



Organisation for Economic  
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Local Economic and Employment  
Development Programme

## **IMPLEMENTATION GUIDELINES ON EVALUATION AND CAPACITY BUILDING FOR THE LOCAL AND MICRO REGIONAL LEVEL IN HUNGARY**

### **REPORT**

#### **ON EVALUATION OF LOCAL DEVELOPMENT STRATEGIES IN HUNGARY**

*A report prepared by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development in collaboration with the Ministry for National Development and Economy of Hungary*

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This report has been prepared within the project “*Implementation guidelines on evaluation and capacity building for the local and micro regional level in Hungary*” as part of the activity of the OECD’s Local Economic and Employment Development Programme on Strategic Evaluation Frameworks for Regional and Local Development. The principal authors are Neil MacCallum (Neil MacCallum Associates, UK) and Petri Uusikyla (Senior Partner at Net Effect Ltd. Finland). Further written inputs were provided by Stefano Barbieri (OECD) and Jonathan Potter (OECD). The report was prepared under the supervision of Stefano Barbieri and Jonathan Potter of the OECD Secretariat.

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## 1. INTRODUCTION

### **The importance of a strategic evaluation framework**

Regional and local development strategies and programmes are now characteristic of all OECD Member countries. They may be concerned with a wide range of issues: economic competitiveness and growth; employment and local labour market issues; local public services; environmentally sustainable development. Many are multidimensional, covering several of these domains. Some are the result of purely local initiatives but many are initiated and supported by national policies and programmes.

National governments support the development of regional and local strategies and programmes because of the key role local actors play in identifying solutions for local problems and in recognising locally specific opportunities for growth. However, while regional and local development interventions are widely seen to be of value, the measurement of their progress and impacts is often too weak to enable evidence-based policy improvements. Increasing and improving regional and local development monitoring and evaluation is therefore a priority.

Each level of government – national, regional and local – has an important role to play in this effort. Each has an important role in collecting information, analysing it and exchanging it in order to improve management, policy and budget decisions. However, the benefits are likely to be strongest when this occurs within a clear and coherent national framework that is shared by all the main actors.

For regional and local governments, following a clear national framework helps put in place good practice monitoring and evaluation approaches as well as to share information more easily with other areas that will help in policy design and building better strategies. For national government, a coherent national monitoring and evaluation framework provides evidence on the extent to which regional and local development interventions contribute to achieving national objectives for growth and reduction of disparities and how this contribution might be increased.

The setting up of such a framework is considered by the Ministry for National Development and Economy of Hungary an important pre-requisite for sustaining and fostering socio-economic development of Hungary at regional and local level. A well functioning framework for Hungary will help provide a common frame of reference and support the increased use of monitoring and evaluation of regional and local development strategies by national government departments and agencies and by governments and agencies at regional and local levels. It will also help to:

- Provide a platform for establishing links between strategies and programmes with different territorial and sectoral scopes and aligning them with national strategic development objectives.
- Provide information to assess how to increase the impact of national, regional and local policies and programmes.

- Provide a tool through which national government can assist and guide regional and local development actors in improving their strategy building and delivery.
- Build capacities at national, regional and local levels for effective strategy development and implementation.

### **Project background and outputs**

This project “*Implementation guidelines on evaluation and capacity building for the local and micro regional level in Hungary*” aims to assist the Ministry for National Development and Economy of Hungary and its sub-national partners in creating the capacity to put into place an appropriate framework for the monitoring and evaluation of regional and local development trends and policies in Hungary.

More in detail, the project was implemented in two phases, from May 2008 to June 2009 and it was intended to produce:

- **A report** to set out the issues in establishing a successful strategic monitoring and evaluation framework for regional and local development in Hungary.
- **A guide** to provide discussion of evaluation requirements and to give orientation on how to develop good evaluation, including a description of international best practices in local development evaluation that may be applied in Hungary.

Information gathering for the finalisation of the project outputs included an examination of policy and evaluation documents provided by the Ministry for National Development and Economy of Hungary and by VATI, an examination of documents from governments and agencies in other countries, two peer review visits to Hungary on 8-11 September 2008 and 16-17 March 2009 and several discussions between the OECD team, the Ministry, VATI and other relevant stakeholders in Hungary.

Particularly relevant was a preliminary report<sup>1</sup> and a set of other documents, produced by VATI under the supervision of the Ministry for National Development and Economy of Hungary that was used as a major source of “background” information from the OECD team. The report presented the main issues related to regional and local development and to the evaluation of the local and regional development strategies in Hungary.

### **Purpose and structure of this document**

The aim of this *Report on evaluation of local development strategies in Hungary* is to help the Ministry for National Development and Economy and its partners at regional and local level to set out the issues in establishing a successful strategic evaluation framework for local development in Hungary and to propose the basis of such a framework for further development. Such a framework is aimed to facilitate the setting out of procedures and structures for the monitoring and evaluation of regional and local development trends and of regional and local development projects and programmes.

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<sup>1</sup> Géza Salamin, Márton Péti (ed.) (2008): Background Report on Evaluation System of the Hungarian Regional Development Policy

Thus, the Report intends to provide a discussion of issues in good evaluation; an assessment of the strengths and weaknesses of current practices in the evaluation of local development strategies in Hungary; and recommendations on how the Ministry for National Development and Economy and local policy makers can improve evaluation practices related at this level.

More specifically:

Chapter 2 outlines the main issues related to good evaluation, its meaning, principles processes, approaches and methodologies. This includes also challenges and requirements for organisational and management arrangements.

Chapter 3 outlines the regional development system and existing evaluation practices in Hungary.

Chapter 4 outlines challenges and requirements for organisational and management arrangements related to evaluation in Hungary and points out a set of suggestions and recommendations on how the Ministry for National Development and Economy and its partners can improve evaluation practices related to local development.

Chapter 5 suggests some actions to achieve the development of a strategic evaluation system in Hungary which will make it possible to analyse the impacts of development policies at the local and regional level.

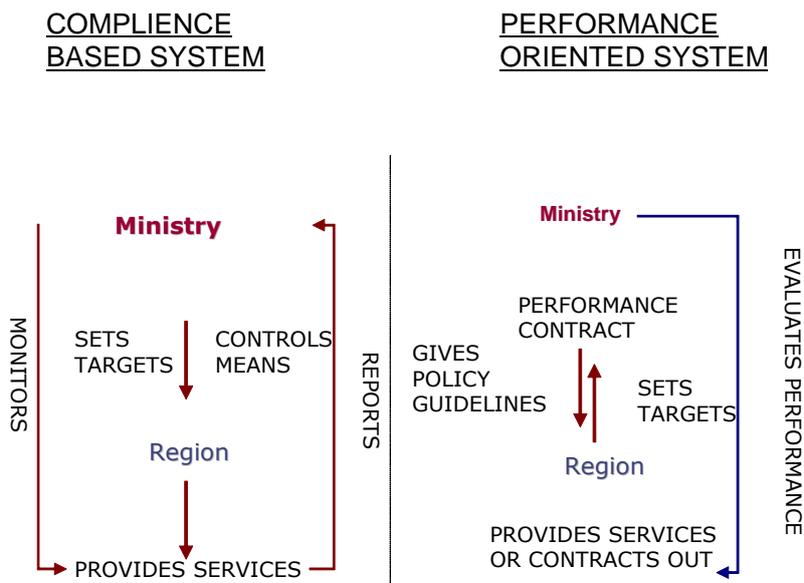


## 2. ISSUES IN GOOD EVALUATION

### Evaluation in a Broader Policy Context

Evaluation forms a knowledge platform for evidence-based policy-making and is a critical precondition when transforming hierarchical planning systems into flexible and decentralised performance-oriented management systems. In performance management systems, detailed budget control and regulation are replaced by information steering and output control rather than having a strict control on inputs and the usage of those. This requires not only a fundamental change of existing planning and steering systems but also a new management culture that focuses on results and impacts and rewards actions according to those.

**Figure 1. Compliance based and performance oriented system**



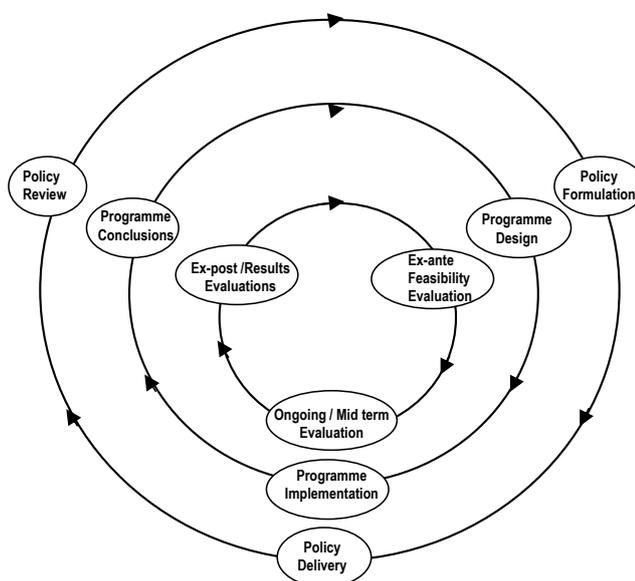
Evaluation should also be embedded with the policy cycle. In ideal case evaluation gives support to agenda setting (by highlighting societal problems), policy formulation and decision-making. These are typically tasks of ex ante evaluation. While policies are being implemented evaluation together with monitoring gives accurate information to policy makers and programme managers on how policies work, if not – why? This support can be given by ongoing evaluation (either external or self-evaluations).

