Ex Post Evaluation of Cohesion Policy Programmes
2000–2006 financed by the
European Regional Development Fund in
Objective 1 and 2 regions

Work package 1: Coordination, analysis and synthesis

Task 4: Development and achievements in Member States

HUNGARY
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PREFACE

This report is intended to summarise the main aspects of regional disparities, the changes in these which occurred over the 2000–2006 programming period and the principal features of regional development policy over this period in terms of the objectives, the way that it was implemented and the contribution of the Structural Funds. It also reviews the evidence on the effects of policy as regards both the direct results of expenditure in the different policy areas and the wider impact on development as such.

It is based on three primary sources of information. The statistical data on regional and national developments over the period so far as possible come from Eurostat in order to ensure comparability with other studies carried out at EU level as well as with the other national reports produced as part of the ex post exercise.

The data on the allocation of funding and expenditure come from the INFOVIEW database maintained by DG REGIO, which itself is based on regular information from the Member States on the allocation of funding and the payments made.

Information on policy objectives, on the results of expenditure and the wider effects of this and on the procedures adopted as regards the implementation of policy comes from various programming documents and national evaluation reports as well as from impact studies which have been carried out on the actual or intended effects of programmes.

The reports, therefore, are based on existing information – or more precisely, the information available at the time they were prepared (around mid–2008) – and no new evaluation has been undertaken for purposes of preparing the report.

The report has been prepared by the Applica–Ismeri Europa–wiiw Consortium, which is coordinating the work on the ex post evaluation of ERDF expenditure in Objective 1 and 2 regions, working closely with a national expert who was responsible for interpreting the quantitative data and the other information indicated above.1 Although the contents of the report have been checked with officials in DG REGIO and with the national authorities, responsibility for any errors in the factual information presented or its interpretation rests with the authors and the views expressed do not necessarily reflect those of DG REGIO or the national authorities.

1 This report was produced with the assistance of Attila Bartha, Kopint–Tárki, Budapest
EXECUTIVE SUMMARY

Over the period 2000–2006, Hungary experienced a gradual deceleration of economic growth. After strong real convergence for 10 years, 2006 was the first year when GDP growth fell below 4%. Convergence, however, was accompanied by increasing fiscal imbalances and by a widening of regional disparities within the country with little improvement in the growth prospects of the most lagging regions despite the significant fiscal expansion which occurred as government expenditure was increased.

Regional inequalities, therefore, remain stubbornly wide. Three NUTS 2 regions (Közép–Magyarország – Central Hungary, Közép–Dunántúl – Western Transdanubia and Nyugat–Dunántúl – Central Transdanubia) grew faster than the national average over the period 1995–2006, while the other four NUTS 2 regions (Dél–Dunántúl – Southern Transdanubia, Dél–Alföld – Southern Great Plain, Észak–Magyarország – Northern Hungary and Észak–Alföld – Northern Great Plain) lagged behind. Although there was an improvement in transport links between the two groups of regions and intensive development of motorways in the lagging ones, this has so far not had any evident effect on regional disparities. At the same time, differences in educational attainment levels between regions remain wide.

The formulation of regional policy has been problematic. The newly-created NUTS 2 regions have an ongoing problem of establishing their legitimacy, since the traditional territorial units of the central administration, the counties, which are defined at the NUTS 3 level remain important so far as decision-making on territorial development policy is concerned.

The Hungarian National Development Plan (NDP) for the period 2004–2006 introduced five programming documents. Although one of them was the Regional Development Operational Programme (RDOP), only a relatively small amount of resources was allocated to this. Moreover, the RDOP does not contain elements of classical regional development policy but is limited to pursuing a few specific objectives relating to tourism, physical infrastructure and education. The implementation of the NDP policies was highly centralised and the trend which had been evident for some time of continuously widening regional inequalities was not altered perceptibly. In terms of absorption, the implementation of the NDP programmes during the 2004–2006 period was successful, though various evaluations have identified significant deadweight loss and crowding-out effects. The strong emphasis on innovation and R&D policies was beneficial especially for Közép–Magyarország, the most developed region. However, though it is difficult to reach firm conclusions on the long-term effects on growth of the 2004–2006 NDP, it is possible that the predominance accorded to the achievement of financial goals (i.e. maximising absorption) limited the impact of EU funds on growth and employment.
Nevertheless, in future, the creation of regional institutions may serve as a good basis for the implementation of a more coherent regional development policy.

