

South Transdanubia Operational Programme 2007-2013

CCI number: 2007HU161PO011



Contents

Executive Summary	6
Objectives and strategy	6
Development	7
Partnership	8
1. Situation analysis	9
1.1. The geographic characteristics, area and settlement structure of the region	9
1.2. Level of development in the region, income situation	11
1.3. Economic processes	13
1.4. R&D	15
1.5. Tourism	16
1.6. Demographics	18
1.7. The situation of national and ethnic minorities	19
1.8. Employment and unemployment	20
1.9. Human services	21
1.10. The transport network	28
1.11. Information Technology infrastructure	30
1.12. Condition of the environment	30
1.13. The built environment	32
2. SWOT analysis	34
3. Objectives and development strategy	36
3.1. Policy background	36
3.2. Strategic objective	37
3.3. Specific objectives	38
3.3.1. Protection of the natural and built environment in the region	39
3.3.2. Competitive economy based on local characteristics	40
3.3.3. To stop the increase of social differences within the region	41
3.4. Regional dimension	43
3.4.1. National development pole	45
3.4.2. Regional development poles	45
3.4.3. The development of rural regions by strengthening the economic and service provision role of micro region centres	46
3.5. Connections between DDOP and other strategic documents	47
3.6. Priority axes of the DDOP	49
3.7. Demonstration of the logical relation between the objectives and priorities	50
3.8. Ex-ante evaluation of the DDOP	50
3.9. Official statement on the Strategic Environmental Assessment (SEA) of the DDOP	54
3.10. Experiences of the implementation of the Regional Operational Programme (ROP) in the period between 2004-2006	60
3.11. Partnership consultation of the DDOP	63
3.11.1. The partnership consultation process in South Transdanubia	63
3.11.2. The nationwide level social consultation of the operational programmes	65
3.12. Horizontal aspects	67
4. Priority axes of the South Transdanubia Operational Programme.....	71
4.1. Priority axis: Competitive economy built upon the development of urban areas	71
4.1.1. Objectives	71
4.1.2. Explanation and description	72
4.1.3. Types of operations	72
4.1.4. The relation of the priority and the specific objectives	75

4.1.5.	Requirement of flexibility of funding	75
4.1.6.	Expected results	76
4.1.7.	Indicators	76
4.1.8.	Horizontal principles	76
4.1.9.	Regional preference	76
4.1.10.	Synergy with the New Hungary Rural Development Programme	77
4.2.	Priority axis Strengthening the region’s tourism potential	78
4.2.1.	Objectives	78
4.2.2.	Explanation and description	78
4.2.3.	Types of operations	79
4.2.4.	Relation of the priority and the specific objectives	82
4.2.5.	Flexibility of funding)	82
4.2.6.	Expected results	83
4.2.7.	Indicators	83
4.2.8.	Horizontal principles	83
4.2.9.	Regional preference	83
4.2.10.	Synergy with the New Hungary Rural Development Programme	85
4.3.	Priority axis: Development of human public services.....	86
4.3.1.	Objectives	86
4.3.2.	Explanation and description	86
4.3.3.	Types of operations	86
4.3.4.	The relation of the priority and the specific objectives	89
4.3.5.	Flexibility of funding	89
4.3.6.	Expected results	89
4.3.7.	Indicators	90
4.3.8.	Horizontal principles	90
4.3.9.	Regional preference	90
4.3.10.	Synergy with the New Hungary Rural Development Programme	91
4.4.	Priority axis: Integrated urban development	92
4.4.1.	Objectives	92
4.4.2.	Explanation and description	92
4.4.3.	Types of operations	94
4.4.4.	Links between the priority and the specific objectives	96
4.4.5.	Flexibility of funding	96
4.4.6.	Expected results	96
4.4.7.	Indicators	96
4.4.8.	Horizontal principles	97
4.4.9.	Regional preference	97
4.4.10.	Synergy with the New Hungary Rural Development Programme	97
4.5.	Priority axis: Improving accessibility and environmental development.....	98
4.5.1.	Objectives	98
4.5.2.	Explanation and description	98
4.5.3.	Types of operations	99
4.5.4.	The relation of the priority and the specific objectives	103
4.5.5.	Flexibility of funding	103
4.5.6.	Expected results	104
4.5.7.	Indicators	104
4.5.8.	Horizontal principles	104
4.5.9.	Regional preference	105
4.5.10.	Synergy with the New Hungary Rural Development Programme	106
4.6.	Priority axis: Financing the implementation of the South Transdanubia Operational Programme (technical assistance).....	107

4.6.1.	Objectives	107
4.6.2.	Technical Assistance in the NHDP	107
4.6.3.	Technical Assistance activities carried out under the South Transdanubia Operational Programme	108
4.7.	Indicative list of major projects.....	110
5.	Financial plan	111
6.	Implementing Provisions for the operational programme.....	113
6.1.	Management	113
6.1.1.	Strategy and coordination	113
6.1.1.1.	Institutional framework	114
6.1.1.2.	Coordination processes	115
6.1.2.	Managing Authority (MA)	116
6.1.2.1.	Designation of the authority	116
6.1.2.2.	Tasks and responsibilities	116
6.1.3.	Intermediate Bodies	118
6.1.3.1.	Tasks of the Intermediate Bodies	118
6.1.3.2.	Qualification, selection and financing of the IB	120
6.1.3.3.	South Transdanubia Operational Programme Intermediate Bodies	120
6.1.4.	Procedures in relation to the implementation of the OP	121
6.1.5.	Administrative capacity for implementation	122
6.2.	Monitoring and evaluation	125
6.2.1.	Monitoring	125
6.2.1.1.	Convergence Monitoring Committee	125
6.2.1.2.	Description of the monitoring information system – indicators and data collection	127
6.2.2.	Evaluation	127
6.2.2.1.	Evaluation plan	127
6.2.2.2.	Selection process of ongoing evaluation	128
6.2.2.3.	Evaluation management	129
6.2.2.4.	Planned resources for evaluation	129
6.3.	Financial management and control	130
6.3.1.	The tasks of the Certifying Authority	130
6.3.1.1.	Structure of the Certifying Authority	130
6.3.2.	Rules for Financial Management and Control	130
6.3.2.1.	Responsibility of the MA	130
6.3.2.2.	Responsibility of the IB	131
6.3.3.	Process of payment to beneficiaries	131
6.3.4.	Control of the European Unions contributions	132
6.3.4.1.	Financial management and control	132
6.3.4.2.	The Tasks of the Audit Authority	133
6.4.	Provisions related to information supply and publicity	133
6.4.1.	Regulations	133
6.5.	Community policies and horizontal principles – Sustainability, Equal Opportunities and Partnership, State Aid, Public Procurement	135
6.5.1.	Sustainability, equal opportunities and non-discrimination, partnership	135
6.5.2.	State Aid	137
6.5.3.	Public procurement	137
6.5.4.	Provisions Related to Electronic Data Communication between the Commission and the Member State	138
6.5.5.	Regulations on Data Provision	138
Annex 1:	Contribution of the resources of the community funding to the operational programme, by category.....	140
Annex 2:	Summary matrix of indicators of the South Transdanubia Operational Programme	141
Annex 3:	Summary of flagship programmes	144

Annex 4. Organisations providing opinions on the South Transdanubia operational programme..... 146

Annex 5. Benchmarking values for criteria selected pursuant to Article 47(1) of Council Regulation (EC) No 1828/2006..... 147

EXECUTIVE SUMMARY

Objectives and strategy

Taking into consideration the problems, regional differences and characteristics explored in the situation analysis, as well as the regional development objectives and priorities set forth in the National Development Policy Concept and the National Regional Development Concept, the overall long term objective of the South Transdanubia Operational Programme (DDOP) (until 2020) is **the South Transdanubia region's convergence to the country's more developed areas**. As a result of the convergence process narrowing of the gap between the South Transdanubia region and the country's developed regions must be accomplished in the long run.

Halting the increase of development related differences may be articulated as the realistic objective for the programme period between 2007 and 2013. Accordingly, the **strategic objective** of this programme (**until 2013**) is **to stop the South Transdanubia region's falling behind**, in other words to keep the region on the nation's growth path for the sake of a convergence process to be launched subsequently. Three specific objectives were determined for the sake of accomplishing the strategic objective:

Specific objective	Indicator
Protection of the natural and built environment in the region	Satisfaction with the state of the environment and with urban development projects among affected population (%) (Source: MA; Baseline value: 0, Target value: 60% (2015))
Competitive economy based on local characteristics	Employment rate in 15-64 age group in the region (%) (Source: National Employment Service; Baseline value: 51.8%, Q2 2006; Target value: 54%, Q2 2015)
To stop the increase of social differences within the region	Satisfaction with the standard of basic human public services among inhabitants of disadvantaged areas (%) (Source: MA. Baseline value: 0; Target value: 60%, 2015).

Regional dimension:

- National development pole
 - Regional growth zones
 - The development of rural regions by means of strengthening the economic and service provision role of micro regions
-

In respect of the macro, micro and employment objectives of the **Integrated Guidelines** summarizing the Lisbon Strategy's objectives, the following will receive direct support: growth, as well as three of the ten micro-economic guidelines: business environment, small and medium size enterprises, and infrastructure. With respect to the employment objectives, the operational programme covers flexibility, human capital investment, and education. The document is in coherence with the horizontal objectives of the NHDP (New Hungary

Development Plan)¹. It incorporates environmental, social, and economic sustainability, as well as cohesion in its strategy, and also serves their achievement in a direct way.

The increase in the efficiency of interventions by the operational programmes is supported by the integrated implementation of developments that reinforce each other as a flagship programme, for example,

- ♦ Competitiveness pole programmes
- ♦ School of the 21st century
- ♦ No one left behind (realignment of backward areas)
- ♦ Chance for children, and
- ♦ “Barrier-free Hungary” flagship programme.

Development

At current prices, with 15% national contribution

Priority axis	Allocation of Priority (EUR)	%-age distribution
<p>Competitive economy based upon the development of urban areas</p> <p>Objectives: To achieve efficient co-operation of economic and institutional actors, by means of efficiently maintaining the operation of micro, small, and medium size enterprises, and through strengthening the activity level and service provision background of entrepreneurs; the development of economic infrastructure, primarily based on the existing industrial park structure, moreover the commercial utilisation of brown-field sites that were removed from industrial production and are unutilised, or under-utilised former military installations, facilitating the functional change of them.</p>	87 316 6843	10.5%
<p>Strengthening the region’s tourism potential</p> <p>Objectives: Through the implementation of this priority the South Transdanubia region’s market loss is expected to be stopped as compared to the other regions, regarding both domestic and foreign tourists. The number of visitors will increase in the supported regions, along with average duration of stay.</p>	153 994 807	18.6%
<p>Development of human public services</p> <p>Objectives: To improve accessibility of basic human services – especially in areas that are falling behind or are disadvantaged – through the creation of integrated centres offering complex services. The improvement of the quality of human services. The improvement of the standard of elementary education by means of establishing cost-efficient conditions of operation at institutions in disadvantaged settlements, with mostly small village structure. Ensuring accessibility of public institutions for people with disabilities.</p>	153 209 135	18.3%

¹ The New Hungary Development Plan (NHDP) is the **National Strategic Reference Budget** - for use of contributions from EU Structural Funds and Cohesion Funds in the period 2007-2013.

Priority axis	Allocation of Priority (EUR)	%-age distribution
Integrated urban development Objectives: To facilitate the sustainable social and environmental renewal of value losing urban areas and settlements mainly inhabited by Roma population, by supporting the establishment of community and social functions and strengthening the existing functions in order to reinforce social cohesion.	189 229 051	22.6%
Improving accessibility and environmental development Objectives: To improve the accessibility of the region's internal attraction centres (micro regional centres, large cities). To slow down the spread of individual motor vehicle transport as opposed to public transport. To improve environment protection infrastructural coverage in order to achieve the region's high environmental quality.	215 955 852	26.4%
Technical assistance	29 867 399	3.6%
Total	829 572 928	100%

The **European Cultural Capital 2010 (ECC 2010)** programme is designated as a flagship project in the operational programme, and appears as a stand-alone operation type in it.

The various measures of the Development Pole of Pécs programme are included in the document, DDOP handles the Development Pole of Pécs as an individual regional objective, moreover provides preferential treatment for developments in alignment with the Pole Programme.

Partnership

The DDOP's strategy and the division of funding among the various intervention areas was finalised as a result of partnership consultation conducted in accordance with EU requirements.

1. SITUATION ANALYSIS²

1.1. The geographic characteristics, area and settlement structure of the region

The South Transdanubia region encompasses the land between the Danube, and the Dráva rivers (which at the same time serves as a natural border with Croatia), as well as between Lake Balaton, in the south-western part of Hungary. With an area of 14 169 km², and a population of 977,000 people at the beginning of 2005, its population density of 69 people/km² makes it **the most sparsely inhabited region in the country**. Pécs – a large town with a population of 160,000 people – is the centre of the region, and Kaposvár and Szekszárd are its affiliate centres. These cities are the centres of the region’s economic and cultural life. The **surface** of South Transdanubia is **diverse**, and the quality of its environment is generally favourable. Mining (black coal and uranium) that once dominated the region has diminished over the past decade, causing a significant economic downturn in the area of Pécs, Komló, Szászvár, and Nagymányok. The limestone that is the bulk of elevated areas is suitable for cement production. The role of andesite mining at Komló is going to increase in connection with the motorway construction activity planned in the region. Clay can be found in large quantities in the hills, together with gravel and sand along the Dráva river.



THE REPUBLIC OF HUNGARY Regions, counties, statistical micro regions

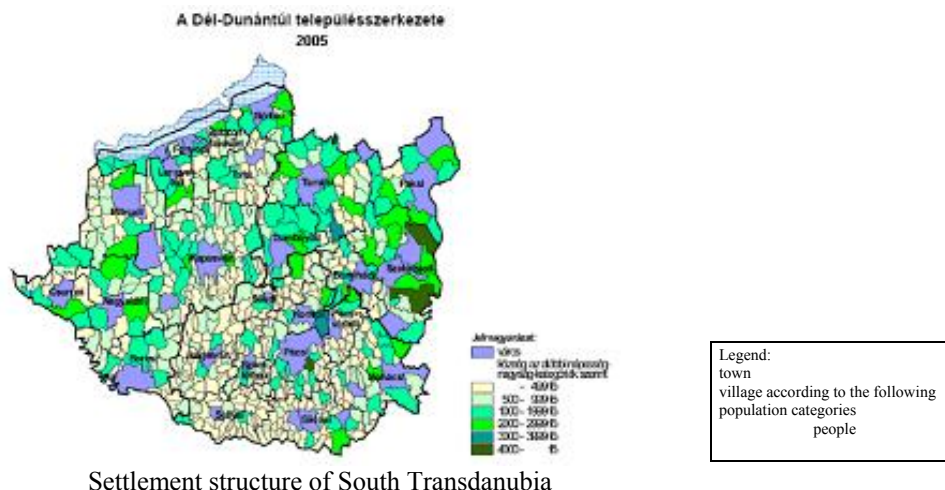
Map 1

The area is rich in surface and sub-surface water, as well as thermal water sources, while the Danube and Dráva Rivers deliver significant water quantities. Lake Balaton – shared by

² The situation analysis relies on the most up-to-date data that are available. An exploratory study that serves as the base for convergence of South Transdanubia region and its surroundings, and for improving its capital attraction capability, including a number of useful complex data and cartographic analyses, was published in 2002. There is no more up-to-date analysis with complex data available. Several indicators, especially in the section on demographics, contain data of the 2001 census.

several regions – is the most substantial standing water, and is the largest lake in Central Europe. It is the southern, declivitous shore of the lake that belongs to the region, and provides an excellent facility for developing tourism.

The nature conservation areas of national, as well as local importance are important natural values of the region. The Danube-Dráva National Park, of more than 49 thousand hectares, can be considered to be the most important one. The Balaton Highlands National Park extends into the region in the area of Balaton Minor. Apart from protected conservation areas, the region is further enriched by internationally acclaimed medicinal and thermal waters, as well as outstandingly important historic and architectural monuments.



Map 2

Source: Exploratory study serving as the base for convergence South Transdanubia region and its areas, and for improving its capital attraction capability – Tolna County General Cultural Centre, Central Statistical Office (CENTRAL STATISTICAL OFFICE (KSH))

From the public administration perspective the South Transdanubia region is divided into Baranya, Somogy, and Tolna Counties (**NUTS Level III.**), as well as 24 micro regions (**NUTS Level IV.**). The county seats, and at the same time the most significant towns with county jurisdiction in the region are Pécs, Kaposvár, and Szekszárd. The **region's settlement structure** is unfavourable, and is characterised by an underdeveloped urban network, and a large proportion of micro-villages and small settlements. Nearly three-quarters of the region's settlement network, consisting of 653 settlements, are **micro-villages** (See marked white on Map 2.), where 20% of the population lives. Among micro-villages, the number of inhabitants in 342 does not even reach 500. Micro-village settlement structures are normally found in unfavourable economical-geographic environments. In Baranya county there are an outstandingly high number of micro-villages – nearly 70% of villages are dwarf villages with less than 500 inhabitants (28% in Tolna, 44% in Somogy county). Smaller size settlements dominate the towns of the region as well.

Table No. 1: Main characteristics of the urban network in the region

Category of settlement	Number of towns	Distribution of the region's population
Small town with less than 10 thousand people	19	10%
Medium town with between 10 to 30 thousand people	12	19%
Large town with more than 30 thousand people	2	10%
Large town with more than 100 thousand people: Pécs (without conurbation)	1	17%

Kaposvár, Pécs, and Szekszárd are settlements that fulfil real regional centre functions, and the conurbation, as well as suburbanisation process has begun in every one of them. The twelve towns with a population between 10-30 thousand people act as the backbone of the region's urban network. The **service provision institution system of towns with a population lower than ten thousand people is clearly deficient**, inhabitants are forced to use non-everyday services elsewhere. The development level of the infrastructure in these towns also lags behind larger towns' standard. Besides the above mentioned, there are still **areas where towns are scarce**, including the area of central Tolna County, the Zselicség, the Ormánság, or the Somogy Hills. Areas lacking towns mostly correspond with micro-village areas.

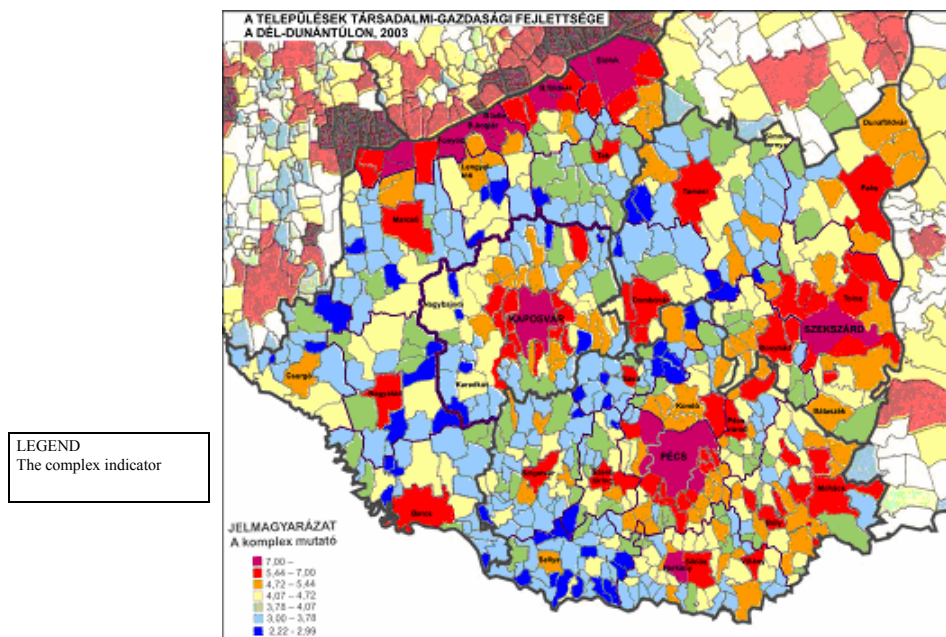
1.2. Level of development in the region, income situation

There is a clear **correlation** between **differences in development** level within the region, **and the region's settlement structure**. Deprived micro regions lined up in a block along the Dráva River, and situated in a mosaic-like way along the internal borderlines of the counties are a stark contrast to the development seen in the surroundings of major towns, and the micro regions alongside Lake Balaton. According to the regulation accepted in 2004 (Government Decree 64/2004) 18 of the region's 24 micro regions are disadvantaged, and of these, 9 belong to the group of those in the most disadvantageous situation. This means that almost half (47.5%) of inhabitants in the region live in disadvantaged areas, and within that, close to 20% of the population reside in the most disadvantaged areas. The latter proportion is only higher in two regions – North Great Plain (40%), and North Hungary (37.6%).

The **most developed areas** in the region are **Kaposvár, Pécs, and Szekszárd, as well as the surroundings of Siófok**. Among the three county seats Kaposvár has recently achieved considerable growth. The dominance of Pécs in terms of economic life, services, education, and culture remains unquestionable – due to the size of the town –, despite the effect of its aura on its environment is decreasing: according to the findings of the National Regional Development Concept, the size of the **conurbation area surrounding Pécs** has decreased significantly, which is indicative of the need to develop economic, and social co-operation of the town and its environment. Relatively favourable employment rate and income situations are typical in the developed areas, which nevertheless remain somewhat behind the national average. The area of Paks also needs to be mentioned, where the performance of the nuclear power plant – which is not organically integrated with the local economy, but is significant in terms of the employment – raises the statistics indicators of not just the micro region, but Tolna County overall.

