OECD Development Co-operation Peer Reviews

HUNGARY

2023



OECD

OECD Development Co-operation Peer Reviews: Hungary 2023



This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Member countries of the OECD.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2023), *OECD Development Co-operation Peer Reviews: Hungary 2023*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, https://doi.org/10.1787/ec7d67f1-en.

ISBN 978-92-64-47692-9 (print)
ISBN 978-92-64-69599-3 (pdf)
ISBN 978-92-64-88013-9 (HTML)
ISBN 978-92-64-49260-8 (epub)

OECD Development Co-operation Peer Reviews
ISSN 2309-7124 (print)
ISSN 2309-7132 (online)

Photo credits: Elements of the cover design adapted © Sylverarts, Shutterstock.com.

Corrigenda to publications may be found on line at: www.oecd.org/about/publishing/corrigenda.htm.

© OECD 2023

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at https://www.oecd.org/termsandconditions.

Foreword

The OECD Development Assistance Committee (DAC) conducts reviews of the development co-operation efforts of DAC members every five to six years. DAC peer reviews seek to improve the quality and effectiveness of development co-operation policies, programmes and systems, and to promote good development partnerships for greater impact on poverty reduction and sustainable development in developing countries.

At the beginning of the process, the reviewed member submits a self-assessment. Based on this, staff from the Secretariat and two DAC members designated as peer reviewers visit the member's capital to interview officials and parliamentarians, as well as representatives of civil society, non-government organisations and the private sector. This is complemented by exchanges with representatives in partner countries. The team then compiles the findings of these consultations and prepares a set of recommendations which are then discussed during a formal meeting of the DAC prior to finalisation of the report. During the whole process, the OECD Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining, in close consultation with the DAC, the methodology and analytical framework within which the peer reviews are undertaken.

Hungary joined the DAC in 2016. Following the accession review in 2016 and a mid-term review in 2019, this is Hungary's first full peer review. Hungary and the OECD therefore agreed to establish a comprehensive baseline that enables the government of Hungary and stakeholders in the Hungarian co-operation system to identify where adjustments are needed. Accordingly, the peer review, conducted by peer reviewers from Greece and Iceland together with the OECD Secretariat, assessed Hungary's efforts against all components of the DAC peer review analytical framework rather than focusing on select themes (www.oecd.org/dac/peer-reviews/about-peer-reviews.htm).

To support learning between DAC members, the report highlights a number of valuable practices from the reviewed member, from which peers can draw inspiration and learning. These are documented in further detail on the Development Co-operation TIPs · Tools Insights Practices online peer learning platform (www.oecd.org/development-cooperation-learning), that offers insights into making policies, systems and partnerships more effective. The peer review report is complemented by Hungary's development co-operation profile (https://doi.org/10.1787/a80b014d-en), which includes factual information on its policies, development financing, institutional arrangements, and management systems.

The analysis presented in this report is based on (1) a desk review, including Hungary's self-assessment and assessments provided by Hungary's key multilateral, non-government, private sector and research partners; and (2) an extensive process of consultation with actors and stakeholders in Hungary and select other locations (listed in Annex B). The report, which contains both findings and recommendations, fed into the DAC meeting at the OECD on 30 November 2022, at which senior officials from Hungary responded to questions and comments shared by DAC members.

Acknowledgements

Development Assistance Committee (DAC) peer reviews function as a tool for both learning and accountability. This report – containing the findings and recommendations of the peer review – is the result of a seven-month in-depth consultation and review process. It was produced by a review team comprising peer reviewers from Greece (Eleni Nikolaidou and Georgios-Lykourgos Psychogios, Ministry of Foreign Affairs, with contribution from Loukianos-Eleftherios Klint, Embassy of Greece in Slovenia) and Iceland (Erla Hlín Hjálmarsdóttir, Ministry for Foreign Affairs, and Pétur Skúlason Waldorff, Permanent Delegation to the OECD and UNESCO). From the OECD Development Co-operation Directorate, Santhosh Persaud, Policy Analyst, served as the lead analyst for the review, together with Rachel Sberro-Kessler, Policy Analyst, Matthias Leitner, Policy Analyst (Crises and Fragility Specialist) and Claire Naval, Policy Analyst (Anti-corruption). Katharina Satzinger provided logistical assistance to the review, and formatted and produced the report. The report was prepared under the supervision of Renwick Irvine, Senior Policy Analyst and Team Lead (Peer Reviews) and Rahul Malhotra, Head of Division, Reviews, Results, Evaluation and Development Innovation. The report was edited by Fiona Hinchcliffe.

The team are grateful for valuable inputs from across the Development Co-operation Directorate – including the Financing for Sustainable Development Division, the Global Partnerships and Policies Division, the Reviews, Results, Evaluation and Development Innovation Division, and the Foresight, Outreach and Policy Reform Unit – and the OECD, in particular the Directorates for Employment, Labour and Social Affairs, for the Environment, for Financial and Enterprise Affairs, and for Public Governance, as well as the Financial Action Task Force and the Development Centre.

The Peer Review of Hungary benefited throughout the process from the commitment and dedication of representatives of the Ministry of Foreign Affairs and Trade, the Hungary Helps Agency and across government. The review team is also thankful to the representatives of Hungary to Lao People's Democratic Republic and Uganda, who facilitated valuable virtual exchanges with stakeholders in both countries.

Table of contents

Foreword 3

Acknowledgements 4

Abbreviations and acronyms 7

Executive summary 9

Findings and recommendations 14

Introduction and context 15
Policy framework and financing: ODA has expanded significantly in line with priorities 17
The development co-operation system: Hungary has many opportunities to deepen institutional and stakeholder collaboration 24
Bilateral co-operation: Hungary can focus more on impact 30
Internal systems: Continued investments will strengthen co-operation 39
Policy tensions: Balancing domestic and global development objectives requires attention 44
References 51
Notes 58

Annex A. Organisations consulted during the peer review 61

FIGURES

Figure 1. Evolution of ODA in volume and as a percentage of GNI (disbursements) 18
Figure 2. Simplified breakdown of total ODA in 2010 and 2020 (constant prices) 20
Figure 3. Top 10 recipients of Hungary's ODA by volume, 2020 21
Figure 4. Number of reported project-type assistance by value, 2018-20 22
Figure 5. Advantages and challenges in strengthening the Hungary Helps Agency 26
Figure 6. Evolution of Hungary's bilateral official development assistance to fragile contexts 34
Figure 7. The growth of the Stipendium Hungaricum Scholarships Programme, 2013-21 37

INFOGRAPHICS

Infographic 1. Highlights from the 2023 Development Co-operation Peer Review of Hungary 12
Infographic 2. Hungary's development co-operation at a glance 13

TABLES

Table 1. Recipients of project-type assistance by annual ODA volume, 2018-20 23
Table 2. Simplified breakdown of ODA in 2020 by ministry, department and instrument 25
Table 3. Top five CSO recipients of ODA, 2016-20 29
Table 4. Staff working on development co-operation and related issues 43

BOXES

Box 1. Learning from Hungary on engaging with local faith-based organisations in fragile and conflict-affected areas 35
Box 2. Hungary is a strong advocate for sustainable water management 47

Follow OECD Publications on:

https://twitter.com/OECD

https://www.facebook.com/theOECD

https://www.linkedin.com/company/organisation-eco-cooperation-development-organisation-cooperation-developpement-eco/

https://www.youtube.com/user/OECDiLibrary

https://www.oecd.org/newsletters/

This book has...

StatLinks
A service that delivers Excel® files from the printed page!

Look for the StatLink at the bottom of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser or click on the link from the digital version.

Abbreviations and acronyms

COVID-19	Coronavirus (SARS-CoV-2)
CSO	Civil society organisation
DAC	Development Assistance Committee (OECD)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
FTC	Free-standing technical co-operation
GDP	Gross domestic product
GNI	Gross national income
HDP	Humanitarian-development-peace
IDC2025	International Development Cooperation Strategy for the period 2020-2025
IFC	International Finance Corporation
IFRC	International Federation of Red Cross and Red Crescent Societies
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
Lao PDR	Lao People's Democratic Republic
LDC	Least Developed Country
M&E	Monitoring and evaluation
MFAT	Ministry of Foreign Affairs and Trade of Hungary
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
SDG	Sustainable Development Goal
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCT	United Nations Office of Counter-Terrorism

V4	Visegrád Group
WFP	World Food Programme
WHO	World Health Organization

Signs used:

USD	United States dollars

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = HUF

2014	2015	2016	2017	2018	2019	2020	2021
232.602	279.332	281.523	274.433	270.212	290.660	307.997	303.141

Executive summary

Accompanying Hungary's fast-growing co-operation on a path towards greater development impact is the objective of its first OECD Development Assistance Committee (DAC) peer review, conducted by Greece and Iceland with the support of the OECD Secretariat. Hungary has rapidly expanded its development co-operation over the last decade. A DAC member since only 2016, Hungary is still building its capacity to move towards established DAC standards and ways of working. The findings and recommendations of this peer review create a baseline against which to track progress and to guide Hungary as it moves forward.

The recent reorganisation is a strong opportunity to pursue reform efforts. Shortly before the peer review mission, Hungary integrated the humanitarian portfolio into the Ministry of Foreign Affairs and Trade, which also assumed oversight of the Hungary Helps Agency (created in 2019). This should boost Hungary's on-going efforts to establish standards and processes for delivering quality co-operation.

Building on a useful legal and strategic foundation, Hungary now needs to reinforce its policy framework. Act XC of 2014 and the co-operation strategy IDC2025 provide the general principles and priorities for Hungary's co-operation. Strategies and guidance for select countries and priority areas would strengthen the focus of interventions and support their quality assurance.

ODA growth has been impressive, but the focus and planning of allocations could improve. Since 2010, Hungary has achieved a fourfold increase in the volume of its official development assistance (ODA) and more than tripled its share of ODA to gross national income – reaching 0.29% in 2021. However, its thematic focus is not matched by effective geographic concentration. Allocations are spread across many countries and a high share of small short-term interventions, which could undermine efficiency. At present, Hungary does not plan its ODA allocations in advance, and largely relies on budgetary reserves. Budget rules affect its ability to provide longer-term funding to partners, contributing to fragmentation.

Hungary could use the reorganisation to increase the effectiveness and efficiency of its development co-operation. At the time of the review, the various actors involved were doing little to co-ordinate their efforts. There is room for greater synergy. As long as roles and responsibilities are clearly defined, making the Hungary Helps Agency the lead executing agency could help pool expertise and free up policy-making capacity in the Ministry of Foreign Affairs and Trade (MFAT). Stronger co-ordination notably within the ministry, but also across government, will nonetheless be critical.

Hungary can build further on progress in its engagement with stakeholders and the broader public. It has made substantial progress in integrating sustainable development into formal education but could do more to raise development awareness outside schools. Its notable efforts on public information would gain from greater transparency and a narrative that better reflects the long-term benefits of co-operation. Introducing systematic consultation with stakeholders would provide valuable insights and feedback.

The partnership with civil society organisations (CSOs) would gain from more flexible and long-term funding. Hungary relies on a few select CSOs for implementation, and funding opportunities are not conducive to a more diverse set of partner organisations. Funding is mostly short-term and limited to project delivery, leaving little opportunity for CSOs to lead initiatives or build their capacity. Support to

local organisations and prepositioned emergency funding shows Hungary's willingness to trust CSO partners. It could build on this trust to develop more flexible and long-term funding opportunities for CSOs.

Strategic country partnerships could enhance Hungary's ability to contribute to partners' long-term objectives. The programme in Uganda is a welcome step towards more comprehensive country programmes, but remains an exception. Concentrating its efforts would allow Hungary to focus on longer-term results, be more efficient and free up the capacity to invest in and benefit from political dialogue and partner co-ordination. To help leave no one behind, Hungary needs to deepen its understanding of how its interventions can tackle poverty and inequality, and ensure that support to minorities is context sensitive.

Hungary wants to become fit to engage in fragile contexts. A strong disaster management capacity, resilience-oriented humanitarian programming and peacekeeping efforts are part of Hungary's response to crises. Close partnerships with faith-based actors allow Hungary to support locally-led responses. However, these actions are not yet well linked and are too dispersed to tackle complex challenges. The integration of humanitarian assistance into MFAT provides an excellent opportunity for progress.

Scholarships are the largest part of Hungary's bilateral programme but greater clarity on their development impact is needed. The Stipendium Hungaricum has grown significantly, supporting more than 11 000 students in 2021, although relatively few from least developed countries. A small programme supports conflict-affected students. Hungary could benefit from an evaluation to assess and enhance the impact of scholarships. Additional efforts to target less-well off students and to enhance alumni outreach further could be ways to enhance development results.

Continuing to invest in internal systems will strengthen Hungary's capacity. Quality assurance would benefit from deeper analysis and expert advice to reflect fragility, complex challenges and cross-cutting issues in project design. Systematically deploying its new risk management mechanisms would allow Hungary to capture the full range of risks, including wider corruption risks. Hungary's significant efforts to track results also need to encompass outcomes and impact. As already highlighted when it joined the DAC, Hungary should carry out evaluations to inform decision making, learning and accountability.

Building on its small team of young, dedicated staff, investments in capacity and skills for improving Hungary's development programme will be critical. The reorganisation will pool staff, which can bring efficiency gains. However, high turnover and a limited number of development experts mean Hungary needs to attract skilled staff, provide systematic training and improve knowledge management.

Hungary needs to decouple private sector engagement from ODA tied to domestic firms. Hungary supports the engagement of its private sector in developing countries by funding feasibility studies and pilot projects. A large part of Hungary's co-operation projects are tied to Hungarian providers, which prevents partner countries from seeking the best value for money. Hungary needs to explore how it can progressively open up projects to competition. Promoting responsible business conduct would be an important complement to Hungary's current efforts.

Greater attention is needed to balance domestic and global development objectives. Hungary's water diplomacy and active engagement in multilateral fora show that it can make strong contributions to international dialogue on development. However, its stance on migration and gender equality sometimes block consensus, and frictions with the EU risk undermining the opportunities for driving collective action for sustainable development that will be presented through Hungary's Presidency of the Council of the EU in 2024. Determining clear priorities, carefully considering its positions and investing early in the EU Presidency could allow Hungary to build a reputation as a force for sustainable development.

The Development Co-operation Profile of Hungary (https://doi.org/10.1787/a80b014d-en) provides additional information on Hungary's co-operation. Hungarian good practices to inspire other DAC members and development actors are described on the learning platform, Development Co-operation TIPs · Tools Insights Practices (https://www.oecd.org/development-cooperation-learning).

The DAC's recommendations to Hungary

The following recommendations aim to support Hungary in building on the strengths of its development co-operation, while addressing some remaining challenges and pursuing its reform efforts.

Hungary should take the following actions, grouped under four broad objectives:

Increase the sustainability and impact of its partner country engagement

1. As it continues to increase its official development assistance, reduce fragmentation and enable multi-annual planning and financing for larger, longer-term interventions with a limited number of strategic country partnerships.
2. Ensure clear processes, guidance and staff capacity to quality-assure interventions, making sure that they systematically address poverty and inequality and consider cross-cutting issues such as climate, environment and gender equality, while being sensitive to context and humanitarian principles.
3. Further integrate approaches for community-based peace-building and religious tolerance into its partnerships with local faith-based organisations to strengthen the potential for longer-term conflict reduction.

Deepen collaboration across institutions and with stakeholders

4. Clarify institutional roles and co-ordination, notably within the Ministry of Foreign Affairs and Trade and vis-à-vis the Hungary Helps Agency as lead agency, to strengthen efficiency and synergies, including across the humanitarian-development-peace nexus.
5. Strengthen engagement with the full range of stakeholders by:
   - creating mechanisms for their systematic consultation
   - improving its transparency and reporting of funding
   - providing more core and longer-term funding to civil society organisations.

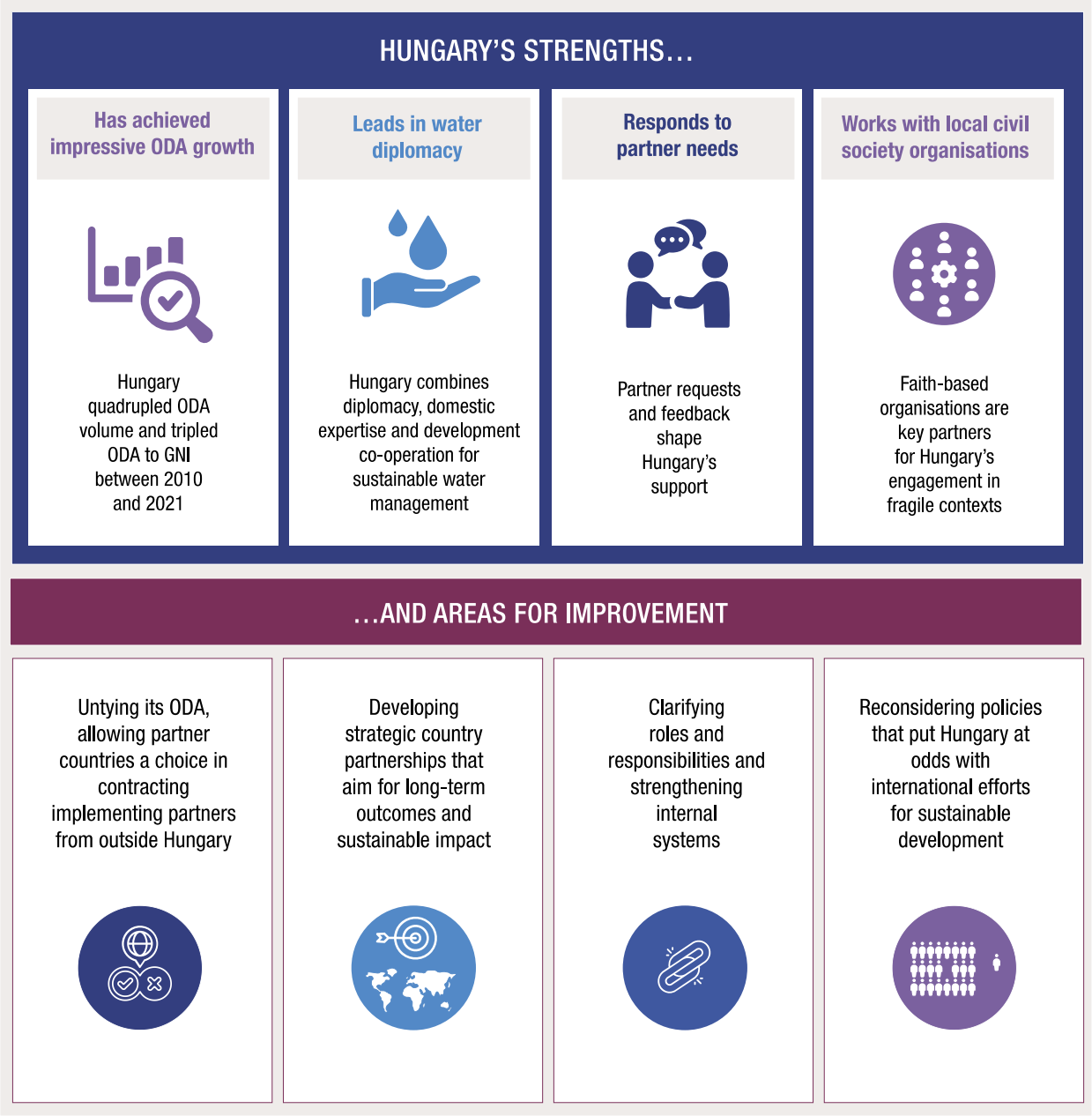
Strengthen internal systems for effective co-operation

6. Use the new mechanisms to manage the full range of risks and raise awareness of the need to address corruption risks through an approach that goes beyond fiduciary risks, notably to implement the Recommendation of the Council for Development Co-operation Actors on Managing the Risk of Corruption and the DAC Recommendation on Ending Sexual Exploitation, Abuse, and Harassment in Development Co-operation and Humanitarian Assistance.
7. Track the outcomes and impact of development co-operation through both results management and evaluations, especially for significant and strategic interventions such as scholarships and tied aid loans.
8. Invest in building and maintaining skills in development co-operation, including through relevant training, career opportunities for staff and support for a broader ecosystem of development experts in Hungary.

