of economy,

¹ The set of top 6 hindrance of making business in Hungary did not change, only their order (ranking of previous year in parenthesis from Klaus [2010]): 1. policy instability (5); 2. access to financing (1); 3. tax rates (3); 4. tax regulations (2); 5. inefficient government bureaucracy (6) 6. corruption (4).

bank tax, incentives to firms to increase wages by excluding those failing to comply with the tripartite agreement on wage increase from public tenders and subsidies etc.).

As a result of the fragile state, disappointment about the implementation of the consolidation plan and the unfriendly business environment, the financial market stress in the fall caused long-term interest and credit default swap rates on public debt to rise significantly (OECD [2012]). At the same time sovereign rating was downgraded to non-investment grade and several debt auctions failed completely or partially. The currency was depreciated sharply, increasing the debt burden in foreign currency (OECD [2012]). To help stabilise the markets, the government requested financial precautionary assistance from the European Union, and the International Monetary Fund and the central bank raised its policy rate by 50 basis points twice in November and December 2011 to 7% (OECD [2012]).

In 2010 the GDP per capita in Central Hungary was 2.8 times the value of the least developed region, Northern Hungary. Only the central region's GDP per capita exceeds the national average. The difference between the rural regions (not including the capital) is smaller, the best performing region's GDP per capita is only 1.6 times the value of the worst performing one (Hungarian Central Statistical Office (HCSO) [2012a]). In 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 2010². The crisis further increased the disparity between regions (HCSO [2012a]). Due to the dual recovery mentioned above, regions with export-oriented industries (the developed central and western regions) found it easier to adapt to the crisis. According to the HCSO (HCSO [2012b]), the economic activity rate increased in 2011 but the increase was concentrated mainly in Central Hungary, Central Transdanubia and Northern Great Plain regions, at the same time there was a slight decrease in Southern Transdanubia, Southern Great Plain and Northern Hungary regions.

The employment rate followed the same pattern: an increase in the more developed regions (Central Hungary, Central- and Western Transdanubia) and decrease in the less developed ones (Northern Hungary, Southern Transdanubia and Southern Great Plain). The only exception is the Northern Great Plain region, which on the one hand belongs to the less developed regions, and shows an increase of the employment rate in 2011 on the other (HCSO [2012b]). All changes in the activity rate, the employment rate and the unemployment rate in some cases further strengthened regional disparities. Changes in the regional GDP are not yet known.

We can assume that the austerity measures affect regions differently. The revision of social welfare expenditures (especially disability pension system) is part of the austerity plan, which should have a bigger effect in regions that have fewer employment options (mainly the less developed regions).

² One explanation for the fact that the central regions did better during the crisis is that most of the resources from CHOP were contracted out during this time giving an additional boost to the economy in this region, but hardly any resources were left to support recovery.

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

THE REGIONAL DEVELOPMENT POLICY PURSUED

Main points from previous country report:

- The structural fund policy since 2007 has not just become a complementary source to development policy in Hungary, but the mainstream policy source of any development. The increasing 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.
- Hungarian development policy is strongly centralised, this can be explained by numerous factors. One is the weak middle-tier of the government system and its low influence on resource allocation. The path dependency of the development of the implementation system, which originates in the centralised nature of the 2004-2006 period, must be considered.
- Development goals and funding in the period 2007-2013 were mainly influenced by sector policies. The regional OPs 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 TOP and the EEOP, 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 (EDOP) in 2009. This increased support was provided for SMEs and the funding of JEREMIE-type interventions, but did not change other OPs significantly.
- The measures of the seven ROPs were unified by 2009, as these programmes have the same Managing Authority (MA).
- Centralisation is also indicated by the great number and share (58.8% for the first two year) of priority projects, which are chosen by individual government decisions.
- A significant problem of Hungarian development policy is the lack of co-ordination. Despite the influence of sector policies on planning, development policy is fairly isolated from public policy, and the ministries have very little say in what a concrete measure should contain. On the other hand there is also a lack of co-ordination inside development policy. This applies mainly to the co-ordination between OPs, but occasionally to the harmonisation between priorities, too.
- 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.

- The AIRs reported that many project holders needed to terminate contracts or cancel applications. This happened especially among SMEs and local governments, because their financial position had deteriorated. These withdrawal problems were tackled with over-commitments and reserve lists.

The new government introduced the NSP at the beginning of 2011. It provides guidelines for the improvement of current measures and the forthcoming development programmes. In 2011 the government tried to change the development policy to be more in line with the Plan. However, these changes were small and did not affect the whole NSRF (e.g. the increase of funding in the case of energy measures is the effect of the Szechenyi Plan). So altogether the changes are not radical but are discernible in the case of some measures.

- In 2011 Hungary proposed to transfer EUR 385.7 million (HUF 108 billion) from the TOP to the EEOP. The transfer of approximately 5.5% of the TOP budget is supposed to mitigate the absorption risk concerning the TOP defined by the mid-term evaluation. The 4th and 5th priority (renewable energy and energy efficiency) of EEOP will be increased by the above-mentioned budget. These priorities lack resources at the moment because of high demand.

An interesting new measure was launched in 2011 by Social Renewal OP to inspire young people to become young entrepreneurs. An evaluation of measures aiming to decrease youth unemployment is being carried out. The final report will be available in January 2013. The main focus of this evaluation is to assess the causes and consequences of youth unemployment, to analyse the EU and national strategies on this, to find EU and national best practises and to overview the NSRF developments. This will be the first evaluation on this topic, so the potential effect of the work could be significant. The Social Renewal OP (financed from ESF) is the most relevant Hungarian programme with direct or indirect effects on youth unemployment.

Regarding SMEs access to finance, a new financial instrument was introduced in addition to those initially planned: "New Szechenyi" Combined Micro Credit and Grant, financed by EDOP, CHOP.

In 2011 the micro credit programme was turned into a combined micro credit plus grant scheme, although the micro credit scheme still exists. Previously the grant scheme in the EDOP provided limited aid, and many SMEs needed loans to finance their own part of the investment (advance payments were not available for them). In the combined scheme the SMEs can get a 45% grant, 45% micro credit and contribute with own resources to 10% of the total investment. As this scheme is for the smallest enterprises, at the beginning the maximum grant amounted to HUF 4 million (around EUR 13,000) and the maximum credit was equal to HUF 8 million (around EUR 26,000). In 2012 both the grant and the credit maximum amounts were increased and the implementation rules of the scheme became less strict.

A one-stop-shop system was implemented, where the SMEs applied to the (private) financial intermediaries that granted the micro credit part. At the same time, the (state-owned) intermediate body acted as a "back-office" paying the grant. The 2 institutional systems had to evaluate different aspects of the project, and shared the risks.

The combined scheme has not been evaluated so far, but after a difficult start the absorption rate increased substantially after one year.

In 2011 serious challenges emerged in Hungary concerning municipalities. The institutions of the education and health system operated by the municipalities have become or will become part of the central state from 2012/2013. Many of these institutions are beneficiaries of the NSRF, but the effects of this centralization process on the development policy cannot be foreseen at the moment.

POLICY IMPLEMENTATION³

Main points from previous country report:

- The Hungarian implementation system is optimised for speed and compliance. It is based on a costly but irregularity-proof bureaucratic procedure with no “time-consuming” coordination between different stakeholders.
- Criticisms regarding the lack of focus on results and impacts invoked the introduction of two new procedures in 2007. The automatic (or normative) selection procedure is used in the case of low-budget projects and requires only minimum criteria to be fulfilled. The other new procedure was the two-round selection procedure, which – in contrast to its original purpose – is mainly used in the case of large-scale infrastructure projects in the fields of environment and energy.
- The implementation of the NSRF plan was more or less in accordance with the plans in 2010. The commitments covered 59.8% of total allocation in the Convergence areas and 70.1% in the Competitiveness and employment region with regard to ERDF funds. Contracts were concluded in the case of 86% of the commitments made by late 2010.
- The generally good progression regarding implementation in 2010 has a two-faced nature: it is mainly the result of the acceleration of commitments and contracting in the first half of the year, but the increase in commitment and contracting significantly slowed down in the second half of 2010. Also, the payments were postponed to 2011.
- The implementation of the TOP was accelerated in the beginning by the rapid contracting of priority projects and major projects, but the lack of project preparation and the irregularities slowed payments down.
- The new government broadened the use of the automatic procedure in 2011, but suspended the use of the two-round procedure as it slowed down the management of projects.
- What was lost in the second half of 2010 in terms of payments was abundantly gained in the first three quarters of 2011. A new and important feature of 2011 is the fast increase in payments, as more and more projects were close to completion from the first calls in 2007-9.
- Due to the two-round procedure and the long preparation phase, the EEOP looked worse when compared to the data of the years 2007-2010, the latest data from 2011 show that the risk of losing funds because of the N+2 rule seems limited.

³ The indicators used in this section come from the AIR for 2011, which relate to the situation up to the end of 2011. A more up-to-date view of the aggregate position (though not of the situation in the different policy areas) is presented in the Synthesis Report for 2012 of the Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 which is based on data for payments from the ERDF and Cohesion Fund up to the end of 2012, i.e. after the present report was completed.

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 82% of total ERDF and Cohesion Fund allocation (including the Competitiveness and employment region), in the case of the CHOP it is 87%. Contracts were concluded for 75% of the total funding, and payments sped up significantly in 2011-2012.