MAP OF HUNGARY – OBJECTIVE 1 REGIONS
1 REGIONAL CHARACTERISTICS AND SOCIO–ECONOMIC CONTEXT

Regional disparities in Hungary have widened continuously over the post–socialist period. In 2005, 47% of total Hungarian GDP was produced by Közép–Magyarország (the central Hungarian region where Budapest is situated) which accounts for only 28% of the population. (Budapest alone was responsible for 37% of GDP and just 17% of population.) GDP per head in Közép–Magyarország was, therefore, 66% higher than the national average, while in the two least prosperous regions (Észak–Magyarország and Észak–Alföld in the north of the country), it was 36–37% lower. All of the Hungarian regions, including Közép–Magyarország, were eligible for Objective 1 support between 2004 and 2006, though because its GDP per head had increased well above 75% of the EU average, Közép–Magyarország was no longer eligible for Objective 1 support after 2006.

The widening regional disparities reflect the main trends of spatial development in Hungary, with regions in the Western and North–Western part of the country experiencing relatively high growth and regions in the rest of the country being typically backward, partly as a consequence of their peripheral position, especially the areas bordering Romania and the Ukraine, which are mostly far from relatively developed centres of economic activity. The fastest growing regions over the 11 years 1995–2006 were, therefore, Közép–Magyarország, Közép–Dunántúl and Nyugat–Dunántúl in the West and North–West of the country – though growth in Nyugat–Dunántúl, which had been the fastest growing region in the period 1995–1999, slowed down in the following 6 years – and the slowest growing were the other four in the rest of the country (see Table 1).

Besides geographical position, the main factors underlying regional disparities are related to difference in human capital and physical infrastructure. The nature of Hungarian economic growth over the past 15 years, with manufacturing exports being the main driver, tended to widen regional disparities. Foreign direct investment (FDI), therefore, was concentrated in the three most developed regions, which together accounted for 85% of inflows. This also led to widening differences in employment, with the number employed exceeding 61% of working–age population (15–64) in 2006 in Közép–Magyarország, Közép–Dunántúl and Nyugat–Dunántúl, the three North–Western regions, and being under 55% in the other four regions, and only around 50–51% in Észak–Magyarország and Észak–Alföld. Moreover, the only region where business services, and market services in general, represent a dynamic source of value–added and employment growth is Közép–Magyarország.

Nevertheless, regional policy has led to a reduction in differences in the endowment of physical infrastructure, with intensive construction of motorways in the lagging regions,
though so far this has not had a discernible effect in narrowing regional disparities. Education attainment levels have also increased in the lagging regions – indeed, among the largest increases over the period in the proportion of population aged 25–64 with tertiary level qualifications was in Észak–Alföld, where it rose by 4 percentage points between 2001 and 2006, while in Dél–Alföld, the proportion rose by over 3 percentage points. Nevertheless, this was still much less than in Közép–Magyarország, where the increase was almost 7 percentage points.

The gap in education levels between the different regions of the country, therefore, remained wide, not only between Közép–Magyarország and the rest but also between the Western and North-Western regions and those in the East and South, the difference in the proportion of working–age population with only basic schooling, in particular, still being significant at the end of the period. In Észak–Alföld, the proportion was over 28%, despite the reduction which occurred in this over the period (of almost 8 percentage points), still 8 percentage points more than in Nyugat–Dunántúl, where the reduction over the period was even larger, and almost twice the proportion in Közép–Magyarország (where the reduction over the period was larger still).

Differences in the structural pattern of value-added across regions have also not changed greatly over the past decade. Manufacturing, especially automotive production and electronics, remains important in Közép–Dunántúl and Nyugat–Dunántúl, accounting for almost 40% of total regional value-added.

In the North of the country, the structure is similar, though production and employment levels are much lower because human capital is less developed and there is less concentration on medium–to–high tech industries, while transport links are weaker and there is less possibility of commuting. In Dél–Dunántúl, Észak–Alföld and especially Dél–Alföld, agriculture remains important, Dél–Alföld producing around a quarter of the total value-added in agriculture in Hungary.

On the other hand, agriculture accounts for under 1% of value-added in Közép–Magyarország, while services are responsible for almost 80%.