Evaluation of results and impacts of the policies and programmes can be verified only after some years of implementation. In the field of programme evaluations ex post evaluations are normally carried out 2 to 5 years after programmes are completed. In policy evaluation ex post evaluations are

normally linked with the election cycle, i.e. final evaluation of the government policies are normally carried out at the end of government period.

Some countries (such as Denmark and Finland) also commission meta-evaluations either to verify the quality and validity of existing evaluation knowledge or to form a holistic overview and joint conclusions of various evaluations reports. Given the complexity of the modern societies these cross-policy assessments are urgently needed to see the “big picture” of the state of the art. For combining evaluation with the policy cycle see the Figure below (European Commission 2003. The Evaluation of Socio-Economic Development: The Guide).

**Figure 2. Combining evaluation with the policy cycle**



## Purposes for Evaluation

There are many incentives to carry out evaluations. Evaluations can be used as tools for learning, accountability or control. Sometimes evaluations are just used as symbolic action to legitimize policies. In principle evaluations, however serve two main purposes:

- To help managers design or improve the design of policies, programs and initiatives; and
- To provide, where appropriate, periodic assessments of policy or program effectiveness, of impacts both intended and unintended, and of alternative ways of achieving expected results.

Evaluation operates in a complex environment that involves partnerships with other national organisations, with other levels of government, with the private sector or with not-for-profit entities. In

addition, as the delivery of programs is devolved to other jurisdictions, the evaluation of underlying policies increases in importance. Evaluation should contribute to improvements in policy, as well as program design and delivery (Treasury Board of Canada Secretariat).

Evaluations are also supported by various other review and assessment tools and mechanisms such as quality assurance models (EFQM, CAF), performance or value-for-money audits, impact assessments, monitoring activities and applied social science research projects. Challenge for commissioners of evaluations is to combine these activities and try to avoid redundant work and overlapping data collection.

### **Integrating Strategy with Evaluation**

Evaluation as an agent of change in structure and competitive unit can be misunderstood even with a solid national development plan. Basic terminology can inhibit adoption and key terms of evaluation and monitoring warrant definition from the outset.

Evaluation, for our purposes, is the systematic determination of significance and effect of policy, programmes or projects in causing change. Monitoring is the process of collecting evidence for evaluation.

Successful policy evaluation is predicated on policy stakeholders agreeing what it is they wish to know, what questions they will ask of the evaluation, and how they will use the learning from the evaluation to influence policy in future. Reliable evaluation requires a means for examining the progress of the different activities, and this is best provided by a bespoke Monitoring & Evaluation framework, tailored to application of the strategy at the appropriate economic level, from micro to national. This will allow:

- Validation of results
- Measurement of progress made
- Embedding of learning from practice
- Informing of future policy

### **Evaluation Matters**

Evaluation is a critical component of policy making, at all levels. Evaluation allows informed design and modification of policies and programmes, to increase effectiveness and efficiency. Even where this positive recognition is less strong there is a basic motivation to evaluate as the most defensible method of answering the fundamental questions:

- are we doing the right things; and,
- are we doing things right?

A structured, disciplined and standardised methodical approach to these questions is essential. In integrating regional and national perspectives a nested approach can develop complementary evaluation frameworks to provide a comprehensive picture of top down (national policy aims and competitiveness objectives) and bottom up (local projects) achievements.

With accurate and reliable information, evaluation provides local authorities, governments, development managers and other interested parties with the means to learn from experience, including the experience of others. It serves the dual function of providing a basis for improving the quality of policy and programming, and a means to verify achievements against intended results. In particular, for funding organisations and responsible owners of initiatives at all levels, evaluation provides a basis for the allocation of resources and demonstration of results as part of accountability to key stakeholders. This shows accountability and achievements in a positive way around performance using recognised decision making processes and competency frameworks rather than a negative way that marks success or failure with reward and blame.

In a cultural sense, evaluation is a very powerful and positive method for promoting professionalism and a focus on demonstrably sustainable development at all levels of society and in all policy areas. It is not an option or a bureaucratic tick box exercise to release funds from central authorities.

### **Intervention Logic and Indicators**

Evidence-based policy-making as well monitoring and evaluation systems cannot exist and function properly if there are not valid performance information available. In order to have this every system needs clearly defined, valid and reliable set of performance indicators. An indicator can be defined as the measurement of an objective to be met, a resource mobilised, an effect obtained, a gauge of quality or a context variable. An indicator should be made up by a definition, a value and a measurement unit.

It is important to understand that a set of a priori indicators that can just be taken and utilised as such, do not exist. Indicators should always reflect the goals and objectives of the programme/policy. Once these goals have been clearly defined it is possible to operationalise and transform them into measurable indicators. In order to be useful it is preferable if an indicator has the following characteristics<sup>2</sup>:

The definition of an indicator is closely linked to a policy goal, objective and/or target. (Indeed, indicators are most helpful when objectives have been specified in terms of targets or milestones that apply the definition of the indicator.

The indicator is measured regularly. It is helpful to have time series information where the precise indicator definitions have been applied consistently. Ideally data should be available from prior to the adoption or implementation of the intervention. However, interventions often call themselves for new data to be collected.

Finally the indicator is measured on an independent basis. It is preferable that information is collected by agencies not directly responsible for the intervention or legislation. The measurement is based on reliable data.

In order measure and evaluate the socio-economic impacts of regional development programmes, we have to deconstruct and understand the intervention logic of the programme or policy, i.e. the logic according to which inputs are expected to be transformed into output, outputs into immediate results and results into impacts or outcomes.

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<sup>2</sup> European Commission 2003. The Evaluation of Socio-Economic Development: The Guide.

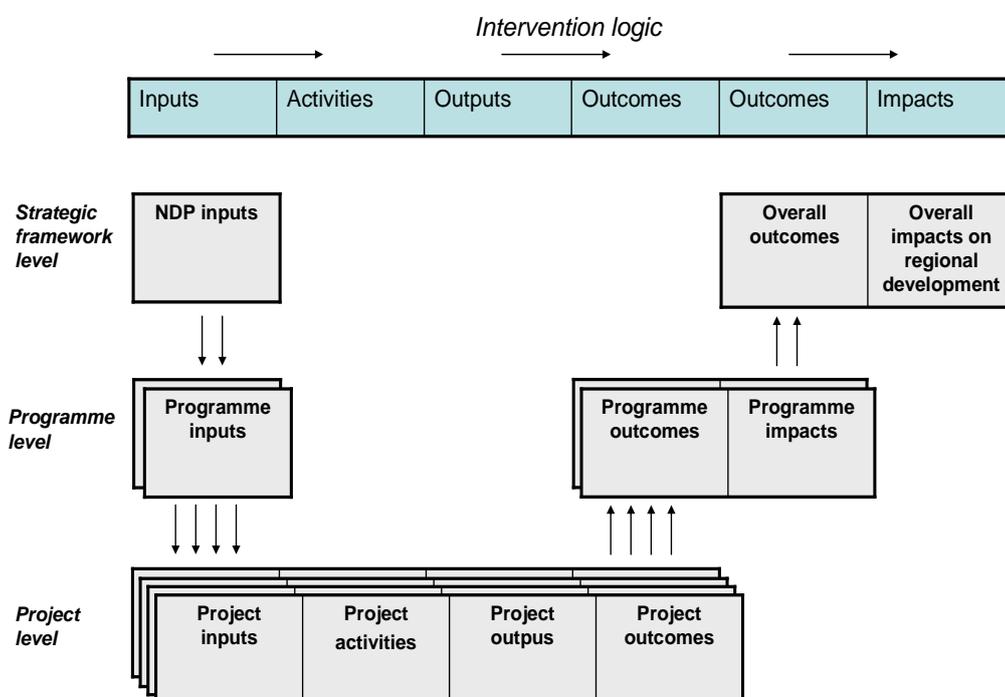
**Inputs** are the resources used to produce outputs or outcomes. Inputs are usually expressed as amount of expenditures or amount of staff time (such as number of employee hours or days).

**Outputs** are the products and services produced by a program or process (linked activities). Outputs result from internal activity or effort. Outputs are important for measuring internal work performance, but do not indicate themselves the extent to which progress has occurred toward achieving the program's purpose. Output information is useful when providing quantitative follow-up measures for the monitoring purposes. Examples of output indicators include: kilometres of roads built; progress rate of the building of a road; hectares of urban wasteland rehabilitated; capacity of purification plants built; number of trainees whose training was paid by the programme; and percentage of this training of which the quality is certified.

**Results** are events, behaviour, conditions, etc. that are effects of government agencies and are expected to lead to the goals desired, but are not goals by themselves. Results indicators provide information on changes which occur for direct beneficiaries, for example, time saved by users of a road; reduced rates for telephone calls; qualifications earned by trainees; new tourist activity generated by a farmer; use of new productive capacity created by a firm; and the satisfaction of businesses which have received consultancy services.

**Final outcomes or effectiveness** are the desired end or ultimate results that the program's activities aim to achieve. These results are directly related to the agency's mission. Examples: clients whose condition improved, reduced crime, clean air or water. Final outcomes are more likely to be influenced by factors that are outside program control.

**Figure 3. Intervention logic**



Program managers should be encouraged to identify the sequence of outcomes sought and to distinguish intermediate from final outcomes.

