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Summary of the Partnership Agreement for Hungary, 2014-2020

Overall information

The Partnership Agreement (PA) covers five funds: the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

The PA focuses on the following five main national development priorities as already identified in the Hungarian National Development and Territorial Development Concept.

1. Improving the competitiveness and global performance of the business sector
2. Promoting employment through economic development, employment, education and social inclusion policies, taking account territorial disparities
3. Enhancing energy and resource efficiency
4. Tackling social inclusion and demographic challenges
5. Implementation of local and territorial development aimed at promoting economic growth

These funds provide financial basis for Hungary's medium and long-term development strategy. They will mobilize additional public national and private funding for growth and job creation and will reduce regional disparities in Hungary. Investments will focus on enhancing innovation activity and competitiveness of enterprises in order to increase their added value and integration into the international value chain also through better access to financing. They will also stimulate growth, create jobs and improve the performance of the research, development and innovation system, including through matching the labour market demand through high quality higher education supply, cooperation with the business sector and increased private investment. One further feature of Hungary's development goals is its shift to a low carbon economy, which means improving energy efficiency in buildings and enterprises, sustainable management of natural resources and an increasing share of renewable energy sources in the overall energy structure.

Investing in human capital and helping people enter the labour market will be a top priority in Hungary with a focus on issues highlighted in the country specific recommendations. A strong emphasis is placed on combating youth unemployment. The funds will finance initiatives to improve the quality of education and training systems in view of ensuring a better match with labour market demand. Vocational education and early childhood care and education also constitute important areas for investment. The funds will continue to finance projects that help people in difficulty and those from disadvantaged groups to get more support to have the same opportunities as others to integrate into society. Children, marginalised Roma communities or people with disabilities are all among those who should benefit the most. The ESF will also support Hungary's efforts to improve the quality of its public administration through structural reforms by giving them the necessary institutional capacities.

A substantial share of ESIF will be devoted to upgrading Hungary's infrastructure, in particular in the field of transport. Beyond rail investments emphasis will be put on improving urban and suburban transport connections and enhancing regional connectivity to the Trans-European Transport Networks. In the waste and water sectors, some investments are still needed to make sure EU environmental requirements are fulfilled.

The financial support provided by the European Maritime and Fisheries Fund (EMFF) will contribute to the renewal of the fish farming infrastructure, to spreading of environmentally friendly, energy efficient and water-saving technological solutions, as well as to the increase of the consumption of quality fresh fish and fish products by means of appropriate marketing, technological development and the establishment of a national sales chain. Aquaculture providing environmental services will be also supported in the framework of the environmental management programme.

Hungary has chosen to finance investment under all 11 thematic objectives defined in the Regulations. Details on thematic objectives are presented in Table 1.

Chosen expected results

Investments are aimed at addressing key challenges ahead of the country where development gaps are significant. The ESI funds will assist Hungary in strengthening social, economic and territorial cohesion and in particular achieving national targets of EU2020 and its flagship initiatives:

- R&I expenditure in relation to GDP is to increase from 1.3% (2012) to 1.8% (2020) leveraging private R&I spending from 0.34 to 0.8 GDP.
- In relation to energy objectives, ESI Funds will provide a significant contribution to reducing energy consumption in buildings and enterprises and facilitate achieving the target of 14.65% share of renewable energy in total energy consumption by 2020 (9.6% in 2012).
- Concerning education, the ESI Funds will contribute reaching the 30.3% target of people acquiring higher education degrees (30-34 age cohort) and reduce early school leaving to 10% (11.8% in 2012) by 2020.
- The funds aim to improve the Hungarian business environment by reducing administrative burden for businesses and improve investors' confidence.

The commitments made in the Hungarian National Reform Programme as well as the Council Recommendations for Hungary (CSRs) were reflected in the PA. With this approach, interventions co-financed from European Structural and Investment Funds (ESIF) will reinforce the efforts of Hungary aimed to carry out the necessary reforms and the fulfilment of the Recommendations. The Partnership Agreement, which is the strategic framework for ESI Funds, sets out clear political commitments in line with the strategic goals of Europe 2020, the EU's growth strategy.

Budget

In 2014-2020 Hungary is allocated around €21.9 billion for Cohesion Policy (ERDF, ESF, Cohesion Fund) including €49.8 million for the Youth Employment Initiative and €361.8 million for territorial cooperation. Additional €3.45 billion will be devoted to development of the agricultural sector and rural areas from the European Agricultural Fund for Rural Development (EAFRD). The allocation for European Maritime and

Fisheries Fund (EMFF) amounts to some €39 million. Details on the allocation are given in a table below.