The following table shows the cumulated commitment, contract and payment rates of the OPs on 31st December 2010 and on 31st August 2012.

Table 1 - Commitments, contracts, payments (percentages)

OP	Commitments 2007-2010	Commitments 2007-Aug. 2012	Contracted 2007-2010	Contracted 2007- Aug. 2012	Payments 2007-2010	Payments 2007-Aug 2012
Electronic Public Administration OP (EPAOP)	44	64	44	57	21	30
EDOP	57	78	53	75	22	39
EEOP	39	79	32	74	3	16
TOP	77	99	50	84	12	33
HIOP	66	70	56	67	12	34
South Great Plain OP (SGOP)	60	72	45	69	23	45
South Transdanubia OP (STOP)	56	74	51	70	25	49
North Great Plain OP (NGOP)	47	66	43	56	20	39
North Hungary OP (NHOP)	52	72	42	65	11	42
Central Transdanubia OP (CTOP)	52	67	44	65	21	42
CHOP	71	87	69	83	28	57
West Transdanubia OP (WEOP)	54	74	46	72	23	51
Implementation OP (IOP)	52	81	52	87	36	59
Total		82		75		35

Cumulated data on 31 Aug 2012: http://emir.nfu.hu/nd/kozvel/?link=umft_1_1

The exchange rate is 280 HUF/EUR. The current value (287,79 HUF/EUR as of 08.09.2012) shows that total funding in forints increased, and therefore so did the reserves. The CHOP belongs to the regional Competitiveness and employment objective.

In summary:

- The most critical part of implementation in terms of payment seems to be the EEOP, just like last year. However, in terms of commitment and contracts this OP progressed by around 40 percentage points. We assume that in the following years the payments will speed up as well.

- Since 2011 there have basically been no more resources in the regional Competitiveness and employment Region (Central Hungary region).
- Some priorities face absorption risks while others encounter lack of financial resources. The absorption risks occur especially in the case of the HIOP, where it can lead to debates between different human development sectors.

In order to ensure faster implementation and absorption, the most important changes in 2012 were the following:

- 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 implies 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.
- The NDA introduced some simplifying actions too targeting the Intermediate Bodies (IB). The 2 IBs of the EEOP were merged, resulting in a further decrease in the number of the IB which now amount to 12 (in 2004 the number was 22, in 2007 the number was 15).
- Other simplifying actions were involved the documents and declarations needed from applicants/beneficiaries and the possibility of electronic applications.

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Compared to last year, the 2011 AIRs focused on the achievements of OPs to a larger extent. The reason for this is that priority level result and output indicators finally became available for most OPs thanks to a huge number of projects completed in 2011. Moreover, a general review of indicators was carried out to improve their availability. It must be mentioned that many AIRs still focus on implementation, and the description of achievements is mainly done by indicator tables without comprehensive qualitative analysis. The biggest achievements were reported by those programmes/priorities which use the one-round and automatic selection processes, as these measures supported simpler projects.

Enterprise support and RTDI including ICT and SMEs access to finance

Main points from previous country report:

- Enterprise support and RTDI are financed from the sector program EDOP and all ROPs (Convergence and Competitiveness and employment). ROPs include a priority focus on this theme. The bulk of the measures support SMEs, though there were calls aiming at larger firms too.
- Most OP-level indicators of EDOP were still not available in the 2010 AIR, as the 2007 projects had 24 months to their completion.
- Taking into account the indicators in the AIRs, 5,304 new jobs (full-time equivalent) were created by the end of 2010. According to the interview information included in last year's report, projects finished by late 2011 created 15 thousand new jobs.

- Based on the contracting commitments of the beneficiaries, the indicator of induced investments reported HUF 820.4 billion induced by the NSRF of Hungary; HUF 145.7 billion out of this in the central region. Actual data regarding this indicator are to be reported once the projects entered the maintenance phase of their lifecycle.
- Altogether 576 RTDI projects were completed and 174 co-operation between enterprises and research centres were promoted between 2007 and 2010 in the Convergence regions.
- In contrast to EDOP and other ROPs, the CHOP had a relatively high number of finished RTDI projects (37). However, schemes containing the development of business environment, economic co-operation and networks were much less successful, as only few projects were completed in these fields.
- The priority project EDOP 3.1.1 containing the support for the external trade through ITD Hungary Zrt. organised 267 professional conferences and seminars, and ITD contacted 7,400 potential participants.
- As an immediate outcome of JEREMIE-type interventions in EDOP, 2,698 transactions were made with final beneficiaries (enterprises) as of 31 December 2010. The outstanding loan refinanced by the OP amounted to HUF 17.2 billion, which is only 8.5% of the available sources of the OP for this purpose. The OP was also far from achieving the target of its main result indicator, as only one third of the 10% target of SMEs had access to financial mediation.

Convergence regions

The progress of the programme priorities of Convergence ROPs focusing on enterprise support and RTDI (generally their 1. priority) is on average similar to that of the EDOP regarding implementation. However, the average conceals the differences between ROPs and within EDOP, which corresponds to what was mentioned above. The highest number of project completion occurred in 2011 so far, with altogether more than 60 projects closed in every OP regarding this policy area. The highest number of completed projects was in Northern Hungary OP (74 closures), but the Western Transdanubian Region with the lowest value - and lowest funding - did not lag behind significantly (63 closures). About two thirds of the projects closed in ROPs included the development of industry sites, for example 46 in both SGOP and CTOP. The contribution of these projects had the greatest impact on the values of the indicators (e.g. job creation) in this policy area within the ROPs. However, there are finished projects in every region with regard to development of industrial parks, business incubators and clusters as well, and these also contribute to the improvement of the priority level indicators.

The indicator for job creation shows large regional differences, ranging from 149 in the CTOP to 3,031 in the STOP. The area of industrial parks, industrial areas, sites equipped with modern infrastructure also varies regionally with 57 hectares in Western Transdanubia and 516 hectares in the NGOP. The business incubator in Zalaegerszeg can be regarded as a successful project in the Western Transdanubia Region. The demand for its services is higher than the originally planned 20-25 micro-enterprises.

The support for clusters was the most emphasized in the NGOP, where 53 projects were completed within 87 co-operations. The corresponding indicator referring to the membership of supported clusters has a value of 1,489.

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. The R&D personnel increased by 26% in supported companies (end of 2011). The preparation of the major project (Extreme Light Infrastructure (ELI) laser research centre) absorbs the most significant share of funding. It began in 2011, and will use more than a fifth of the total funding of the priority.

The 2nd priority of EDOP made the greatest progress in implementation, most of the support was given to SMEs – 98% of contracts and 76% of the funding connected to them. The increase of net income of the supported enterprises after the completion of the project was only 1.1%, which, according to the AIR, is due to the crisis. The priority makes the greatest contribution to some of the important core indicators related to the programme, e.g. the investment induced in SMEs (EUR 1,392.4 million), and the jobs created (16,673 jobs full-time equivalent). It must be noted that the job creation indicators of currently completed projects are still expected to increase, since the commitments of the project owners are to be achieved only by the end of the maintenance period (i.e. 3 years after physical completion).

The improvement of logistic centres was financed from the 3rd priority of EDOP. The priority level indicator measuring the growth of their net income after project completion was produced by aggregating the values of project maintenance reports, and it showed a 7.7% increase, about half of what was planned. This again was explained by the effects of the crisis, which severely affected logistics services through the decrease of demand.

The 4th priority of EDOP includes instruments aiming at enhancing the SMEs access to finance. These instruments support credit, credit guarantee and venture capital programmes, and a measure that combines grants with loans. The credit and guarantee programmes went through a change regarding conditions and procedures, these included, for example, the increase of the maximum loan amount and the decrease of the refinancing interest, or the involvement of mediator guarantee institutions in the guarantee programmes. The number of transactions with direct beneficiaries by the end of 2011 was 4,212, with a disbursement of EUR 151.8 million. The activity of accredited financial intermediaries increased in 2011 and the value of disbursements grew by 215% compared to the 2010 base. The indicator measuring the depth of financial intermediation (credits/GVA) regarding SMEs is only available for 2010, but it showed a 5.6% growth, which exceeds the target of 4% for that year. Regarding the venture capital programme, 2011 saw the first investments financed by the 8 funds registered. Altogether 39 investments were realised in 2011 with EUR 38.6 million. However, the result indicator corresponding to the venture capital programme showed a decline, as the capital allocation of at least partly private institutional investors compared to the GVA of the SME sector decreased by 0.3%. The operation of the Széchenyi Capital Investment Fund began in 2011, decisions were made in the case of 16 transactions. The funding of this programme is allocated on a regional basis (EUR 6.9 million each), and support takes the forms of capital investments and loans.

Governmental ICT projects were supported within the EPAOP. Most developments within this programme are priority projects, many of which were completed in 2011. They include the development of the Companies' Court and company information system (1.1.1), the project aimed at improving the access to the land registry service system via the client gate (1.1.2), and the "Security of legal transactions" (1.1.3) were completed. The latter ensures the electronic

accessibility of four central personal registers for public notaries, attorneys and executors. One of the most important projects was completed within the 2nd priority, although with a delay. The purpose of the project “Central electronic payment solution” was the setting up of central electronic payment services and the related settlement system.