With the exception of the low number of urbanised areas in the region, only a few areas have seen **economic development starting on the basis of local characteristics**. Relatively stable development based on tourism can be experienced in the area of the **Lake Balaton Priority Recreational District**, despite of tourist turnover having strong seasonality, and its decreasing volume, which causes employment and profitability problems in the exclusively **tourism-based economy**. The development of the **Harkány-Siklós-Villány area** is also mostly grounded on the different sectors of tourism (e.g. therapeutic tourism), as well as high standard wine production. The region's territorial disparities are well represented by mapping the complex indicator values calculated based on the measures expressing the social and economic development of settlements.

Map 3



THE LEVEL OF SOCIO-ECONOMIC DEVELOPMENT OF SETTLEMENTS IN SOUTH TRANSDANUBIA, 2003

Source: CENTRAL STATISTICAL OFFICE (KSH)

The backlog of the region's rural, **micro-village areas continued** over the recent period. Separated and hardly accessible areas have developed along the shore of the Dráva, especially in the **Ormánság**, as well as the **Zselic, Hegyhát, as well as in certain areas of Outer and Inner Somogy**, facing the problems of high level of unemployment that in some places is up to 30%, low employment rates, and migration. The population living in these areas is cumulatively disadvantaged and faces outstanding high level of poverty, usually lacks advanced education and is aging, moreover these are the areas where the majority of the region's Roma population is concentrated. The proportion of Roma is also high in the areas of the former mining colonies and workers' districts in Pécs (especially in the eastern part of town), where in many cases even the most fundamental services and infrastructural conditions are not available for ensuring proper living conditions.

In 2004 in the South Transdanubia region, residents' per capita income providing the base for personal income tax was 82% of the national average, (81.5% in 2000), which is slightly higher than the value in the North Great Plain region, nearly equal to that of the North Hungary and South Great Plain region, yet is significantly lagging behind the other two – more developed – Transdanubian regions.

Average gross salaries in the region significantly differ by economic sectors, and remained lower than the national average in every sector of the national economy, except for agriculture, as well as energy, gas, steam, and water supply. The highest incomes were registered in the public administration, defence, and mandatory social security sectors.

The rest of the areas of the region can hardly compete with the county seats and their surroundings. The income situation of the population in areas that have a strong role in any part of the economy is more favourable (Paks, Siófok, Fonyód). Income gained in areas farther away from the county seats, where infrastructure is bad, and industrial, tourism, etc. capacities are weak, remain well below the average. Considering the settlement type aspect, towns (and especially the county seats among them) have much more favourable

characteristics than villages, of which only those enjoying the beneficial effects of a large town's proximity have more advantageous indicators.

Income levels significantly lower than the regional average coincide with disadvantaged peripheral areas, typically of micro-village settlement structure. The income tax base per taxpayer, as well as per resident were by 15-30%, and paid tax contributions by 30-50% below the average. Lower incomes correlate with micro-village characteristics, weak industrial capacities, the lack of workplaces, as well as infrastructural backwardness. The centres of these regions have weak economic propulsive power.

1.3. Economic processes

With respect to per capita gross domestic product (GDP) figures, the South Transdanubia region's position deteriorated by more than 10% compared to the national average between 1994 and 2003. (In 1994 the region reached 83.65% of the national average, the same figure was only 71.58% in 2003.) Apart from a short term stagnation, the difference increased continuously throughout this period. The region's level of development falls behind the other two Transdanubian regions even more significantly. Applying central measures failed to halt, or slow down the increase of differences in regional development³.

Diagram 1.

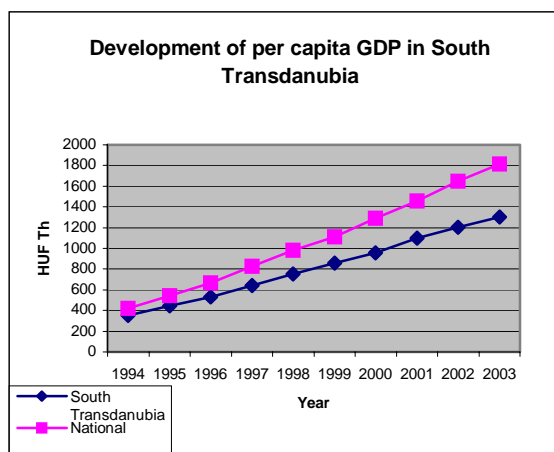
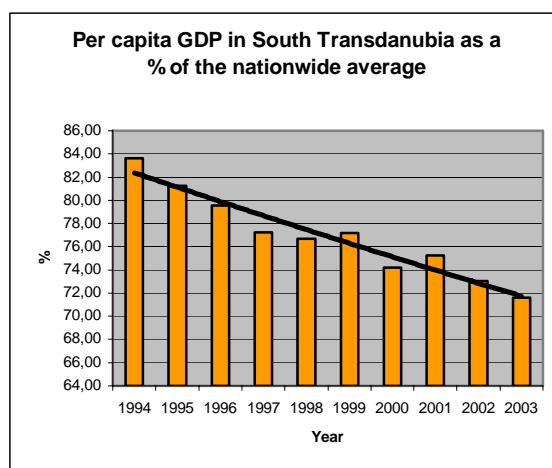


Diagram 2.



Source: Central Statistical Office (KSH)

Hungary's per capita gross domestic product, calculated at **purchasing power standard (PPS)** is **suitable for international comparison** – despite the difference continuously decreasing throughout the 1990's – was still only 59.9% of the EU-25 average in 2003. The South Transdanubia region reached merely **42.9%** of the EU-25 average in 2003 (Central Statistical Office (KSH)).

The structure of the economy underwent substantial transformation after the change of the political system, primarily with mining being cut back. Parallel to industry being forced to the background, the performance of the service sector became stronger, while that of agriculture shows a continuously decreasing tendency, although with slight variations. The appearance of sectors generating high added value was not able to offset heavy industry losing ground. The

³ Parliamentary report on the progress of regional processes, and the prevailing of the regional development policy (VÁTI, 2004)

strong position of the services sector is outstanding even at regional comparison, and only the Central Hungary region exceeds it in the rankings. The proportion of agriculture can be considered high compared to the other regions in South Transdanubia, being second after the South Great Plain region with respect to its share.

The South Transdanubia region's share of added value that the various **sectors of the economy** produce nationwide is also very different. In 2002 South Transdanubia provided almost 15% of the national performance of agriculture, wild game husbandry, forest management, and fishing, while 17% of electrical energy (gas, steam, water supply). The significance of food processing, machinery production and electronics, as well as of the textile and tanning industry can be highlighted within the processing industry. The region's contribution to nationwide sectoral performance was less than the above in the other sectors of the economy.

Less new **enterprises** were established in South Transdanubia over the past decade than the national average. Despite the slower growth rate, the density of enterprises is higher in South Transdanubia, with a value close to those of the other two Transdanubian regions, and significantly exceeds the values registered in the eastern regions of the country. The proportion of medium and large sized enterprises is lower than the nation average **on the basis of the number of employees**. In 2004 there were 57 enterprises in the region employing more than 250 employees, which is 6% of the country's medium and large sized enterprises⁴. The proportion of individual enterprises exceeds the national level, these are mostly self-employed micro-enterprises. All of this demonstrates strong similarities with statistics of the East-Hungarian regions.

Within the region's industrial sales, the *share of export* lags significantly behind the proportion of national export. Regarding the performance of sales in the various sectors, the greatest proportion of goods were exported to foreign markets in the machine industry and the textile industry, the bulk of sales in these sectors are made abroad.

Cluster organisation activities have begun in the region in both traditional, and new industries: automotive cluster centred around Szekszárd, healthcare cluster in Pécs and Dombóvár, shoe production cluster in the area of Bonyhád, and the activity of the Pannon Timber and Furniture Industry Cluster also partly extends to South Transdanubia. The reinforcement of these initiatives is a fundamental necessity, along with supporting additional, co-operation activities that are just in the start-up phase.

179 **industrial parks** have been established in the country, 17 of which can be found in the region (Pécs, Komló, Mohács, Bóly, Siklós, Sellye, Paks, Dombóvár, Szekszárd, Marcali, Siófok, Barcs, Nagyatád, Csurgó, and two in Kaposvár).

A total of only 9% of industrial park area around the country is situated in South Transdanubia, and this is the smallest share among the regions (817 ha). There were 218 business enterprises operating in the region's industrial parks, meaning that each industrial park had 12.8 enterprise, as opposed to 15 nationwide. The occupation level of the region's industrial parks was 41.7%, with the located enterprises employing 9762 people, which is only 7% of the employees in all industrial parks. Only 5% of industrial park investment projects came to the region in 2003. (GKM) These processes may be attributed partly to the effect on the Region of the Yugoslavian war, in discouraging domestic and foreign investments, and partly by trunk road and motorway developments bypassing the Region. In consequence, the Region has only partly been able to meet the challenges of economic

⁴ The headcount category of businesses pertains to registered businesses.

restructuring. Accordingly, the reinforcement of services and infrastructure in vegetating industrial parks, along with the enhancement of the system of their relations and marketing is necessary, apart from improving their utilisation, and providing incentives for local businesses to settle in such.

Business **incubators** were established in several places around the region over the past years, but their operation fails to reach a service standard that could be expected of incubators in many places, even though they should become a significant instrument for strengthening start-up SMEs. The incubator houses in Kaposvár, Mohács, and Dombóvár offer the most services, and similar institutions were also set up in Pécs, Pécsvárad, and Tamási besides them. **Enterprise zones** were developed in Mohács and Barcs in South Transdanubia, and the South Balaton Enterprise Zone (Tab and Siófok micro region) will be opened shortly. The enterprise zones are not competitive among investors with their existing infrastructure, as they fail to provide complex services, and the institution system necessary for their efficient operation has not been established either. Consulting and training programmes to assist start-up enterprises, giving them sufficient support for laying the bases for profitable commercial activity are missing. Thus we have the additional task of filling already established incubators and enterprise zones with real service content, along with the creation and efficient operation of the necessary institution system. This entails the development of services by means of which businesses will have access to the information, know-how, as well as the professional, entrepreneurial and management skills which are necessary for the successful management of their enterprise, for increasing their adaptability to market and labour market processes, and for developing their attitude and approach.

The logistics centre functions of the region are weak. Because of the wars in the Balkans and the incomplete expressway network, no National Logistics Service Centre (NLSC) was designated in the region at the beginning of the '90s. The survey of brownfield sites identified 152 facilities (over an area of nearly 2000 hectares), 65% of which has industrial origin, 20% are former military facilities, and 15% are areas connected to agriculture. The majority of brownfield lands are connected to urban areas, and more than half of them are completely unutilised.

With respect to attracting foreign capital, the situation of South Transdanubia can be considered the least favourable among all the regions. This is where 5% of **businesses with foreign stake operated**, and the amount of capital they invested – as a result of continuous decrease – only represented 1.9% of the national total in 2003. The amount of foreign invested capital per resident (HUF 160,000) was the second lowest among the regions.

1.4. R&D

The importance of R&D activity lags far behind similar data from the more developed regions. The region's increasing competitive disadvantage is the most severe with respect to its research and development expenditure. The region's share of national expenditure is only 3.33% (2004). In the ranking of counties, Baranya – where 76% of regional expenditure was concentrated – took 8th place. It is not only the corporate sector's potential for innovation that needs to be reinforced, but the funding uptake capability of research locations as well.

The number of applications for industrial copyright protection is the lowest in South Transdanubia among the ranking of Hungary's regions. The weakness of innovation potential among local enterprises will become an obstacle for competitiveness in the longer run, which is going to deteriorate the region's economic performance – that is far from outstanding – even further in nationwide comparison.

At the same time environmental technology research – especially in the field of waste management – has appeared even in South Transdanubia, along with businesses and organisations active in the area of the **environment industry**. According to the surveys, the proportion of organisations active in ecological research within the R&D sector is 17.3%. In the field of waste utilisation, there are 2 sorting plants, 2 rubber grinding mills, 3 electronics waste processing facilities, as well as 7 plastic processing plants operating in the region.

The South Transdanubia region has significant intellectual potential, which, however, is not adequately utilised, although cultural life in Kaposvár and Pécs is of outstanding significance, and a complete range of art education can be found in Pécs. Under-graduate art training has also started in Kaposvár. Active cultural life induces demand for enterprises in the **culture industry**. By means of developing the supply of the cultural and creative industry – typically comprised of individual and micro-enterprises – enterprise active in the region's other economic segments will have access to services that ensure the increase of their competitiveness, and also generate high added-value.

The region's research profile fits perfectly to know-how demand necessary for developing the **healthcare industry**. Food research is present in connection with the University of Kaposvár, while medical research is present in Pécs, also in connection with the university.

1.5. Tourism

The cultural and landscape-natural features of the South Transdanubia region are favourable for the development of tourism. Thanks to this, **tourism plays an important role** in the region's economic life: only visitor turnover realised in the Central Hungary and Western Transdanubia regions exceed that of South Transdanubia (in 2005, 12.4% of visitors came to the Region. The capacities, however, are not adequately utilised: currently a **significant portion** of the region's tourism **product range is not marketable**. **Providing complex tourism products from attractions** separated both thematically and geographically is not achieved effectively due to frequent deficiencies in co-operation among the actors, and human capital being underdeveloped, while the **efficient promotion of the existing product range is not effectively achieved** either because of improper co-ordination among different regional levels, and the lack of marketing activities. Only few information and services are available online, while the standard of tourism and catering services are not characteristic and location specific, and are also of low quality in many cases. The region's transit-geographical fringe situation is only being alleviated slowly. As a consequence, the **region's position is deteriorating year by year**, both visitor turnover (of which it had a 14.3% share in 2000), and the number of visitor nights is decreasing (18.4% share in 2000, 14.4% in 2005). This is especially characteristic of foreign tourists, who – at the same time – spend longer time in the region: accordingly 46% of visitor nights spent in the region in 2005 were still derived from foreign visitors (51% in 2004, and 62% in 2000). A slow rate of client range extension – opposite to the trends in the region – can be observed in Tolna County, since the increase of domestic visitor turnover offsets the drop in foreign guest numbers which can also be observed there.

South Transdanubia has experienced the greatest decrease in average duration of stay since 2000 (South Transdanubia 82.7%, national average 90.4%, 2005). As far as foreign relations are concerned, the data indicate the **change of travel habits**: city tourism is becoming increasingly important; it is more frequent, yet limited to a few days, and mainly targets easily accessible major cities (often with cultural motivation), while the proportion of longer duration and mainly recreational purpose trips is decreasing. Accordingly, the number of

foreign visitor nights in commercial accommodation increased only in the Central Hungary Region (by 35.5% in 2005 over the year before) and decreased in all other regions, but most of all in South Transdanubia, where only 59.5% of the 2004 figure was achieved in 2005. There is an increasing demand for city tourism and eco-, active, rural, cultural, spa and health tourism. The number of visitor nights in health hotels in Hungary increased on average by 66% in 2005 (South Transdanubia Region Tourism Strategic Development Programme. Successful adaptation to the new type of demand assumes the good natural and environmental condition of any given region, along with easy accessibility, an appropriate amount of high quality tourism, cultural, as well as recreational and leisure-time products that facilitate an active lifestyle with lots of exercise, moreover the existence of online information and available services in both Hungarian and foreign languages, as these are indispensable for increasingly popular individual travel arrangements.

Tourism in the region is extraordinarily concentrated in space: the Preferential Holiday Resort District of Lake Balaton has a 57.1% share of the region's visitor turnover, while the Pécs-Villány-Siklós area has 28% of the same (2005). Lake Balaton is Hungary's tourism receiving area of international significance that also possesses combined appeal. On the basis of the findings in the Lake Balaton Region Development Strategy, the following tourism products are present in the Lake Balaton Region at this time: water tourism (passive waterside recreation, active waterside recreation – sailing, angling), active tourism (pedestrian trekking, bicycle tourism, equestrian tourism), health tourism, wine tourism, cultural tourism, conference tourism. Lake Balaton is a declining destination with very strong seasonality: the length of the peak season is limited to 4-6 weeks. Lake Balaton's product offering is only slowly adapting to new demands, and despite the increase of cultural offers, the region does not have a cultural event of European impact. As a result of **slow structural change**, it is in the middle and western area of Lake Balaton that average duration of stay decreased most: 2.2 visitor nights in the Fonyód, and 1.7 visitor nights in the Balatonföldvár micro region. One needs to note that compared to the lowest indicators of 2004, visitor turnover has increased in the Preferential Holiday Resort District of Lake Balaton during 2005, so – with the overall reduction seen in regional visitor turnover – the spatial concentration of tourism increased further in the area of Preferential Holiday Resort District of Lake Balaton (no improvement was seen in the Pécs-Villány-Siklós area, therefore the area's share of the region's visitor turnover is dropping).

The **Pécs-Mecsek and Siklós-Villány area** is the second most important target area in the region after Lake Balaton. The architectural heritage and UNESCO World Heritage Site title of Pécs and its cultural offering, moreover the medicinal waters in Harkány, and the established wine tourism products at the Villány winegrowing region are the biggest appeals of this area. The number of visitors is rising in the Siklós micro region, but has been decreasing in that of Pécs since 2002. The increase of visitor turnover in the Siklós micro region managed to offset shortening average durations of stay (from 5.5 visitor nights in 2000 to 4.5 in 2004, which decreased further in 2005 to 4.0 visitor nights). In the case of the Pécs micro region duration of stay is stagnating at a low level (2.2 visitor nights in 2000, and 2.0 in 2005).

Therapeutic baths, business and sports tourism in Kaposvár, the Danube-Dráva National Park and water tourism products along the Dráva River, as well as **rural, equestrian, wine and eco-tourism** in the mountains and hills are the region's **additional areas with important appeal**. Apart from the Preferential Holiday Resort District Lake Balaton and the Mecsek-Villány area, Kaposvár and its surroundings, as well as the Szekszárd and Nagyatád micro regions are also economic factors of greater significance in the region. Tourism is on

the decline in the Paks micro region despite the 60 thousand visitors received each year at the nuclear power plant's visitor centre, the number of tourists spending at least one night there since 2004 did not reach 8000.

The **standard of tourism products and services** in the South Transdanubia region is of **inappropriate quality**. There are few high comfort grade hotels, with not a single five-star category one in the region despite a rise in demand for high-standard hotels in the region. Capacity utilisation has been highest in 3-4 star hotels in recent years (South Transdanubia Region Tourism Strategic Development Programme). The number of visitor nights in the region increased by 4.85% from 2004 to 2005, but the change varied considerably among hotel categories: business in private accommodation (bed-and-breakfast, etc.) decreased by 15.1%, business in village accommodation stagnated, and business in non-hotel commercial accommodation decreased by 9.6%, while that of hotels increased by 10.2%. Few restaurants offer characteristically endogenous specialty dishes and quality wines. A classification system for the evaluation of restaurant services is missing. The scope of tourism services that would allow extended stays, as well as the spending of greater amounts is also deficient. The qualifications and attitude of those employed in tourism is frequently inappropriate. The **cultural offering** is deficient and strongly **seasonal** in even the most visited areas: the low season lasts from autumn to spring in the Preferential Holiday Resort Lake Balaton, and throughout the summer months in Pécs. Generally speaking, the region's cultural offering is **not characteristic**, events and "festivals" usually only target local communities.

In the 2004-6 programming period, five attractiveness-improvement projects in the South Transdanubia Region received assistance, resulting in 57 new jobs, and the attractions involved will, on the basis of pre-defined targets, receive 160,000 visitors annually. There was a very high level of interest in action to assist accommodation developments in the region. The 17 projects which received assistance and were completed have created 177 new jobs in the region.

The **region's cumbersome accessibility** hinders its integration especially into foreign visitor turnover. The development of the Kiliti airfield in Siófok, and the Sármedél Airport situated close to Lake Balaton in the Western Transdanubia region can result in significant improvement in the accessibility of Lake Balaton and its surroundings from the international perspective.

1.6. Demographics

The demographic conditions in the South Transdanubia region are developing less favourable than the national average. The region's population decreased by 39,986 people between 1990 and 2004.

The decrease of population exceeds the national average as a result of the drop in live births in the region, and the migration of its population. The extent of migration is increasing year-by-year. Looking at the *domestic migration difference* indicators of the Central Statistical Office (KSH) it can be concluded that while an average of 1225 people migrated from the region between 2000 and 2003, the loss due to migration was 1851 people in year 2004. The insufficient number (especially jobs demanding higher qualifications) of workplaces (brain-drain), moreover the lack of services – mainly in micro-village, deprived, disadvantaged areas – are the major reasons for migration. The development of population trends are also negatively influenced by unhealthy lifestyle, and bad living circumstances.

The fast rate of population decrease deteriorates the chances for improving employment indicators, because it is typically the population of working age and with a willingness to work that migrates from the region, and in the long run this is going have effect to the competitiveness of the region.

The rate of population decrease does not evenly impact the entire region. The above mentioned problems are especially prevalent in micro-village areas. From this perspective there are five micro regions (Sellye, Sásd, Marcali, Lengyeltóti and Tab micro regions) that are the worst off, where the migration difference per one thousand residents is the highest in nationwide comparison, similarly to a few micro regions along the border in North Hungary. Within the region, the Siófok micro region has positive immigration indicators that may be considered favourable.