During the preparation of the new Structural Fund programmes European Commission has strongly emphasised the importance of having valid indicators as part of programming, evaluation and monitoring. According to European Commission Working paper (X) on indicators “The objective for the 2007-2013 programming period should be to establish systems of indicators with a clear orientation towards users at different levels, eliminating unused ballast and improving the remaining indicators. In designing such systems, more attention should be paid to the different uses of indicators during the processes of monitoring on the one hand and evaluation on the other”.

The system of indicators should be designed so that it contains both indicators of context and impacts. Context indicators provide quantified information on the socio-economic and environmental situation and can express identified needs in quantitative terms. Impact indicators gauge the extent to which the (intended) effects of a programme are expected to change the socio-economic reality or the behaviour of socio-economic actors, expressing in this way the quantified objective of the intervention. Also broader social-economical context of the structural policy of EU, i.e. implementation of Lisbon strategy, objectives of European employment strategy, DG for regional policy and all other EU politics that support integration and convergence tendencies in the framework of the Community should be taken into account when designing OP level indicators.

### 3. OVERVIEW OF REGIONAL POLICY AND EVALUATION SYSTEM IN HUNGARY

This chapter introduces the regional system of governance and planning in Hungary with a focus on regional development and evaluation at micro regional level<sup>3</sup>.

#### Regions and administrative units in Hungary

Hungary has a population of around 10 million and territory of 93 thousands km<sup>2</sup>. Since 1999 the country is divided in 7 statistical regions (NUTS 2 level of the NUTS system of the European Union)<sup>4</sup>. Each of the seven regions has a centre, a Regional Development Council and a Regional Development Agency. Each region, with the exception of Central Hungary (the region including Budapest, that has only one) is composed by 3 counties (19 all together at NUTS 3 level). Each county has a County Development Council and a County Development Agency. Below the County level, micro regions (174 all together at NUTS 4 level, composed by groups of settlements bordering each other), and local authorities (about 3,175 municipalities) constitute the smaller administrative and governance units in Hungary.

Figure 4. Hungary's regions (régiók), counties (megyék) and micro-regions (kistérségek)



<sup>3</sup> Description of the existing regional development system, strategic planning and evaluation practises is based on background documents provided to the OECD-team by the Regional Development Department of the Ministry for National Development and Economy and by VÁTI, Magyar Regionális Fejlesztési és Urbanisztikai Közhasznú Társaság (VÁTI Kht.).

<sup>4</sup> This subdivision of the country was made on the basis of Act 92 of 1999, modifying Act 21 of 1996, to support European Union accession requirements.

While counties and municipalities form the traditional intermediate and lower administrative and governmental territorial unit in Hungary, regions and micro regions, although from EU accession are increasingly gaining competences, are mainly considered as functional units<sup>5</sup>.

In this framework, the principal function of counties is broadly to maintain those services and institutions whose impact extends over larger territories and can not be managed from lower or municipal level. Counties can also undertake any type of public duty which does not conflict with the interests of local authorities. Regions respond mainly to development planning requirements, while micro regions refers mainly to the optimisation of the provision of public services on their territory and ,to some extent, to specific local development and local planning needs (e.g. waste and waste water management, protection of drinking water, roads maintenance, part of education and health care services, etc).

#### **Box 1. Micro regions in Hungary**

In Hungary micro regions are officially defined as statistical NUTS 4 regions of the NUTS system of the European Union. However the definition of what constitutes a micro region in Hungary has changed over the time and not always matches the official statistical definition. In fact, local governments are free to form associations of settlements for different functional purposes: in certain cases these associations may be referred to as “micro regions”. For example:

- In 1999/2000 the Ministry of Agriculture and Rural Development made a call for ‘micro regional agriculture and rural development strategies’. Municipalities were free to find their partner settlements for this strategy, thus, in many cases, ‘micro regions’ created in this planning process differed from the standard statistical definition. In 2004 the mentioned strategy was reviewed and the associations created within the strategy gradually lost of importance. However the associations remained and were classified as “voluntarily rural development micro regions”.
- In 2007 a reform at NUTS 4 level resulted in an increase from 168 to 174 micro regions. Further, so called multi-purpose micro regional associations were created within the borders of statistical NUTS 4 regions. These micro regional associations were initiated and encouraged with the aim to provide a better coordination and management of planning and public services (schools, healthcare centres etc.) at lower territorial levels.
- The itemized list of beneficiary regions classified according to the set of criteria defined in the Parliamentary Resolution 67/2007. (VI. 28.) is laid down – by development rank and level – in Governmental Decree 311/2007. (XI. 17.).

Hungary’s *micro-regions* may be:

1. beneficiaries/disadvantaged (94)
  - the most disadvantaged (47)
  - the most disadvantaged (LHH) to be assisted with a special integrated programme (33)
2. micro-regions with a better situation than the national average, which do not belong to the category of beneficiary micro-regions.

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<sup>5</sup> Regions and micro regions do not have directly elected but delegated bodies. In case of Regional Development Councils for example, the majority of the members are delegated from different Ministries.

## **Regional planning system**

The 1996 Act XXI on Regional Development and Physical Planning was the first act which defined the framework and institutions for Hungarian regional development. The Act states that regional development should be based on the national and territorial (regional planning), concepts, programmes and physical plans. It is significant that it was designed according to the principles of European Regional and Spatial Planning Charter and the EU regional policy. The Act, which established a new institutional system of territorial development in Hungary, was followed by a series of decrees on the use and distribution of the regional development allocation for territorial equalisation among counties.

The drafting of the National Regional Development Concept (NRDC) within the framework of Parliamentary Resolution 35/1998 (III.20), furthered the process by defining targets and guidelines with a special view to ensuring compatibility with EU structural funds policy during accession. Notwithstanding, the wide-ranging nature of the concept and the multiplicity of tasks have left many issues unaddressed, particularly the role assigned to regional competitiveness policy and how to surmount efficiency/equity conflicts. NRDC was the first development policy document that defined the long term regional development objectives, setting out principles necessary to design territorial plans and guidelines for sectoral and regional planning and for the actors of regional development.

The Concept included long-term objectives concerning major demographic, settlement and environment changes and the development of major infrastructure networks, as well as medium-term objectives that specify the regional allocation of the development programmes of individual ministries. The financing of regional development specified in the Concept was based on the following key principles

- decentralisation of resource distribution;
- focusing of resources on the most important issues;
- the mobilisation of outside resources;
- the balance of the normativity and discretionality and the promotion of complex development in larger regions.

The 1996 Act XXI on Regional Development and Physical Planning disposed of revising the Concept every six years, which became timely in 2004. Prior to revising the NRDC, Hungary faced an extremely important task. For the first time in its history it had to prepare a development document for the period of 2004-2006 in order to take part in the EU's cohesion policy and to become a beneficiary of the EU's Structural and Cohesion Funds. Based on the EU's regulation, Hungary prepared its National Development Plan and its operational programmes.

The National Development Plan intended to achieve specific goals through four development priorities:

1. improving the competitiveness of productive sector,
2. increasing employment and the development of human resources,
3. providing better infrastructure and cleaner environment,

4. strengthening regional and local potential.

Along with sectoral Operational Programmes it was created a single national Regional Operational Programme that concentrated its financial assistance in the regions (NUTS 2) which faced the most difficulties (North Great Plain, North Hungary, South Great Plain and South Transdanubia). The aim was to contribute to the development of the regions most lagging behind by supporting favourably projects from the so called beneficiary areas.

The National Development Concept was adopted by the Parliament in December 2005 together with the renewed National Regional Development Concept. The new NRDC defines the overall development objectives for every sectoral policy until 2020, the development objectives of the National Development Plan 2007-2013 and the guidelines for the National Agricultural and Rural Development Plan.

As the 1996 Act XXI on Regional Development and Physical Planning disposed of revising the NRDC every six years, in 2004 the “Report on the Territorial Processes and the Results of the Territorial Development Policy” was prepared and accepted by the Parliament. At the end, as a result of the revision, the new Concept was adopted together with the above mentioned National Development Concept by the Hungarian Parliament in December 2005.

The new NRDC builds on the last years experiences and defines the regional development as a horizontal policy, which gives advice to all the sectoral policies, and aims to co-ordinate them from a territorial/regional development point of view. The NRDC defines the territorial aspects of all kind of developments in Hungary. For the sectors and regions this is a guidance document, which also defines the long-, mid- and short term objectives of the country. The new regional development policy is integrated at the different levels and actors and is integrated into other policies.

The New Hungary Development Plan (NHDP) contains the country’s strategy for the period 2007-2013 and the financial resources – including the EU’s Structural and Cohesion Funds needed for the implementation. The NHDP is in line with the National Development Concept and the NRDC, as well as the EU’s regulations on cohesion policy. It facilitates the efficient use of the EU funds and makes the implementation of independent regional programmes possible. In the planning process of the NHDP, planning and programming were coordinated at the regional and national levels.

Based on the NHDP, national sectoral and regional operational programmes were prepared.

**Table 1. Hungary's Operational Programmes for the period 2007-2013**

<b>Priorities</b>	<b>Operational Programmes</b>
<b>1. The development of the economy</b>	- Economic Development OP
<b>2. The development of transport</b>	- Transport OP
<b>3. Renewal of the society</b>	- Social Renewal OP - Social Infrastructure OP
<b>4. Environment and Energy</b>	- Environment and Energy OP
<b>5. Regional Development</b>	- West Pannonia OP - Central Transdanubia OP - South Transdanubia OP - North-Hungary OP - North Great Plain OP - South Great Plain OP - Central Hungary Regional OP (objective 2) - European Territorial Cooperation OP (objective 3) – 7 cross border, 2 transnational, 4 interregional programmes
<b>6. State Reform</b>	- Electronic Public Administration OP - State Reform OP
<b>Coordination and Communication of The New Hungary's Programme Development Plan</b>	- Implementation OP

The NRDC lays down direct requirements of establishing the integrated planning system and identifying clearly the relationship of the development documents.