Regional Competitiveness and employment region

The CHOP finances measures which are included in Convergence ROPs (development of clusters, industrial sites and business infrastructure) and EDOP (e.g. SME technology development and financial instruments). Altogether 711 projects were completed in 2011, which is more than in any of the previous years. The clusters had 300⁴ members and implemented 61 common projects. 26 enterprises settled into the newly built business incubators and 53 moved into industry parks and modernised areas as the result of the respective Call for Proposals (CfPs). According to the AIR, 76 hectares of industrial parks and areas were modernised, and 0.283 hectares of industrial sites were developed. The area of newly-built sites amounts to 50,165 sq. m. and 124 new jobs were created in connection to them.

None of the EPAOP governmental ICT projects were completed in the Central Hungarian Region in 2011, although there are two projects that closed earlier. One is the development of the complex information system of the National Public Health and Medical Officer’s Service, the other is “Setting up an Integrated Customer Service system in the Central Hungary Region priority”. The latter’s aim is to lay down the foundation of an integrated government customer service system (e.g. managing cases or providing information). None of the projects completed in Central Hungary have affected the values of the indicators solely in this region, therefore separate indicators were not provided for them in the AIR.

Human resources including youth unemployment

Main points from previous country report:

- The ERDF human resources development programmes are financed from the Social Infrastructure Operational Programme (SIOP) and the respective priorities of ROPs.
- The indicators of SIOP showing regional inequalities of human infrastructure regarding ICT equipment for elementary schools, outpatient specialist care and social services are far from the target, and their development has been slow since 2007.
- The 25-minute accessibility of high quality outpatient specialist care services in every micro-region seemed achievable after the completion of the first projects. There was little progress in the number of completed projects within ROPs and in the value of the indicator (population reached by high standard outpatient care), except for the Central Transdanubia Region.
- The number of elementary schools equipped with appropriate ICT increased by 1,365, the actual value (6,411) is low compared to the target (35,000).
- Important SIOP achievements in the field of social services included the creation of 1,577 social and child protection rooms and 126 accessible (barrier-free) services in 63 central institutions.

⁴ This applies to the completed projects.

- The indicators of human infrastructure development priorities of ROPs, such as the number of students, the “number of disadvantaged students learning in developed schools” or the “Increase in the number of population covered by social services” grew in 2010 to a large extent, but are far from the targets.
- A large number of projects in ROPs related to barrier-free accessibility were completed in 2010, which means that many public institutions became accessible to disabled persons in every region.

Convergence regions

While the implementation of Convergence ROPs can be considered generally satisfactory, the most advanced priorities were the ones involving the improvement of public services related to human resources. About half of the projects were closed in 2011, and these contributed to the improvement of indicator values to a large extent. A significant share of the projects finished were from public education measures, which aimed at the reconstruction of elementary and secondary schools, classrooms and kindergartens. The number of children educated or cared for in these places ranges from 6,618 (NGOP) to 27,404 (NHOP) regionally. In the less developed regions about one third of these children are disadvantaged, while in Western and Central Transdanubia about the one fifth of them. Their rate is the highest in the developed schools and kindergartens of Northern Hungary - 40% and 37% respectively. This suggests that the difference regarding this indicator does not stem from different targeting but from regional disparities. It is worth noting that public education projects were also completed in the most disadvantaged micro-regions, even if these started implementation only later. For example, as part of the NHOP, 7 out of the 53 concluded public education projects were implemented in these areas. It must be mentioned that the sustainability of these developments is not always guaranteed due to changing financial conditions and demographics.

The number of students studying in developed institutions must be handled carefully, as this indicator is influenced by many factors. For instance, the actual number of pupils at a supported site can change during the programming period for demographic reasons or institutional changes, which can severely affect the sustainability of developments. Thus, it is crucial that these projects and their actual achievements should be scrutinized during the evaluation, and data concerning the years after the maintenance period must be analysed as well.

Public education-related measures of the SIOP focused mainly on ICT developments (e.g. interactive blackboards, computers), which were planned to supplement the methodological and training programmes financed by the ESF. Due to the increasing number of project completion, the number of classrooms equipped with modern ICT devices almost tripled compared to last year, and these developments affected about 3,000 institutions (kindergartens, elementary and high schools). The proportion of children using computers in elementary schools increased by 1.7 percentage points. The most disadvantaged micro-regions were expressly targeted by complex infrastructure measures, which included the procurement of ICT devices (814), libraries etc. These developments resulted in the creation of 592 sq. m. of improved educational space. Four higher education projects were also completed in the Convergence regions, which were financed by the SIOP. According to the AIR, the major projects under implementation also 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.).

Other measures in connection with education were the improvement of community centres and public collections within the 1st priority of SIOP. A large number of project completions were reported in the case of the latter (350), which included the development of educational space of 2,000 sq. m., virtual museum information development in 20 institutions and ICT improvements with educational aim in 250 libraries. The expectations are that these developments will greatly contribute to customer-friendly services and even to the digital skills of the population in libraries.

Complementary projects financed by ESF, within SIOP priority 1.1.2, include a server farm in Győr which was completed in 2011 and is considered a good practice

The number of healthcare projects closed within ROPs shows a large variability across regions. While 2 basic outpatient clinics were completed in the South Transdanubian Region, their number was 47 in Northern Hungary. In the latter region the construction of a specialist outpatient clinic and a health house was also finished. The number of developed specialist outpatient care clinics was much higher in the WTOP, where 37 out of the 108 clinics completed were of this type. Most greenfield and brownfield outpatient specialist care developments were also completed in SIOP in measure 2.1. According to the AIR, the objective of the programme priority has been achieved; that is, a 25-minute accessibility of outpatient specialist care institutions in every micro-region with a population of at least 15,000. It must be noted here that brownfield developments do not contribute to the result indicator of the priority, but they are necessary to enhance the quality of these services. The locally achievable specialist and non-specialist healthcare capacities increased to a large extent⁵ as a result of the projects. The OP has also been financing the improvement inpatient specialist care institutions. These developments focus on the preparation for structural change, ICT improvements and the procurement of medical equipment. 45% of the projects concerning outpatients' clinics were completed by the end of 2011, which contributed to the indicator "Average age of high value equipment in developed hospitals".

The third type of ROP measures with many completed projects were the improvement of social services. These included among others the development of nurseries and daytime childcare services. The latter can be considered especially successful in WTOP and CTOP, where 14,000 and 13,000 children were affected by the improvement of institutions for day care. The number of children affected by improved nurseries was the highest in CTOP and NHOP (260 and 261 children respectively).

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 number of premises built or reconstructed with barrier-free access was between 1,500 and 3,000 depending on the region. It must be noted that many other projects included barrier-free access as a horizontal measure in addition to their main activities. Within ROPs, 1,265 public services were made barrier-free, out of which 506 were completed within the NHOP (the highest among them). Together with the developments of the SIOP, the number of this kind of achievements amounts to 1,889.

The 3rd priority of SIOP included infrastructure developments aimed at helping with the integration into the labour market and social infrastructure for certain target groups. This

⁵ Almost 5,000 hours for specialist and more than 2,500 hours for non-specialist healthcare.

priority was characterised by the lowest progress, even though a couple of achievements were reported. Besides the barrier-free access projects mentioned above, the number of upgraded social and child protection institutional capacity also increased significantly as a result of the priority. The increase of additional institutional capacity by 2,087 affected child protection (990), temporary homes for families (40), care for the elderly (497), care for the homeless (384) and care for the disabled (176). It is important to note that the priority also contributes to the labour market integration of youth by the infrastructural development of the Regional Integrated Vocational Training Centres (TISZK). These improvements focus on the conditions of practical training and the cost-efficient operations of these institutions, which resulted in the fast growth in the number of students.

Regional Competitiveness and employment Region

Many of the human infrastructure developments in CHOP were completed in 2011, which reflects the good progress in financial implementation. Altogether 6 projects concerning the above-mentioned TISZK system were concluded in this region, 2 of which in 2011. Within these, the area of new or renewed classrooms and workshops increased by more than 7 thousand sq. m., which provides room for 1,631 persons. 38 kindergartens and 23 school sites had their infrastructure improved as the result of public education projects. The latter also included the development of ICT infrastructure, and classrooms ICT equipped increased by 15%.

All higher education projects under implementation were also completed in 2011. Among them the most prominent were the ICT projects, which included network developments and the improvement of data storing capacity. Since all of these projects were completed, the common institutional network achieved 100% coverage among the beneficiaries, the cumulative band width doubled, and the data storing capacity of beneficiaries tripled.

The number of closed projects in the case of healthcare infrastructure was smaller, but they contributed to the reconstruction and construction of altogether 38,356 sq. m. by autumn 2010. The procurement of high-value healthcare technology equipment was also financed in the priority and amounted to 341. The number of the physically completed improvement of outpatient specialist care centres was 5.

The number of social infrastructure projects completed in 2011 was 11 (altogether 21); 27 new social services were provided and 15 social institutions were renewed. Social infrastructure measures promoting integration increased the capacity of childcare and care for the disabled. The childcare projects contributed to the higher quality nursery/day-care for 16,500 children. 34 barrier-free access projects were completed by the end of 2011.

Transport

Main points from previous country report:

- Programme implementation⁶ is rather slow in TOP, as it mainly contains major projects, but other factors also contributed to the low availability of indicators in this field. In addition to the delays, a number of irregularities were reported in connection with public procurements, which resulted in the removal of the project from ERDF funding.