In sum, regional disparities have widened since the early 1990s and the main structural differences in output and employment have remained largely unchanged, as have differences in education levels.

2 NATIONAL MACROECONOMIC CONTEXT AND POLICY

Hungary experienced a gradual deceleration of economic growth over the period 2000–2006. Following 10 years when GDP per head consistently converged each year towards the
EU average, 2006 was the first year when GDP growth fell below 4%. However, GDP growth of 4–5% between 2001 and 2005 was maintained by an unsustainable, expansionary fiscal policy, the budget deficit increasing from 4% of GDP in 2001 to over 9% in 2006 (Table 2), which served to undermine growth prospects in subsequent years as the budget deficit was brought down. (GDP, therefore, grew by only just over 1% in 2007 and by just 0.6% in 2008. Although inflation fell over the period 2001–2006 as fiscal policy was expanded, it was still 4% in 2006 and subsequently rose to nearly 8% in 2007 before slowing down slightly to 6% in 2008.

Nevertheless, fiscal expansion did not lead to any narrowing of regional disparities since the increase in government expenditure, which rose from just over 47% of GDP to 52% between 2001 and 2006 before falling to under 50% in 2007 and 2008, mainly went on current spending (on wages and salaries and pensions in particular). There was only a limited increase, therefore, in expenditure on regional development, with general government fixed investment rising from 3.7% of GDP to 4.4% over the same period but then being reduced in the budget cuts to under 3% of GDP by 2008.

As a result, Hungary ended the period with GDP growth slowing down, the budget deficit increasing markedly, cumulated government debt rising equally rapidly (to around 66% of GDP in 2006 and 73% of GDP in 2008 having been 52% just five years earlier), inflation rising to relatively high levels again and with little sign of any significant improvement in the development prospects of lagging regions. On the other hand, the institutional framework for regional policy was developed over the period, even though decision-making and the allocation of financial resources remained highly centralised.

3 REGIONAL DEVELOPMENT POLICY AND CONTRIBUTION OF THE STRUCTURAL FUNDS

Main objectives of regional development policy

Accession of Hungary to the EU and entitlement to support from the Structural Funds was accompanied by a new regional division of the country, along with fiscal decentralisation. The formulation of regional policy, however, was problematic. The creation of the new regions (initially termed ‘planning–statistical regions’ by the Hungarian Central Statistical Office) was coupled with continuous debate among academic and policy researchers as well as politicians over the new regional borders created. Ultimately, the regional authorities remained weak without any financial resources of their own. Moreover, the traditional territorial units of the Hungarian administration, the counties, which are defined at the NUTS
3 level, were left intact and remained important participants in the regional development policy-making process.

After a lengthy process of negotiation, the Hungarian National Development Plan (NDP) for the period 2004–2006 introduced five programming documents: the Economic Competitiveness Operational Programme (ECOP), the Human Resource Development Operational Programme (HRDOP), the Environmental Protection and Infrastructure Operational Programme (EP IOP), the Agricultural and Rural Development Operational Programme (ARDOP) and the Regional Development Operational Programme (RDOP). In addition to increasing the competitiveness of the economy and improving the use of human resources, the “achievement of a better environmental and a more balanced regional development” became a major stated objective. So far as regional policy was concerned, the NDP itself underlined that “In the programming period 2004–2006 Hungary will not implement separate NUTS 2–level RDPs, but may well choose to do so in future programming periods.”\(^2\) (Seven separate NUTS 2–level regional operational programmes were in fact implemented in the 2007–2013 period.)

Although in a formal sense the RDOP was a regional development operational programme, its logic followed the traditional Hungarian territorial policy approach, which is not really to focus on regions as such. In addition, the RDOP had very limited resources\(^3\). Accordingly, it did not contain elements of classical regional policy but was instead aimed at achieving a few specific objectives relating to tourism, physical infrastructure and education.

The main priority areas of the RDOP were as follows:
1. The development of regional economic environment;
2. The development of settlement infrastructure;
3. The development of human resources in the regions.

**Development of the regional economic environment**

The NDP focused on tourism, the development of services and higher education under this heading. The aim, on the one hand, was to promote the development of existing tourist attractions in areas with a significant potential for tourism, on the other, to expand jobs in the service sector in lagging regions. The third aim was to construct additional higher education institutions.