Find the right balance between domestic and global objectives

9. Define an approach to private sector engagement that enables Hungary to progressively untie grants and loans in order to increase value for money for partner countries, and that encompasses responsible business conduct.
10. Promote adjustments of policies that risk having negative effects on developing countries, including those affecting Hungary's ability to join international consensus on efforts for global sustainable development.

Infographic 1. Highlights from the 2023 Development Co-operation Peer Review of Hungary



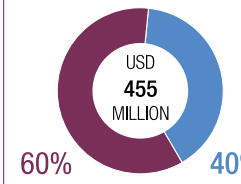
Infographic 2. Hungary's development co-operation at a glance

Figures expressed are gross disbursements in USD million and based on 2020 constant prices unless otherwise stated.

HUNGARY RANKS 17TH OUT OF 29 DAC COUNTRIES FOR ODA AS A SHARE OF GNI

2021 (preliminary)

ODA VOLUME



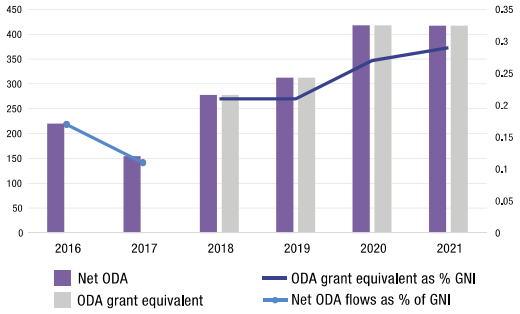
ODA/GNI

0.29% of GNI

Compared to

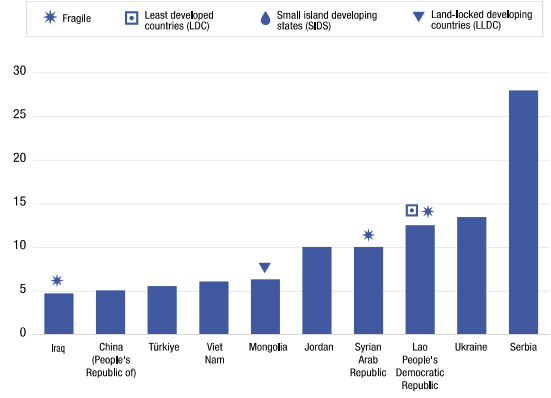
0.33% DAC average

ODA VOLUME HAS ALMOST DOUBLED SINCE HUNGARY JOINED THE DAC IN 2016



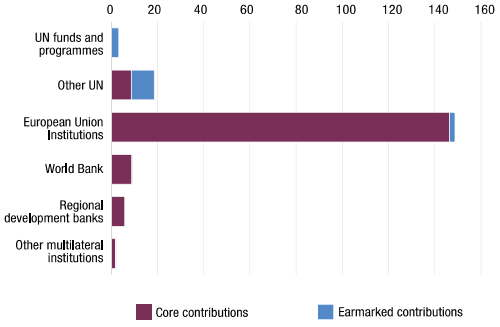
ONLY A FEW OF THE COUNTRIES MOST IN NEED ARE AMONG THE TOP RECIPIENTS OF HUNGARY'S ODA

2019-20 average

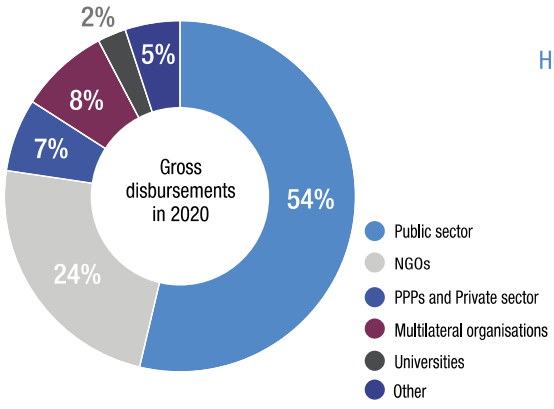


THE EU IS BY FAR THE MOST IMPORTANT RECIPIENT OF HUNGARY'S MULTILATERAL ODA

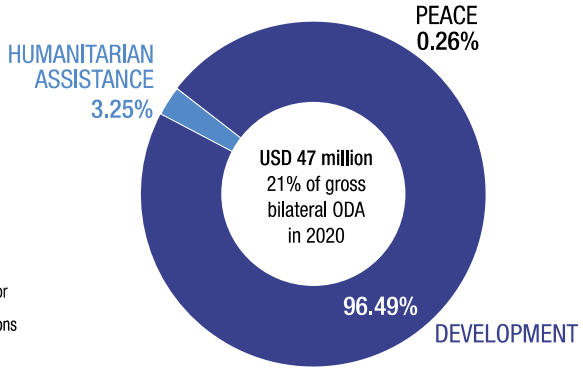
2019-20 average



THE PUBLIC SECTOR IS HUNGARY'S MAIN CHANNEL OF DELIVERY, NOTABLY FOR SCHOLARSHIPS



MOST HUNGARIAN ODA TO FRAGILE CONTEXTS IS FOR DEVELOPMENT ASSISTANCE



Findings and recommendations

This report presents the findings and recommendations of the 2022 development co-operation peer review of Hungary. As this is Hungary's first review since it joined the OECD Development Assistance Committee in 2016, the review assesses Hungary's efforts against all components of the peer review analytical framework. Following an introduction, the first of the report's five main sections analyses Hungary's policy framework and ODA financing. The report then explores the overall development co-operation and humanitarian assistance architecture to see if it is fit for purpose, before covering Hungary's bilateral co-operation partnerships. It then assesses internal systems for supporting effective co-operation. The final section explores the balance between domestic and development policy objectives. For each of these areas, the report identifies Hungary's strengths and challenges and makes recommendations for moving forward.

Introduction and context

Introduction

This first OECD-DAC peer review report of Hungary provides a comprehensive analysis of the strengths and challenges of the country's development co-operation. Hungary joined the DAC in 2016. Following the DAC accession review in 2016 and a mid-term review in 2019, this is Hungary's first full peer review. Hungary and the OECD therefore agreed to establish a comprehensive baseline that enables the government and stakeholders in the Hungarian co-operation system to identify where adjustments are needed. Accordingly, the peer review, conducted by reviewers from Greece and Iceland together with the OECD Secretariat, assessed Hungary's efforts against all components of the DAC peer review analytical framework (OECD, 2021[1]). The report presents the review's findings in five sections.

The five main subjects for analysis were ODA allocations, the institutional setting, bilateral co-operation, internal systems and policy challenges. After an introduction to the current political and economic context, the first section outlines Hungary's policy framework and its impressive if somewhat dispersed ODA growth. The second section presents the opportunities and challenges embodied in the institutional set-up. Sections three and four analyse how Hungary could strengthen the impact of its bilateral co-operation, including by strengthening its internal systems. A fifth and final section identifies opportunities to address tensions between Hungary's domestic policy priorities and development co-operation objectives. Each section proposes recommendations indicating important adjustments Hungary should pursue to further improve its development co-operation. All recommendations are listed together at the front of the report.

To support learning between DAC members, this peer review report also highlights two valuable practices by Hungary. These can be a source of insight and inspiration for other DAC members and development actors, and are documented in further detail on the learning platform, Development Co-operation TIPs • Tools Insights Practices (www.oecd.org/development-cooperation-learning).

Hungary's domestic context: Opportunities to enhance development co-operation in a shifting external environment

Since joining the DAC, Hungary has invested continuously in development co-operation

Hungary has been placing growing emphasis on development co-operation and its engagement with developing countries. Following the adoption of its first co-operation strategy in 2014, Hungary joined the DAC in 2016 and significantly expanded the funding, institutional capacity (creating a dedicated agency) and scope of its development co-operation programme. In addition to supporting developing countries' progress towards sustainable development, development co-operation for Hungary also serves important policy objectives such as the promotion of the Hungarian private sector, strengthening the country's international visibility and addressing drivers of migration (MFAT, 2020[2]). Engagement with developing countries has received an additional push with dedicated strategies to deepen economic ties with Eastern (notably Asian) (2011) and Southern (notably African) partners (2015), as well as an Africa strategy in 2019. Moreover, Hungary has widened its embassy network in Africa and Asia. However, trade relations with developing countries are still relatively limited.[1] This indicates potential for expansion, but also points to challenges in encouraging private sector engagement in developing countries.

A government reorganisation following the 2022 elections provides strong opportunities for enhancing development co-operation. A new government was appointed at the end of May 2022 after elections confirmed the coalition under Christian-Conservative party Fidesz, in power since 2010. The responsibility for humanitarian assistance was moved from the Prime Minister's Office to the Ministry of Foreign Affairs and Trade (MFAT), which is a significant change. This reorganisation should ease the way

for implementing internal reforms and also allow for synergies and better co-ordination between humanitarian and development work (see the section on the Development co-operation system). At the same time, the profile of development co-operation and humanitarian assistance was raised through a dedicated State Secretary position in the MFAT – an upgrade from a Deputy State Secretariat previously.

The external environment presents both opportunities and risks

Hungary's robust growth performance is hindered by the inflationary effects of Russia's illegal, unprovoked and unjustifiable war of aggression against Ukraine, coupled with headwinds from higher energy prices and international supply chain disruptions. Hungary's GDP had already reached pre-pandemic levels in mid-2021 (OECD, 2022[3]), a faster recovery than in many other economies. Growth is expected to slow due to the knock-on effects of Russia's war of aggression against Ukraine, largely through faster inflation from increasing raw material prices and disruptions to global supply chains (OECD, 2022[3]). Hungary is highly dependent on fossil energy imports from Russia and has advocated for exemptions to proposed EU sanctions in this regard. For 2022 and 2023, the OECD expects growth of 4.0% and 2.5% respectively (2022[3]). Unemployment is historically low and the tight labour market has led to continued strong real wage increases. Monetary policy is being tightened to bring one of the highest inflation rates in Europe under control. Moreover, the already high public debt (89% in 2021) is increasing, inducing the new government to implement measures to reduce public spending (Economist Intelligence Unit, 2022[4]). The tightening of macroeconomic policies will also weigh on the growth outlook.

Hungary's efforts to support neighbouring Ukraine can influence broader development co-operation dynamics. Hungary has mobilised resources to help Ukraine and is hosting a significant number of refugees, marking a positive shift from its previously very tight asylum policy. These positive efforts were mostly additional to the development co-operation budget. The broad mobilisation across government and society can help raise awareness of the importance of international co-operation, as well as strengthen inter-ministerial co-ordination. Continued support to Ukraine, where a large Hungarian minority lives, will stay high on Hungary's co-operation agenda.

Hungary's upcoming Presidency of the Council of the EU is an opportunity to advance co-operation, but this opportunity is at risk from strained relations with the Union. Hungary will hold the Presidency of the Council of the EU in the second half of 2024. In this position, it can help the Union make progress on its development co-operation agenda, while also shaping European policies of high relevance to developing countries. However, in 2022, the EU launched proceedings against a member state for the first time under the new rule-of-law conditionality mechanism. The European Commission proposed suspending funds to Hungary until remedial measures recently proposed by Hungary are fully implemented. The main points of contention are corruption, the mismanagement of EU funds and the lack of independence of the judiciary (European Commission, 2022[5]). The European Parliament also expressed concern at the "clear risk of a serious breach" of European Union values. (European Parliament, 2022[6]). Fostering consensus among EU members will be more challenging for Hungary if significant tensions with the EU persist.

Managing these factors over the coming years will be highly relevant to Hungary's co-operation. Continuous political and public support will be needed to mobilise resources for Ukraine while also pursuing Hungary's ambition to strengthen its engagement outside Europe, including in least developed countries. The final section of this report explores in more detail how Hungary could seize opportunities from the EU Presidency.

Policy framework and financing: ODA has expanded significantly in line with priorities

Guidance would help operationalise the legal and political foundations of Hungary's co-operation

Hungary has established a solid legal and policy basis for its co-operation

Act XC of 2014 sets out important principles and objectives for Hungarian development co-operation (Parliament of Hungary, 2014[7]). The act commits Hungary to respecting humanitarian and development effectiveness principles, human rights, and humanitarian and refugee law. It prioritises bilateral co-operation and requires it to respond to "the needs, requirements and development objectives" of partner countries. At the same time, it determines that development co-operation should also serve the national interest and create opportunities for the Hungarian economy. In some instances, this creates tensions with development objectives (see Policy tensions). The act requires that stakeholders, including civil society organisations, be regularly informed and consulted. It assigns the main leadership and co-ordination function to the Ministry of Foreign Affairs and Trade (MFAT).

The International Development Cooperation Strategy for the period 2020-25 (IDC2025) aligns with the Sustainable Development Goals (SDGs) and defines allocation priorities (MFAT, 2020[2]). It identifies a number of SDGs[2] of high relevance for Hungary and stresses that contributing to the SDGs aligns with Hungary's objectives of sustainable development, fighting climate change and addressing drivers of migration. IDC2025 sets a commitment to reach a share of official development assistance (ODA) of 0.25% of gross national income (GNI) by 2025. Rather than defining priority countries, Hungary has opted to identify the European neighbourhood, Africa, least-developed countries (LDCs) and the Middle East as priority regions. However, this broad approach is contributing to a dispersion of its ODA (see below). Hungary's thematic priorities are better focused, encompassing access to water and sanitation, healthcare, education, agriculture and information technology.

The strategy also guides Hungary's ways of working. Building on Act XC, the strategy affirms Hungary's ambition to pursue mutually prosperous economic partnerships with developing countries which also benefit the Hungarian private sector. Hungary also aims to improve co-ordination across government, mobilise Hungarian stakeholders and raise their development awareness – areas in which Hungary has made some progress but in which it also faces challenges (see Development Co-operation system).

The next key step would be to develop implementation guidance

Setting out actions to implement the IDC2025 will be important to fill the gap between top-level strategy and implementation. Except for the ODA/GNI target and a few follow-up actions[3] (Government of Hungary, 2019[8]), the strategy is not accompanied by specific objectives, or a broad steer on poverty reduction, leaving no one behind or cross-cutting issues. Hungary has not yet developed strategies for its engagement in specific sectors or countries, or internal reform, with the exception of a 2019 Africa Strategy that sets out expected actions for line ministries to strengthen relations with Africa, and a 2016 Concept for Global Education. As a result, there is only very limited guidance on how Hungary will implement its most important development policy objectives. While it is good practice that the government publicly reports annually on progress under the strategy, without objectives or planned actions the value-added of reporting for accountability remains limited.

Developing a body of select policy and guidance documents could draw on the expertise of co-operation stakeholders and guide their actions. As each policy document requires an investment of time and effort in an environment of limited staff resources, Hungary needs to reflect in which areas it would benefit most from strategies and guidance. It could, for example, consider developing country

strategies for Hungary's most significant partners, or policies for its broad engagement in the water sector, or its partnerships with the private sector and civil society organisations.

The external review of the co-operation strategy will be an important opportunity to learn strategic lessons. Hungary plans to assess its co-operation strategy at the end of 2024. This exercise will help Hungary to consider whether it needs to adjust the overall priorities of its development co-operation, as well as whether the strategy document has served its purpose to guide Hungary's co-operation efforts, and how it could be further improved.

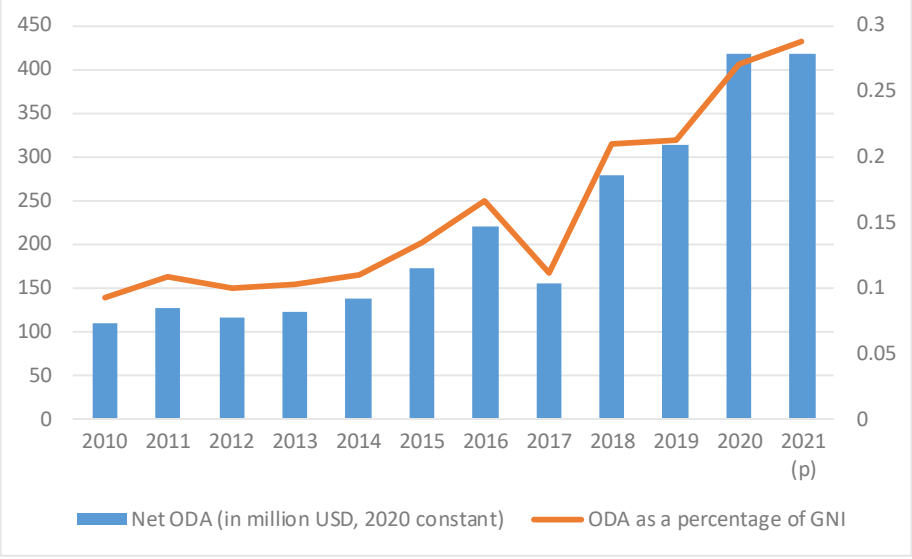
ODA growth has been impressive; planning and reporting could be improved

ODA has increased fourfold since 2010

ODA volume has increased substantially over the past decade, reflecting Hungary's strong commitment to play a role in international development. Hungary provided USD 418 million (USD 2020 constant, preliminary data) of ODA in 2021, a sharp increase on the USD 109 million in 2010. Similarly, the ODA/GNI ratio increased from less than 0.10% in 2010 to 0.29% in 2021, despite Hungary's fast-growing economy. In 2020, Hungary surpassed the 0.25% ODA/GNI target it had set itself to reach by 2025.

Hungary has almost doubled its ODA since it joined the DAC, but has also seen some decreases. Hungary saw an initial decrease in ODA volume from 2016 to 2017 (by 25%), after which ODA rose again sharply (Figure 1). In 2021, ODA dropped by 0.1% in volume in real terms (and by 8% when excluding COVID-19 vaccine donations calculated at about USD 9/dose). Going forward, it will be key for Hungary to maintain ODA growth in line with its ambitions and commitment to reach a 0.33% ODA/GNI ratio by 2030, contributing to the collective EU commitment of reaching 0.7%.

Figure 1. Evolution of ODA in volume and as a percentage of GNI (disbursements)



Note: DAC members adopted the grant-equivalent methodology starting from their reporting of 2018 data as a more accurate way to count the donor effort in development loans. As Hungary only reports grants, the graphic depicts net ODA flows as these are identical to grant equivalents.
Source: OECD (2022[9]), *Creditor Reporting System* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

StatLink https://stat.link/2mglbs

Hungary faces challenges in planning and reporting ODA

Heavy reliance on reserve funding has helped increase the bilateral development co-operation budget; this may not be sustainable going forward. The regular budget is not the main funding source for Hungary's co-operation. In fact, many large scale and multi-annual development projects are approved by the Government of Hungary on an ad hoc basis, depending on their strategic importance and the availability of funds from the Central Reserve. While allowing some flexibility, the fact that most funding comes from this process creates accountability challenges with Parliament, as well as a lack of funding predictability for the Hungary Helps Program Coordination Department. Until now, most extra-budget requests have been approved. However, if public spending is restrained, reliance on reserves might create challenges for ODA growth.

Limited multi-annual funding affects Hungary's ability to plan for medium-term objectives. The annual budget process makes it challenging for the Hungary Helps Program Coordination Department to plan for expenditures beyond one year, which then impacts the funding that this department provides to private sector and CSO partners. Although this feature of the budget process applies to all public spending, it has significant repercussions for development co-operation. It also forces Hungary to disburse the full grant amount upfront. In line with the OECD Recommendation of the Council on Budgetary Governance (OECD, 2015[10]), illustrating how development co-operation expenditures will develop over a medium-term perspective would help the department plan its overall resources and individual allocations in line with medium-term strategic priorities.

There is no specific annual budget line for development co-operation, which gives significant flexibility to the Minister of Foreign Affairs and Trade but creates challenges for transparency and predictability. There are generally four budget lines for the MFAT in the annual budget, but none of them is specifically for development co-operation. This lack of clarity in budget formulation adds to the above-mentioned challenges related to the limited accountability with Parliament and lack of predictability for the Hungary Helps Program Coordination Department.