The currently effective legislation - the Act XXI of 1996, Decree 18/1998. (VI.25.) KTM on the content requirements of regional development concepts, programmes and territorial plans, and Governmental Decree 184/1996. (XII.11.) on the rules of agreement and adoption of regional development concepts and programmes and spatial plans – mostly provides a framework for the system of national development planning documents.

The decrees are under revision, and based on the planned modification the detailed content requirements are specified for each territorial level. Contrary to the current practice, it will be a requirement to apply the bottom-up approach and harmonize the content of regional development and spatial planning documents.

In regards to counties, micro-regions and municipalities (NUTS 3 and below), although local communities are responsible for preparing local rural development strategies<sup>6</sup>, they are mainly in the stage of developing their strategic capacity and no systematic planning and evaluation frameworks still exists at this levels. However, recent actions have been taken by the central administration to enhance the strategic capacity of micro regions.

In 2008 a special integrated development programme was targeted to the 33 least favoured micro-regions with the aim to help them to set their strategic priorities linked with project ideas that could be

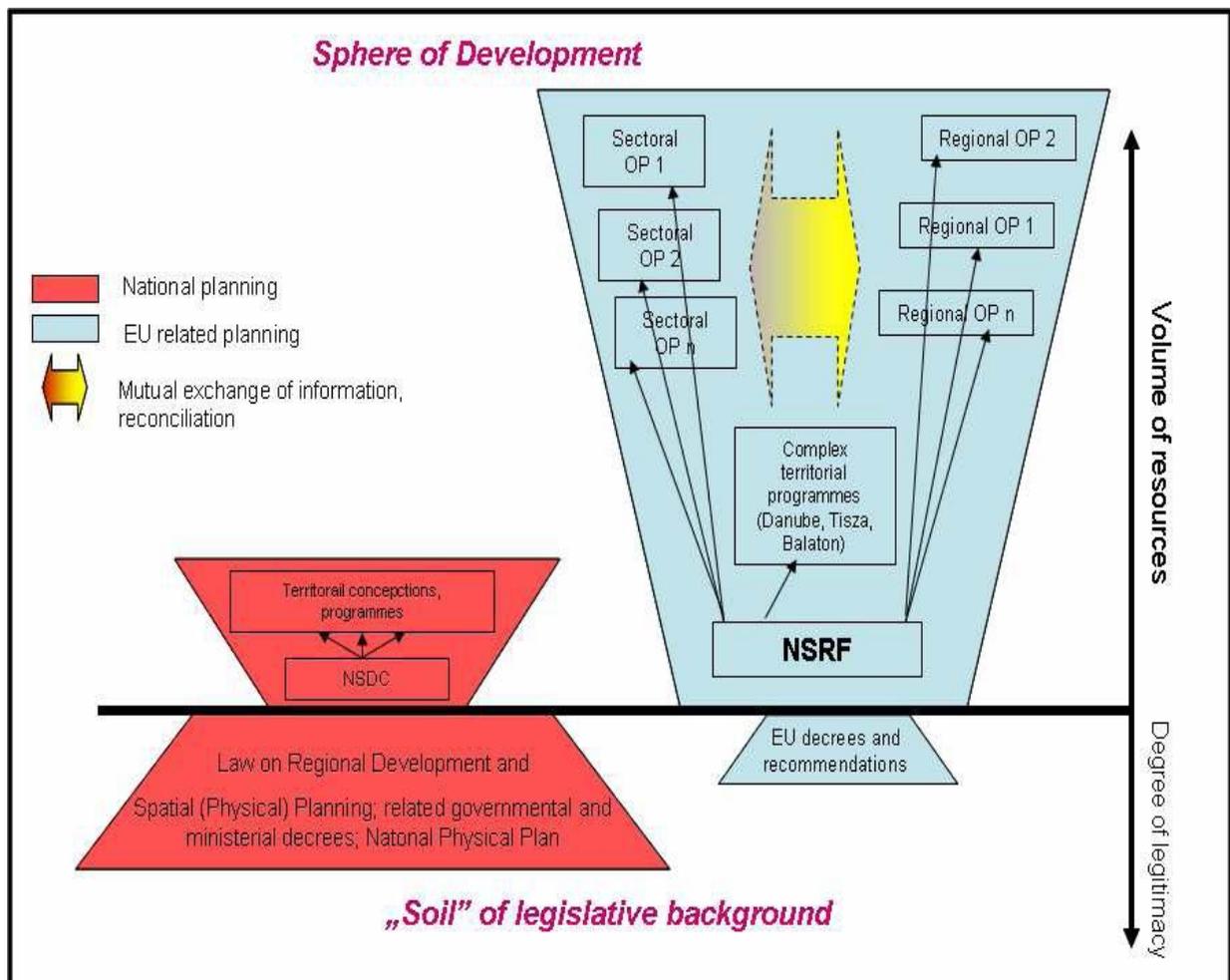
<sup>6</sup> (Local Action -LEADER- groups are selected according to these strategies and become eligible for all the horizontal plus some LEADER type measures).

financed by the Regional Operational Programmes within the EU co-financed Structural and Cohesion policy.

**Box 2. Outline of the Hungarian planning system**

The figure below outlines the current planning system in Hungary that can be considered as double sided. One side is connected with the utilization of the EU Structural and Cohesion funds and it is composed by eight sectoral Operational Programmes and by seven Regional Operational Programmes (one for each NUTS 2 region). The other side, developed within the framework of the national planning system, addresses statistical regions (NUTS 2), counties (NUTS 3), special functional regions (such as the Balaton region or the Budapest metropolitan area) and micro-region (NUTS 4). This national part of the system is based on territorial development concepts and programmes developed by all the mentioned administration levels and find its legislative background in the the Act XXI of 1996 and in several other ministerial and governmental acts and decrees.

**Figure 5. Sphere of development**



Source: VÁTI Kht., Background report on Evaluation System of the Hungarian Regional Development Policy, 2008

## Monitoring and evaluation practices

Monitoring and evaluation are critical components that help us to understand and learn. Good monitoring and evaluation has a value that goes way beyond mere reporting and audit checks; it gives a deeper insight that can reveal how the fundamentals of economic and regional development processes actually work. As such, it is indispensable in a knowledge driven market economy. It is part of the fabric of thinking whereby evidence is generated in a clear and accepted manner to develop a positive attitude to learning and development. Monitoring and evaluation systems must be seen as an essential part of the culture of learning and the development of essential skills in policy and decision making. It is central to have these evidence based capabilities and capacity within the policy making arena.

Monitoring and evaluation activities in Hungary can be divided into two main categories, namely evaluations of the EU programmes and of national programmes. National development programmes and funds have not been / are not evaluated yet as systematically as EU co-financed programmes. Reason for this is probably due to non-mandatory status of evaluations as well as lack of incentives and resources for commissioning evaluations.

The most relevant national documents concerning evaluation requirements are probably the NRDC that gives the general framework and guidelines for monitoring and evaluation at the national level; and the Government Decree 31 of 2007 that ordered the establishment of an information system, namely National Local Development and Territorial Management Information System (TEIR). TEIR gives a solid basis for storing basic monitoring data on regional development, trends and indicators. This data is supplemented by sectoral information provided by the various Managing Authorities of the Operational Programmes and regional information by the NUTS 2 regions.

Beside the responsibilities of Ministries, the National Development Agency (NDA) has the overall responsibility of planning and organizing evaluation activities at national level. NDA's Department of Evaluation and Methodology makes evaluation plans, gives instructions and guidelines and organises evaluation training. The Department provides resources for the implementation of the National Evaluation Plan and commissions strategic evaluations as well as Operational Programmes cross-cutting evaluations. The Department also ensures methodological consistence of NSRF level evaluations. As such, the Department, for example, has prepared (in collaboration with the different regional and national Managing Authorities and with the European Commission) an Evaluation Plan concerning the implementation of the Operational Programmes for the period 2007-2013.

The Managing Authorities (MAs) of Operational Programmes (OPs) are responsible for the evaluation of their respective OPs and related action plans. The MAs are also required to maintain adequate capacity for the organisation of evaluations with a performance or operational focus, they have to ensure that evaluations of the OPs are carried out in accordance with the Community's legislation and that evaluation results are incorporated into the planning and implementation. Each MA may also launch, where necessary, evaluations not included in its own OP evaluation plan.<sup>7</sup>

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<sup>7</sup> In the EU programming period 2004-2006 eight evaluations related to Structural Funds were carried out in addition to the ex ante evaluation of the National Development Plan (2004-2006) and an evaluation of the 2004-2006 Community Support Framework (CSF). Regarding the 2007-2013 EU programming period, NDA conducted an ex ante evaluation of the NSRF (which was not compulsory but recommended for large Convergence Objective Member States) and ex ante evaluations of the sectoral Operational Programmes. The relevant MAs were involved in the process through steering groups.

Apart from evaluations conducted within the EU Structural and Cohesion funds regulations, other forms of evaluations are rather rare, organized on an *ad hoc* basis and mainly undertaken with the form of self-assessments.