The region's population distribution by sex corresponds to the national average: 52% are women⁵.

The region's increasing aging is a further demographic feature, in line with trends in the EU. Rising average age, when paired with the low number of births already mentioned previously, causes significant change in the age structure, and as a result the population of the region is significantly aging. The trend of the age structure of the region is similar to the ratios in the regions of East Hungary. According to statistical reports, the proportion of people older than 60 years went up from 17.00% to 21.04% between 1980 and 2005.

1.7. The situation of national and ethnic minorities

The three most typical **national and ethnic minorities** in South Transdanubia are Germans, Croatians, and Roma. The proportion of the latter is third highest in the South Transdanubia region, after the Northern Hungary and Northern Great Plains regions. Of Germans living in Hungary, 30% (36 384 people) live in the region, along with more than one-third of all Croatians (8968 people), and 13% (26423 people) of Roma⁶. The proportion of ethnic population is highest in the Mohács (26%) and Pécsvárad (23%) micro regions, primarily owing to the presence of the ethnic German population.

The proportion of the Roma minority is significantly higher in the region than the national average and its position is extraordinarily unfavourable from the employment perspective just like nationwide. The Roma population is mainly concentrated in some of the villages of the Ormánság, the Zselic, and the Hegyhát. Segregation among settlements is characteristic of these areas, i.e. villages with different ethnic composition per settlement are located in a mosaic-like way. The proportion of ethnic Roma population is highest in the Sásd (6.9%) and Sellye (6.8%) micro region, and exceeds double the national average in the Marcali (5.9%), Nagyatád (4.6%), Siklós (4.5%), Kaposvár (4.3%) and Csurgó (4.2%) micro regions as well. Their housing conditions are less favourable than those of non-Roma households, most part of them live they in outdated real-estates, or ones in need of renovation, communal services are undersupplied.

In backward micro regions consisting of micro-villages, where the proportion of the Roma population is higher than the regional average, dire poverty and being excluded of central regions makes their convergence, their competitiveness on the labour market, as well as their social integration even more difficult. Changing the unfavourable labour market situation of the Roma minority appears to be possible in the longer run, since significant proportion of

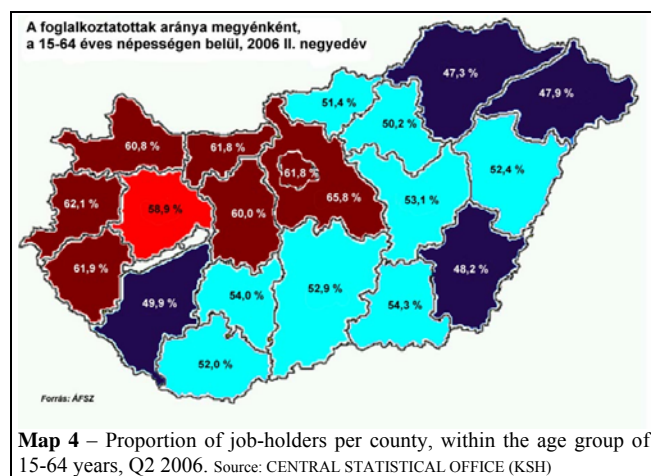
⁵ Source: KSH: Statistical Yearbook 2005

⁶ Source: Central Statistical Office (KSH). On the basis of data from the 2001 census.

them are under educated and under qualified. The high number of dependent individuals per active population is partly a consequence of the above facts, and partly it can be attributed to their particular age composition (high ratio of the population is child).

Although a large number of successfully operating alternative Roma pedagogical, educational-tutorial, and employment programmes have been started in the region – and are unique in the country with respect to both their number, and content – to facilitate Roma social integration, and to moderate the various disadvantages they face, their social reintegration continues to demand serious attention.

1.8. Employment and unemployment



Comparing the rate of employment to the European Union, as well as nationwide data it can be concluded that employment rate in the South Transdanubia region is low (EU-25: 63.1%, Hungary: 56.8%, South Transdanubia: 52.3% of the working age population in 2004.) Average rates of employment differ sharply between men and women. The figures show 63.1% of men and 51% of women to have been in employment in 2005. This is less distinct from the EU 25 average rates of employment, which were 71.8% for men and 55.2% for women in

2005 (2006 Eurostat Yearbook).

The region is lagging behind the developing Western and Central Transdanubia, as well as Central Hungary regions, and is performing similar to the group of regions with the lowest rate of employment.

Looking at the rate of unemployment, the region's situation is less favourable than the national average, but does not reach the European Union's rate (EU-25: 8.6%⁷, Hungary: 6.1%, South Transdanubia: 7.3% – in 2004).

Significant differences can be experienced within the region from the perspective of employment: while in centre areas with major towns unemployment is below the national and EU average, it is more than triple than the regional centre average in the Sellye (26.2%), Szigetvár (25.4%), as well as the Csurgó (21.9%) micro regions (August 2006 data from the Employment Centres). The strong seasonality of jobs is an unfavourable phenomenon, especially in the area of the Preferential Holiday Resort District of Lake Balaton (due to seasonality in tourism), but the same can be observed in the processing industry and agriculture during summer months. The number of graduates and highly trained unemployed people is also large, their retraining and reintegration, however, is easier than that of people permanently unemployed.

The continuous trend of increasing unemployment causes difficulties in achieving the Lisbon objectives, since it makes improving employment rate and competitiveness indicators difficult.

⁷ Source: 2006 Eurostat Yearbook

The region's labour market is not flexible, since the rate of full-time employment, and occupation in an employment relationship dominates the labour market. The number of people employed on fixed-term labour contracts is low in the region, which well represents the lack of flexible employment forms on the labour market. Upon examining the differences of unemployment between genders it can be concluded that unemployment among women is a few percentage points higher. The proportion of job-seekers in the region is identical to the national ratio, according to which there are a few percent less women looking for work than men.

It is a positive development that number of active population is increasing after the decline over the decade following the fall of communism. Despite of that, the South Transdanubia region – lagging significantly behind Central Transdanubia – is ranked fourth with an activity rate of 51.6%, which is 2.9% less than the national average. (Central Statistical Office (KSH), 2005)

In line with the national trend, there are strong differences between gross monthly earnings of men and women. Men earn considerably more than working women.⁸ The regional averages are shown in the table below.

Table 2: Average earnings in South Transdanubia by sex

Sex	Type of work	Gross monthly average earnings (HUF)	Average (HUF)
Women	Manual	80,697	133,029
	White-collar	167,696	
Men	Manual	102,893	141,426
	White-collar	234,181	

1.9. Human services

➤ Healthcare

The medical condition of the region's population is unfavourable compared to the general level of the country's development. Mortality and morbidity indicators are not favourable. While male life expectancy is 67.9 years in the region that is below the national average life expectancy of males (68.2 years) – considered to be outstandingly low compared to the EU average – the mortality rate is “average” in the case of women (77.7 years). (Central Statistical Office (KSH), 2004). By comparison, the life expectancy forecast in the EU-25 in 2004 was 76.7 years for men and 82.5 years for women (2006 Eurostat Yearbook).

Basic medical care is probably the most important form of care for the population. Examining care on the basis of an indicator projected to the number of inhabitants, it can be concluded that from the perspective of family doctor's care and family paediatrician's care the South Transdanubia region was the second in terms of healthcare coverage following the Central Hungary region. Upon the examination of basic healthcare services on a regional basis, however, it can be observed that only one-tenth of the settlements with a population

⁸ Source: 2005 KSH Statistical Yearbook

less than 500 people have permanent care in the region. On the one hand this means that the number of service care locations is sufficient, but their distribution among the areas is uneven, therefore high degrees of territorial differences can be experienced. On the other hand this also indicates that settling in the most backward areas is not worthwhile for practises which are for the most part privatised. Towns and their surroundings are typically better served, while deprived rural areas – and mainly the segregated minorities living there – are facing service provision difficulties.

Screening of diseases in their early stage is missing in the deprived areas as a consequence of the lack of services, and this can result in chronic conditions, furthermore the lack of prevention leads to outstandingly high smoking and alcohol consumption indicators, significantly influencing the possibility of employment.

Following basic services, the service that is to be set-up closest to residents is outpatient care which provides care for population that require further treatment after basic healthcare. Synergy between basic and outpatient care facilitates the shortening of the time necessary for discovering illnesses, including the time needed for recovery, and reintegration to the labour market.

Accessibility to outpatient care faces difficulties at regional and micro regional level in many cases. This is especially in case of disadvantaged areas, where the need for such forms of medical care is often very high. An additional problem is that care provided to the population is not complete in every case because of missing professions⁹

The scope of complex rehabilitation services is the form of care that facilitates regaining, and maintaining work capacity. The system of these services was not established in the appropriate way in the region, and only little emphasis was given to complex development despite its importance (the ratio of chronic/rehabilitation bed number is 20% nationwide, while only 14.2% in South Transdanubia¹⁰). The lack of harmonised co-operation between the social and healthcare fields – which would supplement, as well as reinforce each other's services – makes full-scope service provision demanded by residents more difficult. This is justified because it is the only way to efficiently ensure the regaining of individuals' work capacity, and their reintegration in the labour market.

Measures promoting the preventive approach fail to receive adequate emphasis in the region's healthcare services system, even though this can have significant influence on retaining work capability. Of prevention measures, it is typically screening that is adequately present in the region, and the Screening and Diagnostics Centre (SDC) in Pécs – financed partly from ERDF funding – that is to be opened in May, 2007 is going to be a major progress.

Addiction related diseases, which constitute significant difficulties for employment capability, are highly typical in the region. With respect to alcoholism, 26% of the adult male population is heavy drinker, which is 7% above the national average. In case of women, the proportion of heavy drinkers (7%) is also second highest in the South Transdanubia region after Central Hungary, which is 2% more than the national average. The lack of an established system of people with addiction problems, or its operation under inadequate infrastructural circumstances, makes rehabilitation difficult, and it also makes their reintegration to the labour market impossible.

⁹ For detailed figures, please refer to: Situation analysis of South Transdanubia Human Public Services Strategic Development Programme, STDRDA Ppc., 2006

¹⁰ Source: South Transdanubia Human Public Services Strategic Development Programme, STDRDA Ppc., 2006

➤ **Social area**

An ever increasing rate of the population have to rely on social care, and thus on services provided by the system of social institutions as a consequence of an aging population, unemployment and permanent unemployment, the inequality of income conditions, and a number of other factors. Satisfying the special needs of the elderly, the poor, the chronically ill, people with disabilities, and children is a continuously growing task, along with the creation of integrated services – accomplished by means of co-operation among the branches – provided to them.

The creation and operation of the forms of basic social services (or providing accessibility of the service) is a mandatory task for settlements' local government. Their restricted financial possibilities, however, make the performing of tasks connected to basic social services and basic child welfare provision difficult (Social expenditure makes up 21.4% of GDP in Hungary, compared with an average of 28.1% in the EU 25¹¹.) As a result of the above mentioned, social care is incomplete, or dysfunctional in many cases. Upon examining the two most frequent basic social services – the provision of meals and domestic assistance – it can be observed that just 26% of settlements in the region (43.1% of settlements nationwide) ensure both of these simultaneously¹², although doing so would be their obligation, therefore the lack of accessibility to these services is extremely high. Incomplete and improperly operating services are more characteristic in rural areas, and predominantly in micro-village settlements.

There are quite large differences in care provision in the region with respect to basic social and child welfare services coverage. In Baranya County, partly as a result of the mostly micro-village based settlement structure, basic services coverage is far lower: only 19% of settlements in Baranya County provide both meals and domestic assistance, while 44.4% of settlements in Tolna County do so. Similar deficiencies of care can be experienced in the Internal Somogy, and the Dráva shore areas as well. The fact that the number of professionals holding secondary level and above qualifications is typically low in the disadvantaged, micro-village areas mentioned previously complicates operating, what more, even establishing services.

The lack of the appropriate level of organisation for basic social services and child welfare services (e.g. the inaccessibility of day-care and day-nurseries for children, that is a problem mostly in the micro regions lagging behind) has an indirect impact on employment capability, along with the reintegration of the unemployed in many cases.

So called social convergence programmes have been launched in several micro regions (started in Nagyatád and Barcs; already completed in Szigetvár), with the objective to eliminate and eliminate the operational interferences that have already been mentioned. Setting services on a course of development reflects that the social care provision system has recognised the importance of improving/organising these fields at the sub-, and micro-region level. The increasing number of governmental and non-state players, as well as non-governmental organisations – among them Roma NGO's – that are willing to co-operate, and actively participate in work means additional help for the development efforts.

To alleviate settlement disadvantages derived from incomplete, or a low degree of institutional care among micro-villages, and places of residence outside of towns, local

¹¹ Source: 2006 Eurostat Yearbook

¹² Source: Exploratory study serving as the base for convergence South Transdanubia region and its areas, and for improving its capital attraction capability – Tolna County General Cultural Centre, Central Statistical Office (KSH)

governments can ensure the various basic services in a village steward system. The most important advantage of the village and farm steward system is that has a “care disseminating” effect with respect to human services. Currently there are 242 village and farm steward services in operation in the region, and the launching of 10-15 new services can be expected in light of their level of success¹³.

According to the 2001 census figures, there were 60,889 people living with disabilities in South Transdanubia. The proportion of people with disabilities in the region is slightly (0.4 percentage points) higher than the national figure. There are not regional data for the living circumstances of disabled people (income, housing, level of education), since there is no appropriate data collection system. The only figure are those from the national census¹⁴

➤ ***Education level, public education***

The education level of the population in the South Transdanubia region improved continuously during past decades. With respect to highest completed qualification, 27.29% of the population has secondary school, and 13.05% with higher education qualification, which exceeds the national average. The proportion of those with 8 grades of primary school, or less than 8 grades also shows a more favourable picture than the national average, yet fails to reach the national average with respect to vocational training qualifications.¹⁵ Indicators in the Pécs micro region, and the city of Pécs are positive, at the same time the education indicators of the population in the Ormánság, and the Selye micro region within it remain still low. The Lengyeltóti micro region can be considered to be in the least favourable situation.

A shortage can be experienced on the labour market with respect to skilled labour. This structural problem is not only rooted in the profession structure of skilled employees, but also in the enrolment ratios of the various levels of education. Therefore efforts must be taken to continue the improve qualification level to the benefit of skilled employees, related to the examination of the current basic level education institutions.

¹³ Source: Village stewards’ Association, 2006

¹⁴ Disabled people have on average a much lower level of education than non-disabled people. This greatly constrains their job opportunities. The proportion of disabled people living in villages is much higher than average, and the proportion living in cities much lower. Their social disadvantages are thus compounded by the basic inequalities of town and village. The vast majority of disabled people live in private households, similarly to non-disabled people, but the proportion living in institutions is much higher than average. Among those disabled people who live in private households, the proportion living alone is much higher than average, which is related to the fact that many more than average are elderly.

¹⁵ Source: Experts’ calculations on the basis of 2004/2005 data of the Education Statistics Yearbook, as well as www.oki.hu Report on public education in Hungary, South Transdanubia Strategic Development Programme; 2006

Table 3: Share of nurseries and school in the South-Transdanubian region

Micro region	Number of settlements	Settlement % with a operating nursery school	Settlement % with a operating school
Balatonföldvár	13	61.5	46.2
Barcs	26	53.8	46.2
Bonyhád	21	85.7	57.1
Csurgó	18	72.2	44.4
Dombóvár	16	93.8	75.0
Fonyód	14	71.4	64.3
Kaposvár	77	55.8	35.1
Komló	19	57.9	36.8
Lengyeltóti	10	80.0	60.0
Marcali	34	56.3	35.3
Mohács	43	62.8	34.9
Nagyatád	18	88.8	83.3
Paks	14	100	85.7
Pécs	39	35.9	30.8
Pécsvárad	19	52.6	47.4
Sásd	27	37.0	22.2
Sellye	35	25.7	25.7
Siklós	53	37.7	28.3
Siófok	10	70.0	60.0
Szekszárd	26	96.2	84.6
Szentlőrinc	20	35.0	30.0
Szigetvár	46	34.8	26.1
Tab	24	50.0	54.2
Tamási	31	80.6	61.3
Total	653	56.7	43.2

The region's population- and settlement geography, as well as its demographics determine the situation of **primary education**. Nursery school and primary education institutions have free capacities (with the exception of densely populated settlements) due to the declining number of births and aging population, keeping them running is not cost-efficient because of the continuously decreasing number of children. Apart from that, the equipment and infrastructural provision of institutions is poor, and fails to cover the requirements of modern competence-based education in some cases. This further aggravates poor compliance with requirements of quality education, as well as of the services to be provided. This problem arises predominantly in deprived micro regions of micro-villages. It is also typical that children are drawn from small settlements to nearby major towns and their more modern schools. This tendency could only be offset by means of education institutions with appropriate infrastructure, training, and service standards even outside of larger towns.

Funding intended for the renovation of countryside schools in the Regional Operational Programme of National Development Plan I enabled the reconstruction of only a few schools, which hardly eased the existing problems.

Nursery schools operate in 56.6% and primary schools in 42.2% of the 653 settlements in the region.⁹ Table no. 2 shows the differences in institutional supply compared to the number of settlements in the various micro regions.

A process of rationalisation has begun for the resolution of operation problems, which reflects the cooperation interest of the municipalities operating the institutions. The related concepts are also included by micro regions in the public education related chapters of micro region action plans (e.g. establishing institution operating associations, or the enlargement of previous associations). Currently there are 221 institution operating associations in the region, incorporating 62% of the region's nursery school service capacities, and 77% of schools. With respect to the counties, the proportion of nursery schools and schools operated in associations is outstandingly high in micro-village covered Somogy and Baranya, where it exceeds 70% in the case of nursery schools, and even 80% for schools in the various most deprived micro regions (e.g. Siklós, Szigetvár, Sásd, Szentlőrinc, Sellye, and Barcs micro regions, but the Tamási micro region in Tolna County also stands out). These are mostly the micro regions which have a low proportion of operating nursery schools, or schools compared to the number of their settlements. As for the composition of the associations, being made up of local governments that do not have the given task provision institution, and which ensure the operation of typically one institution. One-third of associations provide the operation of several institutions, thereby ensuring more cost-efficient, and effective operation, without closing any institution¹⁶.

Properly distinguishable micro-region centres that operate with headcount, offering a range of services can be found in every micro region. On the long run it can be forecasted that the majority of micro region institutions will be unable to ensure the quality and quantity requirements that are expected for services on their own, thus the establishment of additional institution operation associations can be expected. The road network, however, deteriorates in both quantity, and quality as one leaves the main roads behind, and this hinders the establishment of further co-operation.

Almost every institutions plays a significant role in the provision of meals and day-care, as well as in social services. Furthermore there are numerous properly operating institutions that have become multi-purpose demonstrating the interest for cooperation with the rest of the human services fields.

The institution system of the two large towns, Pécs and Kaposvár is the basis for **secondary education** in the region. Students primarily commute here from small settlements near the large towns. Grammar schools in small towns can hardly compete with the high school offering in nearby large towns, and the drop in student headcount is already perceived in their case. To offset this, they are making efforts to enrol more talented students from primary schools in the settlements by transforming their curriculum structure, and launching 6-year classes. Almost all the secondary schools in small towns have established vocational training capacities besides grammar school education, as a survival strategy.

Of the 50 high schools in the region, 13 operate with a clear profile¹⁷. The rest is also engaged in either vocational training, or primary school education. This latter could mean continuous student headcount for them, since according to the most recent amendment of the Act on

¹⁶ Source: Data provided by multi-purpose micro region associations.

¹⁷ Source: Experts' data collection based on micro region action plans 2004/2005, South Transdanubia Strategic Development Programme 2006

Public Education, institutions which are allowed to conduct primary and high school education at the same time will ensure continued schooling at the secondary level automatically – without any admission testing – to their primary school students as of September 2007.

The shortcomings of the training system throughout the country are also present in the region: small, isolated establishments, and courses which have insufficient practical and market orientation. In consequence, there is over-training in some trades and shortages of skills in certain economic sectors in the region. Training does not give newly-qualified students sufficient practical experience and only extremely rarely includes educational elements to form attitudes towards lifelong learning. The links between the region's training system and the business sector need strengthening in terms of practical training and supply and demand of training subjects.

Two projects to set up Regional Integrated Training Centres in the region are under way with assistance from the Human Resources Development OP. The purpose of these is to transform a training system which is currently incapable of providing practical experience, putting in on a more economic foundations and making it fit to address real training demands. A positive change in the region is the appearance of training for special requirements, and the region is supporting the formation of more of these (e.g. CNC turning training in Pécs and Szekszárd, winemaking in the area of wine tourism). Unfortunately, "best practice" is not always shared among establishments, hindering the balanced development of their services.

The number of well-operating secondary-level establishments is sufficient in the long term at both regional and micro-regional levels, in fact the capacity of vocational schools, grammar schools and skills training establishments exceeds future requirements.

➤ *Cultural-cultural service infrastructure*

Increasing leisure-time, changing living standards, growing social differences, the rising value of up-to-date knowledge, and the growth of the services market had a significant influence on the structure of cultural consumption over the past 10 years. Analysing regional differences in cultural consumption of 10% of the country's population between 14-70 years old which is found in the region it turns out that the number of the most active "omnivores" is the smallest in South Transdanubia (6%). Further comparison among the regions shows that the proportion (11%) of people who live what is referred to as bleak cultural life is low, the same indicator, however, can be considered relatively high with respect to cultural habits in the region. The South Transdanubia region stands out with the proportion (14%) of its population regularly visiting community centres in both nationwide, and regional level comparison.