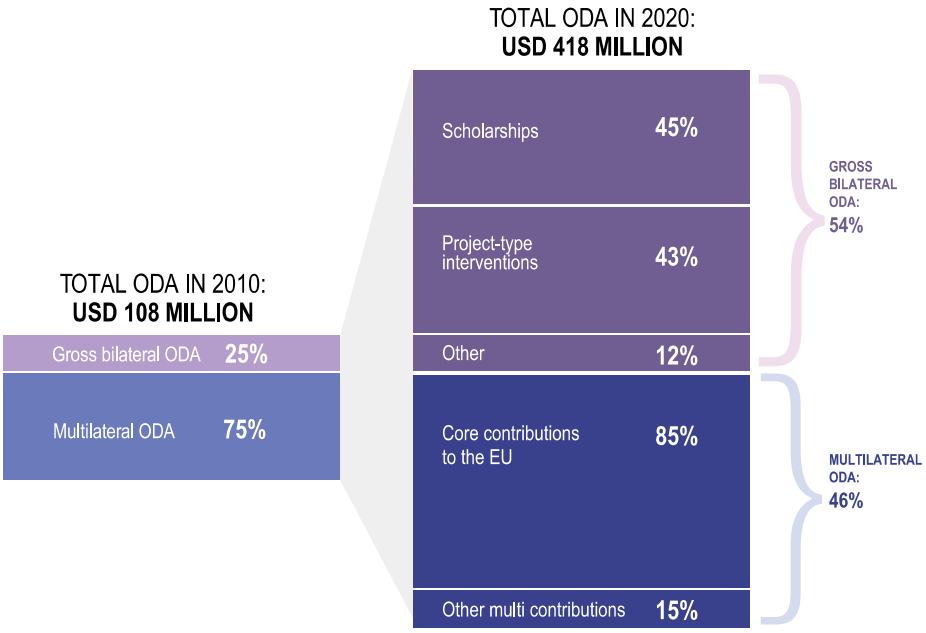
There is room to improve ODA reporting to the DAC. Based on the data reported in 2021, the OECD has highlighted the need for numerous corrections to modalities, channels and purpose codes (OECD, 2022[11]). Closer attention to the definition of free-standing technical co-operation (FTC)[4] could further enhance the quality of reporting.[5] Similarly, reporting tied aid loans to the DAC (rather than only the interest rate subsidy) would increase transparency and comparability with other DAC members. DAC markers, for instance on gender equality, are important to track DAC member action in specific areas. Sufficient verification of the recommended minimum criteria for their application would be important to strengthen the reliability of Hungary's ODA data.

ODA allocations are aligned with priorities but dispersed across countries and projects

Hungary has increased bilateral ODA for its priority sectors and regions

ODA growth has been mainly driven by the expansion of Hungary's bilateral assistance, in line with policy priorities. In 2020, gross bilateral ODA was 54.1% of total ODA while core contributions to multilateral organisations accounted for 45.9% of total ODA. The share of gross bilateral ODA in total ODA has sharply increased from 25% in 2010 (Figure 2). The growth of bilateral ODA has been driven by the growth of scholarships, accounting for 45% of bilateral ODA in 2020. In addition, there is a large programme of tied aid that is not fully reported as ODA. The number of projects nearly doubled in the period between 2014-20 compared to the preceding ten years of the programme. By the end of 2020, the value of tied aid credit programmes extended based on intergovernmental agreements in force exceeded USD 1.2 billion (MFAT, 2021[12]).

Figure 2. Simplified breakdown of total ODA in 2010 and 2020 (constant prices)



Source: OECD (2022[13]), Total flows Table DAC1, https://stats.oecd.org/Index.aspx?DataSetCode=TABLE1#. OECD DAC table.

StatLink https://stat.link/9o0n86

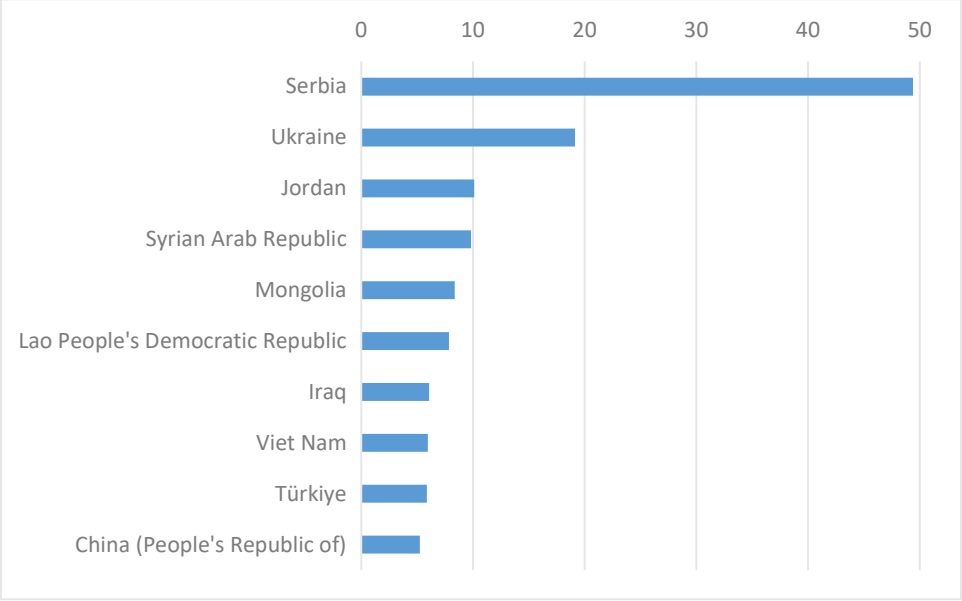
In line with IDC2025, Hungary's allocations focus on clear thematic priorities. The six priority sectors in the IDC 2025 are: water management and sanitation, agriculture, health, education, environment and information technology. They are reflected in Hungary's ODA allocations (USD 114.6 million for education and 23.8 million for health in 2020) as well as in its tied aid credits, which are strongly focused on water and sanitation and agriculture. Examples include a USD 160 million loan to the Lao People's Democratic Republic (Lao PDR) in 2017 for investments in food safety, water management and e-governance and a USD 56 million loan to the Republic of Rwanda for the renovation of a water treatment plant (figures provided by Hungary).

There are some efforts to mobilise domestic resources in developing countries. Hungary hosts the OECD Budapest Multilateral Tax Centre, which provides training to tax authorities in Europe and Asia. While there are no specific ODA programmes, Hungary shared its own experience with Zambia on customs in 2019. In 2021, Hungary ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

In terms of geographic allocations, Hungary is making a shift towards Africa but its engagement in LDCs remains limited. Hungary's 2020-25 strategy is to increase its focus on Africa and least developed countries (LDCs). According to Hungary, Africa was the top regional recipient of ODA in 2021 (USD 62 million) a significant shift from 2020, when Africa was the third largest regional recipient (receiving USD 22 million) after Europe and Asia. However, in 2020, there was no African country among Hungary's top 10 ODA recipients (Figure 3). Europe remains a priority region, with significant support to Serbia and Ukraine. LDCs received 6.4% of Hungary's gross bilateral ODA (USD 14.4 million) in 2020. This is significantly below the DAC country average of 24.4%. The highest share of Hungary's gross bilateral ODA (43.2%) went to upper middle-income countries in 2020.

Figure 3. Top 10 recipients of Hungary's ODA by volume, 2020

Gross disbursements, million USD, current prices



Source: OECD (2022[9]), *Creditor Reporting System* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

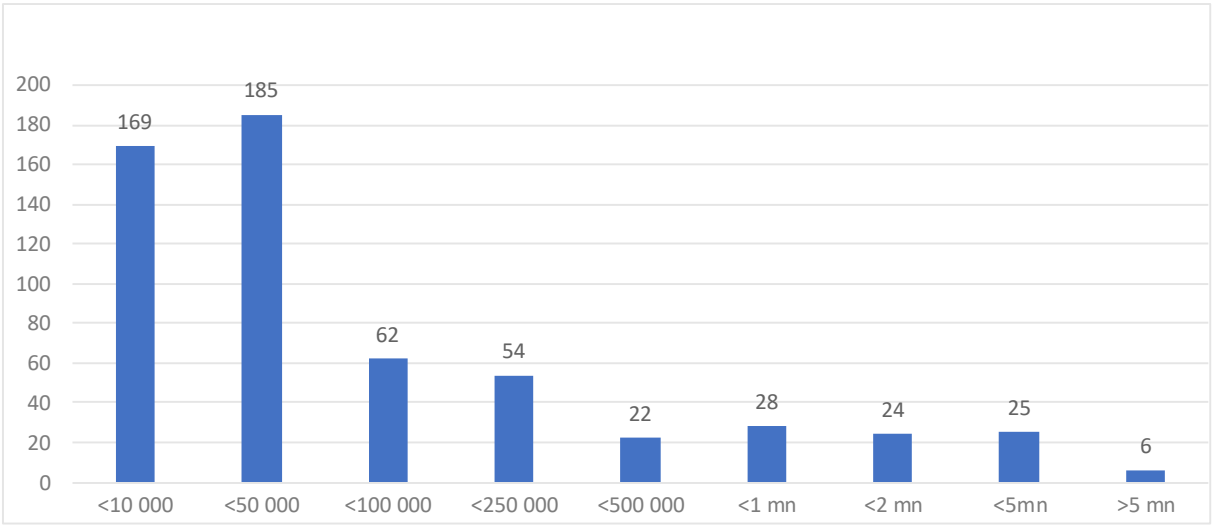
StatLink https://stat.link/4euykv

…But allocations are geographically dispersed across many projects

Allocations are spread across a large number of small projects. The vast majority of Hungary's project allocations are smaller than USD 100 000 (Figure 4). As most interventions are not multi-annual, this results in a significant degree of fragmentation. This in turn leads to efficiency and capacity concerns since each project needs to be quality-assured, endorsed and monitored. During the peer review, Hungary expressed the ambition to operate increasingly through fewer and larger projects. In fact, it could build on its own practice, as it is already providing very substantial amounts to a small share of single projects. From 2018-20, the 20 largest projects corresponded to half of total project financing and were concentrated in three countries, Lao PDR, Serbia and Ukraine.

Figure 4. Number of reported project-type assistance by value, 2018-20

2020 USD constant



Note: mn = million.
Source: OECD (2022[9]), *Creditor Reporting System* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

StatLink https://stat.link/x92k0a

Resources are also spread across a large number of countries. Hungary indicates that it was supporting 113 countries in 2021. When looking at project-type interventions only (excluding scholarships and core contributions to multilaterals and CSOs), Hungary had programmes in 53 different countries between 2018 and 2020 (Table 1). This geographic dispersion creates challenges: for Hungary, as it cannot mobilise deep geographic expertise for all these contexts and is forgoing potential economies of scale; and for partner countries who need to co-ordinate many donors. Hungary recognizes the importance of geographical focus to increase the visibility and effectiveness of its grants (MFAT, 2021[14]). Focusing resources on fewer countries would also allow Hungary to increase the efficiency and effectiveness of its development co-operation.

Table 1. Recipients of project-type assistance by annual ODA volume, 2018-20

Average annual ODA, USD 2020 constant

< USD 0.1 million	< USD 0.5 million	< USD 1.0 million	< USD 5.0 million	> USD 5.0 million
Armenia	Albania	Ethiopia	Indonesia	Lao People's Democratic Republic
Bangladesh	Bosnia and Herzegovina	Jordan	Iraq	Serbia
Belarus	China (People's Republic of)	Kenya	Lebanon	Ukraine
Brazil	Democratic Republic of the Congo	Mexico	Mongolia	
Cabo Verde	India	Nigeria	Syrian Arab Republic	
Colombia	Kyrgyzstan	West Bank and Gaza Strip	Uganda	
Cuba	Montenegro		Viet Nam	
Ecuador	Sri Lanka			
Egypt				
Georgia				
Ghana				
Kosovo*				
Mali				
Moldova				
Morocco				
Mozambique				
Myanmar				
North Macedonia				
Pakistan				
Philippines				
South Africa				
Sudan				
Tanzania				
Tunisia				
Türkiye				
Uzbekistan				
Venezuela				
Yemen				
Zambia				

Note: * This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.
Source: OECD (2022[9]), *Creditor Reporting System* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

Recommendation

1. As it continues to increase its official development assistance, reduce fragmentation and enable multi-annual planning and financing for larger, longer-term interventions with a limited number of strategic country partnerships.

The development co-operation system: Hungary has many opportunities to deepen institutional and stakeholder collaboration

Hungary's reorganisation could increase the effectiveness and efficiency of its development co-operation

The various actors and instruments are not fully co-ordinated

The Ministry of Foreign Affairs and Trade (MFAT) is the central actor among the diverse ministries and agencies engaged in development co-operation. Following a government reorganisation, the MFAT now manages most of Hungary's bilateral co-operation, including scholarships, development grants, humanitarian assistance and tied aid loans. It is also leading on the engagement with the European Union over development co-operation, by far its most significant multilateral contribution. In addition, the MFAT is responsible for leading and co-ordinating Hungary's co-operation across government. A number of other ministries engage in multilateral (e.g. the Ministry of Finance for some multilateral development banks) and bilateral co-operation (e.g. the Ministry of Technology and Industry /Western Balkans Green Centre and the Ministry of Interior for disaster management).

However, overlapping and fragmented mandates and instruments within MFAT raise risks. The Hungary Helps Program Coordination Department leads on the overall co-operation policy and manages a part of bilateral co-operation, while other departments also manage sizeable ODA volumes (Table 2). Despite this, the peer review identified only very limited interaction between them. As an example, Hungary's largest ever ODA grant, an agriculture programme in Serbia, was not co-ordinated with the predecessor of the Hungary Helps Program Coordination Department (even though it runs programmes in the Western Balkans) or the Tied Aid Department (which has experience in large agriculture programmes).

Similar risks exist in relation to work across government and agencies. Some programmes are managed directly at ministry level, while others are managed by agencies (Table 2). Private sector promotion programmes supporting feasibility studies and pilot programmes are undertaken by both MFAT and the Western Balkans Green Centre. Two agencies, the Hungary Helps Agency and the Széchenyi Program Office Nonprofit LLC (implementing EU regional programmes under the oversight of the Prime Minister's Office), are both aiming for a pillar assessment to implement EU funding. Humanitarian and development interventions are not yet linked (see Bilateral co-operation: Hungary can focus more on impact). In the absence of clear roles and well-functioning co-ordination mechanisms, Hungary is missing opportunities to create synergies between different instruments and programmes.

New cross-government co-ordination mechanisms are not yet used to their full potential. In 2019, Hungary launched an inter-ministerial platform at political level, called the Inter-Ministerial Coordination Committee for International Development Cooperation (IDC Committee), which then discussed the IDC2025. This is complemented by a network of focal points (known as resident co-ordinators for international development) in line ministries, which started to operate in late 2020. These focal points mainly provide information for ODA statistics. There is significant potential to use these mechanisms more substantively. Hungary could use them to promote exchanges on co-operation planned in order to identify synergies, e.g. in the Balkans, co-ordinate multilateral development issues (water diplomacy, EU Presidency) and discuss issues of common interest such as private sector engagement.

The reorganisation and enhanced role of the agency can strengthen the capacity and co-ordination of the co-operation system

Implementation capacity for development co-operation and visibility within government will likely increase. Following the reorganisation, the MFAT now has oversight of the humanitarian portfolio and the Hungary Helps Agency and has integrated staff from the Prime Minister's Office. This could increase

efficiency by combining the oversight and management of two relatively small portfolios, freeing up valuable resources for other key tasks such as policy guidance and evaluation (see Internal systems: Continued investments will strengthen co-operation). The integration of humanitarian assistance into the MFAT is also a major opportunity to make progress on the humanitarian-development-peace nexus[6] (see Bilateral co-operation: Hungary can focus more on impact). A dedicated MFAT State Secretariat for development co-operation and humanitarian assistance also raises the profile of co-operation and can help bring a development perspective to cross-government policy dialogue.

Table 2. Simplified breakdown of ODA in 2020 by ministry, department and instrument

Ministry	Department	Instrument	Agency
Ministry of Foreign Affairs and Trade			
Deputy State Secretariat for Export Development	Department for International Development and Humanitarian Affairs	Direct management of grants to private sector and CSOs (USD 40 mn) Policy lead on EU development co-operation (Hungarian contributions of USD 166 mn)	*No agency (MFAT central budget)*
Deputy State Secretariat for External Economic Relations	Department for Water Diplomacy and Tied Aid Credits	Sovereign tied loans for large-scale projects (USD 50 mn agreed loan in 2020)	Hungarian Export-Import Bank Plc. (EXIM) Hungarian Export Credit Insurance Plc. (MEHIB) *Management of tied aid loans*
	Department for Water Diplomacy and Tied Aid Credits	Direct management of grants for private sector promotion (Water Sector Development and Sustainability Facility) (USD 0.5 mn)	No agency (MFAT central budget)
State Secretariat for Training and Scholarships	Department for the Stipendium Hungaricum Scholarship Program	Stipendium Hungaricum (USD 85 mn)	Tempus Public Foundation *Management of scholarships*
State Secretariat for regional and cross border economic development		Direct management of grants for regional and cross-border development (USD 38 mn)	
Prime Minister's Office*			
State Secretariat for Persecuted Christians and Hungary Helps	Department for Project Coordination and Support		Hungary Helps Agency *Management of grants, notably to CSOs, humanitarian assistance and scholarships*
Ministry of Technology and Industry		Grants for private sector promotion (USD 4 mn)	Western Balkans Green Centre *Management of grants*
Ministry of Finance		Assessed and voluntary contributions to the World Bank Group (USD 13 mn)	

Note: * The co-ordination of the Hungary Helps Program and the Hungary Helps Agency moved from the Prime Minister's Office to the MFAT during the peer review.
Source: OECD (2022[9]), *Creditor Reporting System* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1, information provided by Hungary and interviews.

Hungary can now review roles and co-ordination to strengthen synergies and efficiency so that all efforts contribute to its strategic objectives. It will need to consider three fundamental questions: (1) what will be the exact role of the Hungary Helps Agency; (2) how will bilateral co-operation be co-ordinated; and (3) how will government action be mobilised and co-ordinated? Hungary aims to entrust the Hungary Helps Agency with managing both humanitarian and development assistance. This could have significant benefits for Hungary's implementation capacity, but would mean managing some challenges (Figure 5). The MFAT will also need to clarify how it can enhance interaction among its different departments, and especially how allocation planning and design of interventions are co-ordinated. Finally, other ministries'

technical expertise and resources could enhance Hungary's development co-operation if there are common objectives and clear standards that apply to all.

Figure 5. Advantages and challenges in strengthening the Hungary Helps Agency



Moving forward, Hungary could also consider if it wants to decentralise some authority to offices in key partner countries. At present, the development co-operation system is relatively centralised. Decisions on allocations, design of tenders and awards, and project modifications are taken at headquarters. Embassies assist in project monitoring and dialogue with local partners, participate in EU co-ordination and provide diplomatic support. Where Hungary has large country programmes, it could be worth considering strengthening the role of embassies or agency offices in preparing and managing projects, or even deciding on some allocations. This could enhance responsiveness to partner needs, increase adaptation to changing contexts and reduce the administrative burden.

Hungary could do more on systematic stakeholder and public consultation and greater development awareness

Hungary can gain from more systematic consultation with stakeholders

There has been limited pursuit of the clear commitment to engage with and mobilise stakeholders. Act XC of 2014 explicitly commits the government to pursue development co-operation in consultation with various stakeholders (civil society, private sector, research and local authorities), and to share information with them. This is echoed in the IDC2025. However, while the government consulted broadly on the development of the IDC2025, there is no mechanism to exchange regularly with stakeholders on co-operation in general, or on countries or policy developments. A multi-stakeholder council was discontinued in 2015. This deprives the government of the experience and expertise that stakeholders have to offer, and also limits the space to discuss how Hungary's development co-operation could improve further.

Hungary could draw on its own and DAC member experience to systematically consult with stakeholders on development co-operation policy. Hungary uses multi-stakeholder consultation mechanisms in other areas, including a National Economic and Social Council. In the field of development co-operation, it could draw on the experiences of other DAC members to reflect how it could best engage with stakeholders. For example, it could reintroduce a consultative body (as in Poland), invite stakeholders

to inter-ministerial co-ordination meetings (as in the Slovak Republic) or organise national policy dialogues (as in Italy). Multi-stakeholder platforms for specific issues could be particularly useful for Hungary as it develops policy guidance, following the example of other DAC members such as Ireland or Italy.

Hungary could do more to leverage the expertise in universities and research institutions to inform its development policies. For example, the government-funded independent think tank, the Institute for Foreign Affairs and Trade, could provide valuable analysis for Hungary's development co-operation, such as on how to best engage in fragile contexts. As some universities are implementing partners in developing countries, they could be well placed to direct targeted research in relevant areas. Research could also inform debate on how Hungarian and EU policies can avoid negative impacts on developing countries and support their development.