⁶ Transport projects are financed by the TOP and the ROPs, while telecommunication-related measures are included in EDOP and the EPAOP.

- In contrast to TOP, many ROP transport projects were completed by the end of 2010, such as building and renewing of municipal roads, bicycle paths and public transport.
- The length of new and renewed roads (including bicycle paths) is considerably higher in less developed regions.
- The indicator measuring the accessibility of micro-regional centres increased to a great extent in all regions, exceeding the target in many cases.

Convergence regions

The transport projects completed in the Convergence regions included the smallest country roads, bicycle paths and municipal roads. These projects were solely implemented within the Regional OPs, but the number of finished projects and built/renovated roads varies across the 6 regions.

The evaluation of Evaluation of Transport development programmes financed by the EU and national funds between 2000 and 2011 (Terra consortium [2012]) contains the following indicator values for built and renovated roads from ROPs (see p: 148).

Table 2 - Indicator values for built and renovated roads from ROPs.

OP	Built road – plan (km)	Built road – actual (km)	%	Renovated road – plan (km)	Renovated road – actual (km)	%
SGOP	101.9	72.5	71.1	243.4	137.3	56.4
STOP	16.9	3	17.7	77.5	71.5	92.3
NGOP	21.6	3.6	16.6	337.8	248.2	73.5
NHOP	8.2	4.4	53.6	119.5	84.0	70.3
CTOP	0.5	0	0	136.5	124.2	91.0
WTOP	1.9	0	0	67.0	60.0	89.6

The TOP is the main source for financing various sorts of transport developments in Convergence regions, but it also supports the regional Competitiveness and employment region (since part of it is financed from Cohesion Fund). The modification of the induced a change in the indicator target values and the addition of two new indicators at programme level. As road safety projects are financed as part of several OP priorities, and road safety is a horizontal issue, the “Changes in the number of fatalities in public road accidents on the affected road sections (3 years’ average)” is now a programme indicator rather than only a measurement of achievement of a priority. In addition, priority 3 was supplemented with the “Length of cycle routes built within the framework of TOP priority 3” output indicator, because the official cycle routes built in TOP represent a high share. Most projects are expected to be completed in the last 2 years of the programming period; therefore, the actual values of indicators have not shown great improvements by 2011.

Priority 1 of TOP focuses on the accessibility of the regional centres and the country, mainly through the improvement of roads that are a part of the TEN-T lines. These projects consist of various developments, such as increasing the resistance to axis loads up to 11.5 tons (8 projects), construction of bypasses (11 projects), and developing to four tracks (22 projects).⁷ One of the main achievements here so far is 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

⁷ This means that one project can contain various activities.

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 AIR, 3 sectors of M0 were to be completed in 2012.

There were no fully completed projects in priority 2 (focusing on railway transport), although the first phase of the track reconstruction on the Sopron – Szombathely – Szentgotthárd railway line between Sopron and Szombathely (62 km) was opened in 2010, and the section Szombathely - Szentgotthárd (54 km) was electrified and reconstructed, as well as opened for traffic in 2011 according to the AIR.

A larger number of projects (21) were completed in the 3rd priority of TOP with the goal of enhancing regional accessibility. These developments concentrate on the main roads connecting individual territories of the regions (apart from TEN-T) and those connecting to the motorway network. Currently a minority of the completed projects is contributing to the actual values of the indicators. Only the M43 project brought a major change in the 30-minute accessibility of county boroughs, with which Apátfalva (3,162 residents) and Magyarcsanak (1,572 residents) can be reached by car and Makó (24,986 residents) can be reached by bus from Szeged within 30 minutes (1 January 2007). Based on working-age population, it involves approximately 3.3 and 17.2 thousand people in the indicator value within the actual figures of 4.8 and 18.0 thousand in total. Within the aggregated actual figure for 2011 Q3, only three (Sárvár, Szeleste and Kaposfüred bypasses) of the 21 TOP Priority 3 projects opened for traffic so far contributed to the further 1.5 and 0.8 minute difference in accessibility times. Low figures are mostly due to the fact that a lot of projects relate to bypasses around county boroughs, which do not provide a shorter direct route from more distant parts of the county into the town centre. In other cases, the project is at the intersection of the catchment area of roads connecting county boroughs.

The fourth priority of TOP supports intermodal developments; that is, linkages between different types of transport. These developments include, among others, railway connections, harbour infrastructure, and one of the main projects is the complex project in Záhony near the Ukraine border. Certain elements are also financed by other OPs such as the EDOP or the NHOP here. As a result of a subproject financed by TOP, the 5.5 kilometre-long interconnecting road between Záhony and Tiszabéd was built.

The fifth priority of TOP contains projects dealing with urban transport. Many important achievements were accomplished in Szeged, where the track reconstruction of the tramline supported was completed (9.4 km). The track reconstruction project in Miskolc was also finished (9.6 km long). 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.

Regional Competitiveness and employment region

All of the public transport projects supported in the 2007 calls for proposals of CHOP entered the maintenance phase, and two projects from the 2008 CfP were also completed. 159.3 km of roads were reconstructed and 102.3 km were newly built. The completed developments also included the establishment of bicycle routes (67.5 km) and the construction of 941 bicycle and 2,164 car parking lots (P+R). The major projects in Budapest for the reconstruction of the Margit bridge and the connecting transport system was also completed.

Environment and energy

Main points from previous country report:

- The EEOP includes most of the measures focusing on this field. A two-round project selection procedure is applied within this priority, which improves project preparation but slows down implementation. The environmental aspects seem to be much less considered in ROPs. They are mostly gathered in a single priority together with transport measures, which receives the bulk of the funding in the 4 least developed regions.
- There was only one result indicator available in EEOP measuring the "Number of people reached by campaigns according to the types of activity". Other indicators might become available from next year.
- Within the CHOP, the area of restored habitats increased to a great extent in 2010 achieving more than 1/3 of the target in one year.

Convergence regions

The indicators of the EEOP did not show any progress in 2011. Although some projects were completed in the 1st priority, their indicator values had not been calculated yet.

The priorities of renewable energy (4th) and energy efficiency (5th) have the same priority level indicators (eg. Renewable energy source based electricity production, Energy resources saved through energy efficiency). More than half of these indicators registered positive figures in 2011, since some of these projects entered the maintenance phase in that year. Since the volume of contracts increased mostly in 2009, based on the project life-cycle the AIR expects a greater leap in indicators from 2012 on. The AIR also notes, however, that a change of target values is necessary due to the regrouping of funding and the cancellation of a previously planned measure.

Numerous completed projects consisted of awareness campaigns and events promoting sustainable lifestyles; thus, their indicators were also available. However, targets were underestimated and this applies to both measures including active (short- and long-term) and passive participation.

It must be noted that the indicators of the EEOP will change significantly in 2012, the OP modification proposed by the MA will also involve the indicator system, too. The main reasons for the modification were methodological problems with indicators (e.g. over/under estimated targets).

Regional Competitiveness and employment region

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 developments, awareness campaigns, the rehabilitation and protection of natural habitats and protected gardens. The latter affected 1,834.0 ha of habitats, and 36 km of linear infrastructure was adapted according to environmental concerns. The consumption of renewable energy sources increased by 837,973 GJ in the region according to the respective indicator.

Territorial development

Main points from previous country report:

- There was little progress as regards urban development initiatives financed by ROPs. The reason may be the use of the two-round selection procedure as well as other factors, such as the problems with public procurements and additional costs emerging in the case of the European Capital of Culture Pécs.
- The number of completed tourism-related projects was also low, and this was reflected by the unavailability of most output indicators. The indicators related to WTOP were expected to improve significantly.

Convergence regions

Territorial development measures, such as urban development and tourism are implemented from the ROPs. 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 NHOP), others completed, for example, mainly tourism destination management projects (SGOP). The NGOP focused a significant share of its developments in priority 2 on healthcare tourism, and 17,672 sq. m. of indoor spas were created as an output of the programme. In addition, this OP supported the development of 17 cultural heritage sites and the improvement of 214 rooms of accommodation. The importance of spa developments was great in the WTOP, too, where the largest share of the increase in the main result indicator (average number of visitors at supported tourism attractions)⁸ was produced by these projects. An important project in this region was the renewal of the Esterházy castle in Fertőd.

However, it must be noted that while 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. The accommodation capacity did not improve in other regions either. From this it can be inferred that while the supported ones showed great improvements, this may have been due to the diversion of guests from other places. Job creation was an important indicator of tourism development, too, since this sector is capable of providing employment opportunities in more disadvantaged micro regions. Altogether 2,629 jobs were created in the Convergence regions by tourism projects.

The complex urban rehabilitation projects included numerous types of achievements, for example the renewal of public spaces and buildings or the improvement of public services. These projects were also chosen through the two-round selection procedure. In general, two main types were implemented: one supported the broadening of urban functions (e.g. economic, cultural), while the other promoted the regeneration of socially disadvantaged areas. These complex developments included various programme elements, such as the renewal of buildings and public spaces or the establishment of new public services. The social type of projects from the 2007 CfP were completed in the STOP, where altogether 18 buildings were renewed and

⁸ The improvement of this indicator stems from the growth of visitors at supported sites on the one hand (compared to the year before the project when it is possible), and from the increasing number of supported sites on the other.