\(^3\) Hungarian National Development Plan 2004–2006, p. 227
Development of settlement infrastructure

The NDP under this heading was concerned with strengthening networking between micro-regional centres. The main elements consisted of developing environmental and community infrastructure, protecting the physical heritage (historic buildings and so on), improving the residential environment and rehabilitating brownfield sites. It also included smaller projects to develop communal services.

It is noteworthy that each priority area of the RDOP contained elements that were similar to priorities in the sectoral operational programmes, but they tended to be smaller in size, such as in the case of communal services and transport infrastructure projects which were all much smaller than those financed under the EPIOP. On the other hand, however, tourist projects financed under the RDOP were much larger in size than the projects to increase the tourist accommodation available in rural areas financed under the ARDOP.

Development of human resources in the regions

The NDP under this priority was aimed, in the more developed regions, at increasing the capacity of the work force to adapt to local problems through the provision of training programmes and in the lagging regions, at increasing educational attainment levels.

Regional development policy elements in other operational programmes

The sectoral operational programmes of the NDP had access to more resources than the RDOP. The ECOP was co-funded solely from the ERDF, while the HRDOP was co-financed by the ESF as well as the ERDF. Whereas the RDOP was aimed at improving transport networks within regions, the EPIOP funded a number of projects for improving transport links between regions. The HRDOP, like the RDOP, had the objective of “improving adaptability and entrepreneurial skills”, if more generally across the country rather than in specific regions.

As noted above, one of the priorities of the ARDOP was to develop rural areas through making villages more attractive and encouraging the provision of high standard and diverse services. The activities financed, however, were on a much smaller scale than those financed by the RDOP, which in this case were mainly centred on the development of tourism – though of course any measures to make rural areas more attractive also tend to serve to this end.

Allocation of expenditure

In terms of the allocation of funding, the main policy areas supported were transport (just under 14%), agriculture and forestry (11%), social infrastructure (11%), education and training (just over 10%) and assisting SMEs and the craft sector (10%). Finance from the Structural Funds served to increase the overall share of funding going to agriculture, education and
social infrastructure, while national funding was concentrated more on supporting SMEs and more generally improving the enterprise environment as well as on strengthening telecommunications and the information society ICT (Table 3).

Financial execution

In general, the evidence suggests that problems in absorbing the funding allocated were limited. By end–2008, around 92% of the budget allocated had been spent and in a number of areas– enterprise environment, transport, environment and energy – the figure was around 100% (Table 4).

Nevertheless, there are a few areas where expenditure was well short of the funding allocated at the end of 2008, in particular education and training, where spending represented only around 72% of the budget allocated, where there still appear to be problems of absorption.

4 EFFECTS OF INTERVENTION IN DIFFERENT POLICY AREAS

Since support from the Structural Funds was available only from mid–2004 onwards, it is very difficult to quantify the direct economic and social impact. The lack of coherent and relevant data, however, also prevents a satisfactory analysis of the effects of intervention from being undertaken. In what follows, a number of fragmented pieces of information only are presented.

Enterprise environment (including assistance to large business organisations, SMEs and handicrafts, RTDI)

The interventions relating to strengthening the enterprise environment were carried out under the Economic Competitiveness OP. According to official indicators, both the additional value added and the additional employment resulting from the programmes (investment promotion, the development of SMEs, RDTI and the information society) were more than three times larger than the targets set. However, the validity of the figures concerned is questionable. The ECOP 2006 report itself underlines the fact that, according to a non–specified external expert estimate, the additionally generated employment (including both newly generated jobs and maintained ones) amounted to just under 29,100 at the end of 2006 as compared with a target of 21,500, still larger but much less so. It does seem to be the case, however, that most of the additional value–added generated by the programme (though less of employment) was in the strongest region, Közép–Magyarország, which
according to the annual report accounted for over three-quarters of the increased value-added produced by expenditure.