Municipalities are active players for sustainable development at home. Cities are actively involved in promoting eco-schools and supporting refugees from Ukraine. Hungary could look into whether they could also be partners for informal education on global development.

Reviewing the narrative on development co-operation should accompany Hungary's communication efforts

Hungary has stepped up public information and communication on development co-operation. A dedicated MFAT website[7] collates the main documentation, while a monthly newsletter (also available online) and social media communication inform stakeholders of recent developments. An annual profile provides an overview of Hungary's co-operation. A new platform[8] presents basic information on Hungary's ODA contributions and projects across government. Volunteers returning from developing countries and university lectures support outreach. These useful efforts provide the interested public with a general sense of the scope and focus of Hungary's co-operation and current developments. Surveys show high levels of support for development co-operation across all age groups.[9] Building on this good basis, Hungary could now consider which specific communication objectives it wants to pursue and how it can track results of communication efforts.

Additional information on the ODA budget, partners and projects could enhance transparency and accountability. The significant level of classified documentation (e.g. all bilateral co-operation agreements and project documents) hampers transparency around co-operation. It has also affected this peer review. Co-operation stakeholders cannot access information that could help them reflect on their own efforts and provide feedback to the government. To improve the situation, the online platform could provide details on individual projects, including objectives, amounts, partners, and planned duration, while summary information on Hungary's engagement in its main co-operation countries and partners could usefully complement the website. Investing further in stories that document how Hungary's co-operation is changing lives could help make its efforts more tangible to the public, and should be complemented by the publication of evaluations. In general, Hungary could review which information on development co-operation actually needs to be classified.

When communicating the reasons for development co-operation, Hungary could put greater emphasis on the benefits of long-term investments. Like other DAC members, Hungary presents a mix of values, global responsibility and self-interest as the rationale for its development co-operation, captured in the term "mutually prosperous economic partnerships". However, its public communications include a strong focus on the direct benefits of co-operation for the private sector, and suggest that co-operation will have effects in the short-term on migration to Hungary. Such arguments can create confusion among citizens over the purpose of international development co-operation. They also detract from the focus on the longer-term benefits for Hungary of improved global sustainable development and quality bilateral relations.

Building on substantial progress in formal education, Hungary could partner more with civil society to raise development awareness

Hungary has raised development awareness through formal education. In 2016, the government endorsed a Concept for Global Responsibility in Formal and Non-Formal Education (Government of Hungary, 2016[15]; Government of Hungary, 2016[16]). In practice, Hungary has focused on education for sustainable development in schools, integrating the issue into curricula and teacher training, for which it is recognised internationally (Global Education Network Europe, 2021[17]). It also widely promotes eco-schools.[10] Hungary could build on these achievements and continue to expand its efforts beyond environmental sustainability, in line with its 2016 concept which highlights the breadth of global education, comprising human rights, democracy, interpersonal skills, citizen participation and more.

Hungary could step up awareness-raising efforts outside schools and work more closely with stakeholders active in global education. In adopting the 2016 concept, the government tasked the Ministry for Foreign Affairs and Trade to increase development awareness in Hungary through informal education. However, these activities focused mainly on communicating project activities rather than informing citizens about global issues. While Hungarian CSOs are traditionally active in raising development awareness and have supported the development of Hungarian school textbooks, the government has not offered funding opportunities for activities outside schools. Events such as the Afrika Expo show that government, CSOs and private sector can collaborate in awareness raising, but they remain isolated (Hungary Helps Agency, 2022[18]). Investing in a more sustained effort and mobilising the necessary resources could help Hungary reach much broader segments of society.

Survey results highlight issues that require Hungary's attention, notably citizens' readiness to take action for sustainable development. While Hungarians are supportive of public action for development co-operation, in 2018 only 31% of Hungarians believed that they could play a role as an individual in tackling poverty in developing countries, compared to 53% on average in the EU (European Commission, 2018[19]). The same survey showed much lower levels of actual personal engagement, with 79% not being involved at all, compared to 56% on average in the EU. The 2018 OECD PISA assessment found Hungarian students to be among those with the least positive attitudes towards immigrants across 79 participating countries, and with the lowest levels of agency[11] regarding global issues (OECD, 2020[20]). A 2019 domestic survey focused on environmental challenges showed positive developments in awareness and action, but also revealed that many Hungarians doubt humanity's main responsibility for climate change (Medgyesi and Schneider, 2020[21]). These results underline the continued importance of global education both in and outside schools.

As important partners, CSOs would gain from better and more transparent funding

The government works actively with Hungarian and partner country CSOs, but funding could be more flexible and reliable

CSOs are important implementing partners, especially for Hungary's humanitarian assistance. The percentage of bilateral aid to and through CSOs was 23% in 2020 compared to 15% among DAC members on average (OECD, 2022[22]). Hungary is engaged with international CSOs, Hungarians CSOs, as well as local partner country CSOs. In 2020, ODA from the Prime Minister's Office disbursed through developing country CSOs was about three times as high as ODA passing through Hungarian CSOs (OECD, 2022[9]). Hungary has particularly close partnerships with faith-based organisations, which can be valuable anchor points, especially in crisis-affected regions where they may be the only partners on the ground (see Bilateral co-operation: Hungary can focus more on impact).

CSOs only have access to funding for implementing specific short-term projects, which limits their flexibility and affects their capacity. Hungary provides little core funding to CSOs – only 1% of bilateral

ODA in 2020 (OECD, 2022[23]).[12] Funding for more than one year is rarely available, regardless of the type of CSO partner and nature of funding. In addition, Hungary's funding is focused on delivery of project outputs and does not include key aspects of CSO work such as needs assessment, monitoring and evaluation (M&E) or exit strategies. Some of the largest CSOs develop M&E mechanisms, but at their own expense, which limits Hungary's ability to steer programmes. In line with the provisions of the DAC Recommendations on Enabling Civil Society [OECD/LEGAL/5021], it would be important for Hungary to reflect on how to outline objectives for working with civil society actors both as independent development and humanitarian actors in their own right and as implementing partners. Increasing the availability and accessibility of direct, flexible, and predictable support, including core and/or programme-based support, would help enhance CSOs' financial independence and sustainability, and increase local ownership.

A first framework agreement for emergency funding shows potential for more long-term and flexible funding modalities. Hungarian Interchurch Aid, the largest Hungarian development co-operation CSO, received a prepositioned one-year funding envelope of EUR 250 000 for rapid emergency response in 2020. This was renewed in 2021, although not in 2022. The agreement shows Hungary's readiness in principle to trust CSO partners. It could build on this trust to develop more flexible and long-term funding opportunities for CSOs. Larger framework agreements would not only allow Hungary to respond to emergencies, but also engage in protracted crisis situations where lives are still at risk even beyond the immediate response phase and where development gains can be better protected. There is scope for Hungary to support such partnerships to scale up its humanitarian assistance in the next funding period.

Hungary could gain from greater transparency over funding opportunities for CSOs

Between 2016 and 2020, funding for CSOs has essentially been allocated to two CSOs, which together received more than 70% of all disbursements. The two CSOs receiving the most finance are (Table 3): (1) the Prosperitati Foundation, which received about USD 38 million in 2020 to support entrepreneurs to buy agricultural machines and animals in Vojvodina region in Serbia, home to significant Hungarian minorities; and (2) Hungarian Interchurch Aid, which received about USD 8 million, largely used in Ukraine during the COVID crisis in 2020 (notably in the region of Transcarpathia, also home to Hungarian minorities). The other main recipients are (3) the Advance Foundation, which received USD 1.9 million in 2020 to support Trancarpathian hospitals in Ukraine during COVID; (4) the Fondazione AVSI received about USD 2 million in 2018 to maintain three open hospitals in Syria during the war; and (5) the Hungarian Charity Service of the Order of Malta, which received about USD 1.4 million, mainly disbursed in Syria for emergency relief and health services.

Table 3. Top five CSO recipients of ODA, 2016-20

CSO Name	CSO type	Years of funding	Disbursements (USD million)	As share of total funding for CSOs
Prosperitati Foundation	Local	2020	38.2	59%
Hungarian Interchurch Aid	Hungarian	2016, 2017, 2019, 2020	7.8	12%
ADVANCE Foundation	Local	2020	3.0	5%
Fondazione AVSI	International	2018	1.9	3%
Hungarian Charity Service of the Order of Malta	Hungarian	2016, 2017, 2019, 2020	1.4	2%

Source: OECD (2022[9]), *Creditor Reporting System* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

Engaging with a wider range of CSOs would enable Hungary to leverage more expertise. MFAT calls for proposals are to be made public and selection criteria are clear. While open to CSOs, most recipients of MFAT grants are private sector companies. Indeed, private sector expertise requirements and, in some instances, large project size often exclude smaller Hungarian CSOs. The Hungary Helps Agency engages

with NGOs, but often without open tenders. In fact, public information about access to and selection criteria for the Hungary Helps programme is lacking. While there are benefits associated with having core partnerships with large and professional organisations, enabling a wider range of CSOs to engage in project implementation would allow Hungary to leverage more expertise and reduce dependency risks.

Financial and technical support to Hungarian CSOs to participate in EU calls for proposals could increase their role in development co-operation. Although Hungary has developed a handbook to support CSOs' participation in EU calls for proposals, Hungarian CSOs, even the larger ones, have limited capacity to compete in these calls as leads. Hungarian Interchurch Aid managed to receive multiannual funding from other donors (e.g. Germany's GIZ), and is currently the only Hungarian CSO that is a certified EU humanitarian partner for the period 2021-27 (EC - ECHO, 2021[24]). The targeted provision of co-funding opportunities could help support the participation of Hungarian CSOs in EU calls for proposals.

Building on its practice of open tenders to a variety of partners, Hungary could promote multi-stakeholder partnerships further. CSOs can bring local knowledge to private sector companies, and Hungary could reflect on ways to foster collaboration among private companies, CSOs and academia. An example to follow could be the Dutch Diamond Approach[13], through which the Netherlands aims at linking the corporate efficiency of the private sector with the local knowledge of civil society organisations.

Recommendations

2. Clarify institutional roles and co-ordination, notably within the Ministry of Foreign Affairs and Trade and vis-à-vis the Hungary Helps Agency as lead agency, to strengthen efficiency and synergies, including across the humanitarian-development-peace nexus.
3. Strengthen engagement with the full range of stakeholders by:
   - creating mechanisms for their systematic consultation
   - improving its transparency and reporting of funding
   - providing more core and longer-term funding to civil society organisations.

Bilateral co-operation: Hungary can focus more on impact

Bilateral partnerships rely on close consultation but do not focus on strategic or longer-term impact

Partner countries value Hungary for its responsiveness to needs

Hungary consults closely with partner countries on planned co-operation. Co-operation agreements on scholarships, tied aid loans and Hungary's first country programme (with Uganda) are signed jointly, generally at ministerial level. These agreements follow consultation with partner country governments by headquarters and embassies on project ideas, and partner feedback shapes the selection and specific focus of ideas that are adopted. Demonstrating that a proposal responds to local needs is a critical criterion for tender selection, both in terms of relevance as well as sustainability. While these agreements provide an important basis for collaboration and mutual accountability, they are not fully equivalent to framework agreements or country strategies that help align with partner objectives over a medium-term horizon and provide a basis for dialogue on overall collaboration and policy challenges.

Local partners are also active in project implementation. The role of partner country governments is particularly strong in tied aid loans, being responsible for selecting a Hungarian company and managing the contract. Hungary's monitoring instructions require seeking regular feedback from local partners, which

in turn allows projects to be adjusted. Hungary also enables collaboration with non-state local actors. In an agreement with Kenya, both parties agreed that at least 40% of the project value would be sourced locally, and partners in Lao PDR appreciated Hungary's readiness to procure from the region to better suit local needs. Local civil society organisations are also important partners, notably for Hungary's humanitarian assistance (see below).

Partners appreciate Hungary's support for capacity strengthening. Hungary's larger loans and grants include components to ensure government partners have the capacity to manage outputs delivered under the project. This can include training in Hungary or support following completion of the project (MFAT, 2021[12]). Partners in Lao PDR also value the greater practical expertise of Hungarian companies compared to development consultants.

However, Hungary needs to consider how it can move from individual projects to longer-term strategic country partnerships

Hungary's long-term and substantial engagement in Lao PDR illustrates well how it can help tackle complex development challenges. For more than 10 years, Hungary has engaged in Lao PDR through substantial tied aid loans. The co-operation partnership has grown over three phases both in scope – expanding from agriculture to livestock, water and governance – and in volume, from a first contribution of USD 8.6 million (EUR 6.16 million) in 2009, through USD 30 million (EUR 27.1 million) to USD 149 million (EUR 141.6 million) in 2017 (MFAT, 2021[12]). Partners in Lao PDR expressed strong appreciation for Hungary's partnership and support to their long-term objectives, highlighting how continuous support has transferred expertise and allowed Lao PDR to strengthen its agricultural value chains. They also appreciated the knowledge of private sector partners and potential for them to invest subsequently.

However, except for Uganda, Hungary is not pursuing broader country programmes. In 2019, Hungary launched a three-year flagship programme with Uganda, involving five projects in a variety of sectors. While these are not linked to one another, they correspond to the IDC2025's commitment to engage more through substantial country programmes. However, thus far Hungary has not undertaken steps to expand the approach to any of its other partner countries. Instead, its large-scale tied aid projects are mostly independent,[14] while its largest ever grant programme in 2020 (Serbia, USD 38 million) was not part of a multi-year country programme either. Moreover, allocations to countries vary significantly, with only 5 countries continuously among the top 10 from 2018-20.[15] This approach raises efficiency concerns. Working in many different countries through independent projects means a higher workload for Hungary, and challenges in creating synergies between interventions (see The development co-operation system: Hungary has many opportunities to deepen institutional and stakeholder collaboration).

Hungary could use its alignment with the SDGs to develop a long-term approach to development. All projects are required to indicate which SDGs they will contribute to. However, Hungary does not agree longer-term objectives for its co-operation with partner countries and does not include such outcomes of its co-operation in its results management (see Internal systems: Continued investments will strengthen co-operation). This would also be important to contribute to capacity strengthening, which partners see as a longer-term challenge for their development. The absence of priority countries makes it more challenging to engage over time. At project-level, Hungary requires implementers to plan the hand-over of project results to partners and also foresees a maintenance period. Having a better understanding of the country's longer-term objectives would help Hungary consider how its own support links to other actions. Where Hungary does not want to commit to a longer-term partnership despite a significant engagement, dedicated exit strategies could be useful to ensure sustainability.

Hungary is missing opportunities to strengthen the development results of its interventions

Hungary's approach to leaving no one behind is essentially limited to a focus on specific minorities. While poverty reduction is an overall objective of Hungary's co-operation, for many

interventions it is not clear how questions of poverty and inequality are considered in design and implementation. As an example, large water infrastructure projects could consider if and how the network reaches poorer neighbourhoods, and e-governance interventions could do more to increase the accessibility and benefits for marginalised groups. The approach is clearer where Hungary decides to deliberately target some minority groups, but this is not without challenges. Guidance for staff and partners, clear quality assurance processes and expert staff (see the section below: Internal systems: Continued investments will strengthen co-operation) could help Hungary better reflect poverty and inequality in its work.

The strong focus on specific minorities requires particular sensitivity to context. Building on a constitutional commitment, Hungary provides support to and engages with Hungarian minorities in neighbouring countries, including through development co-operation (e.g. in Serbia, USD 38 million in 2020). Principles of do no harm and leaving no one behind are useful to guide such engagements, as minority issues and rights are often complex. For example, Serbia recognises 21 different minorities (Government of Serbia, n.d.[25]) and the country has seen tensions that have also affected the Hungarian minority (openDemocracy, 2020[26]). In a positive move, Hungary has discussed its support in Serbia with the central government. To ensure that its development co-operation helps reduce inequalities sustainably, it would be important for Hungary to consider in each context the development needs of different minorities, carefully assess how support to one minority group will affect the overall political economy and ensure that the do no harm-principle is applied. To contribute to more systemic improvements of minority rights, Hungary could also consider engaging more with partner countries at policy and governance levels.

Hungary still makes only minimal contributions to programmes dedicated to gender equality and the empowerment of women and girls. Between 2016 and 2020, programmes with gender equality as a principal objective accounted for only 0.07% of Hungary's bilateral programme. Moreover, tenders and project documents do not demonstrate efforts to integrate gender equality. As a result, Hungary risks missing important opportunities, as gender-sensitive interventions are often key to achieving impact. For example, in the agriculture sector in developing countries the gender gap in both production and consumption is significant (FAO, n.d.[27]). Similarly, while the high share of women in Hungary's scholarships programme is welcome, this has not been achieved by design (see also below and the section on Internal systems: Continued investments will strengthen co-operation). Hungary could thus do more to support women as actors who can contribute significantly to sustainable development.

Hungary is placing growing emphasis on the environment and climate change – it can build further on these efforts. The government created a dedicated Western Balkans Green Centre in Hungary in 2019. It promotes decarbonisation and a just climate transition by incentivising Hungarian private sector investments in the region and helps strengthen capacity through a centre of excellence. Hungary's efforts in the agriculture and water sector, notably through tied aid loans, are highly relevant for the integration of environmental and climate concerns (OECD, 2021[28]). However, guidance, quality assurance and expertise could strengthen the integration of this type of cross-cutting expertise further into project design and implementation (see Internal systems: Continued investments will strengthen co-operation). This would help Hungary implement the 2021 OECD DAC Declaration on a new approach to aligning development co-operation with the goals of the Paris Agreement on Climate Change [OECD/LEGAL/0466].

Participating in the next Global Partnership for Effective Development Co-operation (GPEDC) monitoring exercise could provide useful feedback to Hungary. Results from the new monitoring approach, which will start to be used in 2023,[16] could give Hungary a useful evidence base to assess and improve the quality of its bilateral partnerships, and how they are helping to meet the pledge to leave no one behind.

Hungary invests in co-operation partnerships with DAC and emerging donors

Hungary invests in partnerships with other provider countries to pool resources, share experiences and draw lessons for its own co-operation. It has been successful in entering joint projects with EU partners such as Germany and Italy on migration-related issues, as well as with Visegrád 4 states for joint engagement in Europe, the Middle East and Africa. Through EU funding, it provides peer-to-peer support in Eastern Europe, for instance to the Moldova Parliament. Moreover, Hungary has launched a number of co-operation partnerships outside the DAC. The MFAT recently signed an agreement with Egypt on triangular co-operation for a joint healthcare project in Ghana, and partnered with Israel in the health sector. It is exploring collaboration with Kazakhstan and Morocco. In addition to increasing Hungary's footprint, these partnerships give Hungary valuable exposure to other co-operation providers' ways of working. Going forward, Hungary could identify which elements of this positive outreach to prioritise in order to make the most of its limited resources.

Hungary can deepen engagement in EU and wider co-ordination in partner countries. It participates in EU exchanges and closely follows opportunities to join Team Europe Initiatives, such as in Lao PDR through its tied aid and scholarship portfolio. To date, however, it has refrained from formally participating in these initiatives in order to first strengthen the visibility of its own co-operation.[17] Hungary also participates in high-level dialogue between donors and partner governments, but does not participate in sectoral donor co-ordination or policy dialogue. Stepping up engagement in co-ordination in select countries could allow Hungary to share insights and concerns, exchange lessons and identify synergies with other partners.

Further efforts are needed to make Hungary fit for fragility

Hungary draws on instruments across government to respond to crises

Hungary's disaster management services are able to deploy technical experts and logistical capacity rapidly. Co-ordinated by the Ministry of Interior, the country has a pool of over 100 qualified experts for rapid deployment, which includes professional firefighters in search and rescue operations as well as volunteers from Hungarian rescue organisations. It can also provide relief supplies, as well as medical and rehabilitation services. Funding for bilateral emergency disaster response is provided from the central budget on a case-by-case basis, based on a government decision. For example, in co-ordination with EU mechanisms, Hungary dispatched experts to the 2020 explosion in Beirut's port (Hungary Today, 2020[29]). Strong co-operation with the EU Civil Protection mechanism (rescEU) made it possible to route relief items for the Ukraine humanitarian response at very short notice from the EU stockpile.