Concentration of funds on limited number of priorities is one of the main principles of the reformed cohesion policy. For Hungary, thematic concentration, meaning the level of ERDF expenditure aimed at research and innovation (TO1), ICT (TO2), competitiveness of enterprises (TO3) and low carbon economy (TO4) in relation to allocation account for 58.9% at national level. (TO4) the country will spend 13.25% of the ERDF allocation to promote the low carbon economy further to the EUR 845 M dedicated from the Cohesion Fund. Thematic concentration is kept above the minimum requirements.

The share of ESF in the allocation of ESI Funds amounts to 30.46% and is well above the required minimum share of 24%.

Concerning EAFRD, 47% of its total budget will be devoted to climate change and environmental related actions planned under TO4 (low carbon economy), TO5 (climate change) and TO6 (environment protection and resource efficiency), which is well above the required minimum share of 30%. TO3 (competitiveness of the agricultural sector) will receive 25% of the total EAFRD contribution with a specific focus on adding value to agricultural products and young farmers support. Under this TO some new measures are also planned as the support of short supply chain and risk management instruments. The promotion of social inclusion, poverty reduction and economic development in rural areas planned under TO8 (employment) and TO9 (social inclusion and poverty) will get 22% of the total EAFRD contribution.

The whole territory of Hungary, except for the capital region of Budapest, belongs to less developed regions. Significant attention is given to the territorial dimension of interventions in particular in the area of urban development. At least 5% of the ERDF allocation will be invested in sustainable urban development actions implemented in Hungary mainly through dedicated priority axes in the territorial OPs. At least 5% of total EAFRD contribution to the rural development programme, 0.97% of the total ERDF and 1.04% of the total ESF allocation will be reserved for the Leader and Community Led Local Development actions.

20.31% of the allocation will make contribution to climate change mitigation and adaptation measures.

Programmes architecture

Cohesion policy will be delivered through 7 operational programmes (OPs), meaning a simplified programme architecture compared to the 2007-13 period (15 OPs):

- 2 national OPs co-financed by ERDF and ESF (Economic Development and Innovation OP, Human Resources Development OP)
- 2 national OPs co-financed by ERDF and CF (Integrated Transport OP, Environment and Energy Efficiency OP);
- 1 national OP co-financed by ESF and CF (Public Administration and Services OP);
- 2 territorial OPs co-financed by ERDF and ESF; one covering all less developed regions and the other the more developed region of Central Hungary

Moreover there is 1 Rural Development Programme (financed by EAFRD) and 1 Fisheries programme (financed by EMFF).

Details on allocations to operational programmes are presented in table 2.

Thematic objectives	ERDF (€)	ESF (€)	CF (€)	EAFRD (€)	EMFF (€)	TOTAL (€)
(1) strengthening research, technological development and innovation;	2 148 860 450	0	0	85 609 625	0	2 234 470 075
(2) enhancing access to, and use and quality of, ICT;	689 265 295	0	0	0	0	689 265 295
(3) enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);	2 071 435 900	0	0	853 251 242	20 267 058	2 944 954 200
(4) supporting the shift towards a low-carbon economy in all sectors;	1 425 387 797	0	845 597 151	532 278 345	5 000 000	2 808 263 293
(5) promoting climate change adaptation, risk prevention and management;	0	0	888 196 396	126 551 958	0	1 014 748 354
(6) preserving and protecting the environment and promoting resource efficiency;	1 011 757 443	0	1 397 475 387	970 463 650	12 744 468	3 392 440 948
(7) promoting sustainable transport and removing bottlenecks in key network infrastructures;	631 099 276	0	2 700 708 949	0	0	3 331 808 225
(8) promoting sustainable and quality employment and supporting labour mobility;	1 497 946 769	1 723 979 610	0	291 718 633	732 900	3 514 377 912
(9) promoting social inclusion, combating poverty and any discrimination;	862 827 154	1 056 904 966	0	457 585 678	0	2 377 317 798
(10) investing in education, training and vocational training for skills and lifelong learning;	418 200 606	1 246 399 567	0	54 949 286	0	1 719 549 459
(11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration.	0	684 855 782	0	0	0	684 855 782
Technical assistance	0	0	193 449 129	82 928 076	351 867	276 729 072
TOTAL	10 756 780 690	4 712 139 925	6 025 427 012	3 455 336 493	39 096 293	24 988 780 413

Table 2: Allocation to programmes

Operational programme	ESI Fund	Allocation (EUR)
Human Resources Development OP	ERDF, ESF	2 612 789 000
Economic Development and Innovation OP	ERDF, ESF, YEI	7 684 204 174
Public Administration and Services OP	ESF, CF	794 773 905
Environmental and Energy Efficiency OP	ERDF, CF	3 217 105 883
Integrated Transport OP	ERDF, CF	3 331 808 225
Territorial OP	ERDF, ESF	3 389 963 001
Competitive Central Hungary OP	ERDF, ESF	463 703 439
Rural Development Programme	EAFRD	3 455 336 493
OP Fisheries	EMFF	39 096 293