In regards to micro-regions, as already said, these are in the stage of developing their strategic and evaluation capacity and no systematic planning, monitoring and evaluation frameworks still exists at this level. However, evaluation of the LEADER+ activities have given local communities some background on evaluation and on the use of evaluation results to improve programme implementation. Also, some individual municipalities (especially larger cities such as Budapest) sometime conduct evaluation, self-assessment or surveys according to specific needs.

The example of Bátorterenye micro-region gives in insight into the strategic planning and evaluation of this territorial unit.

### **Strategic planning and evaluation: the example of Bátorterenye micro-region**

The Bátorterenye micro-region<sup>8</sup> is located in the Northern-Hungarian Region, in Nógrád County, it has a population of 26,000 and a surface area of 274 km<sup>2</sup>. It belongs to the 12 most disadvantaged micro-regions in Hungary, according to the classification of the Central Statistical Office.

The Regional Development Association of Bátorterenye was established in 2000 by 14 local governments. In 2004 - according to the Act CVII of 2004 on the multi-functional micro-regional associations of local municipalities modified by Act CVII of 2007 - it was transformed in the so called "Multi-functional Micro-regional Association of Bátorterenye". Since 2008, after private members joined the association, it became a non-profit organisation.

Responsibility of the Multi-functional Micro-regional Association of Bátorterenye include competences related to planning and implementation of local development activities as well as the provision of services related to education, social welfare, health care and family-assistance. Currently the Association has 13 employees.

In the past decade the micro region prepared both sectoral and cross-sectoral plans. A list is provided in the table below.

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<sup>8</sup> Micro-region is a statistical territorial unit, which corresponds to LAU 1 level (Local Administration Unit, previously NUTS 4) of the European statistical system.

**Table 2. Planning and development documents of the Bátorlytereny micro-region**

<b>Title</b>	<b>Planner</b>	<b>Client</b>	<b>Year</b>	<b>Period</b>
LHH planning document of Bátorlytereny micro-region	Central-Hungarian Regional Development Joint Stock Company	National Development Agency	2009	2009-2011
Micro-regional Action Plan of Bátorlytereny small-region, (2007-2008.)	Micro-regional Development and Programming Office		2007	2008
Employment Strategy of Nógrád County, Chapter on the micro-region	Employment Centre of Nógrád County, Economic Development non-profit company of Nógrád County, Regional Development Agency		2006	short and middle term
Development Program of the Bátorlytereny Micro-Region (I. Strategy, II. Operational Program)	Városfejlesztés Rt.	Regional Development Association of Bátorlytereny and its Environs	2004	until 2013
Agricultural and Rural Development Program of Bátorlytereny small-region and its revision	Regional Development Association of Bátorlytereny and its Environs		2000 and 2004	2008
Tourism Development Concept of the Bátorlytereny Micro-region	Quo Vadis Consulting Ltd.		2001	20 years
Regional Development Concept of Nógrád County	Regional Development Agency of Nógrád County	Regional Development Council of Nógrád County	1998	

Some considerations can be summarised regarding strategic planning and evaluation capacity, mechanism and procedures in the Micro-regional Association of Bátorlytereny. These considerations can be reasonably extended to include the entire micro-regional system in Hungary.

Motivation of local governments and stakeholders, as well as the consistency of strategic and planning documents and of the related partnerships created during the processes to prepare the documents varied widely according to:

- the financial allocations included in the various programmes or plans (or derived from possibilities connected to national financing or from possible connections with EU Structural and Cohesion co-financed policies and regional and sectoral Operational Programmes);
- the existence of any legal or political obligation;
- the origin of the demand for such a programming or planning (e.g. derived from local needs or requirements or top down driven).

For example, the preparation of the Tourism Development Concept and of the LHH Plan was perceived as an important and useful moment by local institutions and stakeholders and was prepared with the support of a vast range of local actors<sup>9</sup>, while the preparation of the Micro-Regional Action Plan, that was perceived by Bátonyterenye local actors and institutions as a top-down obligation without any secure funding for implementation, was considered as a bureaucratic exercise and turned by the local authorities into a mere assembling of needs and list of vague project ideas.

Regarding monitoring and evaluation, very rarely a real monitoring and evaluations of results took place during and after the implementations of these plans. In fact only few of these documents foresaw an evaluation phase and/or contained proper indicators and objectives (one of the positive case is the tourism concept and the LHH planning document).

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<sup>9</sup> In the case of LHH Plan a broad partnership was a condition necessary for the approval of the program. In the case of Bátonyterenye micro-region 104 relevant partners were involved, representing 54 social and economic organisations (including NGO-s and Roma organisations).

#### **4. CHALLENGES AND REQUIREMENTS FOR ESTABLISHING AN INTEGRATED MONITORING & EVALUATION FRAMEWORK IN HUNGARY**

##### **Strategic Planning**

The Hungarian strategic planning system has developed a considerably since Hungary joined the European Union on 1 May 2004 and became eligible for support from the EU Structural Funds. The National Development Concept together with National Regional Development Concept set out the principles and overall objectives for regional planning action in a long-term perspective (2020) whereas mid-term National Development Strategy sets priorities for existing programming and planning period (2007-2013). Strategic capacity at the central government level today is relatively high.

New Hungary Development Plan together with regional and sectoral Operational Programmes build bridges between EU co-financing schemes and national and regional priorities. In particular, regional OPs have activated and increased the strategic planning capacity of NUTS 2 regions. All of the 7 Regional Operational Programmes contain mid-terms development goals, clearly stated strategic objectives with measures and indicators. Also up to date monitoring data is available and frequently used at NUTS 2 level.

The situation is more problematic at micro-regional level. At the moment micro-regions do not have development resources of their own, sufficient planning capacity and monitoring data needed for strategic planning. Some of the micro-regions also have problems of creating their identity and setting up a vision for the future. Also local governments find it difficult to agree on joint goals and objectives at the micro-region level and tend to represent their self-interests in a sub-regional bargaining game. In the longer term this is likely to lead to suboptimal use of national and EU funds and weaken the role of micro-region institution in the Hungarian governance system.

##### **Monitoring and Evaluation**

National Local Development and Territorial Management Information System – TEIR gives a solid system for storing basic monitoring data on regional development. This data is supplemented by sectoral information provided by the various managing authorities of the Operational Programmes and regional information by the NUTS 2 regions.

Authorities at the central government level have enhanced their evaluation management experience and commissioned several external evaluations on National Development Plan for 2004-2006 and an evaluation of the CSF institutional framework and resource allocation mechanisms together with evaluations of Operational Programmes. The budget for ex ante evaluations in 2004-2006 programming was approximately 710,000 Euros and is expected to be of about 1.3 million Euros for OP evaluations between 2007-2013.

Central government is also taking some serious actions to enhance evaluation capacity in Hungary: a number of training courses have been organized, evaluation guidelines prepared by NDA are intended to assist institutions in the evaluation management process and there is institutionalized

cooperation between Hungary, Poland, Slovak and Czech Republic on evaluation matters (the so called Visegrad group). About fifteen Hungarian companies are actively providing evaluation services; in addition there are also several Universities that have an active role in evaluating public policies in Hungary.

Although outlines of many evaluation reports exist and are available even on the web (e.g. <http://www.fejlesztéspolitika.gov.hu>, where one section is dedicated to evaluation of Structural Funds), dissemination and utilisation of the evaluation results is still to be considered to be one of the main areas concerning evaluation to be improved.

Regions, and especially micro-regions, have considerable scope to take a more active role in evaluating programmes and projects carried out in their territories. Both external and internal evaluation is needed. Also benchmarking and bench learning activities would help regions and micro regions to readjust their priority setting and finding new areas of innovation.

The sections below outline the main challenges and requirements for establishing an integrated monitoring and evaluation framework in Hungary.