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 Pecs 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. Another type of development in this field was the infrastructural improvement of buildings belonging to civil organisations, especially in the Northern Great Plain Region, where 109 such buildings were improved and 921 persons were reached by the services of these organisations. The complex projects in WTOP included mainly public transport developments, such as the procurement of buses, the establishment of passenger information and traffic control systems in Sopron.

Regional Competitiveness and employment region

The tourism developments in the Central Hungarian Region included the improvement of services, accommodation, attractions and destination management organisations. The Skanzen Heritage programme of the Open-Air Ethnographic Museum and the royal castle Gödöllő were finished in 2011. Altogether 11 projects were closed by the end of 2011. All of the indicators improved significantly, such as the growth of guest nights at supported accommodation (6,592) and the average number of visitors at supported tourism attractions (602,906).

The social type of complex urban development actions affected 2,600 persons, while the smaller scale developments in Pest county affected more than 230 thousand. The various social rehabilitation projects also realised energy savings through the renewal of buildings.

Cross-border Cooperation (OPs managed by Hungarian authorities)

Main points from previous country report:

- In the case of the Hungary Romania Cross-border Co-operation Programme, no final progress reports and applications for reimbursement were submitted to the Joint Technical Secretariat until the end of the year.
- Output indicators were not available regarding the Hungary Slovakia Cross-border Co-operation Programme, as most contracted projects were still in the implementation phase. Only some of the short-term, soft projects have been finalised so far.

The AIRs of the cross border programmes are very reticent regarding achievements. The indicators of the Hungary-Slovakia cross-border programme improved significantly, although the AIR mentions that the indicators must be handled with reservations when their values come from the reports of beneficiaries, because they tried to widen the interpretation of the indicator to calculate as many units of output as possible to get better assessments. For example, when counting the “Number of businesses involved in cross-border co-operation projects” (4,743 firms) as the indicator of “level of business co-operation”, they interpret all businesses that were involved directly and indirectly. The human resources developments in this OP were considered very effective, because although there are fewer co-operations in this field than expected, their results (e.g. the number of participants) were better than originally planned. Due to their more complex nature, the environmental and transport programmes in the 2nd priority progressed much more slowly, therefore only planned values of indicators were reported.

The final progress reports of 14 projects were approved within the Hungary-Romania cross-border OP and 10 other projects were completed but not validated. The indicators for the 1st

priority mostly focus on the number of various types of projects implemented in co-operation and comply with certain conditions (e.g. projects with joint staff, joint use of infrastructure). The output indicator “number of people reached by communication initiatives (infrastructure building services)” can be considered a real “physical” achievement, and its actual value was 220,900, which exceeds the target by 70,900. The number of completed projects by the end of 2011 was much larger in the second priority which includes enterprise support, RTD and human resources-related measures (41 with final progress report and 32 without). Two policy areas had highly relevant priority level output indicators with actual values other than zero: the number of people who participated in joint education activities or used jointly developed facilities was 956, and the number of joint research results was 21.

Table 3 - List of main indicators in Convergence regions

Policy Area	Main indicators	Outcomes	Notes
Enterprise support and RTDI, including ICT	Jobs created	24,616	This is not the value provided in the core indicator table, but the aggregated number of jobs created within EDOP and the related priorities of the Convergence ROPs. They represent approximately a fifth of the funding.
	Investment induced (EUR million)*	1,761.0	This is not the value provided in the core indicator table but the aggregated value of private investments induced in EDOP and the related priorities of the Convergence ROPs. EDOPs indicator refers to investments by SMEs, which received 78% of the funding of the OP
	No. of information society projects	2,091	Core indicator, the source of its value is the EDOP.
	No. of RTD projects	1,976	Core indicator, the source of its value is the EDOP.
	No. of co-operation projects (enterprises-research institutions)	229	Core indicator, the source of its value is the EDOP.
	No. of enterprises participating in clusters and co-operations supported	1,489	The sources are the respective measures of ROPs. Sometimes an enterprise is counted multiple times.
	Area of industrial parks, industrial areas, sites equipped with modern infrastructure as a result of the developments (ha)	1,647.8	The sources are the respective measures of ROPs
	No. of direct investment aid projects to SMEs	16,791	Core indicator referring to EDOP measures
	No. of start-ups supported	869	Core indicator referring to EDOP measures
	No. of online public administration services offered as a result of the programme	49	The respective measures are financed by the EPAOP
	Use of electronic public administration services by the population as a result of the programme	28	The target value is 50.
	Average weekly usage of the government portal (No. of single visitors)	55,000	Many procedures are available on different portals now, which explains the lower value and the reason for the modification of the indicator.
No. of information society projects	2,091	Core indicator.	

	No. of additional population covered by broadband access	49,020	Core indicator
	Daily no. of transactions of the client gate	374,000	The name of this indicator will be changed after the modification of the OP.
Human Resources (only ERDF)	No. of classrooms equipped with modern ICT devices	17,702	The indicator covers measures of SIOP priority 1.
	Amount of modern complex spaces (renewed and reconstructed) suitable for higher education activity and research	107,550	The indicator covers measures of SIOP priority 1.
	No. of settlements which do not reach acute in-patient and out-patient care within the national standards	337	Result indicator, the value of which is affected by SIOP priority 2. and the respective ROP priorities. The previous report did not include it.
	No. of children participating in day-care affected by social developments.	34,934	The sources of the value are the respective priorities of ROPs.
Transport	Km of new roads	413	The core indicator covers the developments of TOP and ROPs in Convergence regions.
	Length of main roads upgraded to resist an axis load of 115 kg (km)	116.5	The sources of the indicator are TOP developments
	No. of transport projects	484	Core indicator, transport projects are financially the most significant developments, they are included in TOP and ROPs.
	Value for time-savings in Euro / year stemming from new and reconstructed roads	60	Core indicator.
	Increase of the population with public road and community transport access to a micro-regional centre within 15/20/30 minutes	56,211	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	0	Values for the sub-indicators are already available, see below
	Short term / Passive participation	513,225,000	Sub-indicator covering measures of EEOP actions.
	Long term / Passive participation	186,079,000	Sub-indicator covering measures of EEOP actions.
	Short term / Active participation	393,000	Sub-indicator covering measures of EEOP actions.
	Long term / Active participation	916,000	Sub-indicator covering measures of EEOP actions.
	No. of prepared projects	142	The indicator shows the number of environmental and energy projects prepared within EEOP, in the first round of the two-round selection procedure.
	No. of inhabitants in municipalities under 2000 PE supplied with wastewater treatment complying with EU criteria due to the projects	28,007	Its value stems from an important measure in every ROP.
	Energy resources saved through energy efficiency (PJ/year)	0.000063	The indicator covers measures in the 4th and 5th priorities of EEOP. The target is 250 PJ.

	Size of area affected by habitat restoration and improvement (ha)	1,406.22	The target value is 30,200 ha
Territorial development	Size of the area affected by urban rehabilitation measures (ha)	1,194	The target is 1,924 jobs concerning the 4 ROP's (NHOP, NGOP, SGOP, STOP)
	Average No. of visitors at supported tourism attractions	85,2492	The target value for the 5 ROPs is 7,122
	No. of inhabitants affected by urban rehabilitation projects	1,080,948	The target for the 6 ROPs is 1,086,000.

Note: The indicators above are those already registering achievements and core indicators. The remaining main indicators are not measured yet, as in most cases no projects were completed in their field last year (e.g. EDOP, TOP and EEOP). In addition, the indicator system was changed in the case of ROPs, therefore we had to change the ones shown here, as well.

**When adding effects of different OPs, we used exchange rate 275 Ft/Euro.*

Table 4 - 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	568	Enterprise support and RTDI amount to one third of the CHOP (the OP of the only RCE region). The target is 900.
	Investment induced (EUR million)*	671.9	Enterprise support and RTDI amount to one third of the CHOP (the OP of the only RCE region). The target is EUR 828.6 million.
	Jobs created	2,475	Enterprise support and RTDI amount to one third of the CHOP (the OP of the only RCE region). The target in the respective priority is 4,500.
Human resources (only ERDF)	No. of students in developed educational and training institutions	10,591	The methodology of the indicator changed, that is why it has lower values.
	No. of children participating in day-care affected by social developments	16,683	It is affected by the measures in the 4th 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	80,052	It is affected by the measures in the 4th priority of CHOP.
Transport	Km of new roads	142.6	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)	2,897	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 IE supplied with wastewater treatment complying with EU criteria due to the projects	3,234	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.
Territorial development	Average no. of visitors at supported tourism attractions (capita)	602,906	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	163	The target value is 300
	No. of sites of enterprises opening units in the regenerated urban areas	247	The new target is 550.
	Population directly covered by the developments (Urban development)	231,324	The target is 350,000

3. EFFECTS OF INTERVENTION

Main points from previous country report:

There was very little information available on results and almost no information on effects.

- The macroeconomic model estimates display great variation regarding the effects of the programmes on the level GDP and employment:
 - The huge shorter-term effects in the HERMIN prediction will diminish after 2013 for both GDP and employment.
 - QUEST II shows lower values due to the crowding out effect of the increasing endogenous interest rate and the higher exchange rate in the longer term. It estimates that NSRF is going to have no effects on employment at all.
 - The EcoMod integrates the dynamic results in the longer term.
 - GMR provides the most optimistic outlook, as it estimates higher growth effect on the supply side in the longer term with employment effects diminishing after 2013.
- The indicator aggregation of June 2011 shows that according to the commitments of project holders in the contracts so far, the economic development interventions will generate 56,807 new jobs.
- While there was no evaluation on the effects of the NSRF yet, counterfactual impact assessments of National Development Plan (NDP) I, which had similar measures to the current developments, show either no effects due to the high dead-weight (evaluations of GVA and employment effects of SME support for technological developments) or some positive effects (evaluation of a pilot programme on integrated school or on the improvements of business infrastructure, e.g. industrial parks).