**Human resources**

While the projects relating to active labour market policies have been implemented on schedule, according to the information available at the end of 2007, by which time the number of participants had exceeded the targets, projects relating to the fight against social exclusion have experienced some delay, with the outcome being only around 45% of the target. In addition, as noted above, projects relating to vocational training, especially those involving Regional Integrated Vocational Training Centres (RIVTCs) have been subject to even greater problems. The number of people successfully completing lifelong learning and adaptability programmes was, therefore, under 8% of the target. Moreover, the number of households receiving newly established or upgraded social services fell even further short of the target, at only 5% of the latter.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target value (end-2008)</th>
<th>Outcome (end-2006)</th>
<th>Outcome as % target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority: Supporting active labour market policies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of people qualifying</td>
<td>22,880</td>
<td>16,148</td>
<td>70.6</td>
</tr>
<tr>
<td>Number of participants obtaining employment or experiencing improvement in labour market</td>
<td>10,600</td>
<td>11,120</td>
<td>104.9</td>
</tr>
<tr>
<td>Average duration of reported vacancies (days)</td>
<td>30.0</td>
<td>31.5</td>
<td></td>
</tr>
<tr>
<td><strong>Priority: Combating social exclusion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of people qualifying</td>
<td>25,000</td>
<td>11,200</td>
<td>44.8</td>
</tr>
<tr>
<td>Number of participants obtaining employment or experiencing improvement in labour market</td>
<td>4,500</td>
<td>6,897</td>
<td>153.3</td>
</tr>
<tr>
<td><strong>Priority: Promoting lifelong learning</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of people qualifying</td>
<td>163,720</td>
<td>12,624</td>
<td>7.7</td>
</tr>
<tr>
<td>Number of participants obtaining employment or experiencing improvement in labour market</td>
<td>76,300</td>
<td>65,447</td>
<td>85.8</td>
</tr>
<tr>
<td><strong>Priority: Developing educational, social and healthcare infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of households receiving newly established or upgraded social services</td>
<td>4,000</td>
<td>216</td>
<td>5.4</td>
</tr>
<tr>
<td>Number of students benefiting from infrastructure development</td>
<td>80,000</td>
<td>84,897</td>
<td>106.1</td>
</tr>
</tbody>
</table>


**Transport infrastructure**

The transport projects supported had succeeded in constructing or improving just over 100 kilometres of road by the end of 2006 as compared with a target of 260 kilometres, though given the timing of projects of this kind, the outcome could well be close to the target if not higher by the end of 2008 when the budget allocated needs to be spent.
Environment and energy

Support for projects aimed at increasing the renewable energy supply had resulted in capacity increasing by around two-thirds of the target set by the end of 2006, which suggest that the programme was on schedule to achieve its direct objective in these terms. In addition, projects for improving environmental protection seemed also to be on or ahead of schedule, by this date the land area concerned being over 85% of that targeted. On the other hand, little headway had been made in increasing water and sewage treatment capacity for towns with under 50,000 people.

Territorial policy

Under the Regional Development Operational Programme, there was only one target set for territorial policy, which was that at least 75% of funding for development projects had to go to the four least prosperous regions and at the end of 2006, the actual figure was just over 77%. As regards support for tourist attractions, the target set had been reached by end-2006.
5 FORMS OF INTERVENTION AND THE IMPLEMENTED POLICY MEASURES

The main form of intervention (in the period 2004–2006) was direct grants to investment.

Expenditure by broad category and form

<table>
<thead>
<tr>
<th>Policy Categories</th>
<th>Total public expenditure</th>
<th>Main forms of intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR (mn)</td>
<td>%</td>
</tr>
<tr>
<td>1 Direct support to firms</td>
<td>839.1</td>
<td>33.7 Direct grants to investment, pro-active advisory services to investment promotion, grants to advisory, information and training services</td>
</tr>
<tr>
<td>2 RTDI</td>
<td>151.4</td>
<td>6.1 Direct grants to firms, subsidies to R&amp;D centres</td>
</tr>
<tr>
<td>21 Direct support to firms for R&amp;D</td>
<td>74.6</td>
<td>3.0</td>
</tr>
<tr>
<td>22 Indirect support for innovation</td>
<td>76.8</td>
<td>3.1</td>
</tr>
<tr>
<td>3 Infrastructure</td>
<td>529.2</td>
<td>21.3 Direct grants to public investment (central programmes), direct grants to private investment</td>
</tr>
<tr>
<td>31 Transport infrastructure</td>
<td>360.3</td>
<td>14.5 Direct grants to investment</td>
</tr>
<tr>
<td>32 Other infrastructure</td>
<td>169.0</td>
<td>6.8 Direct grants to investment</td>
</tr>
<tr>
<td>4 Human capital</td>
<td>202.6</td>
<td>8.1 Subsidies to support services, direct grants to public and private investment</td>
</tr>
<tr>
<td>5 Local environment</td>
<td>765.9</td>
<td>30.8 Subsidies to advisory services, direct grants to public investment</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,488.2</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*This is based on the DG Regional Policy ‘Infoview’ database. For the relationship between the forms of intervention (the ‘instruments’) and the Infoview categories, see the table at the end of the report.*
6 POLICY IMPLEMENTATION