Hungary plays an active role in peacekeeping operations, notably in Europe. Hungary contributes large contingents of several hundred troops to the Balkans. By comparison, it is a relatively small contributor to UN peacekeeping operations, with less than 50 personnel. Hungary has a Peace Support Training Centre run by the Hungarian Defence Forces which offers training in peace support and humanitarian aid operations to civilian and military experts (MFAT, 2022[30]). Hungary is currently developing its first Action Plan on Women, Peace and Security, which underpins the country's engagement in the operations in Europe and the Middle East, with 16% of Hungarians deployed being women (Center for Global Development, 2022[31]).

Humanitarian action covers the spectrum from emergency relief to rehabilitation and reconstruction. Beyond immediate relief, the Hungary Helps Agency aims at ensuring long-term social stability and sustainability, bearing in mind the links between sustainable development, humanitarian action, and peacebuilding (Hungary Helps Agency, 2020[32]). This is reflected in Hungary's allocations: in 2020, almost 82% of the agency's funding went to reconstruction and rehabilitation, while 18% was allocated for emergency relief (Hungary Helps Agency, 2020[32]). In post-conflict contexts, Hungary focuses

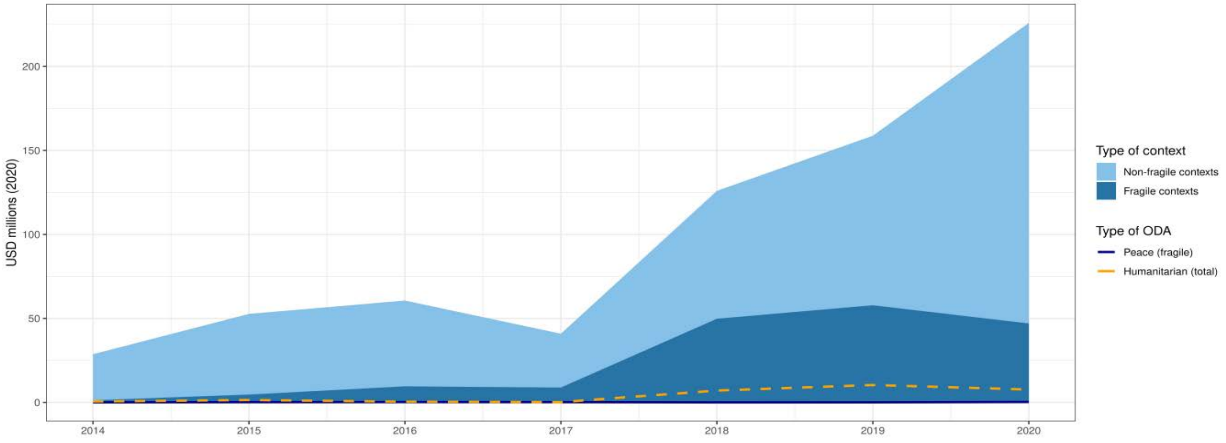
on education and housing infrastructure in areas to which the population is returning. For example, since 2019 Hungary has supported the returning Yezidi religious minority in Nineveh province of northern Iraq through a cluster of five projects in reconstruction, rehabilitation, education, and health (IIRF, 2021[33]). This is a positive example of a nexus approach to programming in crisis areas.

Making progress on the humanitarian-development-peace nexus is a priority for Hungary

Hungary has a clear ambition to implement the DAC Recommendation on the Humanitarian-Development-Peace nexus [OECD/LEGAL/5019]. In 2020, 21% of Hungary's bilateral ODA was mobilised to fragile contexts, representing a significant increase from the 9% reported in 2015 (Figure 6). The MFAT intends to establish a co-ordination mechanism for turning nexus theory into practice in the country's development co-ordination system (MFAT, 2022[30]). It closely follows consultations on the nexus, keeps abreast of developments and is considering training staff at the DAC-UN nexus academy. There is also an opportunity to learn from the good practices of other DAC members. The review of the IDC2025 could consider reintroducing the nexus in this top-level strategy; linking relief, rehabilitation and development had previously been stressed under Hungary's 2014-20 co-operation strategy, but is not included in the current one.

The reorganisation puts MFAT in a good position to link its efforts better. Having a joint team for bilateral co-operation and humanitarian assistance will enable more strategic and sustained engagement in partner countries that are affected by complex, longer-running crises. In learning lessons in nexus practice, Hungary can consider clusters of humanitarian and development interventions that have worked particularly well in regions where Hungary is active, so as to reduce dispersion. The MFAT could also explore more political peace and diplomacy engagement to accompany the humanitarian and development response. (Sub-)regional strategies for priority regions that consider opportunities for longer-term investments in prevention and infrastructure for peace could guide Hungary's interventions. Cross government co-ordination could build on experiences from Ukraine disaster relief co-operation, which spans nine ministries brought together in a Humanitarian Council.

Figure 6. Evolution of Hungary's bilateral official development assistance to fragile contexts



Note: The figure shows ODA disbursements, constant USD prices
Source: OECD (2022[9]), *Creditor Reporting System (CRS)* (database), https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

StatLink https://stat.link/kdajvf

There is potential to consider fragility more in development co-operation. For example, Hungary's flagship programme in Uganda includes a project to enhance access to water in refugee hosting

communities, which can contribute to longer-term peace and stability in this area (MFAT, 2020[34]). However, Hungary chose not to collaborate with the national water service provider, which might have been a missed opportunity to sustainably support the Ugandan Government's recognised efforts in refugee inclusion across the humanitarian-development-peace nexus.

Hungary's partnerships with faith-based organisations have the potential to support conflict prevention, in line with a nexus approach

Faith-based organisations play a prominent role in Hungary's engagement in fragile contexts. Hungary relies on faith-based organisations to implement its humanitarian aid, as Christian organisations have a longstanding role in the country's own social transition from the Communist era and were able to develop professional capacities. The statutes of the Hungary Helps Agency include freedom of religion and protection of religious minorities as objectives, and this pertains in particular to persecuted Christians (Government of Hungary, 2019[35]; Hungary Helps Agency, 2021[36]). The agency is overseen by the State Secretariat responsible for Programs to Help Persecuted Christians. Faith-based organisations have also enabled Hungary to engage with local partners in fragile countries without a presence on the ground (Box 1).

The collaboration with local faith-based organisations provides a good foundation from which to consider infrastructure for peace, such as platforms for social coherence and dialogue. In conflict-affected settings where multiple religious groups are present, such as the Middle East, there could be scope to initiate or strengthen inter-faith dialogue, for example. Religious leaders can be well placed to foster inter-communal dialogue and initiatives aimed at tolerance. Some of Hungary's projects with faith-based groups in sub-Saharan Africa already include peaceful coexistence between different ethnic and religious groups, e.g. renovating rural schools in the Oromia region of Ethiopia as entry points for peace councils (Hungary Helps Agency, 2020[32]). An investment in infrastructure for peace, namely platforms which contribute to social coherence and dialogue, could complement physical assets or equipment and might make projects with faith-based groups more sustainable. Hungary could consider building these aspects systematically into its conflict analysis and conflict sensitivity, as well as integrating them into its global development co-operation programming.

Box 1. Learning from Hungary on engaging with local faith-based organisations in fragile and conflict-affected areas

Delivering humanitarian and development assistance quickly and to the right people is always a challenge in crisis-affected contexts, but even more so for a DAC member like Hungary that does not have a large network of development staff in these settings. During the war in Syria, the Hungary Helps Agency decided to get round this limitation by partnering more closely with local faith-based organisations to deliver humanitarian assistance.

The agency finds that local faith-based organisations possess intimate knowledge of the social and cultural dynamics of a given area, and are able to reach some of the most vulnerable segments of the population. They possess strong community building skills, and in many cases, they are the "partner of last resort" when other organisations have left.

The Hungary Helps Agency carefully assesses the soundness of the project proposal and relies on its embassies and church partners to verify project partners. It deliberately starts with very small funding amounts and then increases it based on results. Implementation is mostly monitored remotely or through embassies, while final verification is generally done through headquarters.

The Education and Health Infrastructure project in Northeast Ghana near the border with Burkina Faso is a good example of this approach. This project was implemented in partnership with the Roman Catholic Diocese of Navrongo-Bolgatanga and focused on delivering school equipment and medical facilities providing medical care to some 190 000 people in a single year. The project also included training for about 1 500 rural women in entrepreneurial skills as well as providing start-up capital and scholarships.

Hungary has some key lessons to share from engaging with local faith-based organisations:

- starting with a small budget allows trust to be built over time when engaging with new local partners
- requiring local partners to co-finance projects is key to ensuring ownership and positive results
- having a strategy to deal with budget over-runs is vital for ensuring results are achieved on time
- paying attention to infrastructure for peace and conflict sensitivity is important for the sustainability of projects.

Note: This practice is documented in more detail on the **Development Co-operation TIPs • Tools Insights Practices** platform at www.oecd.org/development-cooperation-learning/practices/hungary-engages-with-local-faith-based-organisations-in-fragile-contexts-2d11cfe2.
Source: Interviews with MFAT and Hungary Helps Agency staff; Hungary's self-assessment, (Hungary Helps Agency, 2020[32]).

Hungary can better equip its CSO partners, including local faith-based actors, for raising implementation quality standards. Hungary could include in project budgets support for strengthening the capacity of local CSOs; this would also reduce the need for ad hoc guidance during implementation. Some local faith-based organisations already have implementing branches for social development or charitable field work; Hungary could encourage them to share their practical expertise with the other faith-based groups that it funds.

In targeting persecuted religious minorities, it will be important to systematically build vulnerability and protection needs assessments into humanitarian interventions. While persecuted religious minorities are particularly vulnerable, their need for protection might be greater than their humanitarian needs. Protection entails diplomatic and political work that should carefully link humanitarian assistance and human rights. To ensure interventions are as needs-based as possible, in line with humanitarian principles, Hungary could systematically use vulnerability assessments. They would help Hungary determine how and with which partner it engages to address both humanitarian needs, which different population groups may have, and protection issues that are specific to persecution of religious groups.

Scholarships' important role will require an evaluation of their development impact

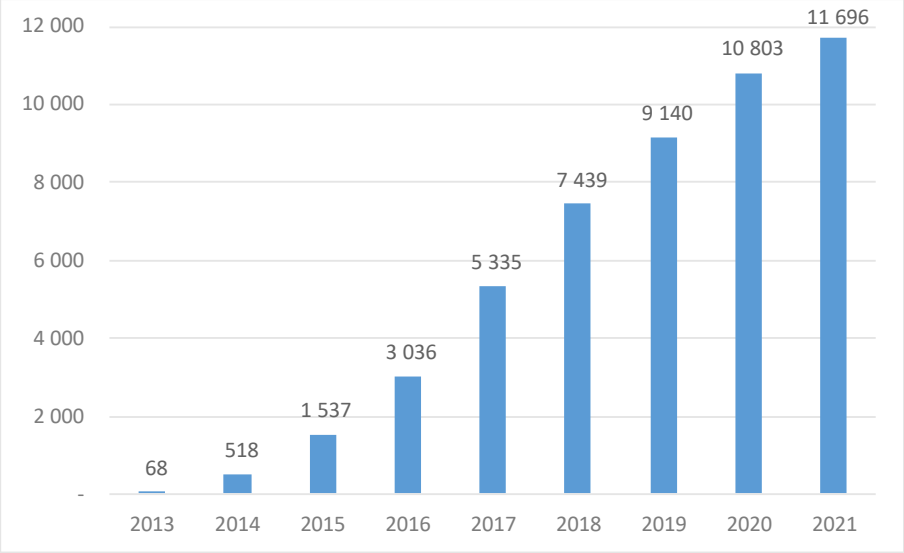
The large scholarship programme for students from developing countries could be more inclusive

Scholarships make up the largest share of Hungary's bilateral ODA (45.4% in 2020). They are viewed as a way to transfer knowledge to developing countries, but also to "attract top foreign students from all around the world who can establish personal and professional attachments to Hungary".[18] The Stipendium Hungaricum Scholarship Programme created in 2013 has been growing rapidly (Figure 7). In the 2021/22 academic year, 11 696 students from more than 80 countries received a scholarship, 45% of whom were women. This is a strong increase from 2016, when the programme included 3,036 students. In 2020, 61% of scholarships (as a share of ODA) went to students from Asia and the Middle East (OECD, 2022[9]). Candidates from the European Economic Area and North America are not eligible for this programme. Country quotas can be increased in case of high demand if Hungary and the partner country agree. Most

popular fields of study are computer science, economics, engineering, medical and health science, and natural science. The programme is co-ordinated and overseen by the MFAT and managed by the Tempus Public Foundation. Given its rapid expansion, the Stipendium Hungaricum Programme is currently running at capacity and has limited room to grow further.

Figure 7. The growth of the Stipendium Hungaricum Scholarships Programme, 2013-21

Number of students enrolled



Source: Figures provided by MFAT.

StatLink https://stat.link/68f4s9

Smaller programmes, such as the Scholarship Programme for Christian Young People supported by the Hungary Helps Program and FAO scholarships, complement the Stipendium Hungaricum. Hungary Helps supports about 100 students a year to study in Hungary, mostly Christians in the Middle East and Africa. In addition, the FAO-Hungarian Government Scholarship Programme offers scholarships to students from "food-deficit countries" to study in Hungary.[19] Under this programme, students from more than 20 countries studied in Hungary in 2016 and 2017 (OECD, 2022[9]).

The Stipendium Hungaricum Programme predominantly targets developing countries but could do more to increase inclusion, particularly of poorer students. In 2022, the Students at Risk Subprogramme for students fleeing the war in Ukraine was put in place to facilitate access to scholarships both for Ukrainian students and for other students studying in Ukraine.[20] This is a good example of ways in which scholarships can be used to target the most vulnerable. However, although the Stipendium Hungaricum programme guidelines include a commitment to equal treatment and diversity, they do not have specific processes in place to promote inclusion of the poorest students.[21] While providing tuition-free education and monthly support, the programme does not cover full living expenses or travel costs, which is likely to exclude less wealthy applicants. The programme, however, helps to match students with companies to facilitate access to part-time jobs, and some partner countries may choose to pay for travel expenses, therefore allowing less affluent students to join the programme.

Partner countries have significant leeway in adjusting programme features to their needs and in selecting students, which brings both advantages and challenges. For instance, they can pre-select

eligible fields of study from a long list. Sending countries can also sign a contract with the students stipulating that they must come back after their studies. Partner countries also contribute to student selection; while this helps Stipendium Hungaricum reduce administrative costs, it also can create selection bias. On the other hand, in the Scholarship Programme for Christian Young People, partner countries do not choose students and recommendations from bishops in partner countries help support Christian minorities who may not have access to other scholarship programmes.

Evaluating the scholarship programmes could help Hungary to track and enhance their development impact

Hungary supports students and engages with alumni to strengthen the impact of the programme. Hungarian universities are asked to provide a mentoring system to support students, to accommodate foreign students in the alumni system and co-ordinate alumni activities with the Tempus Public Foundation. The programme also engages with students after their studies: an online alumni platform allows registered students (8500 in June 2022) to network, attend online lectures and access job offers.

However, there seem to be missed opportunities in the lack of linkage between scholarships and other components of Hungary's development co-operation. Overall, in 2020, only 8% of the ODA volume of scholarships were allocated to students from LDCs,[22] and 19% to students from Africa,[23] pointing to some discrepancies between scholarships distribution and development co-operation priorities. Apart from Lao PDR, where both Hungary and local authorities view scholarships as a way to support development co-operation (as scholarships help build a pool of agricultural experts that will be able to maintain and develop the large-scale agricultural programme in the long-term), such linkages are usually neither considered nor promoted. Finally, there are opportunities for informing alumni about Hungary's development co-operation projects, cultural and business opportunities, to which they might be able to contribute.

An impact evaluation of the Stipendium Hungaricum programme could assess its development impact and find ways to enhance it strategically. Hungary indicates that it is hard to track whether or not students return to their home country (although it does not encourage them to stay in Hungary) and what they do after the programme.[24] Both the Stipendium Hungaricum programme and the Scholarship Programme for Christian Young People have collected a few success stories from alumni returning and contributing to local development (e.g. start-ups in the agricultural sector, collaboration with Hungary Helps) but no systematic assessment of the development impact of these programs has been carried out. A value-for-money analysis of scholarships in terms of poverty reduction would help Hungary measure and increase the impact of its programme. The Ford Foundation's 10-year Alumni Tracking Study offers an interesting example of how to track students after their scholarships programme.[25] Similarly, Germany has tracked how scholarship programme alumni experiences compare with the 2030 Agenda (UNESCO, 2022[37]).

Recommendations

4. Ensure clear processes, guidance and staff capacity to quality-assure interventions, making sure that they systematically address poverty and inequality and consider cross-cutting issues such as climate, environment and gender equality, while being sensitive to context and humanitarian principles.
5. Further integrate approaches for community-based peace-building and religious tolerance into its partnerships with local faith-based organisations to strengthen the potential for longer-term conflict reduction.

Internal systems: Continued investments will strengthen co-operation

Drawing systematically on a broader range of expertise would strengthen project quality assurance

New guidance provides basic criteria for assessing the quality of project proposals. A 2020 handbook on selecting, monitoring and evaluating international development co-operation programmes and projects (the Project Management Handbook) requires an assessment of projects against policy objectives, feasibility, financing and sustainability criteria (MFAT, 2020[38]). It is binding for MFAT and provides guidance for other public institutions. However, the handbook only contains very broad assessment questions (e.g. "Is the project proposal sustainable?") and generic references to international standards. In the absence of stronger guidance, quality assurance strongly depends on experienced staff who have knowledge of relevant standards and how to apply them.

The tender award process tests proposals for their general quality and can lead to adjustments. Committees for tenders often include an embassy representative and a sectoral expert, and Hungary involves the partner country in tender design to ensure the proposal is relevant. MFAT staff also informally reach out to experts in other ministries for advice on applicants. Hungary engages with the successful applicant where a project proposal requires adjustments (in line with the tender) before finalising the contract. However, tenders include no specific requirements to respond to challenges in the sector or context of the intervention.

Deeper analysis could help Hungary seize development opportunities and mitigate risks that could affect the sustainability of results. For instance, conflict and human rights analysis could guide support in fragile contexts or for minorities,[26] while political economy analysis could ensure projects "do no harm" and also assess broader corruption issues. Context analysis would also inform the poverty relevance of Hungary's interventions. In many instances, Hungary could also draw on existing analysis, notably by multilateral and EU partners. For individual projects, environmental analysis would be particularly relevant in Hungary's priority sectors, water and agriculture,[27] and gender equality analysis could support the systematic integration of gender equality into projects.

Moving forward, Hungary needs to define when interventions require more robust analysis to ensure they meet their objectives. Like other DAC members, it could also use OECD-DAC markers as a tool to support mainstreaming of the aspects the markers track in the design phase. At present, they are only assigned ex post during statistical reporting without robust testing of their applicability. This raises the risks of incorrect reporting. Hungary could also build on the Exim Hungary's tools for environmental and social risk analysis (Exim Hungary, 2022[39]). The reorganisation and a stronger role for the Hungary Helps Agency could allow for select expert posts to be created to support quality assurance processes.

New risk management mechanisms need to be deployed systematically

Hungary has taken steps to manage risks within its development co-operation

The MFAT introduced a new risk management system in 2021 to strengthen and streamline risk management across units and departments. It usefully complements the creation in 2015 of an Integrity Advisor post within the MFAT to support senior management and staff in managing risks. The new system requires both the administration and implementing partners to document and manage risks, and introduces data protection for those reporting suspected fraud, and offers specific training for some categories of staff. Commercial attachés, for example, receive specific training on dealing with international bribery. It is also accompanied by integrity guidelines and the project management handbook, which contains references to risks. In line with the principles of the 2016 OECD Council Recommendation for Development Co-operation

Actors on Managing the Risk of Corruption [OECD/LEGAL/0431], these efforts complement pre-existing MFAT control measures and the audit function.

When assessing project proposals, Hungary screens applicant institutions for fiduciary risks. A national registry of companies and the World Bank's cross-debarment list are consulted. However, it is not clear if risk management also encompasses other types of risk, such as reputational or security risks, or non-fiduciary corruption risks such as nepotism, undue influence or conflicts of interest. In addition, to make selection and procurement processes more open and transparent, Hungary could systematically publish online the lists of applicants, recipients, selection criteria, amounts funded, etc. (see the sections on Development co-operation system and Policy tensions). In addition to measures outlined in staff regulations, integrating non-fiduciary risks and the prevention of sexual exploitation, abuse and harassment in development co-operation would help to strengthen risk management and safeguard integrity (in line with the DAC Recommendation on Ending Sexual Exploitation, Abuse, and Harassment in Development Co-operation and Humanitarian Assistance [OECD/LEGAL/5020]).