Cultural consumption is influenced most by the level of education, but accessibility also appears as an important aspect. The cultural gap that can be observed all around the country is typical in the region as well: the smaller the settlement, the less chance its inhabitants have for accessing cultural products, regardless of their education. Generally speaking, the services available in smaller settlements are of lower standard, and fewer, than in a larger town.

The higher than national average number of visitors can be explained by the high number of basic level cultural institutions (small libraries, community centres) in the region, with the exception of micro- and dwarf villages. Their distribution at county level is uneven: 30% of settlements in the micro- regions in Baranya County have no public cultural institution or community forum whatsoever, and the economic barrier resulting from the small size of the

settlements themselves is the primary reason for this. Close to 40% of settlements in Somogy do not have any kind of cultural service institution at all, although the number of existing institutions still exceeds the nationwide average when projected to the number of inhabitants. Almost 100% of settlements in Tolna County have some kind of space or institution suitable for cultural service. Besides this relatively acceptable institutional coverage, however, there are plenty of deficiencies, as well as substantial obsolescence with respect to the availability of trained professionals, along with the technical condition and equipment level of buildings. The cultural institution system and offering of small and medium sized towns is also eroded, a lot of them have been closed, much of what exists is only capable of fulfilling local functionality, and does not have substantial attraction effect in the region. As a result, the cultural middle tier is missing: more significant supply is practically concentrated in county seats, and seasonally in the settlements along the shore of Lake Balaton.

Apart from the relatively well appointed cultural centres that are located in the county seats, one may find 3 to 4 multi-function spaces per micro region, which is few compared to the number of settlements. Multi-function community spaces with state-of-the art equipment that can be utilised in a diverse manner are completely missing for intensive cultural-art related customer relations, while existing ones are in bad conditions.

The number of clubs and hobby groups organised by an institution, and the number of participants involved is one of the key indicators of the activity of public culture institutions. Analysing the data of the region it can be concluded that on average, institutions arrange fewer (1.99) club communities and/or hobby groups compared to the national average (2.58 groups/institution), nonetheless they manage to get 4.5% of the population involved in some sort of cultural activity, compared to 3.3% around Hungary. As a consequence of the greater number of small settlements, several institutions are therefore successful with respect to residents' involvement. However without the development targeted at the above mentioned problems, the achieved results in activating the population may diminish, and the cultural segregation of the population living in services deficient areas may appear.

1.10. The transport network

The region is in a peripheral position from the transport perspective as a result of its situation, and hard-to-cross geographical boundaries. Road corridors V. and V/C, railroad corridors V/B and V/C, as well as river corridor VII. (the Danube) pass through the region. Road corridors run along the edge of the region, and only corridor V. has been developed into an expressway. The technical standard of railroad corridors is not satisfactory, permanent speed limits of 60-80 km/h are in force over extended stretches because of the state of the tracks. The region's external accessibility is further complicated by the fact the fewest **border checkpoints** are in the South Transdanubia region compared to the country's other border sections.

The number of private cars per 1000 inhabitants was 274 in 2005, hardly short of the national average (286). The increase in the number of vehicles between 2000 and 2005, 19.6%, also nearly as high as the national rate. According to the findings of the South Transdanubia Region Transport Strategic Development Programme, overall transport volume in the region is lower than in more developed areas of the country, and transport is significantly concentrated by area. Traffic that is high in national terms can only be measured within the towns of Pécs and Kaposvár, as well as the surrounding roads, and along corridors V and V/C, especially along the shore of Lake Balaton, and around Dunaújváros, Dunaföldvár, Paks and Szekszárd. The stress on the Balaton shore has greatly reduced since the opening of sections of motorway in 2006.

The **side-road network is of low quality and incompletely constructed** in the South Transdanubia region (Public Road Databank), the rate of the road network's deterioration is high, and this threatens the sustaining of safe accessibility of the regional centres of attraction. In the case of road transit, low quality pavement, the high rate of transitions through inhabited areas, and capacity that is incapable of satisfying transport demand makes transport within the region time consuming, and liable to accidents.

The accessibility of expressways is unfavourable, not counting the 30 km lane along Lake Balaton, and the Dunaföldvár micro region. Reaching the capital city from the region's larger south-western part requires 120-180 minutes, but trips for more than 3 hours are necessary from the Selye micro region. The accessibility of county seats is definitely poor from the South part of Somogy County, and the West of Tolna County. The micro-village settlement structure of Baranya and Somogy Counties has a strong influence on the road accessibility of settlements. **One-third of the region's settlements are dead-end settlements.** On the basis of accessibility indicators a separated and difficult to access **external** lane shows up **along the shore of the Dráva River, moreover an internal periphery**, which lies from the north of Somogy County to East-West direction to the central area of Tolna County.

The two peripheral zones are connected by another area that is difficult to reach, along the borderline of Baranya and Somogy Counties.

The territorial distribution of the region's **railroad network** is uneven, and of low quality. The network is single-track over its entire length, the speed of main lines is 60-120 km/h, that of secondary lines between 20-80 km/h, operational speeds are nevertheless even lower than these on long stretches. Rolling stock is also becoming increasingly obsolete parallel with the deterioration of railroad tracks. As a consequence of these, the railroad is to a less extent capable of playing its role as a regional carrier: its share of both passenger transport, and cargo freighting is decreasing.

Parallel destination relations of road and railroad services, with service providers competing with one another, as well as the existence of non-serviced areas – especially in micro-village regions – simultaneously characterise the system of **community transit** at the **regional level**. The various operators (Hungarian State Railways, long-distance bus companies, and local mass transit providers) fail to offer integrated, territory based transit services with a standardised tariff system. There are legislative, as well as regulatory reasons for this lack of co-operation among service providers, their regulation is a governmental task. Currently there is no contracting organisation or authority in territorial or regional level that would specify the required service level.

The number of people using urban mass transit is decreasing especially in the case of Pécs and Kaposvár. (Between 1997 and 2004, the number of passengers carried decreased by 6% in Kaposvár and 16% in Pécs.) The proportion of motor car traffic is rising dynamically in the region's large towns, creating substantial development pressure for local governments. Because of the infrastructural features, undeveloped passenger information systems, and the inconveniences derived from these, for the time being community transit fails to offer an attractive alternative to people who own cars: there are no separate bus-lanes, and so bus transit times are becoming long and longer during traffic jams, transport control does not prefer the passing of buses, there are no modal split nodes, or P+R parking lots.

Regarding long-distance transport between towns, the continuous reduction of the number of passengers can be observed both by road, and rail. The number of passengers on road transport decreased by 5%, and those on the region's trains by 12%. What is referred to as the transport vicious circle effect – which means that due to the decreasing service level of public

transport the number of passengers using individual means of transport will increase. This on the other hand reduces revenues from public transport, which leads to the further drop of service standards (reduction of services, deterioration of vehicle stock), so even more people will choose individual motor vehicle transport. The modal-split figure in the region is estimated at around 55%, i.e. 55% of passengers travel by public transport, but the situation is very inhomogeneous: in towns, and especially the largest towns, there is a much higher proportion of private transport (South Transdanubia Region Transport Strategic Development Programme). With the number of vehicles increasing steeply, the proportion of public transport passengers is expected to decline further even if there are major improvements in public transport.

The South Transdanubia region does not have the infrastructural requisites for the development of bicycle riding, an alternative mean of transport,. Hardly any bicycle roads were constructed in major centres of employment and their settlement surroundings, there are no bicycle storage facilities at mass transit centres and downtown areas, and because of this safe channelling of bicycle transport is unresolved.

1.11. Information Technology infrastructure

In terms of the field of information and communication technology, it can be concluded that overall higher coverage levels are associated with more favourable economic conditions, therefore the South Transdanubia region is among middle ranked regions. The national average computer penetration among the population is 30%. In this respect the situation of South Transdanubia can be considered average (29%), it ranks fourth place among the regions.

Regarding the internet access of the population, internal differences are quite significant. Values are substantially higher than average in Pécs, Szekszárd, and Kaposvár, while coverage in micro-village areas is close to zero.

Despite fast growth – and primarily because of the slow increase of technical conditions – the proportion of residential broadband internet access continues to be low, and highly concentrated by area. Only the Central Hungary region exceeds the 2.5% national average that was registered in 2003 significantly, and the value for the South Transdanubia region is nearly 20% lower than that.

By the end of year 2003, ADSL-networks were constructed in just nearly 10% of the country's settlements, and in approximately 7% of settlements in the South Transdanubia region, in total 44 settlements. Tolna County has the best coverage with respect to his option¹⁸

1.12. Condition of the environment

The South Transdanubia region has a varied range of habitat types, diverse **fauna**, and some 80,000 hectares of protected area. The region is among areas that are less threatened by environmental damage with respect to **air pollution, as well as noise impact derived from transport**. Emissions from motor vehicles, however, do increase pollution of the air in the direct environment of public roads with heavy transport, as well as larger settlements, while dust load of agriculture origin shows seasonally high values in rural areas.

¹⁸ Source of data: The South Transdanubia Regional Information Society Strategy (2005)

Damage demanding environmental neutralisation is primarily characteristic in **brownfield sites**, on the sites of abandoned industrial, and military facilities. Brownfield sites of the largest extent can be associated with mining activities. Unused industrial areas are typically concentrated in towns, with the exception of one or two village industrial sites that were developed during the 1970's as part of the de-concentration process of industrial activities.

While 455 settlements (70.7%) in the region had access to mains drinking water supply in 1990, settlement coverage became nearly complete by 1998 (649; 99.4%). Water quality complaints occur more frequently than the national average, predominantly because of chemical components (mainly iron, manganese, ammonium, and arsenic). For the sake of ensuring drinking water reserves over the long term, 11 areas have been designated in the region along the Dráva River for the protection of the **water base**, and 6 of them have been secured.

The region lags substantially behind European Union expectations in the field of **wastewater treatment** and purification. The proportion of settlements with a sewer network only reached 20.7% even by 2003, while in relation to the total number of houses in the region, the ratio of homes connected to sewerage reached only 54.4%.

Wastewater treatment is a peculiar problem in the region's small settlements, since in Hungary the grant system for implementation does not favour the resolution of wastewater treatment problems in small settlements (below 2000 population equivalent) without sewerage that do not belong to a conurbation. Technologies (close-to-nature wastewater purification technologies, as well as individual small equipments) which are favourable from the economic perspective (investment, operation) as well must receive increased emphasis in the case of small settlements.

Micro-village areas, and those where settlements are characteristically located remotely from one another, as well as ones with hummock-and-hollow topography – thus the Csurgó, Barcs, and Tab micro regions, the settlements of the Zselicség and Ormánság, moreover those of the Völgység and south-eastern Baranya – are especially disadvantaged from the perspective of wastewater treatment.

The organised removal of **settlement solid waste** became full-scope in the region in 2003. 34 operating landfills have been established in the region according to end-of-year data from 2004, nonetheless this figure dropped to 24 by the end of 2005. Three regional waste management projects are either being established or prepared in South Transdanubia: the South Balaton and Sió Valley Settlement Waste Management Project (3 landfills, 3 sorting plants, 19 selective waste collection yards, and 4 transfer stations), the Mecsek-Dráva Waste Management Project (being prepared for Cohesion Fund support, its main elements are: 2 landfills, 3 sorting plants, 21 selective waste collection yards, and 5 transfer stations). The preparations of the planning of the Kaposmenti Waste Management Project has started, and its main elements are: 1 landfill, 1 sorting plant, 11 selective waste collection yards, and 3 transfer stations. A total of 368 abandoned settlement solid waste landfills can be found in the region, which used to operate as landfills without appropriate technical protection, and their recultivation is only partially resolved.

Selective waste collection was conducted in 60 settlements around South Transdanubia in the autumn of 2002. The proportion of settlements included in selective waste collection is increasing continuously by means of improving the conditions for this public service, and raising the population's environmental awareness (238 settlements by the spring of 2006).

A significant part of carcass dumps established on the grounds of settlements is unsatisfactory from the environment protection perspective (only a few of these facilities have been licensed, moreover their operation is unregulated).

Being threatened by floods and excess surface water is manifested as an environmental risk in South Transdanubia, which is a potential risk along the major rivers in the region, however to a less extent than the national average, thanks to the topography. Regarding threat of excess inland water, the spilling of wastewater storage pits constitutes a public health problem because of the incompleteness of the rainwater drainage system, especially in settlements and streets without sewerage. Elevated flood banks with a collapse risk constitute an environmental threat especially in settlements along Lake Balaton, as well as the Danube. In total nearly 14.6 km of elevated flood banks with risk of collapse can be found on the South Transdanubia shore of Lake Balaton, with roughly 37 km along the Danube River¹⁹.

Currently environmentally aware forms of behaviour among the region's population are not wide-spread yet, there are few environmental education campaigns and projects, as well as organisations conducting this type of activity.

According to year 2005 data 164 environment protection non-profit organisations can be found in South Transdanubia²⁰, most of which have settlement level competence.

Of **renewable energy sources**, biomass-type energy source reserves are in greatest stock in the region (energy plantations, bio-ethanol and bio-diesel feedstock). Large areas suitable for bio-mass production can be found in the region. Geo-thermal characteristics are also outstanding in South Transdanubia apart from that, along with the opportunity for utilising solar energy (primarily using solar collector systems). The region is not explicitly windy, but circumstances are suitable for utilising wind energy with lower performance wind generators in certain areas as well.

1.13. The built environment

The backlog of significant investments in **public areas** over the past decades is characteristic in the majority of the region's towns, which has an unfavourable influence on the image of the towns, and the quality of the living environment. The amount of urban green areas is small, and existing ones are frequently neglected, so they are only partially capable of fulfilling their recreational-community functions. Overall, community spaces suitable for engaging in community life are scarce, the use of space has shifted towards the satisfaction of motor vehicle transport in an extreme way (the reason for that is the increasing number of vehicles, and the failure to enlarge parking capacities). The development of public areas, and the renovation of certain – especially downtown – sections has begun in some of the large towns in the region (Szekszárd, especially Kaposvár), in the Preferential Holiday Resort District of Lake Balaton, and the environment of certain therapeutic baths, these, however, only concentrate on public areas, so they could hardly be referred to as complex settlement renewal efforts.

It is a problem that the effective monument regulation fails to facilitate the utilisation of monuments, therefore in many cases listed status does not enhance value, but appears rather as a value decreasing factor. This does not facilitate the economic sustainability of monuments.

It is especially typical of major towns, as well as former mining and industrial areas that lagging behind urban districts and compounds **of deteriorating status and condition** can be

¹⁹ Source: Survey of Ministry of Internal Affairs.

²⁰ Source: Environmental Development SDP.

found, where poverty and the Roma population are concentrated, and unemployment is high. The region is the middle range in the country as regards lagging areas and figures for employment, qualification, social benefit rates and property ownership. The social indicators of housing estates in the region's small and medium-sized towns are in general better than in Pécs, with its large housing market. A significant part of the population is living in **prefabricated block of flats** typically in large towns, where **socio-economical, and architectural problems appear in a concentrated way**. A substantial part of buildings of the block of flats need renovation, but residents are unable to finance that on their own. In the region's towns, especially Pécs, the multi-storey residential buildings which were upgraded in terms of energy efficiency by past government assistance have satisfactory thermal characteristics. Most block of flats are mono-functional sleepy towns, areas where public and commercial services are in short supply, with few work places. Their public area is neglected, with deteriorating conditions. There is no appropriate space for community life. The **segregation of population living in block of flats has started**, but is still in its initial stages: as the better off move out, people in poorer social layers are becoming more and more concentrated at such projects. Urban crisis areas in the region other than high-rise housing estates include isolated areas of private houses separated from the town. All of the indicators for these areas fall well short of the urban average.

With accession to the European Union, Hungary has committed to resolving the accessibility of public institutions for people with disabilities. This process shows slow progress, ensuring access for people with disabilities to public services continues to be substantially deficient.

2. SWOT ANALYSIS

The strengths, weaknesses, opportunities, and threats of the South Transdanubia region were specified using the most important findings of the situation analysis, and taking into consideration the intervention areas of regional operational programmes.

Theme	STRENGTHS	WEAKNESSES	Theme
Level of regional development	Pécs conurbation, regional growth zones	Large number of micro-villages; Micro regions falling behind; internal and external peripheries; Functional weakness of the urban network	Level of regional development
Economy, R&D, innovation	Scientific base capable of generating competitive research results; The availability of basic conditions suitable for the development of new economic sectors (environmental, cultural, and healthcare sector)	Weak and weakening regional economy; Low R&D expenditure; Little FDI; Low employment rate and high unemployment; Unutilised industrial parks	Economy, R&D, innovation
Education	Established labour organisation in the majority of micro regions; Completed micro regional public education action plans; Micro region centres with substantial educational weight, stable institutional headcount in the centres and micro-region centres Widespread system of training establishments, active public involvement in training.	Territorial inequalities in the field of access to quality services, as well as infrastructure necessary for ensuring the services Weak practical and market orientation of secondary education and skills training, high drop-out rates.	Education
Tourism	Significant attractions that are territorially concentrated (Lake Balaton, monuments, thermal baths, wine tourism); the accessibility of the southern region of Lake Balaton is ensured at a high standard. (M7 motorway)	Lack of complex tourism products	Tourism
Culture and cultural service	Rich historic and cultural heritage; Pécs is an outstanding cultural centre; Cultural diversity, co-existence of several nationalities (German, Croatian, Roma)	Incomplete cultural service institution system; Incomplete and run-down asset, infrastructural, as well as trained professional supply in existing institutions	Culture and cultural service
Healthcare and social care	Properly developed basic healthcare provision system at the regional level. Existing micro region level service provision pilot projects. Growing village and farm steward system, and its growing 'service dissemination' impact.	Access to basic care services is difficult as a consequence of the high degree of territorial disparities within the region, especially in deprived micro regions. The segregation of the substantial number of ethnic Roma	Healthcare and social care
Environment management	Rich biological diversity; Close to full-scope waste management system	Low level of availability of settlement wastewater utilities (large utility gap in micro regions); Brownfield sites not being utilised	Environment management
Transport	The region's accessibility has improved as a result of nationwide development efforts that were launched (M7, M6 motorways);	Difficult external accessibility, transport within the region is bad (lack of connecting roads, lots of dead-end settlements, poor quality road network); lack of bicycle roads; dropping volume and decreasing quality of community transit	Transport

Topic	OPPORTUNITIES	THREATS	Topic
Level of regional development	The confinement of the region will be alleviated as major transport projects which also have an impact on the region are implemented	Population of small settlements distant from centres is declining, increasing differences in development levels within the region	Level of regional development
Transport	Cross-border relations will intensify upon Croatia's accession to the European Union.	The share of community transport is declining; The evolution of two peripheral areas (along the Dráva River, as well as between a section of Somogy and Tolna Counties); transit transport will continue to be dominant	Transportation
Economy, R&D, innovation	The setting-up of regional knowledge centres based on higher education institutions will facilitate knowledge-based regional development, and thereby reinforce human potential and improve the region's competitiveness; Following EU-accession the economic-strategic situation of eastern and southern regions, as well as major towns lying along external borders becomes more valuable, while	Increasing differences in development levels both among, and within the regions; Businesses built around low salary costs and trained labour leave the region as a consequence of dropping real wages, and the deterioration of competitiveness, which will increase unemployment	Economy, R&D, innovation

	the interest of foreign capital investors will increase		
Education	Integration interest becoming stronger as external financing funds decrease, and also as a result of governmental public services reform efforts Established regional integrated training centres, potential for boosting role in region and in industries.	The isolation of training units and the organisation-orientation of training courses remains, and as general training appreciates in value and skills training depreciates, skill shortages become permanent	Education
Tourism	Pécs being awarded the title of ECC (European Cultural Capital) 2010 will draw attention to the region, and at the same time have a job-creation impact in the region	Foreign visitor turnover continues to become more and more concentrated at international scale, and it neglects the region	Tourism
Culture and cultural service		Financing for cultural institutions is decreasing substantially	Culture and cultural service
Healthcare and social care	The strengthening of the local social economy, moreover of NGO and local communities' roles will facilitate the social integration of disadvantaged strata; Reform efforts proposed in the convergence programme will assist the rational local task management		Healthcare and social care
Environment management	Gothenburg sustainability expectations will contribute to the role of environment management becoming more important	The construction of settlement infrastructure continues to slow down due to the lack of funding	Environment management

3. OBJECTIVES AND DEVELOPMENT STRATEGY

3.1. Policy background

The selection of strategic objectives and priorities of the South Transdanubia Operational Programme has taken the following planning framework into consideration:

- Strategic objectives were designated on the basis of the document entitled “The system of strategic objectives in the South Transdanubia region” that the South Transdanubia Regional Development Council accepted on April 1, 2005, taking the objectives of Development Axis 4 “Regional Development” in the New Hungary Development Plan (NHDP, which is the National Strategic Reference Framework of Hungary) into consideration.
- The professional content of each priority is in line with the contents of the six South Transdanubia Strategy Development Programmes produced for the South Transdanubia Regional Development Agency, which designate post-2007 development directions for the South Transdanubia region in connection with the following themes:
 1. Business services,
 2. Rehabilitation of brownfield sites,
 3. Tourism,
 4. Environment development,
 5. Transport development,
 6. Development of human services – healthcare services, social services, education, cultural and leisure-time services, and complex services provision opportunities.
- Flagship programmes are designed to raise the effectiveness of operational programme actions and promote integrated implementation of mutually-reinforcing developments. The DDOP also participates in these.
- **Flagship programmes** are priority development areas addressing problems affecting particularly important sectors, areas or social groups. These programmes are important not because of their extent or financial magnitude, but because they can be presented well to the target groups. The flagship programmes will offer answers to complex problems. A separate, broad-based framework document will be drawn up to underpin each required action. The actions thus defined will be planned as integral parts of the operational programmes. The coherent implementation of comprehensive programme elements and projects of the flagship programmes will be assured by special selection criteria (giving preferences, containing guarantees) or procedures set out in the operational programmes' two-year implementation action plans. The connecting elements and projects of the flagship programmes will thus be implemented within the framework of the DDOP and its related execution system (managing authority and intermediate bodies). The flagship programmes affecting DDOP are:
 - Competitiveness pole programme,
 - The school of the 21st century,
 - “No one left behind” (Convergence of regions lagging behind),
 - Chance for Children
 - ”Barrier-free Hungary”

- European Cultural Capital 2010,

More of the components of the flagship programmes are given in Annex 3 of the OP.