## SWOT Summary: Current Approach

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Improved regional planning and steering framework on policy level – a comprehensive approach and coordination between various plans (National and Regional Development Concepts)</li> <li>• Improved regional programming and national level strategy building in case of planning on EU development sources</li> <li>• Increased strategic capacity at the central government and regional (NUTS 2) level</li> <li>• Special attention paid to most disadvantageous micro-regions.</li> <li>• Active methodological support activities relating to the implementation of EU financed development programmes managed by the National Development Agency on commissioning evaluations, drafting guidelines and supporting evaluation training</li> <li>• The information and statistical data available on NUTS 2 and on other regional levels.</li> <li>• Positive attitude for learning and further capacity building at the regional and local levels</li> <li>• Emerging network and partnership among the evaluation experts.</li> <li>• Decisions on improving the methodological bases of planning and evaluation in case of non-EU financed development activities as well.</li> </ul>	<ul style="list-style-type: none"> <li>• Weak performance-orientation and culture at all levels of government.</li> <li>• Centralized planning system in case of planning for EU development sources – almost only top-down steering exists.</li> <li>• Except of planning on EU development sources, there is no coordination and professional support of regional planning on the different regional levels (NUTS2, county, micro regions).</li> <li>• In case of non-EU financed development issues, the competencies and responsibilities of different regional levels (NUTS2 regions, counties, micro regions) concerning to the tasks of managing-stimulating development and implementing programmes are undefined.</li> <li>• Weak strategic capacity and insufficient resources planning resources at micro-region level.</li> <li>• Lack of easily accessible statistical information at the micro-region level.</li> <li>• Lack of intermediate result information at the central government level. By this we mean results between outputs and longer-term impacts.</li> <li>• Immature evaluation culture: problems in dissemination and utilisation of evaluation results. Low commitment by political actors.</li> <li>• Only few evaluations are carried out at the local level. Need for bottom-up evaluation approach.</li> <li>• Stakeholders (especially NGOs) and ultimate beneficiaries do not have a strong role as key information source in the process of monitoring and evaluation regional policy success</li> <li>• Almost non-existent practices of self-assessment at the regional and local levels</li> <li>• Underdeveloped culture of collective work, decision- and consensus-making in case of institutions and regional governance: vast number of municipalities makes it difficult to reach consensus on joint priorities at the micro-region level.</li> <li>• The socio-economic difference between the Hungarian regions/micro-regions is higher than the European average.</li> <li>• Experts implementing evaluations do not share common professional values, do not always follow the current evaluation methods.</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Potential evaluator expert capacity around the capital (app. 20 companies + research institutions and universities) and in the major Hungarian Universities.</li> <li>• Sufficient resources (app. 1.3 million Euros) for commissioning evaluation during the programming period 2007-2013.</li> <li>• The regulation and guidelines of the new Structural Fund (2007-2013) period emphasise strongly the role of monitoring and evaluation as well the need to create comprehensive system of indicators based on the logic-model thinking.</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational reforms and changes in government might endanger the continuity of the regional policy development.</li> <li>• In case of planning on non-EU development sources there are too many layers of planning and administration in regional government. This is likely to weaken efficient use of financial resources and thus deteriorate performance-oriented management culture.</li> <li>• Policy-makers are not willing to adopt performance management culture and evaluation closely related to it</li> <li>• Local governments and micro-regions do not have sufficient resources needed to enhancing the evaluation culture (training etc.).</li> <li>• Blurred strategic focus and abstract regional development goals cause a sub-optimal status of the plans and programmes, result in weak ability of being evaluable.</li> <li>• The current insufficient monitoring and evaluation system does not provide feedback urgently needed for decision-makers.</li> <li>• Not enough valid and reliable indicators needed to carry out monitoring and evaluation activities</li> </ul>

## Recommendations

1. Introduce performance-oriented planning and implementation models (such as performance contracts, performance related pay-schemes, set of indicators etc.) in order to increase transparency and accountability of the public policies and management, to achieve more efficient use of financial resources, and thus better outcomes of regional policies. Start this work by setting up pilot-programmes, testing models in pilot-agencies and pilot-regions.
2. Establish comprehensive and systematic monitoring and evaluation framework to provide urgently needed feedback information for policy-makers and thus enhance evidence-based decision-making culture. Develop also a system of indicators to support the framework.
3. Speed up the process of defining a new methodological base for regional planning, monitoring and evaluation in case of non-EU financed development activities.
4. Apply future-oriented planning techniques (scenarios, Delphi-panels, foresight techniques etc.) together with econometric forecasting models to help the government making strategic choices when sudden shocks and changes take place in operating environment.
5. Foster evaluation culture by training and professional dialogue, competent evaluators, well-informed commissioners and enlightened and enthusiastic users all contribute to an evaluation culture.
6. Introduce self-assessment and systematic use of evaluation at the local and micro-regional level in order to increase transparency and trust which are needed to obtain more financial allocations.

## **5. ESTABLISHING AN INTEGRATED MONITORING & EVALUATION FRAMEWORK FOR THE REPUBLIC OF HUNGARY**

### **Introduction**

This report outlines the key considerations in design of evaluation of regional policy. It expands on the concept of evaluation, and sets out broad principles, approaches and methods in the design and data collection for an evaluation framework which will enable assessment of progress in regional policy.

The Hungarian Ministry for National Development and Economy is seeking to improve the practice of evaluation and develop a culture of evaluation at various levels in the country. The development focus centres on the increased definition and active role for micro-regions in promoting local socio-economic development and the co-ordination of local programmes. This is an important structural and administrative shift in Hungary that should be seen as an evolution in the overall maturity and market oriented development of the country in an internationally competitive context.

Understanding this global context, brought to the fore in recent months through the international financial and global economic recession, and the vital role of regions and sub regions in establishing sustainable economic bases is a necessary step forward in Hungary. All countries are facing intensive pressure from recession and this emphasises the need for swift change and flexibility from local level upwards. Evaluation and the decision making process through which scarce economic resources are allocated will play an increasing role in all countries and Hungary must keep in touch with this process. It is recognised that in Hungary the understanding of evaluation and the benefits of evaluation are not widely understood or appreciated at a local administrative level where the incentive to evaluate (other than as a key to unlock EU funding) has not been fully clear yet.

Evaluation is a process for improvement and learning; it should not be confused with audit which has a culture of compliance and accountability. In an audit context evaluation is often mentioned but the compulsion comes from hard legislation rather than being embedded as a recognised and valuable process for learning and change.

The design and shape of national development plans can have a strong influence on behaviour at regional and local levels and the prospects for evaluation culture to take hold and develop. Co-ordination of messages and use of incentives (resources in terms of people, technology and funding) should be a feature at all levels in the country led from the top at State level. Leadership does not mean centralist approach and should be flexible to allow different positive influences to be nurtured at all levels.

The focus of the National Development Plan - 'New Hungary Development Plan' - can be considered from two directions:

- Internally it serves the purpose of promoting jointly carried development objectives, associated measures, programmes and projects. It has the function to coordinate various and different interests and priorities of the regional cooperation.

- Externally it serves the purpose of conveying joint development projects, trying to win support and safeguard coordinated investment towards institutions and organisations on the different regional, national and international levels.

It is based on the intention of participating municipalities not only to overcome the serious problems in economic development by means of municipality cooperation, but also to ensure stability and safety in Hungary in the long term as a precondition for a sustainable economic development.

The content and the proposed measures of the integrated national development policy plan cover seven regional operating programmes. In this regard the policy plan is also an offer for regions to get involved and to participate in a joint development that helps to strengthen the development perspectives of the whole of Hungary. These are important positional considerations from which an evaluation strategy can be developed within an overall strategic planning development approach.

There are a set of generic issues concerning evaluation in Hungary that must be addressed and are set out below:

1. local strategic management culture
2. experiences of spontaneous evaluation-like activities
3. local knowledge of monitoring and evaluation
4. approach, willingness and capacity to operate a standardised evaluation and monitoring framework
5. approach to self-evaluation
6. understanding why evaluate
7. understanding what to evaluate
8. understanding how to evaluate

In addition to these, a generic Regional Policy issue is that typically Regional Policy targets both economic development and positive cultural change, therefore evaluation needs to be applied to both these dimensions. This requires a range of economic and less quantifiable social parameters to be applied in context to reflect local, micro-regional, regional objectives and wider, national challenges. That is, to demonstrate an observable improvement in the quality of life, a scale of measurement of quality of life is needed and consistency in data capture and scale calibration are required over wide geographical areas, and long periods of time.

Evaluation of a programme such as the National Development Plan must be predicated on determining progress towards policy objectives, requiring long-term ('longitudinal') tracking. As Regional Development Policy typically aims to right territorial inequalities, which obviously has a political dimension, it requires, from the outset, information to be collected consistently, verifiably, over a prolonged period.

Regional Policy typically targets both economic development and positive cultural change; therefore evaluation needs to be applied to both these dimensions. This requires a range of economic metrics and less quantifiable social parameters to be applied in context to reflect local, micro-regional,

regional objectives and wider, national challenges. That is, to demonstrate an observable improvement in the quality of life, a scale of measurement of quality of life is needed and consistency in data capture and scale calibration are required over wide geographical areas, and long periods of time. Also evaluation should be developed through a formative and into a summative stage – from assessing what will happen to improve then to prove.

Successful evaluation must be approached in a practical and pragmatic fashion rather than driven by assumed authority of State co-ordination. Working successfully with partners and intermediary organisations can make the most of existing structures and momentum with data capture and intelligence gathering that only adds new and more expensive information requirements where no other proxy is fit for purpose. However, even this must be approached in a constructive and consensual manner. It must yield messages that can be understood by the stakeholders, messages that prompt any tuning or remedial action necessary to enhance or re-position the policy.

### **Box 3. Example: Building policy consensus in Norwegian way**

In Norway a dialogue between stakeholders at different levels is seen as almost a prerequisite for achieving results in improved performance information. An example from the Ministry of Social Affairs and a Health shows how ministries have been dealing with these requirements. For several of the Ministry's thirty-five agencies working groups with representative from the agency and relevant ministerial departments were established in early 2000. The groups discussed formulation of goals, Ministry's demand for information on performance, and how to create performance indicators that were both relevant and backed by necessary documentation. Also evaluation guidelines were formulated and agreed in these groups.

Evaluation should be seen as the means of telling the story of a policy and how it has influenced both political and cultural behaviour as well as recognising its weaknesses and strengths in different areas i.e. what worked, for whom and under what conditions.

Therefore the purpose of evaluation could be summarised as:

- Demonstrating that the aims of policy are being achieved,
- Demonstrating that this is being done in a cost-effective manner and
- Capturing lessons that can be learned to improve future delivery.

### **Box 4. Example: Assessing the success of Government policies in Finland**

In Finland the Government issued a Resolution on the Government Strategy Document in 2007. The Strategy Document enhances the means available to the Government for promoting, steering and monitoring the implementation of the Government Programme, especially in matters requiring intersectoral cooperation. The Strategy Document emphasises the indicators used in monitoring the implementation of the Government Programme. Most indicators describe the development of themes that are essential for the Government policy, while some indicators are process indicators that describe the progress of policy measures. The definition of indicators aims at a more thorough review and assessment of the realisation of the Government Programme that will be carried out, at the latest, when the Government has reached its mid-term point. Also, Regional Development Programmes are evaluated by external evaluators at least once during the programming period. It is quite common that nearby regions commission a joint evaluation that also analyses cross-regional impacts and spill-over effects.