In this section we analyse the distribution of funding and infrastructure developments on the basis of some research studies and the reports of the State Audit Office.

After evaluating the first NDP's measures the NDA started to launch evaluations concerning the NSRF. However, there has been no completed evaluation on the social and economic effects of the NSRF OPs yet. Some completed evaluations examined the effects of specific measures, see below.

Efforts of the NSRF on supporting territorial cohesion: Distribution of funds

The aim of the working paper published by the NDA was to analyse the connection between the level of development of a given area and the ability to absorb EU funds. During this exercise Jablonszky [2011] did not consider the projects funded by the Cohesion Fund, because these projects tended to aim the development of infrastructure on regional or national level, which are not easily assigned to (statistical) micro-regions.

After dropping the projects which cannot easily be assigned to micro-regions, on NUT2 regional level Jablonszky [2011] found no connection between the development level and the amount of requested and contracted EU grants. The indicator, 'additional employment undertaken by grant recipients' shows no correlation with the regions' unemployment, either. On the other hand, the investment induced by EU funds as a ratio of the investments conducted by the given

region shows correlation with the level of development of the region. The less developed the region is, the more investment were induced by the EU funds as a ratio of the region's own investment. The only outlier is the Southern Transdanubia region, where the induced investment per capita as well as its ratio to the region's own investment are very low. As ASZ [2012a] report states, this distribution of funds could not decrease the differences in the labour market, as the employment rate is still lower and the unemployment rate is still higher in the less developed regions.

On the micro-regional level the ratio of contracted and requested grants shows no correlation with either the level of development, or demographical characteristics, or the location of the micro-region. This is also true when Jablonszky [2011] regressed the deviation of grants per capita from the national average on the development level of the given micro-region. At the same time, 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. This proves that the LHH status helped the micro-regions to build capacities to plan projects and successfully request grants. According to the evaluation of the State Audit Office of Hungary (ASZ [2011]) these additional funds did not help lift these micro-regions, only prevented their further fall back.

The centre absorbs most of the grants in a given micro-region (72.5% of the contracted grants were located in the centre of the micro-regions). The centre's ability to absorb grants relative to the whole micro-region depends on its relative population size compared to that of the micro-region and the central functions it performs.

- All in all, except for some cases (induced investment, least developed micro-regions) there is little evidence that the distribution of funds correlates with the development level of the given geographical areas.

Investment into infrastructure

As Jablonszky [2011] states, most EU funds obtained at NUT2 regional level were used for building transportation infrastructure. This infrastructure could improve the accessibility of the given region and thereby help improve its competitiveness, attract investment, new firms and employment.

The research conducted by the Terra Studio Kft. (Terra [2012]) aimed to evaluate all the transportation infrastructure developments conducted between 2000 and 2011. The research did not focus solely on investments funded by the EU, but on all transportation infrastructure investment during the given period. As a result of this research the authors stated 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 deteriorated⁹, so in some cases local accessibility decreased.

Another research question of Terra [2012] was how this improved accessibility would affect competitiveness of the micro-regions. The methodology has some problems. First, the time lag

⁹ As ASZ [2012b] states, 2,500 km of road should be renovated yearly to sustain the quality of the local road network, but on average only 632 km of road is renovated every year. Between 2006 and 2011 3,794 km of road was renovated, 66% of which was financed from domestic funds and 34% were financed from EU funds.

in which the effects of the investment can be investigated is very short (the last observation is from 2009). The second problem is that the financial crisis affects the components of the competitiveness index. Generally no connection was found between competitiveness and improved accessibility. The best result came from a model in which the competitiveness index was decomposed into its components, and improved accessibility seems to affect income, but even in this best case, the R^2 is 0.14. Better results were found, when they concentrated on two cases studies, highway number M3 and M5. In the 15 and 30 km range around the new highway sections the income increase is significantly higher than in the neighbourhood of the old highway sections.¹⁰

One of the aims of the EU transportation development funding is the reduction of CO₂ emission. According to Terra's [2012] estimation, emission increase due to the traffic and greater speed on the new roads exceeds the emission reduction on the municipal roads. This means that in total the transportation development increased the CO₂ emission.

Despite the fact that this research did not focus solely on EU-funded projects, its results are informative, as there is no reason to assume that solely EU-funded projects would have different effects.

The most critical problem of social cohesion in Hungary is the problem of the marginalized communities, especially the social cohesion of the Roma communities. The "Evaluation of developments serving Roma integration" was based on some measures financed from ESF and social urban rehabilitation calls for proposals of ROPs. Some of the development policy level findings are:

- 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.
- Formation of further capacities in regions with an overrepresentation of Roma could not be facilitated by development policy.
- The lack of organizational capacities restricted not only the formation but also the follow-up and sustainability of implemented projects, institutional improvements and complex services.
- The approach of a tendering system based on individual projects is not compatible with the complex and long-term tasks necessary to handle the concentrated and multi-dimensional problems of the Roma.
- 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.
- The integration of the Roma – due to the scale and the complexity of the problem – can only be realized in close co-operation within the government and especially in close co-operation between various public policies.

¹⁰ According to the text, this result is solely based on the comparison of the growth rates of the income tax base per capita in the control group and the area investigated. No other control variable is used (other EU funds, population, etc), and no emphasis is put on the selection of control group. There is no level of significance reported.

The main recommendation of the evaluation: The inclusion of the Roma is a long process which can only be accomplished with good quality public service delivery that contributes to integration. The fundamental recommendation of the evaluation is that the NDA should review which public services (education, social and health services and public transport) can be only restrictedly accessed by the Roma and other excluded groups, and how it could improve the access and quality of these services with the help of EU funding. This should serve as a basis for planning both measures and projects.

4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

Main points from previous country report:

- The evaluation activity of the NHDP was co-ordinated by the Division of Evaluation (DE) under the MA of IOP, in which the evaluative resources are concentrated.
- Almost all evaluations are thus financed by DE on the basis of the evaluation plan of the OP, while MAs can finance urgent “extra-plan” evaluations with the Technical Assistance resources of their OPs.
- MAs play a crucial role in the evaluation process as the final beneficiaries of the evaluation and as the co-ordinators of information support for external evaluators.
- The DE initiates strategic, comprehensive evaluations and the evaluation of innovative or interconnected measures, while MAs’ initiatives focus on ex-ante evaluations, interim evaluations, ex-post evaluations and ad-hoc urgent evaluations.
- Evaluation is normally led by the DE in co-operation with the Project Steering Committee, which is made up of all the relevant stakeholders.
- Until the end of 2008, external evaluators were selected through individual public procurements
- From 2009 until mid-2010, external evaluation was organised in a framework contract system with 14 evaluators for four different lots.
- The price-based selection method of the 2009-2010 framework repeatedly gave rise to problems, and the DE made significant efforts with various techniques to tackle the low quality of the evaluations.
- The change of government in May 2010 froze the framework system and evaluations were launched by means of individual procedures in the second half of the year.
- After the government change and the freezing of the framework contract, the evaluation gained stronger support than ever before at the NDA, as its function at decision-making level changed significantly.
- The demand side of the evaluation culture improved significantly at the MA level. As the number of evaluations increased, and it became clear to the MAs that these documents contained useful information, they became more active in commissioning evaluations.
- Finally, the framework contract was officially terminated in May 2011 to make room for a new framework that was launched in November 2011.

List of evaluations covered in the 2010-2011 country reports

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- Magyar Értékelő Konzorcium (Mérték) [2010]: A humán erőforrás- fejlesztés regionális dimenziójának erősítését célzó beavatkozások értékelése. On the website of NDA: http://www.nfu.hu/rop_ertekelesek
- Magyar Értékelő Konzorcium (Mérték) [2009]: Az Üzleti infrastruktúra-fejlesztés értékelése. Utólagos (ex post) értékelés. On the website of NDA: http://www.nfu.hu/gvop_ertekelesek

Upcoming evaluation announced in the 2011 report

The list of upcoming evaluations in the previous report was based on the evaluation plan for 2011-2013 available on the website of the NDA. The following evaluations were mentioned:

- An evaluation concerned with economic development measures (innovation, investment support), indicators.
- Another evaluation is going to concentrate on financial assets programmes, on which future proposals can be based to change regulations.
- An evaluation assessing the developments supporting employment, financed by several Ops, was also planned.
- Two evaluations were mentioned that would focus on EAOP, one on the efficiency aspects, and the other on results and effects.
- An evaluation of the results and efficiency of transport development measures in TOP and ROP was also among the plans.