3.2. Strategic objective

The description of the strategic objective

The objective of the extended Lisbon Strategy is to make the EU the most competitive, and most dynamic knowledge-based economy by 2010, through providing incentives for growth, as well as increasing employment. Increasing social – economical cohesion nevertheless continues to be an important perspective of the strategy. At the same time the EU accepted its renewed Sustainable Development Strategy by means of revising the Gothenburg Strategy in June 2006. Sustainable development is a long-term objective of the EU as stipulated in the EU Treaty; it is a comprehensive concept demanding that economic, environment protection, and social policies formulated and executed in ways that mutually reinforce one another. Taking the objectives of the relevant national planning documents (National Development Policy Concept, National Regional Development Concept, New Hungary Development Plan, and National Motorway Programme) – which were formulated in coherence with the above –, the current economical-social situation of South Transdanubia, and the available opportunities of the 2007-2013 planning period into consideration, as well as relying on the vision intended to be achieved as per the region's previous strategic documents (contributing to their achievement), the long-term **overall objective** (until 2020) of the South Transdanubia operational programme is **the convergence of South Transdanubia region to the country's more developed regions**. The narrowing of the gap between the South Transdanubia region and the country's developed regions must be accomplished in the long run as the result of the convergence process.

Halting the increase of development related differences can be a realistic objective for the programme period between 2007 and 2013. Accordingly, the **strategic objective (until 2013)** of this programme is **to stop the South Transdanubia region's falling behind**, in other words to keep the region on the nation's growth path for the sake of a convergence process being launched subsequently.

The fulfilment of specific objectives is necessary to achieve the strategic objective:

- Protection of the natural and built environment in the region,
- Competitive economy based on local characteristics,
- To stop the increase of social differences within the region.

The specific goals of the South Transdanubia Operational Programme contribute to the attainment of the Lisbon Strategy (growth and increase in employment). New jobs will be created based on the development of the endogenous resources of the economy. The number of people leaving the labour market for medical and social reasons will decrease as a result of the objective to stop the increase of social differences within the region, and due to these measures the number of economically active people in the region will increase. The sustainability of development will be attained in the South Transdanubia Operational Programme (DDOP) on the basis of the *Gothenburg requirements*, which can be achieved through establishing the coherence of economic, social, and environmental aspects, as well as the joint enforcement of these aspects.

The region's development objectives are in coherence with the strategic objectives of the *National Development Policy Concept* that has the objective of establishing a Successful Hungary, as well as with those objectives of the *National Regional Development Concept* which defined balanced regional development as the key objective. In case the South Transdanubia Operational Programme's (DDOP) objectives are achieved, the rate of employment and economic growth will increase in the region, and this way the region's further falling behind can be stopped, namely the reduction of development level disparities within the country.

Indicators

Impact indicator mapped to the strategic objective:

- per capita GDP in the region as a percentage of the national average
 - Source: KSH
 - Baseline figure: 71% (2003)
 - Target: 71% (2015)
- Number of gross direct jobs created
 - Source: MA
 - Baseline figure: 0
 - Target: 2200 (2015)

Explanation

Over the past period (1996-2003) the country's average real GDP growth was 3.6% per annum (EUROSTAT). As opposed to this real GDP growth rate in the region reached an annual average level of only 1.84%, which is nearly half of the national growth rate. This explains why the proportion of the region's per capita GDP value compared to the national average decreased from 83.6% to 71.6% during the ten years between 1994 and 2003, thus the annual position drop was more than 1 percentage point. Therefore the South Transdanubia region does not only fulfil criteria for the European Union's number one "convergence" objective, but also complies with the hypothetical "convergence in Hungary" criteria, since its GDP value unfortunately fails to reach 75% of the national average.

In other words, it is no longer possible merely to talk about the country's traditional east-west division, as the development slope also applies towards the south. The South Transdanubia region clearly declined to the level of the lagging regions in East Hungary during the past period. What is more, this falling behind process did not stop, the development gap continues to widen.

The region's real GDP growth must reach the national average in order to get a foothold on the development slope, and to reduce the difference in development levels. To do so, significant changes must be achieved in both social and economic development of the region, and the programme's specific objectives are focusing on that.

3.3. Specific objectives

3.3.1. Protection of the natural and built environment in the region

The description of the specific objectives

Conserving the favourable state of the environment – which is deemed as one of the foremost values of the region – is an essential objective for setting the regional economy on a course of development, along with the more efficient exploitation of economic development opportunities offered by a healthy environment, as well as the exploitation of opportunities for employment than previously. The good environmental condition of the region and its valuable built elements must be preserved, because they are becoming increasingly important features. This will enhance the South Transdanubia region's appeal to tourists, and residents – especially those with high qualifications – and preserving them will constitute a growth opportunity for enterprises in the region in the environmental and tourism industries. Improving the level of environment protection related infrastructure supply in settlements, raising energy efficiency and reducing environmental risks is a key objective for the sake of protecting the elements of the environment system.

Setting the economy on a growth path will cause an increasing load on the environment. Land occupation that goes along with a growing economy resulting in the least possible amount of reduction in natural, or close to natural areas needs to be achieved.

Indicators²¹

- Satisfaction with the state of the environment and urban development efforts among the affected population (%)
 - data source: MA
 - Baseline value: will be determined in 2007.
 - Target value: 10% increase (2015)

The required contribution of various operational programmes to achieve the specific objective

In order to ensure the full achievement of the objective of preserving the natural and built environment in the region, the system of instruments that the South Transdanubia Operational Programme (DDOP) provides needs to be supplemented with the implementation of interventions of other operational programmes.

The environment and energy operational programme (KEOP) has the most direct connection with the objective, and its interventions defined along the axes of several priorities may have a significant impact on the further improvement of the region's environmental condition:

- KEOP Priority axis I: Healthy and clean settlements,
- KEOP Priority axis III: Good management of our natural values,
- KEOP Priority axis IV: Increase of the utilisation of renewable energy resources,
- KEOP Priority axis VI: Providing incentives for the encouragement of sustainable production and consumption habit.

²¹ The summary matrix of DDOP indicators can be found in Annex 2.

3.3.2. *Competitive economy based on local characteristics*

Description of the specific objective

Economic development based **on endogenous characteristics** is an important objective for halting the region's falling behind, apart from boosting economic activity, increasing the region's capability to attract capital, and establishing an enterprise-friendly environment.

The development of the economic infrastructure must be in coherence with environment protection aspects (and specific objective 1. of the DDOP), as well as with the principle of environmental sustainability. The utilisation of brownfield zones will take preference in order to protect green areas.

In larger towns first of all knowledge intensive sectors of industry have to be developed, while labour intensive sectors in rural areas with less favourable levels of qualification. Economic development of the South Transdanubia region must be based on the innovative economy development guidelines defined primarily in the **South Transdanubia regional innovation strategy**, as well as in the **Pécs and South Transdanubia region quality of life pole strategy**. This means that economic development efforts associated with the **environmental industry, healthcare industry, and cultural industry** are going to become the sectoral directions which are mobilising from the perspective of the region's economic development.

Apart from innovative directions of economic development, developing long-established branches of industry of outstanding significance that have a traditional presence in the region – **food industry, machine industry and metal processing, electronics, textile and tanning industry, timber industry** – is also important, along with increasing the added-value generated by these sectors by means of product specialisation, increasing the level of processing, moreover through the exploring and utilising of market segments.

Establishing appealing tourism products and services, partly linked to the above branches of industry with which the region's tourism potential serving economic growth and job creation will improve, tourism is going to become one of the break-out sectors in the South Transdanubia region. Another goal is to transform cultural characteristics into high standard tourism products, since cultural attractions are playing a growing role in the selection of destinations for tourism; especially in the case of Pécs – in connection with **European Cultural Capital 2010** development efforts. Achieving this objective will contribute directly to reinforcing the European Union's competitiveness, and is in coherence with the Lisbon Strategy. The specific objective is in line with the NHDP's objectives of reinforcing competitiveness and promoting employment.

Indicator

An indicator for measuring economic activity can be mapped to this specific objective:

- The rate of employment in the region (% of 15-64 age group)
 - source: State Employment Service
 - Baseline value: 51.8% (Q2 2006)
 - Target value: 54% (2015)

The required contribution of various Operational Programmes to achieving the specific objective

In order to achieve the objective of a competitive economy based on local characteristics, the implementation of interventions of the South Transdanubia Operational Programme is not sufficient, since support to be provided by the sectoral **economic development operational programme** (GOP) reaching target groups in the region is equally important, along with the co-ordination and close interoperation of the two programmes for the sake of exploiting synergy effects. The GOP is a significant part of direct SME grants, a wide scope of financial instruments developed for enterprises, incentives for proactive investments, assistance for service related to reaching foreign markets, consultancy related to JEREMIE type financial programmes, support for major infrastructural development efforts associated with the development pole and innovation cluster initiatives. This is supplemented by the scope of intervention tasks that appear in the first priority axis of the South Transdanubia Operational Programme (DDOP) (utilisation of brownfield sites, support for cooperation between businesses and assistance for industrial parks and incubator houses), and support of tourism purpose development efforts of the second priority axis.

Almost every sectoral OP affects this specific objective in a more indirect manner, and with different intensities. The Transport OP, and the Social Renewal OP have a more significant effect on the competitiveness of the region's economy.

The objectives of the DDOP are well complemented by operational programmes under the European Regional Cooperation initiative (ERC) drawn up in cooperation with neighbouring countries and implemented between 2007 and 2015, one of the main aims of which is to raise the level of cross-border areas. Complementarity between the DDOP and the ERC OP (HU-CRO OP) stems from the HU-CRO OP having essential impact across borders (e.g. an assisted road development crosses the border) and an assisted partner on the other side of the border must be involved in the assisted developments. Coordination between the OP and HU-CRO OP is provided by the Regional Development Council and its working organisation, which is involved in planning both programmes and by the co-operation, institutionalised within the framework of the National Development Agency, between the OP's Managing Authority and the International Co-Operative Programmes Department, which provides coordination on Hungary's part for the ERC OP(s).

3.3.3. To stop the increase of social differences within the region

The description of the specific objective

Apart from making the economy of the South Transdanubia region more dynamic, and sustaining growth, attention must be paid to the social differences that exist among individual areas, and the significant increase of such differences has to be prevented. Developments launched in the most disadvantaged areas must be co-ordinated so that maximum synergy effects emerge. Improving the medical condition of the population is essential, along with establishing an advanced social care system to encourage re-entry to the labour market of as many inactives as possible. Access to the primary education system, with proper infrastructure must also be ensured throughout the region, to ensure that the greatest possible proportion of the entire population – especially of the disadvantaged, and Roma people – successfully complete primary education. Access to education, healthcare and social care

services system must be ensured over the entire area of the region; place of residence and social situation should not have an adverse influence on the access to human services. Getting the convergence process underway, and making the negative demographic trends that are especially characteristic of the region become more favourable must be achieved by means of developing attractive urban environments, improving the medical condition of the population, enhancing the quality of public services, alleviating transport and environmental infrastructure related deficiencies, as well as encouraging employment.

Indicator

- Yearly average of net migration rate per 1000 residents for the lowest value in the region at the level of micro regions (persons)
 - source: CSO
 - Baseline value: -6,4
 - Target value: -5,0 (2015)

The system of logical relation of the specific objective and the priorities

By preserving the natural and built environment the appeal of the South Transdanubia region will improve substantially. This is going to contribute to keeping human capital in the region, moreover will offer a better chance for running businesses. Achieving the specific objective will reinforce the position of the environmental industry in the region as well. All of this is going to have a positive effect on the growth of the region's production value.

Through strengthening the competitive economy that is based on local characteristics, the production structure and market position of small and medium size enterprises operating in the region will improve. This will partly increase the competitiveness of local SME's, moreover facilitate their employment capabilities. These effects are in close correlation with the positive change of the region's GDP.

As a result of stopping the increase of social differences in the region, the value of the region's human resource portfolio will increase. Achieving this specific objective will keep trained and valuable human capital in the region, where it can be utilised – which is crucial from the perspective of generating considerable added-value. The creation of effective and high quality human public services will reduce social cost, at the same time the quality of life will improve in the region, which will improve the value of the region's human capacity. The increase of the value of human resources is in correlation with the growth of the region's production value.

Connection to sectoral reforms

Each health development will be implemented in harmony with the relevant health reform component. The purpose of the health reform is to achieve a higher standard of service, reduce inequalities in access and a sustainable level of public expenditure through higher efficiency. The measures will promote an increase in the number of years spent in good health in the life of the population, faster return to work after illness and in increase in the cost-efficiency and quality of service by concentrating resources. The purpose of infrastructural investments implemented in the DDOP is to provide a higher standard of care in the framework of sectoral reform and adapted to the changes in health care in the region. This is to be achieved by replacement and upgrading of physical assets, procuring new assets where

required, and modernising the infrastructure. This will ensure enable successful development of a coherent and integrated system of prevention, treatment (resources) and healing (modular system of specialisms) in health care. The comprehensiveness of this system will render it capable of providing high-standard, patient-centred care.

School education related actions will contribute to the implementation of school education reform, whose principal objectives are to improve the outcome of education (competitive knowledge, reduction of educational inequalities), reform the quality of school education (efficient and inclusive school system) and its structure, and provide equal access to high-quality education.

The required contribution of each Operational Programme to achieving the specific objective

The strategic objective cannot be achieved through the operations implemented by the South Transdanubia Operational Programme alone. Implementing development in the following operational programmes is also necessary:

- Social infrastructure operational programme: Intensive development of the infrastructure to be implemented in the education, healthcare, social, employment, and cultural fields will supplement the services to be provided by the planned micro region centres, thus making the range of human services which fully satisfy actual demands in the region.
- Social renewal operational programme: By means of the soft developments that are to be implemented in the employment, education, social, and healthcare fields, it will facilitate the increase of the number of people available for employment in the region, moreover appropriately trained professionals will provide human services that are necessary as a result of these developments.
- Environment and energy operational programme: It will contribute to the population retention capability of the region by means of creating healthy and clean settlements, also making them more appealing.
- Transport operational programme: The development tasks implemented within this OP are also going to supplement the accessibility of planned human services, making their provided range complete.
- Electronic public administration operational programme: The development of public administration services supplements the development of human public services, making them more accessible for everyone.

3.4. Regional dimension

In order to enforce regional cohesion, the application of regional level thinking and the local approach is of key significance in all areas of the development policy, as well as in all levels of planning, implementation, project development, monitoring, and control. In the course of implementing the ROP objectives, special attention must be paid to enforcing the objectives of territorial cohesion, and the horizontal principle of territorial considerations (territorial approach, territorial focus points, territorial integration, space utilisation principles), in accordance with the horizontal policy of the New Hungary Development Plan. Accordingly, the ROP enforces the NHDP's local cohesion objective, and the principle of territorial considerations horizontally, takes any applicable NHDP messages over and highlights them,

moreover defines specific amendments to its elements that are of high relevance from the perspective of the ROP's intervention logic.

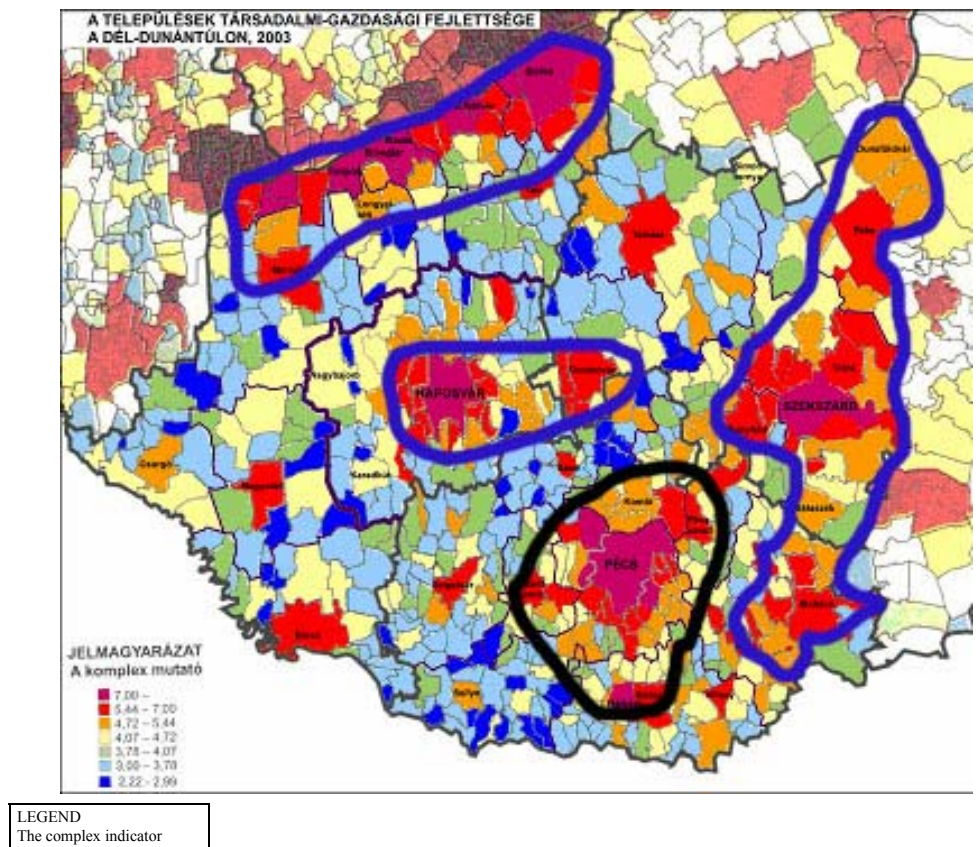
Taking the principle of territorial considerations into account means that special attention must be paid to territorial considerations – ensuring that they are actually enforced – in the course of planning, implementing, assessing, and monitoring the operational programme, as well as its main priority axes, operations, and projects. This includes: providing the appropriate expertise; setting-up data collection required for measurement; the application of and accountability against the principle in the course of developing, monitoring, and assessing specific action plans; moreover during the development, evaluation, and impact study of projects; furthermore the representation of territorial objectives and principles within the institution system of program implementation and s monitoring.

In order to implement strategic objectives – in coherence with the National Regional Development Concept's overall objectives – **it is important to establish a competitive territorial structure** along with co-ordinated, and area specific development of the three markedly distinguishable area types within the region (which are well demonstrated on the following map, which depicts the complex indicator comprising 18 variables).

The overall territorial objective of the region – in coherence with the newest European territorial development principles – is to set up a properly functioning polycentric urban network in which the towns can become drivers for the region's economic development, as well as can push the development in co-operation with one another, while they play an economic-service provision and cultural centre role according to their size and of the size of their surroundings. Pécs – which stands out from the urban network based on its size – has to be developed into a pole for growth by means of developing knowledge-based specialised enterprises through the more efficient utilisation of the existing know-how base. Pécs should be able to induce, receive, as well as transfer innovation processes towards other towns in the region utilising its features. Therefore, efficient and plan-based co-operation between the r towns of the region, as well as between Pécs and its conurbation has to be achieved when implementing the development tasks. Towns that constitute regional development axes must be made suitable for – after recognising their characteristics and reinforcing their special role– playing a role similar to that of Pécs in the region, by making regional major and medium towns with profiles complementing each other to co-operate closely with one another, in the form of networking. The accessibility of fundamental business and community services must be ensured in the zone of gravitation of provincial areas.

Separating the South Transdanubia region's urban network into three levels, three specific space categories can be distinguished.

Map 4



THE LEVEL OF SOCIO-ECONOMIC DEVELOPMENT OF SETTLEMENTS IN SOUTH TRANSDANUBIA, 2003

Source: Central Statistical Office (KSH)

3.4.1. National development pole

Pécs and its vicinity: Pécs and the agglomerating areas separated by the towns of Szentlőrinc, Pécsvárad and Komló that is defined as a priority development pole at national level in the National Regional Development Concept. Objectives include the development of high added-value industry and associated services that support Pécs and the South Transdanubia region's programmes related to the *quality of life pole strategy* – based primarily on innovation, research, and knowledge-based development tasks –, especially in the healthcare, environmental and cultural industry, moreover the dissemination of innovation processes in the scope of close inter-settlement co-operation of the entire region. The improvement of division of tasks among the town and its vicinity (covering not only the direct conurbation area, but also the entire region) is necessary, along with the transforming of the Mecsek Hills' existing appeal to tourism products, as well as the utilisation of the industrial and mining constructed heritage. The development of cultural and tourism sectors is of outstanding importance in Pécs, in coherence with the described plans in the application document of the European Cultural Capital 2010 tender.