As such, evaluation requires:

- a distillation of the policy that is to be evaluated, identifying what is relevant to be measured (e.g. company growth), and;
- a monitoring matrix that records evidence of the investigation and collects a wide set of indicators (e.g. company registrations, taxable revenue).

This of course depends on the fundamental communication of the value of conducting evaluation and the prizes for co-operation.

#### **Box 5. Example: Guidelines for effective evaluations in Japan**

In Japan policy evaluation is conducted for checking the effects of the policies of respective ministries and for evaluating the policies in terms of necessity, efficiency, validity, etc. to improve the planning and implementation process. For this purpose, the Government Policy Evaluations Act has been enforced since April 2002. Objectives of conducting policy evaluations are following:

1. Realization of efficient and high quality public administration focusing on the citizens;
2. Shift to performance-based public administration from the viewpoint of the citizens;
3. Thorough accountability to the citizens.

In Hungary it is clear that the need for evaluation of policy is understood by some stakeholders, but also that the evaluation process is inhibited by misunderstandings and a complex (perhaps unnecessarily complex), array of economic tiers and planning systems. This contributes to the disengagement of some of the local economic development actors who, for example, have little inclination to differentiate the 'sphere of development' of the New Hungary Development Plan from the National Regional Development Concept. Local area interests and political considerations dominate over a logical tiered approach that would promote an enhanced role for immature and loose arrangements such as micro regions.

### **Box 6. Example: Potential activities to strengthen evaluation capacity in Poland**

This 2003 report on evaluation capacity building in Poland has important and transferable conclusions to Hungary. It concludes that development of a "polonized", (i.e. specific to Poland) evaluation system, supported by relevant legislative provisions, training and information is required, that and institutional arrangements should stimulate proactive attitudes to applying, not just documenting, lessons from successes and failures.

The following six conclusions are listed and parallels can be drawn with the Hungarian action plan:

1. Development of a national evaluation system should be seen in the context of building transparent and accountable public administration and civil society. Initiatives like benchmarking of public services, promoting citizens participation and spreading ethical standards in public administration can magnify eventual impact of the evaluation system.
2. There is a need for massive training on monitoring and evaluation issues for project managers, public officials, NGO-s, and media. A step-by-step manual on designing and managing evaluation projects is needed to increase the quality and ownership of evaluation reports. To this end EU or other international organizations' handbooks could be translated and adapted to local conditions.
3. Efforts to establish and strengthen a national professional association of evaluators should be supported. In our opinion such organization could play a major role in setting professional standards and facilitating development of technical skills among M&E specialists.
4. There is a need for simplifying very technical language used in evaluation reports. At minimum a requirement for adding short, written in common language summaries could be introduced.
5. Whilst evaluation of individual projects is common, much more could be done concerning sector / national level. Structural Funds create a unique opportunity to stimulate strategic approach in managing sector reforms. To monitor structural changes, review currently available data sources and develop better ways of cooperation and coordination between data providers, holders and users.
6. An incentive mechanism making people learn from previous experience should be build into the system. To allow for this a widely accessible depository of evaluation reports is needed.

Source: K. Jaszczolt, Potkański T. and S. Alwasiak, Internal Project M&E System and Development of Evaluation Capacity. Experience of the World Bank-funded Rural Development Program, [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/evalsed/sourcebooks/capacity\\_building/intro\\_en.htm](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/evalsed/sourcebooks/capacity_building/intro_en.htm).

Levels of meaningful engagement and partnership working are still lacking in most of Hungary. To engage with all the parties who have a part to play in implementing, evaluating or developing economic development policy, it is imperative that there is a mutual understanding of the purpose, the means, and the benefits of evaluation and monitoring, or indeed of the consequences of its absence.

This is the first step in making the transition from reliance upon the 'legislated' evaluation, to the 'desired' evaluation. It is a difficult step to complete and as will be seen in the table below, European nations are at different points in developing a culture of evaluation. By convincing those involved of the benefits of evaluation, and by simplifying the requirements of monitoring and evaluation to intuitive levels of regular project management, it is possible to inculcate the practices of monitoring and evaluation to the same degree as other well established aspects of projects and programmes, such as progress meetings, budget management, or completion of timesheets. Thus productive positive steps can be taken quickly in all areas.

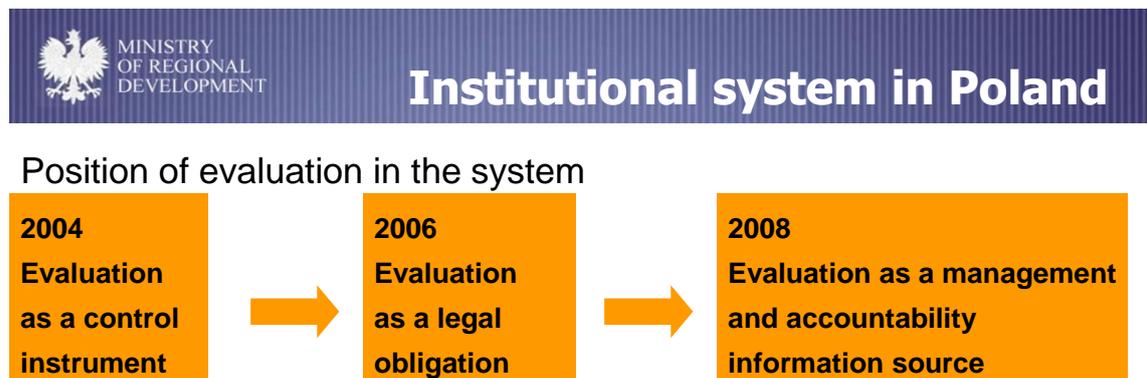
Table 3. Example: Legislative requirements for evaluation in Europe

Country	Evaluation-specific framework legislation	Evaluation requirements in policy documents	Evaluation Responsibility in legislation on specific bodies	Other (eg. evaluation requirements in legislation on spec. instruments)
<b>Austria</b>		Evaluation requirements included in the <i>Richtlinien</i> , eg. RIF 2000	Limited evaluation role of Court of Auditors, whose tasks are set out by law	
<b>Finland</b>		2002 Regional Development Act includes monitoring and evaluation requirements 2000 Aid Business Act Implementation Decision foresees detailed evaluation prescriptions		
<b>Germany</b>		The GRW has to be audited and evaluated.	Legal requirement for regional policy to be audited on a regular basis by Federal and <i>Länder</i> Court of Auditors.	Decisions of authorities or committees, rather than on legal requirements
<b>Ireland</b>	1997 Expenditure Review Initiative	Evaluation requirements set out in NDP 2000-6.  1993 Industrial Development Act provides for triennial reviews of policy and relative performance.	Comptroller and Auditor General (Am) Acts 1993	Public Service Management Act 1997
<b>Italy</b>			Legal obligation for Ministry of Finances and Ministry of Productive Activities to submit yearly reports to Parliament (on interventions for underutilised areas and on incentives respectively)	Law 488/92 includes evaluation obligations.
<b>Netherlands</b>	2002 Ministry of Finance Regulation on Policy Implementation and Evaluation + Handbook on policy implementation and evaluation			1999 and 2001 management control legislation. Consuetudinary periodic reviews of policies, drawing from pool of instrument evaluations
<b>Sweden</b>				No formal legal framework for RP Evaluation. Institutionalisation in

				policy-making of National Public Reviews (SOUs)
<b>United Kingdom</b>	HM Treasury 2003 Green Book 'Appraisal and Evaluation in Central Government'	Eg. Scottish Framework for Economic Development	Comptroller and Auditor General reporting duties to Parliament on public bodies expenditure (including value for money)	
<b>Norway</b>				No formal legal framework for RP Evaluation. Institutionalisation in policy-making of Norwegian Public Reports (NOUs)

Source: Polverari Laura and John Bachtler, *Assessing the Evidence: The Evaluation of Regional Policy in Europe*, EoRPA Paper 04/5, September 2004. .

**Figure 6. Example: Poland's evaluation development over time**



Assessing the ‘baseline’ of stakeholder competencies allows the construction of a ‘competency framework’, which maps the evaluation actors at settlement, micro-region, region and national levels with their present aptitudes and understanding, against what is required of them by the National Development Agency. This way appropriate training can be provided to raise competencies in the required subjects to the required levels, reflecting their focus on micro-regional monitoring or ‘sense-making’ from provided statistics

Whilst training as an evaluator can not be expected to transform a culture overnight, evaluation can become intuitive; it is something everyone does subliminally on a regular basis. As a simple example, if the mayors of the municipalities are called to a conference for instance, if they attend they will evaluate if this was worthwhile, time well spent and assess the prospects for their municipality in terms of standing and potential gains from their attendance. Similarly if they did not attend they will enquire as to what happened, and make assessment accordingly as to whether to attend next time.

The reason that evaluation happens in this example is, firstly that the individuals connect their assessment (their evaluation) with personal benefits, and secondly that the input to the evaluation was proportionate to the benefits: a ten minute phone call informing a decision on a day’s attendance for

instance. This can also prompt executive engagement and a remit to investigate and report learning, another practical trait of evaluation culture.