- An ex-post evaluation of environmental technology development measures in various OPs was planned for 2011.
- An evaluation of the climate aspects of the institutional system was also planned for 2011.
- NHDP level evaluations were scheduled with regard to financial and environmental sustainability of the programme results.
- An evaluation dealing with the horizontal aspect of equal opportunities was planned for 2012-2013.
- A prospective evaluation was already in the pipeline focusing on programmes aimed at the integration of the Roma people.
- An ex-post study was planned for 2011 to assess the effects of Cohesion policy in 2004-2010 on territorial cohesion.
- The plans for 2011-2012 concerning ROPs included evaluations focusing on tourism development, public education and one dealing with measures for barrier-free access.
- An on-going/ex-post evaluation covering 3 OPs aimed at assessing the effects, efficiency and other aspects of logistics developments.
- An “on-going” evaluation was concerned with the integrated approach of development policy in the form of case studies.
- Another evaluation covering all OPs was planned to focus on the institutional aspects of integrated developments, such as the MDM Programme.
- The entire institutional system of NHDP was to be evaluated in 2012-2013.
- Ex-ante evaluations for the next programming period and the assessment of strategic environments of future OPs were also in the pipeline according to last year’s study.

Evaluation completed since last year’s report

- The Evaluation Plan for 2011-2013 of the NDA has not changed since last year’s study was finished, it is available on the website of the NDA. So the upcoming evaluations listed above are still the same. From the evaluation plan 2 evaluations were completed at the time of writing this report: an evaluation of the results and efficiency of transport development measures in TOP and ROP and an evaluation of EU financed measures that aimed at the integration of the Roma people. Besides these 2 evaluations in addition to the plan 1 evaluation was prepared concerning the communication activity of the NSRF.
- The evaluation of Transport development programmes covers the use of all the funds between 2000 and 2011. The main focuses of the evaluation are:
 - The analysis of the strategic context
 - Presentation of the developments of the 11 years
 - Examination of effectiveness (indicators, cost efficiency)
 - Examination of the programme management systems
 - Analysis of sustainability
- According to the task description of the evaluation about the Roma integration, the key question of the evaluation was as follows: “which are the factors and instruments or regulatory frameworks that efficiently facilitate and which are the ones that may inhibit the achievement of the related goals formulated in the EU Framework for National Roma Integration Strategies and the EU 2020 Strategy.” Based on this, the Consortium defined the task as the identification and assessment of causes and factors (whether they are of

regulatory, institutional or public policy nature), whose dissemination or limitation could enhance the contribution of development policy to Roma integration goals in the programming period beginning in 2014.

The NDA requested the evaluation to be based on the analysis of development policy documents and case studies on six predetermined measures, two of them assessed in-depth. In the case of the latter two, the evaluation was complemented by a large number of interviews with final beneficiaries. In order to deliver robust findings, the Consortium broadened the range of gathered and analysed information as compared to the minimum requirements set up by the NDA. This included the preparation of five territorial case studies on municipalities with significant Roma population, a DELPHI survey carried out among experts and stakeholders familiar with development policy and Roma integration, and the expansion of the beneficiary query required in the detailed measure case studies into a full survey.

The aim of the midterm evaluation of the communication activity was to examine how the communication activities contributed to the original goals. The evaluation measured the values of the indicators and found that the communication activities have been effective and efficient so far.

Table 5 - The following evaluations were prepared since the 2011 country report was finished:

Title and date of completion	Policy area and scope (*)	Main objective and focus (*)	Main findings	Method used (*)	Full reference or link to publication
Terra Konzorcium (2012): Közlekedésfejlesztési programok átfogó értékelése, 2000-2011; April 2012	Evaluation of Transport development programmes financed by EU and national funds between 2000 and 2011 code: 4	To analyse how the EU funds contributed between 2000-2011 to the development of Hungarian transport system. code: 1+2+3	Transport strategies are not fully used in the implementation process. Financial sustainability should be more emphasised.	Analysis of development policy documents, indicators and projects code: 2+3+4	http://www.nfu.hu/kozlekedesi_ertekelesek
Pannon Elemző, HÉTFA, Városkutató (2012): Roma integrációt szolgáló EU-s fejlesztések értékelése – Értékelési Zárójelentés, 2012. március 5.	Evaluation of EU financed programmes aimed at the integration of the Roma – measures of the Social Renewal, Regional, State Reform OPs, the MDM Programme, 2007-2011 code: 3	To identify and assess causes and factors whose dissemination or limitation could enhance the contribution of development policy to Roma integration goals in the next programming period code: 1+2+3	There are development policy level, measure level and project level findings.	Analysis of development policy documents and case studies code: 4	http://www.nfu.hu/roma_integraciot_szolgalo_eu_s_fejlesztések_ertekelese
TNS Hoffmann Kft. (2012): A 2007-2013 közötti Operatív Programok végrehajtásával kapcsolatos kommunikációs tevékenység félidei értékelése. 2012. március 1.	Mid term evaluation of the communication activity concerning the implementation of NSRF 2007-2013 code: 8	To analyse how effective and efficient the communication activities were, how the plans were achieved code: 1	On the basis of the indicator values the communication activities are effective.	Analysis of reports, opinion polls, and other documents; interviews code: 4	http://www.nfu.hu/kommunikacios_ertekelesek

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.

The recommendations of these evaluations can be implemented in the new programming period.

Changes in the evaluation system

The evaluation activity is still co-ordinated by the DE of the NDA, this unit has at its disposal the financial resources for the evaluations and also provides technical and methodological support to evaluation activities. MAs do not have their own evaluation management capacities; however, they play a crucial role in the evaluation process as the final beneficiaries of the evaluation and as the co-ordinators of information support for external evaluations.

In November 2011 a new evaluation framework contract was launched. The main elements of this new system are:

- There are 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.

The NDA started to launch approximately 30 evaluations within this new framework contract in the spring of 2012. Currently there are many evaluations in progress. E.g. in the human resource development lot the following evaluations will be carried out by the end of the year:

- Evaluation of measures aiming at access to social services for disabled people
- Evaluation of health developments
- Evaluation of measures for tackling youth unemployment
- Evaluation of measures aiming to help social inclusion
- Evaluation of higher education developments
- Evaluation of education focused cultural development measures
- Evaluation of education developments
- Evaluation of employment measures

At the time of finalization of this country report the NDA announced a framework contract for the ex-ante evaluations of 2014-2020 OPs. Thus by the end of January 2013 not only a dozen of evaluation will be carried out, but external evaluators will be also chosen to support the programming.

5. FURTHER REMARKS - NEW CHALLENGES FOR POLICY

Main points from previous country report:

- Although the structural fund policy is considered the only development tool of the Hungarian government, it does not seem to be able to bring about any substantial changes in the divergence of regional development due to the burdens of misgovernance of the last decade as well as the crisis.

- Although the policy is relatively successful in terms of speed and modesty of irregularities, there are lots of inefficiencies in implementation. The most important defects are: the isolation of development policy, the lack of co-ordination within the policy and the administrative rather than strategic governance of intervention. All of these stem from the lack of clear goals and the role of development in government policy.
- One of the most important steps of the new government was the introduction of the 10-year development strategy (NSP). It provides guidelines for the improvement of current measures and the forthcoming development programmes after 2014.
- The increasing legitimacy and strengthening role of evaluations are a promising feature of the decision-making process.

As it was stated in last year's report the changes introduced by the new government were careful and they tried to make the development policy more effective and efficient in the current framework.

In 2011 and 2012 the development policy entered a new phase, after launching the calls for proposals between 2007-2010, 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, by learning from the 2007-2013 experiences. The efforts to make evaluations show that there will be enough input to change the implementation system.

Besides, there are many areas, where changes are in process, e.g.: municipality system; counties and regions, education. The institutions of these sectors are important players of the development policy as well. These changes might lead to a more efficient system, however currently they need management resources of the institutions. We see serious risks that the lack of enough resources will impede Hungary's success in all 3 areas, namely:

- successful absorption of the current NSRF;
- proper preparation for the 2014-2020 period;
- management of the Hungarian public institution system transformation.

In our opinion the government has realized the new challenges the development policy has to correspond to, so in 2012 the supervision of the implementation of NSRF became part of the prime minister's office, under the control of a new state secretary. 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. Altogether in spite of the described risks, the development policy has a chance to achieve its goals in 2013.

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INTERVIEWS

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ANNEX 1 - EVALUATION GRID FOR EXAMPLES OF GOOD PRACTICE IN EVALUATION

Evaluation Grid A - Evaluation of developments serving Roma integration

BASIC INFORMATION	
Country: Hungary	
Policy area: Roma integration	
Title of evaluation and full reference: Evaluation of developments serving Roma integration http://www.nfu.hu/roma_integraciot_szolgalo_eu_s_fejlesztesek_ertekelese	
Intervention period covered: 2007-2013	
Timing of the evaluation: 07/2011-01/2012	
Budget: ca 35.000 EUR	
Evaluator: external evaluator (The consortium of Pannon Elemző Iroda Kft. (Pannon Institute for Analyses Ltd.), HÉTFA Elemző Központ Kft. (HÉTFA Center for Analyses Ltd.) and Városkutatás Kft. (Metropolitan Research Institute))	
Method: case study, analysis of development policy documents, interviews, phone survey	
Main objectives and main findings: Goal: the identification and assessment of causes and factors (whether they are of regulatory, institutional or public policy nature), whose dissemination or limitation could enhance the contribution of development policy to Roma integration goals in the programming period beginning in 2014 There are development policy level, measure level and project level findings and recommendations. (Link above contains English summary.)	
Appraisal: This is the first evaluation about the Roma integration issue in Hungary. The evaluation has a very clear set of findings and detailed recommendations. The evaluators tried to keep the documents very applicable for the policy makers, the MA and IB staff.	
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-2011)

Excel Table 4cbc - Commitments by main policy area (by end-2011) – cross border cooperation

Annex Table A - Regional distribution of public employment

	2007		2008		2009		2010	
	person	Ratio	person	ratio	person	ratio	person	ratio
Central Hungary	7,527	0.12	7,230	0.11	11,533	0.08	10,508	0.06
Central Transdanubia	6,116	0.10	6,058	0.10	10,008	0.07	14,360	0.08
Western Transdanubia	1,895	0.03	1,809	0.03	5,710	0.04	7,814	0.04
Southern Transdanubia	6,063	0.10	6,614	0.10	20,407	0.15	24,882	0.13
Northern Hungary	15,807	0.25	17,671	0.28	33,532	0.24	45,474	0.24
Northern Great Plain	14,543	0.23	12,840	0.20	37,428	0.27	55,636	0.30
Southern Great Plain	11,147	0.18	10,878	0.17	20,732	0.15	27,606	0.15

Source of data: National Employment Service

Note: In 2009 and 2010 the category is broader: it also contains public work (közmunka), community service (közcélu foglalkoztatás) and public service (közhasznú foglalkoztatás).