3.4.2. Regional development poles

Three regional development poles can be defined in the South Transdanubia region:

The Kaposvár – Dombóvár axis: The area is situated between the shores of Lake Balaton and Pécs, therefore both areas are to be developed as background areas. This will enable the implementation of some development tasks necessary for the extension of the peak season at Lake Balaton, moreover it could significantly contribute to the performance of regional tasks that are associated with the European Cultural Capital functions. Using the university base and the area's agricultural potential as the basis, it is primarily agricultural, food industry, healthcare, technological, information technology, economic, and educational research, as well as art related activity that have to be encouraged by means of infrastructural development and the strengthening of relations between the university and business. The civil utilisation of the Taszár Air Base, could encourage Kaposvár to become a centre of innovation and logistics. The development of urban tourism has to be encouraged using the existing infrastructure and cultural offering in Kaposvár as the basis. Developing the healthcare industry cluster that has evolved in the vicinity of Dombóvár is important, along with encouraging conservation-eco tourism related development, which partly is connected to this.

Paks – Szekszárd – Mohács (Lower Danube Valley) axis: Business services, especially in the field of logistics and agricultural logistics have to be developed using the M6-M56 motorway, the Danube bridge at Szekszárd, the M9 expressway, the Paks Nuclear Power Plant, and the Schengen border-port in Mohács as the basis. Tourism product development has to be realised along the Danube, built around the Tolna, Szekszárd, and Mohács wine regions as tourism core products (complemented by the area's natural and cultural values). The area covers the Transdanubian part of the Lower Danube Valley, therefore improving co-operation with the South Great Plain region is important. This concept is supported by efforts that aim to establish the Danube Economic Development Zone, with the objective to make economic relations tighter between micro regions situated along the west and east banks of the Danube River, and to create an international growth development axis from Budapest to Eszék (Osijek), as part of the polycentric territorial development model accepted in the National Regional Development Concept.

The Lake Balaton area: Extending tourism attractions built around water tourism with additional tourism experience elements that can reduce seasonality further is necessary for the sake of developing this area, along with integrating Lake Balaton's background settlements into the tourism offering, and developing tourism services and infrastructure, primarily in the Western Basin, which is less developed. The opportunity to establish a second ferry-line on Lake Balaton is to be investigated from the perspective of alleviating the load on road transport. Providing support for the conservation of Lake Balaton and Balaton Minor's environmental condition is important, together with the environment protection related infrastructural development efforts that are to serve it. Conserving provincial and landscape values, and the creation of regional ecological networks is also important. Taking Lake Balaton's development programs into consideration is important in the scope of development efforts impacting the Preferential Holiday Resort District of Lake Balaton, along with the co-ordination of intervention with the Central Transdanubia and West Pannon regions. The Balaton Development Council is an effective forum for co-operation.

3.4.3. The development of rural regions by strengthening the economic and service provision role of micro region centres

The targeted development of provincial areas that do not belong to development and regional development poles, that currently have underdeveloped regional organisation functions, is necessary in order to develop the settlements into the employment and service provision centres of their surroundings. The start of the mutual development of settlements performing

regional centre functions and their surrounding small settlements is also an objective, by means of which the economy of rural areas will stabilise, and their employment conditions will improve. It will be necessary to provide the broadest possible range of basic business services to the small and medium size enterprises in rural areas, moreover their integration with developments starting in the development poles of the regional development poles has to be supported, thus integrating them more closely with the economic flow of the region.

Micro region centres have to be made suitable for providing a specified range of public services to residents, building on their characteristics and possibilities. Thus the public service functions of rural micro region centres will be reinforced along the lines of the specified territorial features, and settlements which have central role will be capable of providing employment opportunities and public services to people living in small settlements within their zone of gravitation. The accessibility of area centres from small settlements has to be improved, since small settlements find most of public services they require in the nearby area centre. The parallel establishing of public service functions that can be optimised at the micro region level must be avoided, therefore the co-ordinated development of attraction centres is necessary. The network of rural area centres will evolve at the regional level by means of conscious division of tasks.

The development of micro-regional and regional centres of attraction is especially important at the most backward areas of the region, where towns are scarce.

Dráva-side (Ormánság, Inner Somogy): are the most deprived area in the region. Developing water and eco-tourism, as well as thermal tourism is necessary, building on the untouched environment (in coherence with environmental conservation), along with providing incentives for innovative tourism project, support for the production of bio products, as well as the encouraging of processing industry development enabling local processing. Similarly to the Lake Balaton area, conserving provincial and landscape values, and the creation of regional ecological networks is also important in this area. Complex employment programs are needed to encourage permanently unemployed to find jobs in the area of high rates of unemployment. The integration of the Roma population must be facilitated through launching cultural, social, and enterprise incentive programs. The area's demarcation must be reduced by means of the reconstruction, and enlargement of the road network. The Dráva-side area has a direct border with Croatia. Strengthening already-established relations, could cause the area to become the primary target zone for Hungarian-Croatian interregional programmes.

Zselic, Hegyhát, Outer Somogy: the Tab-Tamási-Sásd-Szigetvár micro regions, which are at the region's internal periphery, have low rates of employment, and fragmented settlement structure. Tourism (rural, eco, sport, and hunting tourism) has to be developed in the area using the diverse landscape characteristics as the base. Incentives should be provided for forest management in the most densely forested areas of the region, as well as for the timber industry, game management, and organic goods production.

3.5. Connections between DDOP and other strategic documents

Compliance with Community Strategic Guidelines (CSG)

The region's developments and the priority axes for their implementation will serve to implement cohesion policy supporting growth and job creation and to strengthen regional growth potential. Competitive economy built upon the development of urban areas (Priority Axis 1) will directly serve the development of the local and regional economy, contributing to growth and job creation. Strengthening the region's tourism potential (Priority Axis 2) will

improve the competitiveness of the region's tourist industry. Involving more people in employment (CSG guideline 3.1) may be achieved by developing the public services set out in Priorities 3 and 4. Priority 5 will support the minimum infrastructural developments necessary to establish the minimum conditions for housing and investments.

Compliance with the reviewed Lisbon action programme

The region's objectives and priority axes will assist attainment of the objectives set out in the national action programme. The DDOP's first and second priorities, creating a competitive economy and strengthening tourism potential, will contribute to regional-level attainment of the action programme's macro- and micro-economic and employment objectives (sustainable economic development and growth and promotion of employment). Priority 1 will assist attainment of guidelines 7, 8, 10, 14 and 15 in the action programme. Priorities 3 and 4 (development of human public services and urban development) cover local and micro-regional measures necessary to implement the aims of the sectoral operational programmes and the health and education reform set out in the action programme (Priority 2). Priority 5, improvement of access and environmental development provides the essential basic conditions for long-term sustainable economic development.

Compliance with the New Hungary Development Plan

The New Hungary Development Plan sets two broad objectives for the 2007-2013 period: **expansion of employment** and **promotion of sustained growth**. The document intends to attain the former objective by improving the employability and raising the workforce activity of individuals, expanding labour demand and developing the labour market environment so as to harmonise demand and supply. The principal means of attaining the second objective are improving competitiveness, broadening the base of the economy and developing the business environment. In implementing the development objectives, through developments in both the sectors and the regions, particular attention must be paid to enforcing horizontal policies (provision of the conditions for sustainability, strengthening cohesion).

According to the document, the objectives will be pursued via **six thematic and regional priorities**:

1. economic development
2. transport development
3. social renewal
4. environmental and energetic development
5. regional development
6. state reform

The priority axes which break down the thematic and regional priorities and link them together in terms of content mark out the development (operational) programmes and also define the place of the DDOP in the system (Priority 5).

The specific objectives of the DDOP connect to NHDP priorities as follows:

- The specific objective *preservation of the natural and built environment in the region* links primarily to NHDP Priority 4 (environmental and energetic development) and Priority 5 (regional development).
- The specific objective *competitive economy based on local features* links primarily to Priority 1 of the objective promotion of sustained growth (*economic development*).

- The specific objective of halting the growth of differences within the region links to Priority 3 (*social renewal*).

In connection with the **Regions for Economic Change** launched by the European Commission in 2006, the DDOP programming process will support innovative measures built on the achievements of networks to which the region is connected, and the Annual Report will give information on implementation of regional actions which the region launches in order to incorporate the experiences of network activities carried out within the framework of the Regions for Economic Change initiative.

3.6. Priority axes of the DDOP

The South Transdanubia Operational Programme aims to accomplish the following priorities:

1. Competitive economy built upon the development of urban areas
2. Strengthening the region's tourism potential
3. Development of human public services
4. Integrated urban development
5. Improving accessibility and environmental development
6. Technical assistance

3.7. Demonstration of the logical relation between the objectives and priorities

This matrix demonstrates the way the priority axes of the operational programme relate to the region’s specific objectives.










Specific objectives Priority axes	Protection of the natural and built environment in the region	Competitive economy based on local characteristics	To stop the increase of social differences within the region
Competitive economy built upon the development of urban areas			
Strengthening the region's tourism potential			
Development of human public services			
Integrated urban development			
Improving accessibility and environmental development			

Figure no. 1.

3.8. Ex-ante evaluation of the DDOP

As a result of the ex-ante evaluation of the South Transdanubia Operational Programme (DDOP) that was started in June 2006, the document has undergone several positive structural and content related changes. The key findings of the ex-ante evaluation on the basis of v3.1 version of the South Transdanubia Operational Programme (DDOP) are the following:

1. General findings

The current version of the programme document can be considered complete with respect to its main elements, overall, the programme satisfies expectations with the necessary amendments of the evaluators, and despite of the fact that the document is longer than it would be optimal.

The structure of the document, and the sequence of chapters is satisfactory. With respect to its style, the South Transdanubia Operational Programme (DDOP) is clear and easy to read, comprehension is assisted by diagrams, maps, and tables, especially in the Situation Analysis section.

The document of DDOP has a thematic, and segment related theme structure. Its major strength is that it is rich in elements that highlight territorial considerations within this scope

(e.g. the presentation of intraregional differences, the appearance of separate territorial principles in the strategy).

2. Situation analysis

The scope of the situation analysis discussed in the document is **thematically full**. Assessment of the **Situation Analysis** findings in terms of five parameters (data, source, comparison, trends, causes), shows that they are justified to a level of 33%, which is satisfactory overall, although the chapter only contains **few comparisons with the EU**, which needs to be improved. To address these shortcomings, statistical data has been appended, and more detail given, in the areas of employment and demographics.

However, it should be pointed out that 46% of the statements are substantiated by references to data, and above-average figure, and reasons are given for a large proportion of the findings, apart from the economic section.

One strength of the document is that it contains a summary situation analysis in SWOT form. The level of justification of the findings and disparities in the Weaknesses column of the SWOT analysis is average, although data substantiation is outstanding (58%) and comparison provision good (39%), while that of the Weaknesses findings is better (67% and 40% respectively). Overall, then **the main findings** in the axes of the operational programme's operating model, i.e. those best characterising the situation of the region, **have been satisfactorily justified**.

3. Strategy

Overall, **the strategy can be considered relevant** on the basis of the relation between the strategic intervention areas specified by the document, but in the case of certain interventions (access for people with disabilities, providing incentives for the sustainable use of the environment, and environmental threat neutralisation) the pertinent section of the situation analysis need to be developed for the sake of enhancing justification levels.

All of this has been corrected in this document, partly by including in the situation analysis a statistical assessment of people with disabilities and of action to address environmental hazards in the region.

The description of **horizontal aspects is satisfactory**. With respect to sustainability aspects, the evaluators recommend **putting more emphasis** on expectations associated with **economic and social sustainability**. To justify this, the horizontal objectives – particularly those concerning sustainability – are given a prominent position in general in the *Objectives and development strategy* chapter and specifically for actions within each priority. This chapter of the document also contains a detailed compilation of relevant experiences of the preceding (first) National Development Plan.

The comprehensive strategic objective determined in the document – i.e. the convergence of the region – may be considered satisfactory from the perspective of the programme's scope of effect, but according to the ex-ante evaluators the target value of the indicator mapped to the objective continues to remain optimistic compared to results that can be realistically expected. (See *Evaluation of indicator system*.) In view of this, halting of differences in level of development has been formulated as a realistic objective for the 2007-2013 programming period. Appropriately, a **strategic objective of this programme (up to 2013) is to halt the lagging tendency in the South Transdanubia Region**, i.e. to maintain the region on the same growth trajectory as the country, with a view to launching a process of catching up in future. The indicator and its target value has been modified accordingly.

The lack of correspondence between specific objectives and priorities makes the transparency of the target system's operational model somewhat difficult.

The specific objectives may be regarded as relevant to attainment of the strategic objective, and the DDOP's objectives are consistent in terms of their logical relationships. However, the interrelationships among the strategic objectives are not of homogeneous strength. Where the second, economic objective has a clear link to the overall objective, the first specific objective only indirectly supports growth (and increase in jobs, although it directly supports better jobs). However, the third specific objective, relevant in itself as regards regionality and the competence of the operational programme, disrupts the internal balance of the objectives by supporting the area dimension in what is otherwise a sectorally-constructed programme. Since the aims formulated for this objective are desirable in every element of the programme (in effect, it is another overall objective) its hierarchical relationship with the present overall objective is not clear.

To eliminate the above shortcomings, the first specific objective has been modified to give it a closer relationship with the overall objective, the priorities, and the operations.

The third specific objective carries the area aspect, which is desirable in a regional programme, but can nevertheless be easily mapped to the overall objective, because it specifies balanced growth from the area point of view.

In addition to the above observations, it should be pointed out that there is some overlap among intervention groups making up the elements of the priorities, and this calls for amalgamation or better demarcation (at the level of indicative operation types or action plans). However, since amalgamation would not be productive in this case, precise demarcation will be specified in the action plans.

4. Coherence

The assessment finds that the objectives and priorities expressed in the DDOP are coherent with the higher-level strategic objectives of the EU (Lisbon objectives, CSG) and Hungary (NHDP, NDC, NRDC). All four priorities contribute, to various extents, to the two main Lisbon objectives (growth and employment).

There is one or more DDOP priority which connects to every element of the objectives expressed in the CSG. Priority 5, which focuses on improving accessibility and developing the environment, has a particularly strong positive linkage. Similarly strong is the link to Priority 3, *development of human public services*. However, the tourism priority and Priority 1, which embraces economic competitiveness, although they also support several elements, do not display such strong linkage. Nevertheless, all of the objectives expressed in CSG are to greater or lesser extents in a positive relationship with one or more DDOP priority, and so coherence in this respect is assured.

There is one or more DDOP priority which connects to each element of the area development objectives of the NHDP, passed in October 2006. The DDOP priorities are therefore consistent, i.e. coherent, with the area objectives of the NHDP.

The programme gives a thorough presentation of synergistic links with the sectoral programmes and the New Hungary Rural Development Strategic Plan, but demarcations between the operational programme and other programmes require some clarification. These clarifications were carried out while this document was being completed.

5. Priorities

By analysing the internal logic of the priorities as it applies in the intervention areas and operation types, the ex ante assessor found no contradiction (weakening interaction) between interventions and operations assigned to specific priorities. No omission of a major operation group was found, and the operation groups are directly linked to the relevant priorities and support their implementation. There is, however, some sporadic overlap between them, and this must be eliminated. Overall the priority axes and the operation groups assigned to them form a consistent system.

The description of each intervention area is easy to follow, although the discussion of the operations level is more detailed than is desirable in a strategic operational programme. The main cause of this verbosity is the detailed description of the indicative intervention types given to interpret each intervention group, instead of a simple list. However, the authors of the programme felt that these should be given to reveal and present the deeper interrelationships.

6. Indicators

The scope of the indicators assigned to the objectives and priorities is ideal, and the indicators broadly cover the impacts. (The planners defined a total of 20 indicators at three levels).

Overall, the level of elaboration of the indicators (definition, means of calculation or source, baseline value, target value) is medium, and baseline and target values are given only for the strategic and specific objectives. Further clarification is required for the definition and method

of calculation of the indicators (for such concepts as “impact of developments,” “affected,” etc. and in respect of the gathering or calculation of data not available from the KSH).

The internal coherence of the indicators – particularly concerning the way the Priority 5 indicators connect to those of higher-level objectives – requires some improvement. (The planners made considerable progress to address this in preparing the final version.) The close relationship between the indicator assigned to specific objective 3 and the other indicators, and its sensitivity to a wide range of impacts, reflect the special features of specific objective 3. Consequently a large proportion of the actions will influence the value of the indicator.

GDP in the region (relative to the national average) has been chosen as the indicator for the strategic objective, which is a satisfactory choice as a Lisbon context indicator for growth. However, the DDOP does not define an indicator related to the other principal Lisbon objective (more and better jobs), which is, in the opinion of the evaluators, a shortcoming.

The target value of the given GDP indicator – per capita GDP in the region – is 71% of the national average by 2013 (i.e. equal to the figure for 2003). There is some doubt as to whether this objective can be obtained, because by comparison of the trend without the interventions and the expected effects of the interventions, the assistance granted would have to deliver an annual yield of nearly 50% in order to reach the target value.

7. Allocation of funds

The financial allocation table has been produced for breakdowns by priority, source of funding, and year.

There is a direct reference in the funding allocation chapter to the use of special instruments created by the European Commission (Jeremie, Jaspers, Jessica), and in the chapter on urban rehabilitation actions, a source of funding for urban development interventions is envisaged involving urban development funds implemented using EIB and CEB credit arrangements, which may also be interpreted as an indirect reference to the use of these special instruments.

8. Executive institutions

The description of DDOP’s executive institutions is effectively comprehensive. The relevant chapter, in line with EU guidelines and the manual, all bodies involved in execution (Managing Authority, Certifying Authority, Audit Authority, Monitoring Committee, Intermediate Bodies) are defined, as are their principal functions, tasks and powers. However, as regards the system of executive institutions, the evaluators recommend that the Intermediate Bodies be decentralised, subsidiarity be more definitely expressed, the number of Monitoring Committees be reduced, error handling processes be defined, and internal benchmarking to compare and encourage the performance of institutions and organisations be applied.

3.9. Official statement on the Strategic Environmental Assessment (SEA) of the DDOP

This section sums up the conclusions of the Strategic Environmental Assessment of the OP, with regard to how environmental considerations have been integrated into the South Transdanubia OP, how the environmental report was prepared, the opinions expressed and how the results of evaluating potential transboundary effects were taken into account, and the reasons for choosing the programme as adopted, in the light of the other reasonable alternatives dealt with. Moreover, this section summarises the measures decided upon for monitoring significant environmental impact.

This section is the **official statement of the Hungarian Government** related to the operational programme adopted, based on article 11 of Hungarian Government Decree 2/2005 (I.11.) "The environmental assessment of certain plans and programs" and based on Article 9 of the Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programmes on the environment.

The process of the strategic environmental assessment for the OP

In order to facilitate the application of the sustainability and environmental aspects, as well as to comply with legal regulations (Directive 2001/42/EC – hereafter Directive – and its national adaptation, Hungarian Government Decree 2/2005 (I.11.) – hereafter Government Decree), strategic environmental assessments (SEA) for the operational programmes have been commissioned by the National Development Office (predecessor organisation of the National Development Agency, hereafter NDA). The objective of the environmental assessment was to encourage in cooperation with the ex-ante evaluators and the social partners, the integration and application of environmental and complex sustainability aspects during the preparation process for the NHDP's operational programmes.

During the SEA process, special emphasis was put on consultation, communication with partners and presenting partners' ideas to planners.

The NDA, being responsible for drawing up Operational Programmes, selected a consortium through open public procurement to carry out the SEA procedure;²² this consortium was led by Respect Kft.

The methodology of the SEA report, based on Annex 4 of the Government Decree, and Annex 1 of the Directive was available to be viewed by official and social partners (according to Article 7 of the Government Decree), and was discussed at a partnership forum on 19 June 2006. Official bodies (stipulated by Annex 3 of the Government Decree), representatives invited from NGOs and scientific organizations, as well as government bodies participated at the forum, some of whom also submitted their opinion in writing.

In line with approved methodology, the preparation of the SEA has been supported by documented reconciliation with the planners.

The preparation of the South Transdanubia Operational Programme yielded several opportunities for official, state and social partners to put forward their opinion, especially on environmental and sustainability issues, as follows²³:

- During the first partnership of the DDOP (between 18 October 2006 and 8 November 2006, social partners were notified by post about the implementation of, among others, their environmental comments between 14 February 2007 and 31 May 2007).
- In the process of the ex-ante evaluation (with the inclusion of the official and state governing parties)
- In the process of the SEA evaluation (the conductors of the SEA were in contact with several civil organizations).

²² Other members of the consortium were: Corvinus University of Budapest (Department of Environmental Management and Technology, as well as the Department of Landscape Planning and Regional Development), Environment Awareness Corporate Management Association and BFH Európa Kft.

²³ The process also provided the opportunity to mediate discussions between the SEA evaluators and the planners.

- The consultation of the SEA Report and the OP (between 15 November 2006 and 14 December) was open to any social stakeholder, and specific invitations were sent to the main environmental authorities and NGOs.

The above processes were based on the same draft of the OP (16 October version). The text of the OP was completed while incorporating the findings of all of the consultations.