When monitoring and evaluation disconnect from benefits they become bureaucratic activities for which there is no voluntary motivation to conduct. Enforcement is the usual response and while it can be compelling in a legal sense it does not provide a positive foundation for culture change. There is evidence that evaluation is often considered as an activity disconnected from economic development at the local and micro regional levels, and whilst enforcement is compelling activity, activity in this context is no substitute for understanding. As noted earlier, it can indeed become a barrier to true development and learning.

This experience is not unique to Hungary. Many other countries face similar challenges and many have longer experience in developing evaluation practices and cultural change through learning. It is useful to draw upon some experiences in longer established market economies where an evaluation culture has been promoted and developed successfully to varying degrees. In all cases, it is a work in progress and learning never stops.

#### **Box 7. Example: Polish Commentary on examples of successful evaluations 2008**

“Generally speaking modern result-oriented management is not a prevailing model in Polish public administration yet. Very often external assessment of our activities isn't perceived as a learning opportunity and a chance to improve our approach, but as a threat - risk factor, which should be closely controlled. There are many reasons for this situation: bad experience of previous "centralistic" system, low organizational culture in public institutions, psychological tendency to avoid problems and difficult questions, etc. In our opinion the best approach to overcome this problem would be to show some real and positive cases of evaluations that led to actual improvements of public administration services. In order to fight negative stereotypes connected with evaluation it would be advisable to publicly appreciate authors and implementers of the most successful programs. People should see that external assessment is not only a way to identify problems but also a mechanism to recognize successes“.

Source: Internal Project M&E System and Development of Evaluation Capacity, Experience of the World Bank-funded Rural Development Program, Presentation by Krzysztof Jaszczolt, Tomasz Potkański, Stanisław Alwasiak, <http://www.fundusze-strukturalne.gov.pl/NR/rdonlyres/4E41CBAE-F849-48BE-BAC9-0614753930AA/47488/EvaluationprocessofthecohesionpolicyinPoland.pdf>

### **Incentivise Change**

Subsidies are the fundamental reason that the lower and middle tiers are engaging in the discussions and contributions towards the National Development Plan. By recognising that financial incentives play a major role in leveraging activity and a willingness to co-operate, either with neighbours or ministries, this is a logical starting point for consideration of weaknesses in monitoring and evaluation at these levels. It is notable therefore, that of the list of activities that the multi-functional micro-regional associations are incentivised to deliver, economic development and employment are not included and equally notable that ‘lack of resources’ is the most common quoted reason for defaulting on evaluation.

Incentivising must be maintained, as the engagement of the local actors will have a tendency to decay, because of factors such as loss of emphasis on local conditions, loss of credibility of the development policy, loss of coherence between ministries, concepts and action plans, over-

complication, feeling disengaged from the decision making process (all referred to by one regional representative).

Engaged, deeper issues of evaluation can be considered, including how to show attribution of policy to the effects observed and recorded in the matrix and how to discern net effects as opposed to gross effects. However this can take a considerable time to reach this level of detail at regional let alone micro regional level.

The ability to co-ordinate and integrate change and new micro regional initiatives will be central to future progression. How this is promoted positively through incentives to access resources (expertise as well as funding) is also central to success and the linking of incentives with legislative changes. Demonstration effects from working with “champions” to show what can be done and how benefits can be unlocked for the benefit of all will be a powerful way of generating momentum. In this way, the requirements of legislative change can be presented in a more palatable and acceptable way.

It is a long term road to sustainable change in regional arrangements to achieve greater alignment with sustainable and manageable economic units. This road has already been mapped to some extent and Regional Development Agencies are an example of how capacity can be developed in a relatively short period, there is much to build around in moving towards greater sophistication in evaluation and strategy development activities that focus on outcomes and impact rather than activities and political outputs.

There is scope to discuss with partners at micro region level the detail of how this can be achieved at a round table discussion using the information in this report and the researches from VATI and the Ministry, which should coordinate the process. Work can be developed together to show how focused strategies and co-operation can bring results and rewards and real examples can be used to motivate support and movement to real positive change. By engagement, joint working, networking and training support, capacity in the regions can be increased and lessons and techniques from international examples can be applied to show how evaluation delivers, often by turning impractical programmes and projects into more sustainable development tracks for an area.

The strategic and practical approach can be productive for micro regions, regions and the state and act to attract more resources from bodies such as the EU. Adopting an integrated approach to development will be central to future sustainable development and examples of how this works will be important to gain buy-in across the regions and a strategic planning approach at micro region level.

By initiating the suggested strategic evaluation approach to develop the culture of evidence gathering and integrated decision making, there will be a movement away from grant dependency towards outcome based priorities for long term investment. This will also develop organisations at micro region level that are motivated by development rather than administrative issues. The guidance in this report, together with national legislation and incentives, can be applied to re-establish integrated development planning across the country. Training and capacity building will be part and parcel of this capacity building and more sophisticated projects and processes will be nurtured.

A micro regions convention to agree the implementation approach and confirm the timetable and resources of future initiatives from the state could be a useful start to energise change and confidence. Operating agreements could be developed around the principles in this report and applied from 2009 planning cycle. An international expert and impartial advisory group, such as OECD, could also provide support and training on behalf of the state Ministry. Transnational evaluation links could also be developed through the OECD to maintain awareness of good practices and bring new learning to

Hungary. A detailed roadmap could be prepared for this development and strategic associations formed with evaluation communities in other countries profiled in this report.

Change and positive practices will come in a series of steps with support to ensure opportunities for innovation and challenge that acts to embed the transition to micro region level. Working together will produce the change effects desirable for greater integration and sustainable development. In short, a project plan is now required for moving the report forwards and developing the initial footholds with the leading micro regions and supporting development players.

### **Future plans for establishing evaluation system in Hungary**

Hungarian government is preparing a Government Concept on the evaluation legislation in the field of regional policy. According to the draft version the Ministry is responsible for the territorial analysis, evaluation and reporting, the operation of the evaluation and monitoring institutions and the system, providing all the necessary conditions to complete these tasks. According to plans, evaluations are sequenced in the following way:

#### **1. Evaluations that are planned to be carried out in every six years:**

- a) Complete evaluation of the National Regional Developmental Concept
- b) The Territorial Sustainability Report connected to global and national challenges and to their territorial consequences

#### **2. Evaluations that are to be carried out in every four years:**

- a) National Report on the Territorial Development Processes, on the effects of regional development policy, and about the effects of spatial plans, to be submitted to the Hungarian Parliament
- b) Territorial Report on Urban Development, analysing the urban policy
- c) Report on the territories outside of Hungary with large Hungarian minorities

#### **3. Other evaluations in two years time:**

- a) Examination of the regional developmental policies: the objectives, the effects, the strategy, the tools and operative objectives´
- b) Evaluation of the effectiveness of developmental transfers (National and EU), their territorial effects
- c) Quantitative and qualitative evaluation of the territorial effects of the regional developmental funds from National sources
- d) Territorial evaluations of the most underdeveloped micro-regions, comparative territorial analysis

#### **4. Annual Reports:**

- a) National Territorial Report, evaluation of the actual situation of Hungary

- b) Evaluation of the National Developmental Funds: central, decentralised funds and their territorial effects
- c) Territorial Cohesion Reports in connection with the EU funds
- d) Policy evaluation of the annually selected public policy, territorial effects

### **Concluding remarks**

This report points towards a series of actions to establish new and productive evaluation relationships. The following are remarks and suggestions that may be useful to achieve the development of a strategic evaluation system for the local and micro regional level in Hungary.

1. It is important to bring forward legislation and changes to move politically so that evaluation becomes a requirement rather than an optional intention.
2. Any legislative act aiming at promoting the use of evaluation at the regional and local level should be the result of a partnership agreement between the different levels of administration. The preliminary step for this and for other initiatives on the side of the Ministry may be the set-up of a forum which involves directly and personally the decision-makers (i.e. the political level) involved in the process. There should be no form of delegation allowed in the participation to this forum (i.e. the politicians cannot be represented by civil servants and/or consultants). In this forum the decision makers need to discuss and understand the basics of evaluation and buy into them.
3. A system of incentives could help promote a wider use of evaluation as a tool to improve programming of public development investment at all levels of administration (central-regional-local). Experience has confirmed that having a readily accessible and internalized “centre of knowledge” greatly facilitates a broader use of evaluation, at the formal and informal level.
4. It is necessary to allocate some financial resources for a project aimed at reinforcing evaluation culture and capacity at the regional and local level and for setting up a wide-spread mechanism for evaluation. This project could be developed along the lines of what suggested under the above point 2, or along other lines to be identified in partnership between the Ministry, the regions, the micro-regions and the municipalities. Possibilities for funding this project through EU Funds need to be fully explored and verified.
5. Actually doing a number of concrete pilot evaluations at the regional and local level, if necessary also drawing on the existing network of available external experiences (but always leaving regional and local authorities in the driver’s seat) is certainly an additional avenue to spread the knowledge of evaluation culture and methodology. This exercise should also be followed by an information dissemination campaign of the results to the public at large.
6. The Ministry for National Development and Economy should guide the process and act as a catalyst and “honest broker” able to provide leadership and incentives for other territorial level representatives to buy into appraisal and evaluation. Thus the Ministry should: a) develop key steps and milestones to create a roadmap on how to progress and develop the evaluation culture over time; b) provide support and create linkages between micro regions to develop capacity locally and create a framework for sustainable changes in culture where openness and sharing of experiences and success becomes standard.