Although the formulation of regional policy was far from being a new development for Hungarian policy-makers and administrative bodies, the implementation of the new cohesion programmes proved to be difficult in various respects. A lack of tradition of regional decentralisation led not only to the strategic planning and programming of the NDP being highly centralised but also the implementation of policies. From the perspective of the administrative bodies that were responsible for the implementation of the programmes, the main goal was to maximise the capacity to absorb funding and spend the finance allocated rather than to maximise the effect on growth or employment.\(^5\)

The various evaluations which have been carried out have unanimously concluded that from the standpoint of absorption, the implementation of the NDP programmes was successful. On the other hand, the lack of an efficient regional decentralisation structure created a relatively complicated institutional framework for the pursuit of regional development policy goals. Although there has been only limited monitoring and evaluation of the effects and effectiveness of the programmes implemented, the price of successful absorption seems evident. The programmes implemented, therefore, tended to favour the more developed regions where there was less risk of budgets not being spent. Although reducing regional disparities was stated to be one of the main aims of the different operational programmes, this was not reflected in the criteria used in the process of project selection projects. Moreover, since both deadweight loss and crowding-out effects were found to be pronounced, the overall effect on growth and employment remains questionable.

The 2007–2013 programming period, however, is likely to provide a more supportive institutional framework for the implementation of regional policy in the future as a result of the experience gained by the regional administrative bodies during the 2004–2006 period.

7 GLOBAL EFFECTS

In the 2004–2006 programming period, there is little sign that the overall contribution of structural intervention had a positive effect in narrowing disparities between Hungarian regions. The continuous trend towards widening regional inequalities which has been evident since the early 1990s does not seem to have altered as a result. Several factors contributed to this. First, although there was a specific regional OP during the period, there was no autonomous regional development policy as such and development policy overall

\(^5\) Kullmann Á. (2007)
remained strongly centralised. In addition, the emphasis on support for innovation and strengthening the institutional capacities of the more developed regions in this respect served to widen regional inequalities further.

However, apart from the positive effects of pursuing various general EU objectives – sustainable development and equal opportunities above all – a distinct gain from access to funding was that institutional capacity in each of the Hungarian (Objective 1) regions was strengthened. In the future, the regions concerned may well be able to develop an autonomous and coherent regional policy. The experience of partnership, consultation and the active involvement of local experts and civil society representatives in the process will also help in this regard.

8 ADDED VALUE OF THE EU CONTRIBUTION

As the 2004–2006 programming period was very short, any assessment of the added-value of the EU contribution to the development process is difficult and uncertain. However, the evaluations which have been carried out point to some positive effects of EU funding as well as some effects which are less positive.

With regard to the less positive effects, according to an independent evaluation of the ECOP, only 10% of investment grants and the SME support programme financed from EU sources can be considered as adding value. In the case of support for the larger companies, typically competing in international markets, the deadweight loss in itself was close to 90%, while on the specific programmes supporting SMEs, the crowding–out effect was estimated to be close to 50% and the deadweight loss alone is estimated at around 80%.

Another important potential effect of EU funding is that it is likely to have contributed to widening rather than narrowing regional disparities. The strong emphasis on innovation and R&D policies in the ECOP, therefore, led to Közép–Magyarország, the most developed Hungarian region, where innovation and R&D capacity is predominantly concentrated, gaining much more than others.

Moreover, although it is not possible to come to any firm conclusions about the long–term effects on growth of the NDP over the 2004–2006 period, it is not unlikely that the predominance accorded to the achievement of financial goals (i.e. maximising the absorption of funding) limited the potentially positive effects of EU support on growth and employment⁶.