During SEA consultations (15 November – 14 December 2006), open for all, where relevant environmental NGO's and state organizations were directly addressed. In accordance with Article 8 of the Government Decree and Article 6 of the Directive, the SEA report was subject to consultation from 15 November 2006 for a 30-day period. The consultation was made available to the general public on the NDA website and in a national newspaper.

During SEA consultation, the NDA provided a multi-channel option for receiving partners' comments: partly on the website of the NDA and partly through a web interface. In case of the DDOP, two forums were held: on 30 November 2006 in Budapest together with the other regional OPs and on 29 November in Kaposvár, with the participation of the organisations defined by the Government Decree.

The comments on the SEA of the DDOP reconfirmed most of the findings of the SEA, and suggested some further issues. After amending the SEA report in accordance with the consultation, the SEA team discussed the new version with the planners. Following these negotiations, final versions of Operational Programmes were handed over to the Commission. Following the submission of the programme, the NDA published the final SEA report and a summary, which are available at the www.nfu.gov.hu website. The final SEA report clearly shows how the comments and responses have influenced the OP.

Summary on how environmental considerations have been integrated into the programme²⁴

A detailed and comprehensive evaluation on the development of the DDOP as a result of the SEA can be found in the following report: "A Dél-dunántúli Operatív Program környezeti vizsgálata - 2. jelentés ". This document can be downloaded from the website of the NDA.

The main conclusions of the SEA and the position of the planners

Proposition	Responses Reasons for choosing the programme as adopted, in the light of the other reasonable alternatives considered ²⁵
As regards economic development objectives, we consider it important to encourage the development of enterprises with objectives concerning environmental industry and protection. We consider it just as important to increase the environmental consciousness the operation of economic actors working in not expressly environmental areas. In order to achieve this goal, in the case of subsidized investment projects, efforts should be made to encourage that they undertake demonstration functions to an increasingly large extent and that subsidized organizations perform public information tasks intensifying environmental consciousness concerning the given project results, as part of their dissemination tasks.	Implementation of the requirements put forward in the proposal is not an ROP task, it is included in the Economic Development Operational Programme addressing complex enterprise development and innovation. Environmental considerations are satisfied in the ROP economic development priority by implementing the horizontal objective of sustainability.
Urban development objectives, which are included in two priority axes, are significant in their environmental effects, since they represent "environment" to a larger portion of the population. Therefore, in the course of their reconstruction, an effort must be made to take into consideration the relationship structure between people, nature and the environment in both their structures and solutions.	Yes, it has been accepted. The urban developments which are required to be based on integrated urban development strategies take into consideration the relationship between people, nature and the environment to a large extent. Housing type of energy efficiency developments result in clearly positive environmental effects.
In the course of development of the tourism sector, it is important not to devote the major part of the resources to further development of competitive products generally regulated by the market and representing significant current appeal. By development of the nature-oriented sectors of tourism, possible environmental overload of natural resources	With regard to this proposal, the 2nd priority has been fully reworked in order to connect the establishment of accommodation units offering high quality services in a justified case (proven demand and no resulting oversupply), to the prominent destinations in the region. In the course of this, the requirement of sustainability has been

²⁴ According to Article 11(b) of the Government Decree, and Article 9.1.b. of the Directive

²⁵ According to Article 11(b) of the Government Decree, and Article 9.1.b. of the Directive.

<p>can be reduced, moreover, another type of tourism can be developed which is sustainable, has a lesser intensity, requires a smaller quantity of infrastructure development (but implementing the latter at a high quality), nevertheless achieving a better utilization level and creating higher added value per unit environmental load.</p>	<p>included as a horizontal consideration, including environmental aspects, as well.</p>
<p>Satisfaction of the relevant considerations of the NKP II. (National Environmental Programme II) DDOP can be handled as part of the action plans, similarly to the consideration of the NKP II. (National Environmental Programme II) action plan in the year 2007 and the relevant, proposed solutions of the VAHAVA (Change – Impact – Response) project.</p>	<p>Yes, it has been integrated. Restriction of climate change has been included in the OP: a.) in the horizontal section – in general; b.) in the Objectives section – according to the context. At the request of the European Commission, the following has been included with the indicators: “Value of energy savings achieved as a result of subsidized projects (TJ)”. Separately in the evaluation section: - in the section detailing the evaluation plan – „the evaluation includes the effects of the Operational Programme related to climate change (possibly assessing related natural, societal and economic costs and benefits, as well) in order to serve as a foundation for effective action in combating climate change”</p>

According to a SEA recommendation, the DDOP sustainability policy has been clarified; this can be found in the OP section 3.12.

The social partners’ and national authorities’ main comments

<p>Proposition</p>	<p>Responses Reasons for choosing the programme as adopted, in the light of the other reasonable alternatives considered²⁶</p>
<p>In the course of adapting action plans to the OP, maximum effort is required to validate horizontal considerations, such as sustainable development. This is especially true for detailing principles in the action plans within budget priority and specifying detailed indicators (beyond the considerations of project selection), it must be manifest with the same emphasis as economic and societal considerations.</p>	<p>Yes – it has been integrated in the OP. 3.12. Horizontal considerations chapter To satisfy sustainability, the programme requires – during planning, implementation, assessment and monitoring, as well – that the implemented developments take into account along with cost-effective operation the protection of natural and built-in environment to the maximum extent as well as reduce environmental burden to a minimum level and take into consideration the requirements of the local population and the interests of society.</p>
<p>In the field of social processes and</p>	<p>By creating an attractive urban environment,</p>

²⁶ According to Article 11(b) of the Government Decree, and Article 9.1.b. of the Directive.

<p>relationships, the (local) effects of aging and migration and their expected regional involvement should be included. An important issue in this chapter is the number of civic organizations operating in the area, their distribution by main activity groups and their actual function. From an environmental point of view, organizations for environmental and nature protection, their activities, the opportunities and intentions of their participation in the present stages of program development, as well.</p>	<p>improving public health, developing the quality of public services, solving the problems of transportation and environmental infrastructure deficiencies and encouraging employment, the region devotes a great deal of attention to start the process of catching up in backward regions, as well and to improve the negative demographic processes which are especially characteristic of the region. Support for civic organization is generally not within the task objectives of the regional OPs but those of the Social Renewal Operational Programme. Due to the comprehensive partnership process environmental organizations took part in the programming process.</p>
<p>Working out proper follow-up measures from environmental and sustainability aspects</p>	<p>Yes – it has been integrated in the OP In the DDOP implementation chapter (Item 6.2.2.1). Evaluation of horizontal policies – including sustainability – and guarantee conditions of applying minimum sustainability criteria are included here, according to the following scheme: For tracking and reinforcing implementation of the SEA, the preliminary evaluation assessment of the contribution of action plans and individual interventions, major projects to horizontal objectives (2006, 2008, 2010) – among others, sustainability – was published in the OP as well as a comprehensive evaluation of the achievement of horizontal goals of the operational program (including sustainability) (2008, 2010, 2012).</p>
<p>According to the principles set forth in horizontal policies, specification of minimum sustainability (or horizontal) criteria which are manifest as a fundamental condition of application submission.</p>	<p>See above.</p>

Transboundary effects²⁷

With regard to the strategic character of the OP and its detailed information content, it has been analysed in the course of the SEA process whether transboundary effects could be detected. It has been found that – according to the text of the OP – the territorial character of the planned strategic measures, and their implementation’s influence on environment could

²⁷ According to 9. § of the Government Decree, and Article 7 of the Directive.

not be identified by lack of specification, thus information on specific territorial effects – including transboundary effects – is not available.

The SEA pointed out that according to Article 4, Section 3 of the Directive, within the hierarchy of strategic documents primarily those sectoral strategic programmes, concepts should be analysed from this point of view, which had been prepared before the OP. However, lower than OP level documents (action plans, tenders) should also be investigated regarding transboundary effects, when relevant data become available. With the above considered, the Hungarian Government presented the NHDP-level plans – as a strategic frame above the OPs – at bilateral meetings with neighbouring countries' governments. Beyond this, a consultation document has been prepared on transboundary effects in the course of the SEA process of the OP's 2007–2008 Action Plans, which document has been sent to the environmental authorities of all neighbouring countries. We commit ourselves to investigate cross-border effects on the Action Plan level in the whole 2007–2013 planning period.

Monitoring measures²⁸

DDOP planners agree with the SEA that an unavoidable problem is posed at OP planning level, by the fact that certain objectives may act in contrary to each other. Therefore, the individual environmental effect of the application cannot be assessed based on the general text in agreement with SEA recommendations in DDOP action plans and during the implementation. This means that at further Operational Programme planning levels (action plans, calls for applications), sustainability aspects of possible alternative support solutions shall have to be considered on an individual basis. Therefore, relevant guarantees were introduced in the implementation section of the DDOP, with special regard to:

- sustainability criteria (minimum criteria for the acceptance of applications),
- the Sustainability Guide assisting the principle of sustainability,
- environmental organisation membership delegated to Monitoring Committees,
- evaluations targeted at sustainability and strategic environmental examinations for actions plans, as set forth by law.

Horizontal indicators, including environmental ones, will be regularly assessed as part of the OP monitoring and evaluation process.

These monitoring elements were built into the existing monitoring and management system of the DDOP to avoid duplication of monitoring.

3.10. Experiences of the implementation of the Regional Operational Programme (ROP) in the period between 2004-2006

The Regional Development Operational Programme contributes directly to the more balanced territorial development of regions in Hungary in the framework of National Development Plan I during the 2004-2006 programme period. Regarding the implementation timeframe, the quantity of available resources, and its structure (standard programme for all 7 regions), however, the program can only contribute to the elimination of territorial disparities between, as well as within the regions through small steps of development. The Regional Operational

²⁸ According to 12.§ of the Government Decree and Article 10. of the Directive.

Programme (ROP) in National Development Plan I provides grants in the scope of the following priorities:

1. Strengthening tourism potential,
2. The development of territorial infrastructure and the settlement environment,
3. Facilitating human resources development at the regional level.

The following table shows that in the region, the demands received for each priority were higher than the available funding. With respect to individual measures, interest was outstandingly high for measures 1.2 “The improvement of tourism receiving capability”, measure 2.3 “The development of infrastructure in nursery schools and basic education-training institutions”, as well as measure 3.2 “Support for local employment initiatives”, which reconfirms the problems and development needs described in the situation analysis.

Measure ²⁹	Regional allocation (2004-2006)	Received tenders		Total number of eligible tenders		Total number of contracted tenders	
		no.	amount of grant	no.	amount of grant	no.	amount of grant
1.1	3 433 550 138	12	8 061 883 630	7	5 011 663 458	5	3 424 574 593
1.2	1 195 100 238	77	6 407 673 288	18	2 004 379 770	14	1 547 697 690
Priority 1	4 628 650 376	89	14 469 556 918	25	7 016 043 228	19	4 972 272 283
2.1.1-2.1.2	4 477 497 360	24	8 209 615 393	18	6 110 825 160	11	3 649 234 229
2.1.3	654 600 000	8	1 341 366 254	4	601 132 433	4	601 132 433
2.2	2 977 372 860	6	3 110 298 275	6	3 110 298 275	6	3 110 298 275
2.3	2 082 122 175	103	11 320 590 886	74	8 332 956 698	24	2 225 180 388
Priority 2	10 191 592 395	141	23 981 870 808	102	18 155 212 566	45	9 585 845 325
3.2.1	145 395 900	13	490 255 312	6	249 956 205	6	249 956 205
3.2.2	472 540 500	44	4 389 864 787	14	1 344 722 207	7	561 460 484
3.3	402 720 990	18	923 627 391	7	359 053 604	7	359 053 604
Priority 3	1 020 657 390	75	5 803 747 490	27	1 953 732 016	20	1 170 470 293
In total:	15 840 900 161	305	44 255 175 216	154	27 124 987 810	84	15 728 587 901

Table no. 4

Experiences of the various priorities:

1. Strengthening tourism potential

The *development of tourism attractions* for which support was granted was concentrated partly on the development of the Pécs world heritage, and partly on Dráva-side and Mecsek area settlements. The eco-tourism developments that are currently still being implemented appear as complex tourism products that diversify the tourism product offering in the given area, the programme, however, failed to accomplish the reduction of regional concentration level, which was defined as one of the programme’s main objectives. Development efforts incorporated only small amount of marketing activities despite the fact that the encouragement of marketing activities related to appeal was also articulated as a main objective.

29

1.1 The development of tourism attractions
 1.2 The improvement of tourism receiving capability
 2.1 The improvement of the accessibility of disadvantaged regions and micro regions
 2.2 The rehabilitation of city areas
 2.3 The development of infrastructure in nursery schools and primary education-training institutions
 3.1 Building capacity for local public administration and non-governmental organisations
 3.2 Support of local employment initiatives
 3.3 Strengthening co-operation between higher education institutions and local actors

As opposed to the other measures of the Regional Operational Programme's (ROP), applications were received in two stages for *the improvement of tourism receiving capability*, and the enhancement of the quality of services of the attractions. It was not the quantity of applications in either case that caused a bottleneck, but rather their quality, and compliance with the criteria specified in the tender announcement. A large number of tenders were received from South Transdanubia in relation to the other regions. The program accomplished the specific objectives by means of implementing the planned development tasks.

2. The development of territorial infrastructure and the settlement environment

In total 86.53 km of access and by-roads, or minor roads leading to tourism attractions or industrial areas were constructed and upgraded as part of transport development in disadvantaged micro regions, moreover 4 bus terminals were enhanced in Pécs, Dombóvár, and Szekszárd. These development tasks were indispensable from the perspective of the region's development, but do not entail a solution for micro-village covered micro regions suffering from difficult accessibility due to their small number.

Urban rehabilitation related development is being implemented in six towns around the region. The outcome of these efforts will impact approximately 40,000 town-dwellers in the countryside, and contribute to the creation of nearly one hundred new jobs, reinforce the role of central towns in micro regions, while services settling in rehabilitated areas extend their attraction towards surrounding small settlements.

The resources available for the development of primary education institutions were of limited magnitude, and allowed for the reconstruction of just 24 institutions, which does not solve existing problems, what is more, development efforts even made provision more uneven in some cases, since decision-making did not affect the micro regional level, thus in several cases the institutions that were developed were not the ones preferred from the perspective of the given micro region.

3. Reinforcing human resources development at the regional level

The training and employment of 230 people is being realised in the scope of the 9 employment projects based on the measure related to employment of the disadvantaged people. The employed people had been previously permanently unemployed, belong to the group of the disadvantaged, and to the Roma community in large number. Activities in the field of personal services will also be implemented by the projects, that are provided by the organisations through undertaking of potential municipal tasks, moreover operate on a non-profit basis. The issue of sustainability following conclusion is a problem in the case of every project, and this is derived from the economic weakness of implementing organisations, which explains the fact that the majority of tenders were submitted by local governments that transferred employment to non-profit organisations.

Students in higher education institutions were the target group for the practice and local economy oriented development of higher education measure. In regional respect it was primarily the Pécs University of Sciences that showed substantial interest from among the two higher education institutions. Initiatives directed at the professional training of students received the most focus, which indicates the deficiencies of the higher education system in this area.

Experiences of tendering:

As it can be concluded based on the above table, 50% of received tenders satisfied the eligibility criteria from every perspective. The main reason for rejection was format-eligibility related non-compliance in 55% of cases. A number of tenders that were previously rejected

due to format or eligibility grounds were repeatedly submitted thanks to the continuous tendering system. These tenders came out as winning, and contracted tenders in the majority of cases. The above fact points out the mistake of overly emphasising format related requirements, and raises the need for the formulation and application of a more efficient tendering system (two-round tendering) in the case of several development tasks. The system of professional services that assists applicants, as well as the implementation of projects also needs to be thought over. The collection of project ideas, project development, and professional expert activities that can be provided to project owners could facilitate the successful, as well as cost-efficient implementation of National Development Plan II implementation.

The functional division of management tasks between the two participating organizations (Regional Development Authority, Váti Kht.) turned out to be a problem for the applicants, the Managing Authority and IBs alike during the implementation of the Regional Operational Programme (ROP), with respect to communication among organisations, monitoring of deadlines, as well as information supply. The appointment of a single regional level intermediate body is recommended for performing the tasks during the coming programme period.

3.11. Partnership consultation of DDOP

3.11.1. The partnership consultation process in South Transdanubia

The South Transdanubia operational programme was developed and accepted at regional level as a result of the work of the South Transdanubia Regional Development Agency (STRDA), with the approval of the South Transdanubia Regional Development Council (STRDC).

In the programme preparation phase a broad consultation was initiated, that was a two-fold process. On the one hand it meant consultation within the region, and on the other consultation with the various ministries in connection with the content elements of South Transdanubia Operational Programme (DDOP), as well as the sectoral operational programmes.

In the South Transdanubia region planning work was started in 2004, with the formulation of a comprehensive situation analysis document on the entire region, as well as the various segments of the economy and society within it, that was followed by the approval of the system of strategic objectives in 2005. The objectives selected in the latter document provided guidelines for outlining the development concepts.

The South Transdanubia Operational Programme went through a partnership consultation process of a large scope in the region as never before. The purpose of partnership consultation was to collect all the development ideas that had to be defined by the professional and social actors of the region, building from the bottom-up.

In order to establish a base for the South Transdanubia Operational Programme (DDOP), Strategic Development Programmes were elaborated along six themes, and with the appointment of experts' consortiums.

The following three strategic development programmes were elaborated in the field of economic development:

- the development of business services,
- the rehabilitation of brownfield sites,

- development of tourism.

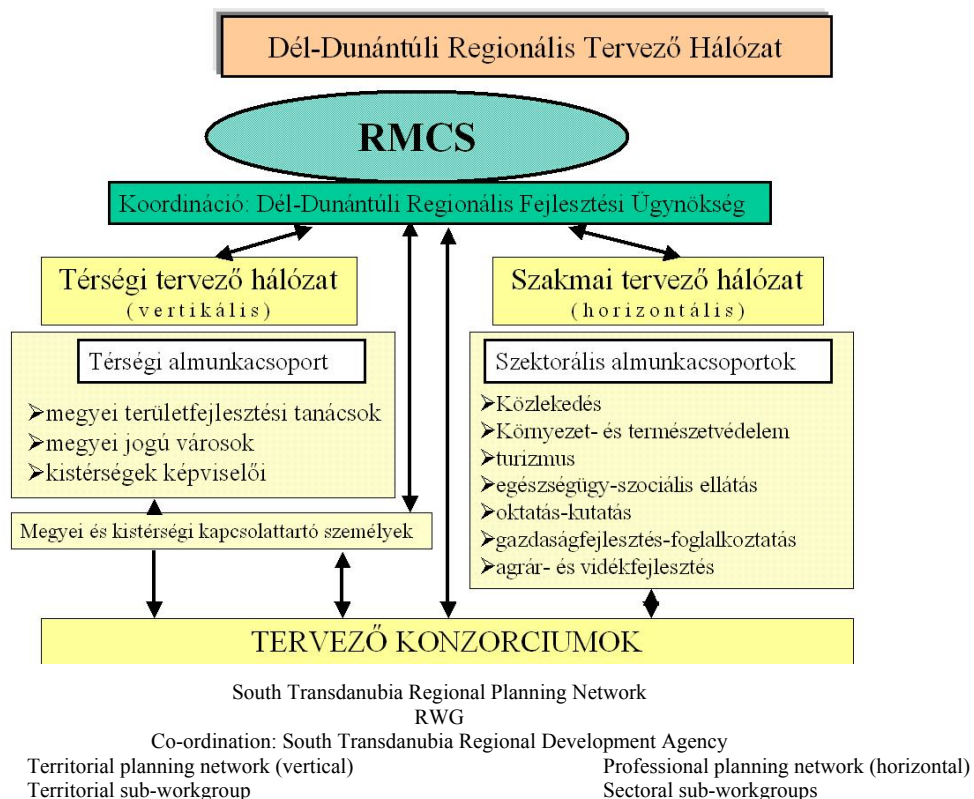
The following three strategic development programmes were elaborated in the field of public services development:

- transport development,
- environment development, and
- human public services development.

The programmes review the various themes in great detail, and this – on the basis of consultation conducted with micro regional actors – provide a satisfactory base for the specification of development areas in the South Transdanubia Operational Programme (DDOP).

The South Transdanubia Regional Planning Network (see Figure no. 2.) was established in December 2005 for the sake of keeping the professional and social partnership consultation process on track, and thanks to that, close to 2500 people participated in person at various consultation forums over 90 occasions. Planning network members discussed the programme as it was formulated through consultation from the professional perspective with the participation of sectoral sub-workgroups on specific themes, while the same was done from the territorial aspect thanks to the work of area sub-workgroups, the result of which was accepted by the regional workgroup, and ultimately by the regional council.

Nearly 30 workshops were conducted during planning with the combined participation of several micro regions, and in the scope of these the completed documents of various development subject areas were discussed in detail. Therefore it can be concluded that programme preparation was formulated with the broad co-operation of the region's professional and social actors, in the course of which the operational programme's material became suitable for conducting nationwide level social consultation.



- | | |
|--|---|
| - county development councils | - transport |
| - cities with county jurisdiction | - environment protection and conservation |
| - representatives from micro regions | - tourism |
| | - healthcare-social services |
| | - education-research |
| Contact people of counties and micro regions | - economic development-employment |
| | - agricultural and rural development |
| Planning consortiums | |

Figure no. 4

3.11.2. The nationwide level social consultation of the operational programmes

The National Development Agency (NDA) has presented the operational programmes for social consultation on October 16, 2006, at the same time it made all 15 programmes available on its website, www.nfh.hu. 14 operational programmes went through social debate, with the exception of the Implementation Operational Programme. NDA was open to receive opinions until November 8.