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

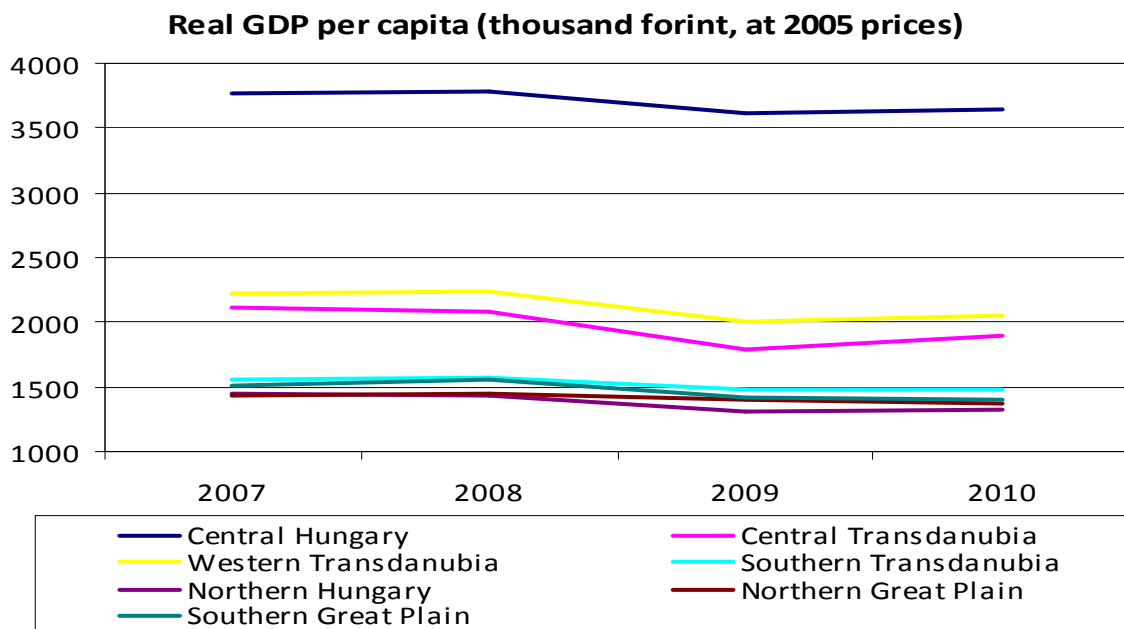
Policy area		Code	Priority themes
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked 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.)

Policy area		Code	Priority themes
	ICT and related services	15	Other measures for improving access to and efficient use of ICT by SMEs
		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	Development of life-long learning systems and strategies in firms; training and services for employees ...
		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 ...
	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	Energy	33	Electricity

Policy area		Code	Priority themes
and energy	infrastructure	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
	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
	51		Promotion of biodiversity and nature protection (including Natura 2000)
	52		Promotion of clean urban transport
	5. Territorial development	Social Infrastructure	10
75			Education infrastructure
76			Health infrastructure
77			Childcare infrastructure
78			Housing infrastructure
79			Other social 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	Support to compensate additional costs due to climate conditions and relief difficulties
	81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...	
	85	Preparation, implementation, monitoring and inspection	

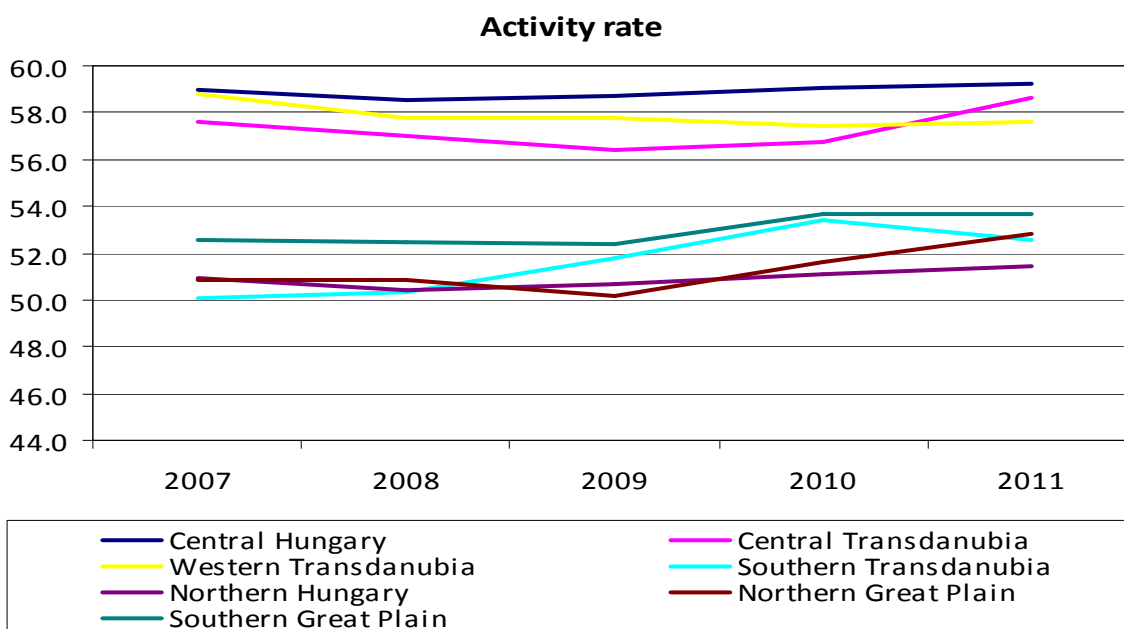
Policy area	Code	Priority themes
	86	Evaluation and studies; information and communication

Annex Figure A - GDP per capita at 2005 prices in Hungarian regions 2007-2010

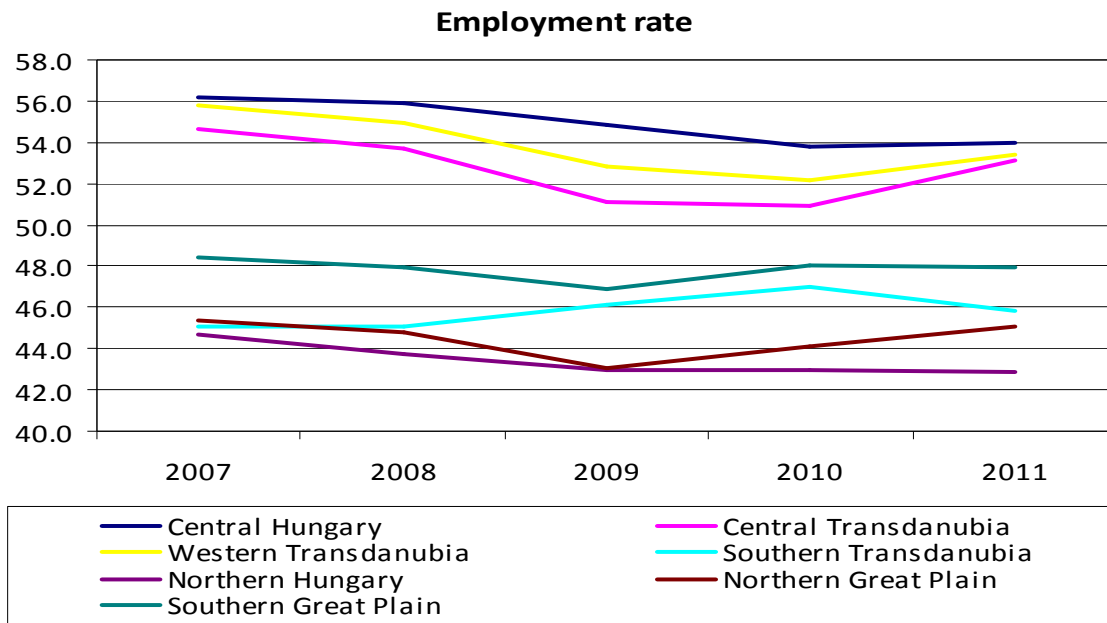


Source of data: HCSO

Annex Figure B - Activity rate in Hungarian regions 2007-2011



Source of data: HCSO

Annex Figure C - Employment rate in Hungarian regions 2007-2011

Source of data: HCSO