Guidance and awareness raising would help ensure comprehensive and effective risk management

To reach its full potential, this new system would benefit from better operational guidance. Existing guidance on the selection and monitoring of programmes is broad; more explicit advice and support would help to strengthen risk management both in project selection and in project implementation. It would clarify for potential implementing partners and grant applicants what is expected of them, especially the types of risk that are to be assessed and managed. Guidance on how to balance risks and rewards would also usefully contribute to strengthening the culture of risk management within Hungarian development co-operation.

Hungary can encourage the use of whistleblowing and reporting mechanisms to maximise their impact. Internal complaints about ethical violations can currently be submitted to the Organisation of Government Officials or to the Integrity Advisor, who refers cases to the State Secretary for Public Administration. However, as the protection afforded to whistleblowers remains unclear, this might be deterring people from reporting suspected incidents of fraud and corruption – the MFAT says it has no knowledge of cases of corruption and there have been very few reports of suspected fraud and misconduct. To ensure reporting mechanisms are used effectively, Hungary could communicate them and encourage their use more actively with all stakeholders – from staff organising tenders and managing programmes, to applicants in Hungary, embassies and local partners managing projects or scholarship selection.

The role of senior management is key to shifting away from a negative perception of risk. Staff are often reluctant to acknowledge risks (and may deliberately look away) as they fear they might be faulted for incorrect management or oversight. In addition, Hungary considers there to be a low risk of corruption in its development co-operation because a large part of its ODA is channelled through multilateral institutions. However, the risk of corruption might be more substantial than it considers as its bilateral ODA essentially goes to small-scale projects and/or to sectors at high risk of corruption (i.e. infrastructure development, water supply and sanitation). These perceptions lead to weak or non-existent risk assessment processes, and prevent adequate mitigation. Greater recognition of the value of risk-based management and reporting of suspected incidents of fraud and misconduct would help Hungary deliver more effectively on its development co-operation.

A strong political steer could help to shift staff towards more pro-active risk management. Active promotion by senior management of the benefits of managing risks in development operations – from the selection to the finalisation of projects – could help move the current approach away from risk avoidance and low reporting towards more pro-active risk management. Current efforts to strengthen the training programme are welcome. Targeted training in the nature and impact of corruption risks, and the role of

reporting mechanisms, would improve the understanding and management of risks across Hungary's development co-operation.

Results management and evaluation do not yet capture impact

Significant efforts to track project results also need to encompass outcomes and impact

Hungary undertakes regular monitoring of activities and outputs and seeks partner and beneficiary feedback. In addition to the monthly progress updates required in the project management handbook, MFAT staff are in frequent exchange with implementing partners. The handbook also stresses the need to seek feedback from local partners and beneficiaries. Headquarters and embassy staff undertake onsite visits for more significant projects and humanitarian interventions, and some partner countries discuss progress in joint committees. As Hungary invests significant efforts in monitoring, commissioning larger multi-annual projects or engaging more strategically with trusted implementing partners could increase efficiency.

Monitoring helps to adjust projects. Implementing partners are specifically requested to indicate in progress reports whether adjustments are needed and how Hungary's support could improve implementation. Hungary confirms that it follows up on and makes adjustments to any changes in context. Where these imply changes in project budget items above a 10% ceiling, the government prepares contract amendments. As this is a burdensome process, Hungary could consider to what extent contracts could provide for greater space for adaptation. Other DAC members such as Sweden have good experiences with defining higher-level project objectives, and providing greater flexibility in how these objectives are met.

Integrating outcomes and impact into results management would help Hungary assess progress, learn and communicate. Hungary's results management is mostly focused on the delivery of project outputs such as infrastructure built or number of people trained.[28] Hungary does consider how many people are reached through its interventions, but it would gain from more systematically tracking how project outputs are used and lives of beneficiaries improved, such as an increase in farmers' income or information on the share of people (disaggregated by sex and other criteria) with access to safe drinking water. This information is essential to assess whether Hungary's support has made a positive difference. It would provide powerful information to communicate Hungary's achievements under each SDG, as highlighted in the IDC2025 (MFAT, 2020[40]). Equally importantly, it would allow Hungary to better understand why some interventions are more effective than others. To achieve this focus on sustainable development outcomes without creating additional monitoring work, Hungary could use its partner countries' SDG results and monitoring frameworks.

As already highlighted when it joined the DAC, Hungary needs to introduce evaluations to improve its development co-operation

Hungary has adopted guidance on evaluations but does not yet use evaluations to inform its work. The MFAT is tasked with overseeing evaluations and has included basic standards for evaluations in the project management handbook. While this is a welcome step forward, it would be essential for Hungary to develop an actual culture of evaluation. Despite the findings in the 2016 accession review (OECD, 2016[41]) and 2019 mid-term review (OECD, 2019[42]), Hungary has not yet undertaken any independent evaluations. Welcome reflections to create a position responsible for results and impact could be a first step towards a dedicated evaluation function and budget, similar to those of other DAC members. Considering the MFAT's solid experience in organising tenders, commissioning at least one evaluation per year could be a valuable start, drawing for instance on Poland's experience with this approach.

Strategic and thematic evaluations would generate important insights for learning and decision making. While Hungary closely monitors individual projects until their completion, it does not yet collect

information on the impact of its interventions, or their sustainability several years after their completion. It would also benefit from insights on strategic and thematic issues that cut across multiple projects or countries. For example, an evaluation could analyse the impact of the scholarship programmes, the overall coherence of a country programme, or (unintended) impacts of large infrastructure loans. Lessons from evaluations would help ensure that resources are used effectively and efficiently, strengthen the quality of interventions, and help demonstrate development impact. The independent review of the development co-operation strategy in 2024 will be a good opportunity to review Hungary's overall approach, but will be too broad to respond to these specific information needs.

Building on its learning efforts, Hungary could invest further in knowledge management across government

Hungary relies on internal and external insights to improve its ways of working. Internally, the MFAT development team documents insights from monitoring that it uses for preparing new projects, for instance by adjusting tender criteria. Project completion reports are shared widely. Hungary also reaches out to other DAC members to seek insights on management systems (OECD, 2019[42]), and is in regular exchange with other Visegrád 4 (V4) members (Czech Republic, Poland and Slovak Republic). Such learning is particularly important as Hungary's co-operation practice is quickly expanding. It will be important to set clear priorities for learning needs and which tools are best suited to supply them.

Moving forward, sharing information across government and collaborating with domestic stakeholders could strengthen Hungary's learning further. At present, teams are very much focused on their own work programmes and time for knowledge exchange is limited. There is not yet a wider knowledge repository that all staff working on co-operation in MFAT and other ministries can access. This is a particular issue in light of the regular staff turnover and the range of teams and institutions involved. Processes to develop strategies and guidance could draw out and share learning more widely with stakeholders from civil society, research and the private sector. Hungary could also use the network of focal points to broaden the understanding of development co-operation across government and discuss issues of wider interest.

Building and maintaining skills need to be priorities for human resource management

Building on a young and dedicated team, the reorganisation provides opportunities to address human resource challenges

MFAT's development co-operation portfolio is implemented by a small team of young, dedicated staff. There are 19 staff involved in development in MFAT headquarters, but no "development attachés" in partner countries (Table 4). Abroad, economic diplomats cover development, which in some cases is their main task as in embassy offices in Lao PDR and Uganda. Several have been trained through the newly developed Diplomatic Leadership training programme, which combines academic and practical learning.

Staff training in international development is limited and staff rotation risks losing expertise. While all MFAT staff are required to pass an exam on international development, on-the-job training opportunities are limited, especially in specific topics for key sectors (e.g. water, health); cross-cutting themes (gender equality, environment); or project monitoring and evaluation. Some staff manage to train themselves through public resources online, but there is no systematic training for staff. Staff working on development co-operation generally stay for two to three years to build experience and then move to other positions in MFAT, often unrelated to development co-operation. The frequent rotation of key staff creates additional risks for maintaining capacity.

It will be critical for Hungary to invest in the staff skills and capacities necessary for a professional development co-operation programme. In the first instance, this means recruiting development experts and giving them a career perspective in development. Opportunities to strengthen the pool of Hungarian development expertise could be extended by partnering with universities, CSOs, or Stipendium Hungaricum alumni. To strengthen the skills of existing staff, the Department for the Hungarian Diplomatic Academy could play a stronger role in promoting on-the-job development training, building on existing resources and e-learnings produced by multilateral institutions (e.g. the EU, UN, OECD). The V4 Young Diplomats' Programme, launched under the recent Hungarian Presidency, could offer opportunities for strengthening skills through staff exchange. Hungary could also follow Iceland's example and explore secondments to multilateral institutions. In partner countries, Hungary could consider recruiting local development experts.

The reorganisation brings opportunities to strengthen skills and expertise. The reorganisation saw about 40 additional staff from the Prime Minister's Office (not all working on development co-operation) and the Hungary Helps Agency join MFAT staff. Efficiency gains from this merger could allow dedicated positions for monitoring and evaluation or thematic experts to be created. The Hungary Helps Agency could also maintain expertise through more permanent staff, while diplomatic staff in the MFAT remain subject to rotation. If diplomatic and non-diplomatic staff could move flexibly in and out of the Hungary Helps Agency, this would allow staff to broaden their expertise, get experience abroad, and build a career in development.

Table 4. Staff working on development co-operation and related issues

Institution	Type of staff	HQ	Regional/country offices		Sub-total
			From HQ	*Locally engaged**	
Ministry of Foreign Affairs (Diplomats)	Development and humanitarian assistance	19	2	0	21
	Water development projects and tied aid credits	7	150 working on economic promotion worldwide	-	157
	Scholarships	8	-*	-	8
Hungary Helps Agency	Managing grants, notably for humanitarian assistance	9	-	1	10
Exim Hungary and MEHIB	Managing tied aid loans	45	-	-	45
Tempus Public Foundation	Managing scholarships	50	-	-	50
Line ministries	Network of focal points	7	-	-	7
Western Balkans Green Centre	Managing private sector grants	5	-	-	5
Total		150	152	1	**303**

Note: * Staff in embassies also support the scholarship programme, but this accounts for only a small share of their time
Source: Information provided by the Ministry of Foreign Affairs and Trade of Hungary, August 2022.

Recommendations

6. Use the new mechanisms to manage the full range of risks and raise awareness of the need to address corruption risks through an approach that goes beyond fiduciary risks, notably to implement the Recommendation of the Council for Development Co-operation Actors on Managing the Risk of Corruption and the DAC Recommendation on Ending Sexual Exploitation, Abuse, and Harassment in Development Co-operation and Humanitarian Assistance.
7. Track the outcomes and impact of development co-operation through both results management and evaluations, especially for significant and strategic interventions such as scholarships and tied aid loans.
8. Invest in building and maintaining skills in development co-operation, including through relevant training, career opportunities for staff and support for a broader ecosystem of development experts in Hungary.

Policy tensions: Balancing domestic and global development objectives requires attention

Hungary increasingly engages with the private sector but needs to progressively untie its grants and loans

Hungary's private sector engagement is focused on promoting Hungarian companies

Hungary uses a range of instruments to increase the involvement of its private sector in developing countries. The IDC2025 highlights the importance of involving the Hungarian private sector to create economic benefits for Hungary, increase resources for development and transfer technology. Two grant schemes support pilot projects and feasibility studies (the Sustainability Facility in MFAT and the Western Balkans Green Center under the Ministry for Technology and Industry). The MFAT Hungary Helps Program Coordination Department provides grants to companies for project implementation, while the Tied Aid Department extends loans to partner countries with a requirement to contract Hungarian companies. Hungary does not have a specific approach or instrument for blending ODA and commercial resources, and does not report private sector mobilisation as ODA. However, a large programme in Serbia provides ODA grants to Hungarian companies while requiring them to mobilise their own funds and/or commercial bank loans. Hungary indicates that since 2016, grants of HUF 65 billion (around USD 210 million at 2021 exchange rates) have leveraged total investments of HUF 142.8 billion (around USD 470 million).

Hungarian companies see funding as an opportunity to access new markets. Most companies that respond to MFAT calls for proposals are small and medium-sized enterprises (SMEs), and their primary motivation is to build a track record and develop their business in new markets. They therefore generally accept lower margins than usual on these development projects. The application process is not perceived as too cumbersome (calls are made public on the MFAT website and applications are about 10 pages), nor too long (about six months from publication of the call to awarding the grant).

There are some efforts to promote private sector development in partner countries. Funding selection criteria generally require a partnership with local actors, which means that Hungarian companies tend to sub-contract part of their work to local companies, and tied aid loans also allow partner countries to partially source locally. While supporting the local business environment and local private sector is not a focus of Hungary's bilateral work, Hungary invests substantial resources (USD 30 million in total) in a multilateral partnership with the International Finance Corporation (IFC). The Hungary-IFC Partnership

Trust Fund (HIPTF) allows Hungary to support private sector development through regulatory reforms in developing countries as well as loans to SMEs (IFC, 2021[43]).

Hungary's focus on transferring Hungarian technology does not leverage the full innovation potential. Hungary uses technology transfer, notably in collaboration with the private sector, as a way to promote innovation in developing countries. However, recent research has shown that this is not necessarily the most effective way of achieving this. The OECD (Ramalingam and Kumpf, 2021[44]) and others (Estes, Evans and Rose, 2021[45]) have shown that investments in locally-led innovation and open-innovation processes that provide opportunities to the best ideas and ventures across the globe deliver higher social investment returns than standard development co-operation programmes. Hungary could thus explore how it can promote innovative solutions not only from Hungary but also elsewhere.

Hungary needs to progressively untie its grants and loans

Hungary's level of tied ODA is very high. All tied aid loans are provided on the condition that at least 50% of the loan proceeds are spent on Hungarian companies,[29] and all MFAT calls for proposals are in Hungarian and target Hungarian companies. In addition, MFAT requires applicants to show in their tenders how the project will benefit the Hungarian economy.[30] As a result, 60% of Hungary's ODA covered by the Recommendation on Untying ODA was reported as tied in 2019.[31] In addition, in 2020, almost 100% of the value of untied ODA contracts in countries covered by the Recommendation on Untying ODA[32] were awarded to Hungarian suppliers (and 90% in terms of number of contracts) (OECD, 2022[46]).

Hungary should progressively untie its grants and loans to maximise the cost effectiveness of its development co-operation programme. As suggested in the accession review conducted in 2016, Hungary needs to ensure that it selects the most cost-effective options for addressing development challenges by progressively untying both grants and sovereign loans to developing countries (OECD, 2016[41]). Evidence has shown that tied ODA can increase the costs of a development project by as much as 15 to 30% (Clay, Geddes and Natali, 2009[47]). Untying ODA, on the other hand, gives the recipient the freedom to procure goods and services from virtually any country, thus avoiding unnecessary costs. Moreover, domestic demand for tied ODA is decreasing as more and more Hungarian companies in the water sector (where most tied ODA is spent) are successful at an international level, relying instead on export credits and commercial financing. This provides an additional argument for untying ODA.

As a first step, Hungary could limit the effects and extent of its tied ODA. This would involve paying close attention to cost effectiveness in all tenders that are tied by encouraging the widest possible participation by Hungarian companies. To strengthen opportunities for the local private sector, Hungary could also more strongly promote subcontracting to local companies, as is done by Japan (OECD, 2020[48]), or limit tying ODA to free-standing technical co-operation. This could help build national capacity in developing countries, while drawing on the expertise of Hungarian companies and improving their market access. As regards ODA that is untied, Hungary could start *ex ante* reporting to increase the competitiveness of tenders by creating greater transparency about on-going tender procedures.

Ultimately, Hungary should concentrate on creating win-win partnerships with domestic firms without tying ODA. The active engagement of Hungarian water sector companies in developing countries illustrates that tying may in fact no longer be necessary. Information on local markets and risks, economic diplomacy and advice on competing in international tenders could help Hungarian companies step up their engagement in developing countries. Hungary could also support the business environment in partner countries to facilitate foreign investments. The partnership with IFC demonstrates that Hungarian companies can co-benefit without tying ODA: in Ukraine, the fund supports a Hungarian-owned leasing company that offers long-term financing to local agricultural businesses and entrepreneurs. Hungary could consider increasing investments for private sector development and actively inform its own private sector about opportunities.

Promoting responsible business conduct and maximising the development impact of FDI are essential as trade with developing countries increases

As more Hungarian businesses engage in developing countries, promoting responsible business conduct will increase in importance. The government can take action to ensure that Hungarian companies comply with OECD Guidelines for Multinational Enterprises (OECD, 2011[49]) and UN Guiding Principles on Business and Human Rights (United Nations, 2011[50]). For instance, Hungary could use ODA to train companies in responsible business conduct, and use sectoral guidance in key investment sectors, such as agriculture (e.g. the OECD-FAO guidance for responsible agricultural supply chains (OECD/FAO, 2016[51])). The upcoming 2023 Peer Review of the National Contact Point for the OECD Guidelines for Multinational Enterprises will be an opportunity for Hungary to learn from others and review the practices of its National Contact Point.

Hungary could also ensure that Hungarian financial institutions comply with the Framework for SDG-aligned Finance (OECD/UNDP, 2020[52]) **when investing in developing countries.** Hungarian private flows to developing countries are much larger than its ODA volumes and therefore have the potential for a large development impact if geared towards sustainable development. In 2020, Hungary provided USD 3.1 billion in net private flows at market terms,[33] including foreign direct investment (FDI) by Hungarian companies, as well as portfolio investments by Hungarian financial institutions. At a later stage, Hungary could engage with partner countries to help them attract quality investments, for instance using the FDI Qualities Policy Toolkit (OECD, 2022[53]).

Focusing its international advocacy on its strengths could enhance Hungary's contribution to global goods and challenges

Hungary can make valuable contributions to international dialogue on development

As an active member of the international community, Hungary has important opportunities to foster collaboration between countries for global sustainable development. It has used its leadership roles to promote development issues, such as national minority rights under its 2021 Council of Europe Presidency, and sustainability in its successful campaign for the UN General Assembly Presidency. The partnership with Visegrád 4 states provides a lever to discuss development and economic issues with emerging economies, e.g. through high-level meetings with Egypt and Morocco and outreach to India during Hungary's 2021-22 V4-Presidency (MFAT, 2022[54]). Hungary actively engages in EU development exchanges and is well aware of the opportunities and responsibilities embodied in its 2024 Presidency of the Council of the EU.

It can build on its track record as an international champion for water management and promoter of environmental sustainability in Central Europe. Advocacy for sustainable water resource management has been a consistent priority for Hungary across its multilateral engagement and through dedicated diplomatic initiatives, notably three international water summits in Budapest (Box 2). To inform its efforts, Hungary draws on its national water sector expertise. Together with the Visegrád 4 states, Hungary hosted the Planet Budapest 2021 Sustainability Expo and Summit in 2021, showcasing Central European solutions for environmental sustainability (MFAT, 2021[55]). It also made Education for Sustainable Development a priority of its Presidency of the Carpathian Convention in 2019 (Mitrofanenko, Varga and Zawiejska, 2020[56]), and actively promotes the green transition in the Balkans. As water and environment are priorities of its development co-operation, this provides additional opportunities to build coalitions and bring evidence to international exchanges.

Box 2. Hungary is a strong advocate for sustainable water management

Access to water and sanitation as well as sustainable water resource management are critical development challenges. Hungary has made water diplomacy a foreign policy priority since 2010, to boost international action for sustainable water management, showcase its own experience and promote the international engagement of its private sector.

Hungary's approach combines high-level international advocacy, engagement across multilateral fora and mobilisation of domestic expertise. Between 2013 and 2019 it hosted three global water summits in Budapest. Former President János Áder, now a member of the High-level Leaders Panel of the Water and Climate Coalition, was personally invested in international advocacy. The Ministry of Interior actively shares its water management experience and Hungary is taking lead roles in international discussions, such as those held in the Transboundary Water Convention Bureau. Hungary also actively promotes the internationalisation of its domestic private water sector companies.