⁶ State Audit Office of Hungary, 2006
This leaves the experience gained from the implementation of cohesion policy over the period, and the institutional structures which were developed before and during these years, which have opened the way to the potential design and execution of a coherent and effective regional policy, as perhaps the most obvious gain from EU intervention.

9 LESSONS FOR THE FUTURE

The experience of the short 2004–2006 programming period provides a number of lessons for Hungarian regional policy and the implementation of EU cohesion policy principles in the future. The creation of regional institutions may serve as a good basis for the implementation of a more coherent and balanced regional development policy for tackling the challenges of low levels of employment and the limited potential for growth in the lagging regions in the coming years. The main lessons include:

- Regional policies should be formulated on the basis of coherent long-term strategies for development – i.e. they need to take explicit account of the existing deficiencies of the lagging regions in terms of, for example, an unfavourable structure of economic activity and develop conscious policies for tackling these.

- Stronger administrative capacity and increased institutional and financial responsibilities are vital for regional authorities to make more efficient use of funds, which means strengthening the administrative authorities created at NUTS 2 level at the beginning of the decade in the decision-making process.

- Better cooperation between all those involved in development policy (different ministries, local governments and regional authorities) is essential for policy to be implemented more efficiently and effectively.

- Increased emphasis needs to be put on supporting human resource development in lagging regions and reducing the disparity in this respect between these and the more developed regions as well as on strengthening intra-regional transport networks in addition to building motorway links between regions.
REFERENCES


IMPACT EVALUATIONS

There are no rigorous impact evaluation studies on the Hungarian National Development Plan. It is noticeable, however, that since the beginning of 2007 there has been an evident shift of focus away from the ongoing ex-post evaluation of the 2004–2006 NDP towards the ex-ante evaluation of the 2007–2013 NDP. However, a number of reports on the evaluation of the former are listed below.
KPMG (2006): A gazdasági versenyképesség operatív program közbenső értékelése. (Midterm evaluation of the Economic Competitiveness Operational Programme.)
MTA RKK, Békéscsaba (2007a): A fenntartható fejlődés mint horizontális elv érvényesülése a Regionális Operatív Programban. (Evaluation of the validity of the horizontal principle of sustainable development in the RDOP.)
MTA RKK, Békéscsaba (2007b): Az esélyegyenlőség mint horizontális elv érvényesülése a Regionális Operatív Programban. (Evaluation of the validity of the horizontal principle of equal opportunity in the RDOP.)

**TABLES**

See Excel file for Tables 1 to 6:

Table 1: Regional disparities and trends

Table 2: Macro-economic developments

Tables 3: Allocation of resources by main policy area

Table 4: Expenditure at 2007 by policy area

Table 5: Allocation of resources by programme

Table 6: Expenditure by programme
CORRESPONDENCE BETWEEN POLICY INSTRUMENTS AND FOI CATEGORIES

<table>
<thead>
<tr>
<th>Code</th>
<th>Policy instruments</th>
<th>FOI Categories</th>
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<tr>
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<td>Agriculture</td>
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<td>12</td>
<td>Forestry</td>
<td>121+122</td>
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<tr>
<td>13</td>
<td>Fisheries</td>
<td>142+143+144</td>
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<tr>
<td>14</td>
<td>Large businesses</td>
<td>151+152+153+154+155</td>
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<td>15</td>
<td>Small businesses</td>
<td>161+162+163+164+165+166</td>
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<tr>
<td>16</td>
<td>Tourism</td>
<td>171+172+173</td>
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<tr>
<td>17</td>
<td>ICT</td>
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<td>18</td>
<td>Development of rural areas</td>
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<tr>
<td>19</td>
<td>Planning and rehabilitation</td>
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<td>Direct support to firms for innovation</td>
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<td>Telecommunication</td>
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<td>Energy infrastructure (production, delivery)</td>
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<td>Environmental infrastructure (including water)</td>
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<td>42</td>
<td>Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (persons, firms)</td>
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<td>51</td>
<td>Indirect support to firms (agriculture, forestry, fisheries)</td>
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<td>52</td>
<td>Social infrastructure and public health</td>
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<tr>
<td>53</td>
<td>Planning and rehabilitation</td>
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<td>Social inclusion and equal opportunity</td>
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<tr>
<td>58</td>
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Note: Forms of Intervention – FOI. See Regulation 438/2001, Annex IV, Classification 3