Hungary has succeeded in advancing the international recognition of sustainable water management at different levels. It helped bring about a dedicated SDG on water and has raised international awareness, such as through the 2019 Budapest Appeal (Budapest Water Summit, 2019[57]). It has also enabled global sharing of experience, co-leading a three-year global process to develop a Handbook on Water Allocation in a Transboundary Context (United Nations Economic Commission for Europe, 2021[58]). Hungary's private sector is increasingly engaged abroad, and becoming less dependent on tied ODA.

Lessons learnt include that high-level political leadership has been critical for visibility and establishing water management as a priority. Development co-operation and diplomacy have been mutually reinforcing, demonstrating Hungary's practical engagement and creating opportunities for joint advocacy. To make the most of limited resources, Hungary aims to strengthen its strategic focus and appoint a dedicated multilateral focal point to define priorities, objectives and messages.

Note: This practice is documented in more detail on the **Development Co-operation TIPs • Tools Insights Practices** platform at www.oecd.org/development-cooperation-learning/practices/hungary-s-water-diplomacy-harnesses-international-action-4c561d9b.
Source: Interviews conducted during the peer review with key interlocutors.

Hungary is an engaged partner for multilateral institutions, providing reliable funding

Hungary is an engaged, flexible and predictable partner for multilateral institutions. In 2020, most of the country's multilateral ODA was in the form of core funding (USD 192 million, out of USD 210.6 million of gross ODA to the multilateral system), thereby allowing multilateral institutions flexibility in their actions. Some multi-year funding is offered for specific programmes (e.g. thematic funding for child protection at UNICEF). Most of Hungary's multilateral ODA goes to the EU (79% of its core and earmarked contributions to multilateral organisations). Over the last 15 years, Hungary has also continuously built a role as regional hub for UN and international organisations. It offers substantial in-kind contributions for renting office premises, notably for UNHCR (USD 6.4 million in 2020) and FAO (USD 3.8 million), and hosts offices of organisations such as the IFRC, IOM, WHO, ILO, IMF, UNICEF and UNOCT, thus allowing them a stable base from which to function.

Hungary's multilateral efforts are broadly aligned with its bilateral co-operation, leveraging multilateral institutions' strengths. While there is no dedicated multilateral strategy, Hungary's bilateral focus guides its engagement with multilateral governance bodies. It supports multilateral engagement on the green economy, water, resilience, and strengthening economies post COVID, and also supports Central and Eastern European partners. It uses a little earmarked funding in addition to core funding, the

most significant example being its support to the Hungary-IFC Partnership Trust Fund. Other sizeable contributions include to the Green Climate Fund and the EU Facility for Refugees in Türkiye, as well as small-scale support to the UN Trust Fund to End Violence against Women.

However, domestic policies affect Hungary's international engagement – an important challenge for the 2024 EU presidency

Hungary's global advocacy for the protection of minorities could benefit from efforts to address discrimination at home. Hungary promotes the protection of national minorities and persecuted Christians at the international level, including through conferences and a presidential statement under its 2021 Presidency of the Council of Europe (The Presidency (Hungary) of the Committee of Ministers of the Council of Europe, 2021[59]), as well as the publication of the Budapest Report on Christian Persecution. In addition, the MFAT co-operation team now has a Division for Religious Diplomacy. To support its advocacy, Hungary also puts forward its efforts to protect the rights of minorities at home, such as in the 2021 Human Rights Council's Universal Peer Review (Government of Hungary, 2021[60]). However, few Council members acknowledged this; instead many expressed concern at discriminatory practices and racism in Hungary and recommended the government take action to address this (United Nations General Assembly, 2021[61]).

Hungary's policy stances have blocked international and EU agreements of strategic interest for sustainable development. For example, Hungary's position on migration led it to object to the EU's most important co-operation framework, aiming to modernise and strengthen the partnership between the EU and African, Caribbean and Pacific states (the "Post-Cotonou Agreement") (Government of Hungary, 2021[62]) (see below). Hungary's perspective on gender equality is also at odds with that of many partners, restricting its space to support international efforts in this area. While Hungary advocates for wording it can accept and in some instances supports agreements (such as the European Consensus on Development[34]), there are notable exceptions. For instance, it did not support the European Union's third Gender Action Plan,[35] decided not to ratify the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence and could not join a DAC consensus on the new Guidance for development partners on gender equality and the empowerment of women and girls.

To seize the major opportunity offered by the EU Presidency, it will be important for Hungary to find ways to play an effective role as convenor and broker. Lessons from Portugal suggest that investing early in outreach and prioritisation and establishing credibility as an honest broker, are factors that can help make the presidency a success (OECD, 2022[63]). In contrast, the current tensions risk undermining Hungary's capacity to build EU consensus, which could affect the Union's ability to jointly respond to key development challenges. On the positive side, Hungary has already started reflecting on suitable development priorities: water management, protecting cultural heritage during conflict (for which Hungary could partner with EU members such as France and Italy), and the partnerships with middle-income countries. These are all of interest to the broader EU membership. Early outreach to member states can help identify common ground and defuse existing tensions. In addition, engaging in strategic partnerships with Hungarian and European CSOs and think tanks could inform fruitful policy debate.

Hungary could build on domestic strengths to promote policy coherence for development

Establishing clear priorities would help Hungary seize opportunities to advance debate on policy coherence issues

Hungary's policies have fewer negative spill-overs than those of many other DAC members. In the income-adjusted Commitment to Development Index, which measures such spill-overs, Hungary ranks

12th out of 40 economies (Center for Global Development, 2022[31]). Hungary's efforts to decarbonise its economy and achieving economic growth while lowering its carbon intensity are worth highlighting. It has enshrined in legislation the objective of carbon neutrality by 2050 and will phase out coal at the latest by 2030 (although its dependence on other fossil fuels remains a challenge). In 2020 it adopted a suite of strategic documents and started issuing green bonds (Ministry for Innovation and Technology, 2020[64]). It is also making substantial contributions to peacekeeping operations in Europe (see above).

However, in other areas Hungary will need to adjust its policies. In almost two decades of adhering to the OECD's Anti-Bribery Convention, it has rarely applied any sanctions and has done little to follow up on the latest recommendations from the Working Group on Bribery (OECD, 2021[65]). The Working Group also expressed concern at insufficient judicial independence and media freedom to enforce bribery offences effectively. Hungary's domestic challenges in the fight against corruption[36] are also at odds with the 2016 OECD Council Recommendation for Development Co-operation Actors on Managing the Risk of Corruption. As set out above, Hungary could also do more to promote responsible business conduct. In agriculture, Hungary is already focusing on sustainable use of antibiotics for livestock (which contributes to anti-microbial resistance); reviewing agricultural subsidies (to protect the environment and avoid market distortions) could be another priority (Center for Global Development, 2022[31]). Migration is another area of concern, as discussed in more detail below.

Setting priorities for areas that require greater coherence would allow Hungary to use existing co-ordination mechanisms to debate policy coherence issues. Well-established inter-ministerial consultation allows Hungary to co-ordinate policies closely, such as its positions at EU level. While it does not do so at present, Hungary could also use these mechanisms to reflect on the transboundary effects of Hungarian and European policies on developing countries. Identifying priority issues would make it easier for Hungary to involve technical ministries and encourage debate with concerned stakeholders (OECD, 2021[66]). An example to follow could be the Netherlands, which has an action plan on policy coherence. To inform discussion, Hungary could commission dedicated research, draw on civil society insights or seek views from consultative bodies as the National Council for Sustainable Development. These steps would allow Hungary to better implement the 2019 OECD Council Recommendation on Policy Coherence for Sustainable Development [OECD/LEGAL/0381].

Opportunities exist to drive discussions on policy coherence at EU and national level. In preparing for the Presidency of the Council of the EU, co-ordination across government will intensify to determine priorities for the Presidency. In this process, Hungary could identify policy areas such as agriculture, environment or climate where it would like to ensure the Union better reflects their high relevance to developing countries. The existing co-ordination with V4 states on these areas could be an entry point to identify priorities. At the UN, the next voluntary national review of the SDGs will allow the government to discuss and report on how it contributes to each SDG, both in Hungary and abroad, through coherent domestic policies, as well as diplomacy and development co-operation. As part of the process, it would be important to clarify that co-ordination of development co-operation – while of course important – is not the same as policy coherence for development.

Hosting Ukrainian refugees is an opportunity to reflect on Hungary's approach to migration and development

Until 2022, Hungary's efforts for international solidarity with refugees were limited. Hungary has been hosting around 6 000 refugees in recent years (UNHCR, n.d.[67]). It is also providing financing for refugee situations, including through a co-operation programme with Uganda, which hosts one of the world's largest refugee populations. These efforts contrast with successive domestic restrictions on access to asylum, which were found to be in violation of international obligations[37] and led to a significant decrease in the number of asylum-seekers arriving in Hungary – from 3 509 on average between 2001 and 2020 to 5 in 2021 (UNHCR, n.d.[67]). Hungary was one of two UN members to vote against the draft resolution

endorsing the Global Compact on Refugees, whose main objective is to improve responsibility-sharing in assisting refugees and their host countries (United Nations, 2018[68]). Within the EU, Hungary opted not to participate in voluntary relocation schemes which aim to share the efforts of hosting refugees more equitably.

Participating in a joint European effort, Hungary is now mobilising substantial action in hosting refugees from Ukraine. Following Russia's illegal, unprovoked and unjustifiable war of aggression against Ukraine, more than 1.5 million people have entered Hungary directly from Ukraine.[38] To support them, both to stay or in transit, the Hungarian Government, municipalities, civil society and private sector have undertaken significant efforts. Around 30 000 people from Ukraine (at the end of September 2022) were registered under an international protection scheme and benefit from access to Hungary's education system and labour market, in line with EU policies.[39] Hungary and other first responders are supported by European countries. While other EU members host even higher numbers of Ukrainian refugees,[40] Hungary's positive contribution could inspire it to reflect more generally on expanding its efforts for international solidarity with refugees.

Given that its own practice is evolving, Hungary could consider reviewing its international policy stance on migration and development. In international fora, the current administration does not recognise the potential development benefits of migration,[41] despite evidence to the contrary (OECD, 2014[69]; OECD, 2017[70]) and their recognition in the 2030 Agenda.[42] However, Hungary's practice is more nuanced, reflecting both opportunities and challenges,[43] as outlined also in the 2020 OECD Ministerial Statement on Migration and Integration, to which Hungary subscribed (OECD, 2020[71]). In its development co-operation, various projects aim to address the drivers of migration, while scholarships allow students to migrate temporarily to Hungary. At home, it has revised regulations to make it easier to recruit migrant workers from outside Europe (most labour migration in recent years had been from Ukraine), including developing countries (Government of Hungary, 2022[72]). Regarding forced displacement, as set out above, Hungary supports host countries through development co-operation, and is now itself hosting refugees from Ukraine. In the 2020 OECD Ministerial Statement, ministers declared that "International dialogue and cooperation help to make migration and integration policies future-ready" (OECD, 2020[71]). Against this background, Hungary could reflect on where it sees space for joining the international consensus, so that states can act collectively for sustainable development.

Recommendations

9. Define an approach to private sector engagement that enables Hungary to progressively untie grants and loans in order to increase value for money for partner countries, and that encompasses responsible business conduct.
10. Promote adjustments of policies that risk having negative effects on developing countries, including those affecting Hungary's ability to join international consensus on efforts for global sustainable development.

References

Budapest Water Summit (2019), *Budapest Appeal*, https://budapestwatersummit.hu/downloads/Budapest_Appeal_final_11_25.pdf. [57]

Center for Global Development (2022), *Commitment to Development Index 2021*, https://www.cgdev.org/cdi#/ (accessed on 29 July 2022). [31]

Clay, E., M. Geddes and L. Natali (2009), *Untying aid: Is it working?*, https://www.oecd.org/dac/evaluation/44375975.pdf. [47]

Council of the European Union (2020), *Presidency conclusions on the Gender Action Plan (GAP) III 2021-2025*, https://data.consilium.europa.eu/doc/document/ST-13947-2020-INIT/en/pdf (accessed on 3 August 2022). [79]

Court of Justice of the European Union (2021), *Judgment in Case C-821/19: Commission v Hungary (Criminalisation of assistance to asylum seekers)*, https://curia.europa.eu/jcms/upload/docs/application/pdf/2020-12/cp200161en.pdf. [74]

Court of Justice of the European Union (2020), *Judgment in Case C-808/18: Commission v Hungary*, https://curia.europa.eu/jcms/upload/docs/application/pdf/2020-12/cp200161en.pdf. [73]

EC - ECHO (2021), *List of Non-Governmental Organisations certified as EU Humanitarian partners for the period 2021- 2027*, https://www.dgecho-partners-helpdesk.eu/download/referencedocumentfile/234. [24]

Economist Intelligence Unit (2022), *Country Report: Hungary (July 2022)*, http://country.eiu.com/hungary. [4]

Estes, J., D. Evans and S. Rose (2021), *The Case for Evidence-Based Innovation and Implications for USAID (and Beyond)*, https://www.cgdev.org/blog/case-evidence-based-innovation-and-implications-usaid-and-beyond (accessed on 3 August 2022). [45]

European Commission (2022), *2022 Rule of Law Report: Country Chapter on the rule of law situation in Hungary*, European Commission, https://ec.europa.eu/info/policies/justice-and-fundamental-rights/upholding-rule-law/rule-law/rule-law-mechanism/2022-rule-law-report_en. [5]

European Commission (2021), *Special Eurobarometer 512: EU citizens and development cooperation*, European Commission, https://europa.eu/eurobarometer/surveys/detail/2267. [80]

European Commission (2018), *Special Eurobarometer 476 EU citizens and development cooperation*, European Union, https://webgate.ec.europa.eu/ebsm/api/public/deliverable/download?doc=true&deliverableId=66688. [19]

European Commission (n.d.), *Team Europe Initiative and Joint Programming Tracker: Hungary*, https://europa.eu/capacity4dev/tei-jp-tracker/hungary?tab=tei (accessed on 3 August 2022). [82]

European Court of Human Rights (2019), *Case of Ilias and Ahmed v. Hungary (Application no. 47287/15)*, https://hudoc.echr.coe.int/eng#{%22itemid%22:[%22001-198760%22]}. [75]

European Parliament (2022), *Existence of a clear risk of a serious breach by Hungary of the values on which the Union is founded*, European Parliament, https://www.europarl.europa.eu/doceo/document/TA-9-2022-0324_EN.html. [6]

European Union (2017), *The New European Consensus on Development: Our World, Our Dignity, Our Future - Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting within the Council, the European Parliament and the European Commission*, https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean_final.pdf. [85]

Exim Hungary (2022), *A Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság 2021. évi vezetőségi jelentése (2021 Management Report of the Hungarian Export-Import Bank Private Limited Company)*, https://exim.hu/osszes-termek-bank/3794-vezetosegi-jelentes-az-eximbank-2021-eves-beszamolojahoz/file. [39]

FAO (n.d.), *Why is gender equality and rural women's empowerment central to the work of FAO?*, https://www.fao.org/gender/background/en/ (accessed on 1 August 2022). [27]

Global Education Network Europe (2021), *GENE Global Education Award 2020/2021: Quality and Good Practice in Global Education across Europe*, https://www.gene.eu/awards. [17]

Government of France (2018), *Plan d'action: Migrations Internationales et Développement 2018-2022 (Action Plan: International Migration and Development 2018-2022)*, https://www.afd.fr/fr/ressources/plan-daction-migrations-internationales-et-developpement-2018-2022. [86]

Government of Hungary (2022), *2012. évi I. törvény (Act I of 2012 on the Labour Code)*, Government of Hungary, https://net.jogtar.hu/jogszabaly?docid=a1200001.tv. [72]

Government of Hungary (2021), *Brüsszel Újabb Őrültségre Készül A Migráció Ügyében (Brussels Prepares for another Insanity on Migration)*, https://kormany.hu/hirek/szijjarto-peter-brusszel-ujabb-orultsegre-keszul-a-migracio-ugyeben. [62]

Government of Hungary (2021), *National report submitted in accordance with paragraph 5 of the annex to Human Rights Council resolution 16/21*, United Nations, https://undocs.org/A/HRC/WG.6/39/HUN/1. [60]

Government of Hungary (2019), *Kormány határozata 1792/2019 a 2020 és 2025 közötti időszakra vonatkozó nemzetközi fejlesztési együttműködési stratégiáról (Government decision 1792/2019 on the international development cooperation strategy for the period between 2020 and 2025)*, Government of Hungary, https://nefe.kormany.hu/download/a/e5/92000/1792-2019.pdf. [8]

Government of Hungary (2019), *Memorandum and articles of Incorporation (Statutes) of the Hungary Helps Ügynökség Nonprofit (unpublished)*. [35]

Government of Hungary (2016), *1784/2016. (XII. 16.) Korm. határozat „A globális felelősségvállalásra nevelésről a formális és nem-formális oktatásban Magyarországon" című koncepcióról (Gov. decision on education for global responsibility in formal and non-formal education in Hungary)*, https://net.jogtar.hu/jogszabaly?docid=A16H1784.KOR&txtreferer=00000001.txt (accessed on 3 August 2022). [15]

Government of Hungary (2016), *KONCEPCIÓ a globális felelősségvállalásra nevelésről a formális és nem-formális oktatásban Magyarországon (CONCEPT on education for global responsibility in formal and non-formal education in Hungary)*, http://hand.org.hu/media/files/1488224424.pdf (accessed on 3 August 2022). [16]

Government of Serbia (n.d.), *National Minorities*, https://www.srbija.gov.rs/tekst/en/130130/national-minorities.php (accessed on 1 August 2022). [25]

Hungary Helps Agency (2022), *10. Hungary Helps Afrika Expo*, http://afrikaexpo.hu/ (accessed on 3 August 2022). [18]

Hungary Helps Agency (2021), *Támogatáskezelési és adományozási rendjéről (Grant Management and Donation Schemes)*, https://hungaryhelps.gov.hu/wp-content/uploads/2022/01/Tamogataskezelesi-es-adomanyozasi-rendjerol-szolo-szabalyzat.pdf. [36]

Hungary Helps Agency (2020), *Activity Report*, https://hungaryhelps.gov.hu/wp-content/uploads/2021/11/HungaryHelps_Activity_report_2020_200x270mm_v3_FINAL.pdf. [32]

Hungary Today (2020), *Hungary Offers to Send Disaster Management Experts to Lebanon*, https://hungarytoday.hu/hungary-lebanon-disaster-management-expert/ (accessed on 3 August 2022). [29]

IFC (2021), *IFC and Hungary*, https://www.ifc.org/wps/wcm/connect/cb8a6ae2-4486-40a4-896e-389853e8ff2f/IFC+and+Hungary+FY21.pdf?MOD=AJPERES&CVID=nSQTxyN#:~:text=IFC%20maintains%20a%20focused%20relationship,Eastern%20Europe%20and%20Central%20Asia. (accessed on 3 August 2022). [43]

IIRF (2021), *International Institute for Religious Freedom website*, https://iirf.global. [33]

Medgyesi, M. and M. Schneider (2020), *Környezettel, környezetvédelemmel kapcsolatos lakossági attitűdök (Public attitudes related to the environment and environmental protection)*, https://www.nfft.hu/documents/1238941/0/NFFT_ISSP_Kornyezet+%282%29.pdf/27fa46aa-0802-27c3-26b3-d6d3caa4f4d1?t=1614160900123. [21]

MFAT (2022), *Main presidency activities and achievements: July 2021 – June 2022*, https://v4.mfa.gov.hu/assets/39/94/92/04310803148fe4b06c68bd4d00e07f25e6567dcc.pdf. [54]

MFAT (2022), *Self-assessment submitted within the framework of the OECD Peer Review on international development cooperation*, http://www.oecd.org/dac/peer-reviews/Hungary-2022-Self-assessment.pdf. [30]

MFAT (2021), *Hungarian Tied Aid Program: Key to Mutual Success*, Ministry of Foreign Affairs and Trade, https://nefe.kormany.hu/akadalymentes/download/9/39/c2000/Hungarian%20Tied%20Aid%20Program.pdf. [12]

MFAT (2021), *JELENTÉS: Magyarország 2020. évi nemzetközi fejlesztési tevékenységéről (REPORT on Hungary's international development activities in 2020)*, https://nefe.kormany.hu/download/b/1c/d2000/Jelent%C3%A9s%20Magyarorsz%C3%A1g%202020%20%C3%A9vi%20nemzetk%C3%B6zi%20fejleszt%C3%A9si%20egy%C3%BCttm%C5%B1k%C3%B6d%C3%A9s%C3%A9r%C5%91l.pdf. [14]

MFAT (2021), *Pályázati Felhívás és Szabályzat: Egy Nyugat-Balkánon megvalósítandó fejlesztési projekt vonatkozásában (Call for Tender and Rules: Regarding a development project to be implemented in the Western Balkans)*, https://nefe.kormany.hu/download/b/bc/d2000/P%C3%A1ly%C3%A1zati%20Felh%C3%ADv%C3%A1s%20-%20Nyugat-Balk%C3%A1n.pdf. [83]

MFAT (2021), *Planet Budapest 2021: Sustainability Expo and Summit*, https://planetbudapest.hu/en (accessed on 3 August 2022). [55]

MFAT (2020), *A magyar Kormány Nemzetközi Fejlesztési Együttműködési Stratégiája a 2020 és 2025 közötti időszakra (The International Development Cooperation Strategy of the Hungarian Government for the period between 2020 and 2025)*, https://nefe.kormany.hu/download/7/2f/92000/NEFE2025_%C3%B6sszefoglal%C3%B3_hu.pdf. [40]

MFAT (2020), *Hungary: International Development Cooperation Profile*, MInistry of Foreign Affairs and Trade, https://nefe.kormany.hu/download/2/1f/c2000/Donorprofil_2021.pdf. [34]

MFAT (2020), *Hungary's International Development Cooperation Strategy for the Period 2020 - 2025 (English summary)*, Ministry of Foreign Affairs and Trade, https://nefe.kormany.hu/download/7/3f/92000/NEFE2025_summary_en.pdf. [2]

MFAT (2020), *Kézikönyv A Nemzetközi Fejlesztési Projektekre Vonatkozó Kiválasztási, Nyomonkövetési, Valamint Értékelési Szempontrendszerről (Manual on the Selection, Monitoring and Evaluation Aspect System for International Development Projects)*, https://nefe.kormany.hu/download/e/2f/b2000/K%C3%A9zik%C3%B6nyv%20a%20Nemzetk%C3%B6zi%20fejleszt%C3%A9si%20projektekre%20vonatkoz%C3%B3%20kiv%C3%A1laszt%C3%A1si,%20nyomonk%C3%B6vet%C3%A9si,%20valamint%20%C3%A9rt%C3%A9kel%C3%A9si%20szempontrendszerr%C5%91l. [38]

Ministry for Innovation and Technology (2020), *National Clean Development Strategy 2020-2050*, https://unfccc.int/sites/default/files/resource/LTS_1_Hungary_2021_EN.pdf. [64]

Mitrofanenko, T., A. Varga and J. Zawiejska (2020), "Toward Stronger Integration of Education for Sustainable Development Into the Carpathian Convention Activities: Reflection on the Process and Outlook", *Mountain Research and Development*, https://www.jstor.org/stable/27029091?seq=3 (accessed on 3 August 2022). [56]

OECD (2022), *2022 Report on the Implementation of the DAC Recommendation on Untying Official Development Assistance*, https://one.oecd.org/official-document/DCD/DAC(2022)34/FINAL/en. [46]

OECD (2022), *Compare your country*, https://www1.compareyourcountry.org/dev-coop-profiles-2022/en/0/4160/default/all/20001+75?embed=noHeaderDAC (accessed on 3 August 2022). [22]

OECD (2022), *Creditor Reporting System (database)*, https://stats.oecd.org/Index.aspx?DataSetCode=crs1 (accessed on 3 August 2022). [9]

OECD (2022), *DAC Statistical Reporting Issues in 2021 on 2020 Data*, https://one.oecd.org/document/DCD/DAC/STAT(2022)21/en/pdf. [11]

OECD (2022), *DCR Report Hungary Profile*, https://www.oecd-ilibrary.org/development/development-co-operation-profiles_2dcf1367-en. [23]

OECD (2022), *Development Co-operation TIPS • Tools Insights Practices*, https://www.oecd.org/development-cooperation-learning/practices/portugal-harmonises-development-approaches-through-an-eu-presidency-85e5441d/ (accessed on 29 July 2022). [63]

OECD (2022), *FDI Qualities Policy Toolkit*, OECD Publishing, https://doi.org/10.1787/7ba74100-en. [53]

OECD (2022), *OECD Economic Outlook*, OECD Publishing, Paris, https://doi.org/10.1787/16097408. [3]

OECD (2022), *Total flows Table DAC1*, https://stats.oecd.org/Index.aspx?DataSetCode=TABLE1#. [13]

OECD (2021), *DAC Peer Review Methodology, Updated 2021*, https://one.oecd.org/document/DCD/DAC(2020)69/FINAL/en/pdf. [1]

OECD (2021), *Implementing the OECD Anti-Bribery Convention: Phase 4 Two-Year Follow-Up Report: Hungary*, https://www.oecd.org/daf/anti-bribery/hungary-phase-4-follow-up-report.pdf. [65]

OECD (2021), *Implementing the OECD Recommendation on Policy Coherence for Sustainable Development: Guidance Note*, OECD, https://www.oecd.org/gov/pcsd/pcsd-guidance-note-publication.pdf. [66]

OECD (2021), *Integrating Environmental and Climate Action into Development Co-operation: Reporting on DAC Members' High-Level Meeting Commitments*, OECD Publishing, Paris, https://doi.org/10.1787/285905b2-en. [28]

OECD (2020), *Ministerial Statement and Orientations for Future Work of the OECD on Migration and Integration*, OECD, https://www.oecd.org/migration/ministerial/Ministerial-Statement-and-Orientations.pdf. [71]

OECD (2020), *OECD Development Co-operation Peer Reviews: Japan 2020*, OECD Publishing, https://doi.org/10.1787/b2229106-en. [48]

OECD (2020), *PISA 2018 Results (Volume VI): Are Students Ready to Thrive in an Interconnected World?*, OECD Publishing, https://doi.org/10.1787/d5f68679-en. [20]

OECD (2019), *OECD-DAC Mid-term Review of Hungary*, OECD, https://www.oecd.org/dac/peer-reviews/DAC-mid-term-Hungary-2019.pdf. [42]

OECD (2017), *Interrelations between Public Policies, Migration and Development*, OECD Publishing, https://doi.org/10.1787/9789264265615-en. [70]

OECD (2016), *Hungary's Readiness for Accession to the DAC: Note by the Secretariat*, https://www.oecd.org/dac/peer-reviews/Hungary-Readiness-For-Accession-To-The-DAC.pdf. [41]

OECD (2015), *Recommendation of the Council on Budgetary Governance*, OECD Publishing, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0410. [10]

OECD (2014), *Migration Policy Debates: Is migration good for the economy?*, OECD Publishing, https://www.oecd.org/els/mig/OECD%20Migration%20Policy%20Debates%20Numero%202.pdf. [69]

OECD (2011), *OECD Guidelines for Multinational Enterprises*, https://doi.org/10.1787/9789264115415-en. [49]

OECD/FAO (2016), *OECD-FAO Guidance for Responsible Agricultural Supply Chain*, OECD Publishing, https://doi.org/10.1787/9789264251052-en. [51]

OECD/UNDP (2020), *Framework for SDG Aligned Finance*, OECD Publishing, https://www.oecd.org/development/financing-sustainable-development/Framework-for-SDG-Aligned-Finance-OECD-UNDP.pdf. [52]

openDemocracy (2020), *A century after the Trianon Treaty: perceptions of Hungary in Serbia and Croatia*, https://www.opendemocracy.net/en/can-europe-make-it/century-after-trianon-treaty-perceptions-hungary-serbia-and-croatia/ (accessed on 1 August 2022). [26]

Parliament of Hungary (2014), *Act XC of 2014 on International Development Cooperation and International Humanitarian Assistance (English translation)*, Ministry of Foreign Affairs and Trade, https://nefe.kormany.hu/download/b/b3/92000/Act%20XC%20of%202014%20on%20International%20Development%20Cooperation%20and%20International%20Humanitarian%20Assistance.pdf. [7]

Ramalingam, B. and B. Kumpf (2021), *COVID-19 innovation in low and middle-income countries: Lessons for development co-operation*, OECD Publishing, https://doi.org/10.1787/19e81026-en. [44]

The Presidency (Hungary) of the Committee of Ministers of the Council of Europe (2021), *Strasbourg Declaration on improving the situation and rights of national minorities in Europe*, https://huncoepres.mfa.gov.hu/eng/page/strasbourg-declaration-on-improving-the-situation-and-rights-of-national-minorities-in-europe. [59]

Transparency International (n.d.), *Corruptions Perceptions Index*, https://www.transparency.org/en/cpi/2021 (accessed on 3 August 2022). [78]

UNESCO (2022), *Global Education Monitoring Report*, https://www.unesco.org/gem-report/en. [37]

UNHCR (2022), *Operational Data Portal: Ukraine Refugee Situation*, https://data.unhcr.org/en/situations/ukraine#_ga=2.217688342.1267334399.1646837482-1668363163.1605864064 (accessed on 23 August 2022). [81]

UNHCR (2020), *Hungarian Act LVIII of 2020 on the Transitional Rules and Epidemiological Preparedness related to the Cessation of the State of Danger: UNHCR Position*, https://www.refworld.org/pdfid/5ef5c0614.pdf. [76]

UNHCR (n.d.), *Refugee Data Finder*, https://www.unhcr.org/refugee-statistics/download/?url=j5XmiA (accessed on 3 August 2022). [67]

United Nations (2018), *UN News: Global perspectives Human stories*, https://news.un.org/en/story/2018/12/1028791 (accessed on 29 July 2022). [68]

United Nations (2011), *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework*, https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights. [50]

United Nations Economic Commission for Europe (2021), *Handbook on Water Allocation in a Transboundary Context*, United Nations Publications, https://unece.org/info/publications/pub/363010. [58]

United Nations General Assembly (2021), *Report of the Working Group on the Universal Periodic Review: Hungary*, United Nations, https://undocs.org/A/HRC/49/8. [61]

United Nations General Assembly (2015), *Transforming Our World: The 2030 Agenda for Sustainable Development*, https://sdgs.un.org/sites/default/files/publications/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf. [84]

World Bank (n.d.), *Hungary trade balance, exports and imports (dataset)*, https://wits.worldbank.org/CountryProfile/en/Country/HUN/Year/LTST/TradeFlow/EXPIMP (accessed on 29 July 2022). [77]

Notes

[1] Neighbouring ODA recipients Ukraine, Serbia and Türkiye, as well as the People's Republic of China, each accounted for less than 2% of exports in 2019. The African state with the largest imports from Hungary was South Africa, at 0.19% in 2019 (World Bank, n.d.[77]).

[2] These are: SDG 1 (no poverty), 2 (zero hunger), 3 (good health and well-being), 4 (quality education), 6 (clean water and sanitation), 7 (affordable and clean energy), 8 (decent work and economic growth), 13 (climate action), 15 (life on land) and 17 (partnerships for the goals).

[3] These are the creation of a focal point network, the development of guidance for monitoring and evaluation, a call on all ministries to implement the strategy, guidance to implement programmes on behalf of the European Union and the development of strategic partnership programmes in the identified regions and sectors.

[4] Free-standing technical co-operation is the provision of resources aimed at the transfer of technical and managerial skills or of technology for the purpose of building general national capacity. On the other hand, investment-related technical co-operation denotes the provision of technical services required for the implementation of specific investment projects.

[5] In 2020, some of the projects implemented in LDCs were categorised as "free-standing technical co-operation", which is excluded from the coverage of the Recommendation on Untying ODA. However, they in fact seem to be related to investment-related technical co-operation (e.g. medical development of Shine Nursery and Primary School in Uganda, construction of a solar auxiliary system for the St. Raphael Ophthalmology Clinic in Congo, supporting the construction of a swamp and a school sports field in Bamako, and a smart tourism project in Uganda). In addition, Hungary could also consider reporting voluntarily on the tying status of free-standing technical co-operation.

[6] In 2021, the Hungary Helps Agency was recognised as a Member State's specialised agency partner of European Commission DG ECHO.

[7] See https://nefe.kormany.hu/.

[8] See https://idcmap.mfa.gov.hu/index.

[9] More than 90% of Hungarians across all age groups considered EU external partnerships to be important to reduce poverty (European Commission, 2021[80]), and 58% agreed they should be a priority for the national government (up from 43% in 2018; (European Commission, 2018[19]).

[10] About one-third of Hungarian schools are now eco-schools.

[11] "Agency regarding global issues is defined as a worldview in which one sees oneself as connected to the world community and feels a sense of responsibility for its members" (OECD, 2020[20]).

[12] However, under Hungarian Law, taxpayers can request that 1% of their personal income taxes be given to support the activities of a non-profit organisation, which can help mobilise financing for CSOs.

[13] See www.oecd.org/dac/peer-reviews/Peer-Learning-Country-Report-Netherlands.pdf.

[14] In Viet Nam, Hungary engaged through three tied aid loans, and two in Sri Lanka, although each loan supported a different sector.

[15] In order of total bilateral ODA received over these three years: Serbia, Ukraine, Syria, Jordan and China (OECD, 2022[9]).

[16] The GPEDC monitoring exercise will restart in 2023, after being paused in 2020-22 to undertake a comprehensive reform of the process and the framework. As result of this reform, the reporting process will be adjusted to increase flexibility for countries' participation and to allow the process to build on other existing processes that may be ongoing in a country (e.g. Voluntary National Review reporting, regular dialogues on development co-operation).

[17] As Hungarian embassies had signalled their interest in participating in Team Europe Initiatives, Hungary was listed as a participant in a number of countries on the European Commission website (European Commission, n.d.[82]). However, at the time of the review, the government indicated it had not yet formally decided to join.

[18] Students are required to attend Hungarian language and culture courses in the first year.

[19] See www.fao.org/europe/news/detail-news/en/c/1468903/.

[20] See https://stipendiumhungaricum.hu/studentsatrisk/.

[21] Available at https://stipendiumhungaricum.hu/uploads/2020/03/2022-03-30_SH_OR.pdf.

[22] A significant number of students are from landlocked developing countries, notably Mongolia and Azerbaijan, although these are both middle-income countries.

[23] Authors' calculation based on Hungary's ODA reporting (OECD, 2022[9]).

[24] An evaluation conducted in 2016, when the programme was smaller, indicated that 3 500 students from over 30 developing countries had participated in the programme, at least 80% of whom returned to their countries of origin.

[25] See https://search.issuelab.org/resource/ford-foundation-ifp-alumni-tracking-study-a-10-year-legacy.html.

[26] The Hungary Helps Agency's internal instructions already require providing information on the security of the project site, which could provide a basis for a broader analysis (Hungary Helps Agency, 2021[36]).

[27] This would match the Project Management Handbook's guidance on monitoring, which includes questions on unintended consequences and environmental impact.

[28] There is no aggregation of co-operation results at country, sector or corporate level. However, at corporate level, an annual report describes activities against each pillar of the development co-operation strategy.

[29] Though even if only part of the contract is tied, OECD-DAC rules still consider the full contract to be tied.

[30] See for instance the question in a tender document "How does the project contribute to Hungary's foreign trade?" (MFAT, 2021[83]).

[31] Based on the most recent data available for Hungary. In 2020, there was no ODA in sectors and countries covered by the DAC Recommendation on Untying Official Development Assistance. The Recommendation only applies to specific sectors, excluding for instance scholarships and free-standing technical co-operation.

[32] Countries covered by the recommendation are least developed countries (LDCs), heavily indebted poor countries (HIPCs), other low-income countries and IDA-only countries and territories.

[33] Source: https://www1.compareyourcountry.org/snaps/dev-coop-profiles-2022/en/4169/75.

[34] The Consensus states: "Gender equality is at the core of the EU's values and is enshrined in its legal and political framework. It is vital for achieving the SDGs and cuts across the whole 2030 Agenda. The EU and its Member States will promote women's and girls' rights, gender equality, the empowerment of women and girls and their protection as a priority across all areas of action." (European Union, 2017[85])

[35] Instead, the German Presidency of the Council of the EU adopted presidency conclusions supported by 24 EU Member States (Council of the European Union, 2020[79]).

[36] To illustrate, Hungary ranks 73rd on Transparency International's 2021 Corruption Perception Index (Transparency International, n.d.[78]).

[37] Decisions by the Court of Justice of the European Union, the European Court of Human Rights and an assessment by UNHCR found Hungary's framework to be in violation of legal obligations to grant international protection (Court of Justice of the European Union, 2021[74]; Court of Justice of the European Union, 2020[73]; European Court of Human Rights, 2019[75]; UNHCR, 2020[76]).

[38] Hungary indicates that as of 30 September 2022, a total of more than three million people had entered Hungary from Ukraine, including arrivals from other countries.

[39] In addition to protection schemes, Hungary indicates that at the end of September 2022, its authorities had issued more than 170 000 temporary residence permits to people arriving from Ukraine.

[40] This includes Hungary's Visegrád 4 neighbours – Poland (1.3 million); Slovak Republic (87 000), Czech Republic (413 000) – as well as countries further west in Europe such as Ireland and Portugal, which have each welcomed more than 40 000 people (figures by UNHCR as of 23 August 2022) (UNHCR, 2022[81]).

[41] For instance, at the Human Rights Council Universal Peer Review: "[The Foreign Minister stated that] Hungary considered migration to be a dangerous phenomenon that encompassed risks related to security and culture, and nowadays related to health care as well." (United Nations General Assembly, 2021[61])

[42] "We recognize the positive contribution of migrants for inclusive growth and sustainable development. We also recognize that international migration is a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, which requires coherent and comprehensive responses. […]" (United Nations General Assembly, 2015[84]).

[43] To respond to the complexity of the linkages between migration and development, involving possible benefits and challenges, other DAC members such as France (Government of France, 2018[86]) and Italy (on-going) have developed dedicated multi-stakeholder guidance.

Annex A. Organisations consulted during the peer review

Government and public institutions in Hungary

1. Ministry of Foreign Affairs and Trade
2. Permanent Representation to the EU
3. Office in Kampala of the Embassy of Hungary in Nairobi
4. Office in Vientiane of the Embassy of Hungary in Bangkok
5. Hungary Helps Agency
6. Ministry of Technology and Industry
7. Western Balkans Green Center, Ministry of Technology and Industry
8. Ministry of Interior
9. Ministry of Agriculture
10. Ministry of Finance
11. Administration of the Parliament of Hungary

Partners

12. DG INTPA, European Commission
13. DG NEAR, European Commission
14. Delegation of the EU, Lao People's Democratic Republic
15. Global Education Network Europe, GENE
16. UNHCR
17. FAO
18. ICRC
19. UNICEF
20. World Bank
21. WHO, Uganda
22. Office of the Prime Minister of Uganda
23. Ministry of Agriculture, Department of Livestock and Fisheries, Lao People's Democratic Republic
24. Vitafort Agro Asia
25. Hungarian University of Agriculture and Life Sciences
26. Vital Management Ltd
27. Continest Ltd
28. Hungarian Interchurch Aid

29. Hungarian Red Cross
30. HAND
31. Foundation for Development of Democratic Rights, DemNet
32. Friends of the Earth Hungary
33. Foundation for Africa
34. University of Pécs
35. Semmelweiss University
36. Christian aid program – Nohadra – Iraq, CAPNI
37. Institute for Foreign Affairs and Trade

OECD Development Co-operation Peer Reviews

HUNGARY

The OECD's Development Assistance Committee (DAC) conducts peer reviews of individual members once every five to six years. Reviews seek to improve the quality and effectiveness of members' development co-operation, highlighting good practices and recommending improvements. A DAC member since only 2016, Hungary has achieved impressive growth in its official development assistance (ODA). Bilateral co-operation has increased, in particular, and relies on close consultation with partners. Hungary champions sustainable water management, combining diplomacy, domestic expertise and development co-operation. In fragile contexts, it focuses its support to local civil society organisations, and in particular faith-based actors. As it continues to make progress towards established DAC standards and ways of working, an institutional reorganisation provides Hungary with significant opportunities for further reform. This peer review provides a set of recommendations to increase the impact of Hungary's engagement in partner countries, deepen collaboration across institutions and with stakeholders, strengthen internal systems, and balance tensions between domestic and global objectives.

PRINT ISBN 978-92-64-47692-9
PDF ISBN 978-92-64-69599-3

2023