The methodology of the partnership consultation was based on the methodology applied during the New Hungary Development Plan's social debate. NDA requested approximately 4,000 partner organisations – including professional, representative, and NGO organizations, as well as representatives from economic and scientific circles – directly by mail or e-mail to participate in the discussion. Social debate was open, since anyone had the opportunity to download the operational programmes from the NDA home page together with their corresponding questionnaire, and could send their opinion to e-mail addresses created for each of the operational programmes.

An electronic and structured questionnaire constituted the base for consultation, which simplified the data processing, as well as incorporation of incoming opinions from the technical aspect. A total of almost 1,350 organisations submitted their feedback with the help of electronic questionnaires, as well as in the form of essays, which are available for anyone for review on the home page for the sake of transparency. Most opinions –nearly 350 – were submitted for the Social Renewal operational programme, while 150 were received for the Transport Operational Programme.

In addition, NDA arranged a series of partnership consultation forums for the discussion of both sectoral, and regional operational programmes, with the participation of representatives from the affected ministries, and the competent members of the Development Policy Steering Committee. The scope of organisations invited to the forums was provided based on the database of nearly 4,000 partner organisations, which contains a summary of the partners of all planning units, thus ministries, agencies with nationwide jurisdiction, and regional development councils. Approximately 20 to 25 social, professional, and scientific organisations, as well as NGOs definitive from the perspective opinion-shaping in the topic received invitations for the various sectoral debate forums. The dates of each debate forum were displayed on the website, and applications from organisations which did not receive an invitation in advance were also accepted. An edited memorandum was drafted for every discussion – planned to last nearly 2 hours –, which are also available on the NDA website. The key macro-forums, including among others, the National Council for the Reconciliation of Interests –having a decision-preparing National Development Committee with that the National Development Agency has regular meetings–, the Economic and Social Council, the Hungarian Academy of Sciences, the National Environment Protection Council, the National Council for Regional Development, as well as the National Development Council established on September 5, 2006 have put all the various operational programmes on their agenda. The regional operational programmes were discussed at regional development council meetings in

the region centres (the South Transdanubia Regional Development Council discussed the South Transdanubia Operational Programme (DDOP) on November 23, 2006). The opinions and recommendations raised at council meetings were voice recorded, and the minutes of meetings created can be downloaded from the website. In addition to sectoral regional and macro-forums, the Development Policy Steering Committee conducted continuous consultation regarding the contents of the operational programmes.

The National Development Agency processed all of the opinions that were received by the deadline in a tabular format according to the structure of the given operational programmes, with the involvement of South Transdanubia Regional Development Agency. The planning units responsible for a given theme produced their draft responses to the comments found in the tables completed in the above mentioned manner, indicating whether a recommendation was accepted, rejected, or partially acceptable. The Operational Programme Interministry Co-ordination Committees first discussed the final outcome of individual recommendations in the case of both sectoral, and regional operational programmes, and the Operational Planning Committee made the ultimate decisions.

Following the evaluation of the received opinions and recommendations, the responding organisations were provided feedback in the form of personalised response letter.

Most of the comments and proposals submitted during the social consultation concern the priorities of the operational programme (*economic development, tourism, human public services, improvement of physical accessibility*), but several opinions also extended to development objectives defined at sectoral level and not regional objectives (e.g. local authorities' proposals for improvement of physical accessibility via expressways, two-digit roads, motorways, etc. which belong to the priorities of the transport operational programme. However, a local authority initiative local urging provision of school buses and village services as means of community transport were accepted. This proposal generated further consultations among players in the sector.

The region's universities mainly complained the omission from the programme of support for educational establishments' infrastructural developments and action to broaden the knowledge-based society. These considerations come under the competence of the Social Renewal Operational Programme and the Social Infrastructure Operational Programme, and not of the region.

However, we were pleased to accept some relevant proposals by environmental organisations the inclusion of environmental considerations in the discussion of sustainability in the presentation of horizontal principles.

Youth organisations claimed that youth interests should be supported under a separate action. This proposal could not be accepted because the upholding of youth interests is a horizontal principle, and as such must be fulfilled on a general basis.

Local authorities, businesses and private individuals urged the development of various branches of tourism (hunting, fishing, eco, conference, etc.) and assistance for related services. Such proposals were accepted where they were consistent with the development areas aiming to improve tourism potential. In addition, a large number of comments attached importance to development of the Lake Balaton area and demarcation of core areas.

There were also contributions mentioning cultural and social policy developments, but most of the proposed additions belong to the competence of the sectoral operational programmes or did not coincide with the aims of this programme. Many comments were also made on the situation analysis data and the indicators, others wished to clarify some technical terms, and

we also received some letters which approved and praised some of the OP's development endeavours³⁰.

3.12. *Horizontal aspects*

Horizontal principles for equal opportunity

In accordance with chapter IV, article 16 of Council Regulation 1083/2006, the DDOP ensures that equality between men and women and the integration of the gender perspective is promoted during the various stages of planning, implementing, tracking and evaluating the operational programme. In addition, pursuant to the Equal Treatment Act (Act CXXXV of 2003 on Equal Treatment and Promotion of Equal Opportunities; <http://www.egyenlobanasmod.hu/data/Ebktv.pdf>), the OP ensures compliance with prevention of any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation, in particular in the access to the funds.

Attention must be paid furthermore to the **horizontal enforcement of gender mainstreaming**, the Roma, people with disabilities, people with reduced capacity to work, and children in the course of implementing the operational programme. Change that brings the considerable social and economic benefits that accompany fulfilment of the above principles can only be achieved if all of these principles are fully complied with and encouraged in all areas of development policy. To ensure provision of equal opportunities, particular attention shall be paid to smoothing out regional differences, so that the prospects of people in any social group are not influenced by which part of the country they live in. Taking horizontal considerations into account means that special attention must be paid to aspects of equality of opportunity in the course of planning, implementing, assessing, and monitoring of the operational programme, as well as its main priority axes and operations, ensuring that they are actually enforced.

Keeping **gender mainstreaming** aspects in consideration, active support must be given to measures that help to eliminate inequalities of women or men in every area of social life, including employment, education, economic life, public life, as well as access to assets and services (e.g. healthcare, transport).

The enforcement of appropriate expertise has to be ensured throughout the complete process of elaborating operational programmes, as well as their implementation, for the sake of achieving "gender mainstreaming". This encompasses data collection, and the formulation of indicators necessary for measurement, the enforcement, and accountability of the aspect during the elaboration, evaluation, and follow-up of specific projects, moreover the representation of the aspect of social equality among women and men within the system of implementation related institutions.

The principles of equal treatment, elimination of segregation, complexity, integration, positive discrimination, the conservation of cultural identity, social tolerance, modernisation, as well as of the separation of the social and ethnic dimensions must be enforced for the sake of **supporting the social integration of the Roma**. Particular attention must be paid to alleviating the complex disadvantages of Romas and Roma communities, and to promote their integration, not through one-off schemes but by broad-based social and economic policy interventions.

³⁰ The list of organisations which took part in the partnership process is given in Annex 4.

Several flagship programmes will also contribute to the coherent handling of programmes affecting the Romas³¹:

- "No one left behind"
- Chances for Children
- School of the 21st Century

In line with these principles, projects assisted by the Structural Funds must create synergy with the targeted interventions implemented under the "Decade of Roma Integration" principally in the fields of education, employment, housing and health. Accordingly, the DDOP will contribute by implementing measures such as:

- Promoting participation by Romas in health screenings, carrying on the steps taken so far.
- Local-level cooperation and strengthening relationships between the Roma population and the care system.
- Providing access to equal-standard education for Roma children at school. Creation of access to nursery education for every disadvantaged child: increasing the number of places, compulsory admission of disadvantaged children to nurseries and provision of free meals for those in need. Seeking out children incorrectly classed as handicapped and returning them to general-syllabus classes.
- Where there is public demand: in line with the National Curriculum, education in the cultural of local minorities must be provided. Where there is a Roma population, teaching of Roma culture and folk studies should be provided during compulsory classes to every child at school there.
- Via social urban rehabilitation interventions: dissemination of alternative out-of-school methods to assist the school success of disadvantaged children and encouragement for disadvantaged young adults to attend school and/or alternative education.

In the project selection phase, it must be investigated whether or not the planned development decreases Roma's social exclusion, moreover if it ensures equal access to resources for Roma on the basis of pre-determined criteria. Development efforts need to be realised in a way so that they do not increase prejudice towards the Roma.

For the sake of equality of opportunities for **people with disabilities, and people with reduced capacity to work**, the principles of "nothing about us without us", equal opportunity of access, universal planning, integration, mainstreaming, equal treatment and the obligation for preferentiability, as well as subsidiarity must be taken into consideration. Every development task has to be implemented **taking into account the aspects of accessibility of public places**, thus ensuring the broadest possible scope of access.

In order to be able to build upon the resources of future generations in the greatest possible extent by the development policy, the following principles are to be taken into consideration in the course of enforcement of children policy: the enforcement of children's rights, subsidiarity, access to equal opportunities, involvement, complexity, integrated approach, strategic attitude, and voluntary prevention.

³¹ See Annex 3 for more details.

Horizontal considerations for sustainability

Some interventions to be implemented under the OP – coherently with chapter IV, article 17 of Council Regulation 1083/2006, the horizontal objectives of the NHDP and the main challenges of the revised Sustainable Development Strategy passed by the European Council on 15-16 June 2006 – support sustainable development and the goal of protecting and improving the environment, including mitigation of climate change.

The objective of sustainable development is to have economic improvements realised in a manner whereby they ensure the maximum protection of environmental values, the conservation of natural resources, taking into account the interests of society. The harmonious improvement of the economy, society, and the environment are the three equal pillars of sustainable development. All of this entails the future-oriented, efficient use of available resources, and at the same time the long-term, budgetary funding saving, and cost-efficient operation of projects that are to be implemented. Regional development policy supports intervention in all sectors enjoying priority, which aim to lead the burden of sectors in the economy towards a direction that is sustainable from the environment protection perspective. At the same time sustainability is based on the integrated understanding of security, in which the conservation of today's values, respect for codified and unwritten democratic principles and rights, and the elimination of threatening risk factors are all expressed. The preferential treatment of brownfield site investment projects, the dissemination and application of information-communication technology, as well as the development of its infrastructure and content by means of providing access to it in the broad sense all ensure sustainability in the course of developing the economy.

The system of interventions which serve the purpose of achieving the objectives specified in the scope of the South Transdanubia Operational Programme (DDOP) was formulated so that the implementation of intervention efforts expedites – as much as possible – the region's sustainable development from the environmental, economical, and social perspective. A Strategic Environmental Evaluation (SEA) was conducted with respect to the South Transdanubia Operational Programme (DDOP) for the sake of defining and minimising any potential hazardous environmental effects that may come about in the course of implementing the interventions planned in the programme. By observing the SEA recommendations, environmental risks can be kept at a minimum, and the horizontal principle of sustainability remaining intact during the implementation of the programme can be ensured. External and internal risks that threaten the sustainability of social, economic, and environmental processes are going to be surveyed, and – if possible – reduced in the course of planning and implementing development tasks. The development objectives defined in the first specific objective intend to serve directly the purposes of integrated enforcement of environmental considerations, supporting environmentally innovative development efforts, and ensuring sustainable development. This will provide the opportunity for establishing the region's socio-economic sustainability shall come about. In the course of developing tourism, **the environmental load that tourism causes must be minimised**, and the sustaining capability of ecological systems in any given area must be taken into account during development tasks, along with the possibility to conserve – and improve the condition of – proper environmental conditions, natural and man-made environmental assets, and the cultural heritage.

The principle of sustainable development – complementing environmental safety and environmental consciousness – contributes to the **sustainability of the peculiar settlement network** by means of developing and restructuring it, thereby decreasing the extent of migration, which poses a threat to the future of small settlements. Providing support for innovation and quality in the field of production, moreover the development of human resources is a comprehensive element in the Regional Operational Programme (ROP), and it also constitutes aspects of key importance for sustainability. DDOP is in line with

sustainability in the broader sense, since in the economic sense it encourages using new resources of competitiveness that are not based on low cost and technology levels.

When developing transport, preferential treatment is due to development efforts that improve the standard of services for community transit. This way the equality of opportunity for people who do not own motor vehicles can be ensured. Although the development of the regional public road network does not contribute to conserving the environment on its own, the construction of new roads will result in the combined length of roads becoming shorter, as a consequence of which development efforts will prove advantageous from the environmental load perspective. Vehicles of public transport enjoy preferential status as opposed to individual motor vehicle transport that is important **in order to create an urban environment that is good to live in**, since both the economic efficiency, and the average environmental load of the former transport mode is more favourable.

4. PRIORITY AXES OF THE SOUTH TRANSDANUBIA OPERATIONAL PROGRAMME

Planned interventions were listed under five priority axes for the sake of the efficient implementation of the programme. The themes and content of the priorities were specified taking into consideration the agreements made at the series of negotiations on the separation of content of regional and sectoral programmes. The priorities were specified horizontally, for the region as a whole, and in a way that individual activities within the areas of intervention should serve the satisfaction of development needs of areas and regional units in a particular situation in a targeted manner, for the sake of the development of the various space categories.

Priority axes for that the scope intervention activities are implemented as development policy instruments need to be formulated for the sake of achieving the objectives of the programme. The priorities are related to the specific objectives, and as a result the objectives and priorities can be matched with each other directly. The South Transdanubia Operational Programme has defined the following **priority** axes, for the period 2007-2013 for the sake of achieving the specific objectives:

1. Competitive economy built upon the development of urban areas,
2. Strengthening the region's tourism potential,
3. Development of human public services,
4. Integrated urban development,
5. Improving accessibility and environmental development,
6. Technical assistance.

4.1. PRIORITY AXIS: COMPETITIVE ECONOMY BUILT UPON THE DEVELOPMENT OF URBAN AREAS

4.1.1. Objectives

- Efficient co-operation of economic, social, and institutional players by means of sustaining the development of micro, small, and medium size enterprises, and the reinforcing of both the activity, and the service provision background of entrepreneurs;
- The development of the economic infrastructure, based primarily on the existing industrial park infrastructure, moreover the commercial utilisation of unutilised and

underutilised brownfields that have been withdrawn from industrial production or used to be military sites, as well as the encouragement of their functional change.

4.1.2. Explanation and description

The European Commission's working document acknowledges **the contribution of urban areas to regional development and job-creation**, and emphasises that urban areas – as drivers of development for the regional economy – contribute substantially to the accomplishment of the EU's regional development objectives.

Development efforts encourage the renewal of the region's urban areas from the physical, technical, and socio-economical perspective, as well as the provision of incentives for complex local government or non-governmental organisation strategies aiming to manage urban problems.

The majority of towns in the South Transdanubia region **lack the economic service provision functions** that enable the evolution of the territorial centre role in these settlements.

The integration of **brownfield sites** that still remain **unutilised**, which evolved as a result of the economic structural shift after the fall of communism, with settlement, as well as economic development concepts is a necessity.

The modernisation of the economy in South Transdanubia will be based on the following statements:

- economic growth relies for mostly on the market-based (self-)development of businesses,
- growth, and export oriented strategy is the basis for interventions,
- a knowledge-based economy, a technologically advanced processing industry, and financial-business services are the dominant elements with respect to the structure of the economy,
- networks, systems, and institutions provide the organisational background, as well as facilitate development.

4.1.3. Types of operations

➤ **The formulation and development of co-operation between economic and sector clusters, and companies**

Establishing an enterprise-friendly environment, moreover reinforcing co-operation among businesses is an important task, since such initiatives have only appeared to a small extent in the region so far. Initiatives that have already been launched should be used as the basis. With respect to the target group, development efforts have to focus partly on SME's, and partly on industrial sectors which look back on long tradition in the region: the **textile and tanning industry, machine industry and electronics, and the food industry**. On the other hand, emphasis must be placed on new industrial sectors where perspective opportunities for technical and technological development may arise: the **environmental industry** (and distinctively waste management and recycling, the area of renewable energy use, and eco-economy within that), the **health industry** (medical device production, biotechnology, and activities connected to pharmaceuticals), and the **cultural industry**.

Based on all of the above, co-operation and cluster efforts not only aggregate enterprises, but also organisations which may assist the activities of enterprises in some manner. All of these

could help and serve the demands of individual members or entire clusters in the following fields:

- reinforcing supplier relations, compliance with requirements specified for suppliers,
- the harmonisation of strategies and joint product development, where tasks and cost can be distributed among one another,
- joint marketing, standard image, sharing of cost,
- cooperation between suppliers, as well as customers,
- joint procurement of assets and asset use, etc.

➤ **Improvement of the consultancy system supporting small and medium-sized enterprises**

A large proportion of start-up businesses have a need for start-up assistance consultancy and management programmes (giving advice on how to set up a company, how to draw up a business plan, what the basic marketing tools are, etc.), but such support is difficult to find. Companies already in operation could be supported by sector-specific services, but in designing such programmes it must be borne in mind that these companies already have a background, sometimes based on several years' operation, which require that the assisted services be customised for them. The consultancy packages for them should therefore be designed to flexibly adapt to the highly variable demands of different companies.

Basic means to be used in this action:

- initial audit on request, examining the company and making proposals for appropriate consultants and trainers,
- consultancy on the company's premises and using coaching methods, for which the consultant should be familiar with the activity of the company in its area,
- corporate management programmes, probably carried out in small groups, perhaps with courses and training sessions within the company.

Implementation of the action should involve setting up a body of accredited consultants who have the appropriate skills and knowledge in specific areas and are capable of providing companies with high-standard consultancy and training.

➤ **Development of incubator houses**

Assistance that provides affordable accommodations and service packages is a critically important point of survival and development for enterprises. International examples demonstrate the fact that of the businesses in an incubator house, approximately 70% survive the first year, while this same ratio is approximately 50% among those that do not operate in an incubator house.

Incubator houses ensure a suitable physical location for enterprises, by means of providing offices, and workshops, as well as the appropriate combinations of these two. Business being able to use certain services on a shared basis is one appeal of incubator houses, thus reducing the unit costs of administrative services, telephone switchboard, internet access, printing, etc.

In addition to general incubator services, professional technology transfer services should be provided and technology transfer bureaux for local knowledge bases and research sites should be set up and developed.

In the case of incubator house initiatives, specifying locations where it is either possible to develop already operational incubator houses, or the construction of new ones appears to be potential opportunity.

➤ **Development of industrial parks**

One of the lessons learned during the period that has passed since the launch of the industrial park programme is that of the parks holding the title of industrial park, several were incapable of achieving a satisfactory level of settlement. This is the justification for outlining the idea that the measure should only target the development of industrial parks in which funding would be utilised in the most efficient manner. When implementing the measure, locations where an industrial park is already functioning have to be preferred, funding must be concentrated on the necessary enhancements and expansion of services. Accordingly assistance for greenfield investments and setting up new industrial parks will not be preferred.

In order to increase the level of competitive services of industrial parks and industrial premises, we plan to enlarge the scope and quality of these services, including the development of innovative services and technologies within the industrial parks.

Any possible synergy effect must be taken into consideration during the development of industrial park services. Therefore linking the development of the parks with that of incubator houses appears to be practical, provided that the characteristics of the location enables this, moreover this also creates the opportunity for businesses moving out of incubator houses to move to the industrial parks at the same time. This is further confirmed by the fact that the system of services supporting industrial park and regional enterprises was typically not established in the region's industrial parks. As the combined effect of development efforts implemented in this way, the micro regional economic development role of industrial parks will be made stronger as well, and this is indeed an effective tool for reinforcing the relations generated with economic players that operate in the settlements of the area/micro region.

Apart from the infrastructural development of industrial parks functioning in the region, and the development of services, efficiently operating marketing that combines several solutions has an indispensable role in "selling" and filling-up industrial parks, and again this is a point where assistance for the joint actions of several parks could be practical, for example financing joint investor events and conferences, the production of common sections of brochures, etc.

➤ **Brownfield developments**

Launching on site economic development programmes is one of the ways to utilise brownfield sites in urban areas, along with the integration of the areas to the region's economic processes, which can lead to the generation of new jobs. Brown zones can be developed partly by **function change**, and partly through the preferential treatment of the brownfield sites that are most suitable for the compound selection related decisions of production units to be established. Brownfield areas utilised with the help of the intervention will be given new function, which is going to help strengthen the economic functions of urban

areas, increase employment in the given area, as well as provide a venue with appropriate infrastructure to local or external investors.

Support for urban development actions of community and public services purpose will be possible in the scope of Priority 4 of the South Transdanubia operational programme, while Priority 2. supports developments related to tourism purposes.

➤ **Experimental actions and programmes for supporting regional innovation**

The implementation of experimental actions aligned with the objectives and priorities designated in the South Transdanubia Regional Innovation Strategy (STRIS) will be necessary for the sake of supporting regional innovation. Supporting experimental actions will allow the testing and comparison of innovative methods, programmes, and projects, based on which the best and most effective methods, actions, as well as initiatives to be subsidised with greater funding during the subsequent years of the operational programme will be possible to select. The formulation and implementation of experimental actions and projects takes place with the participation of the Regional Development Agency. Continuous monitoring supports, and measures the successful implementation, as well as results of such actions.

➤ **Project preparation**

Support for project preparation operations will be necessary with respect to certain complex operations that demand greater preparation time and have larger cost demand. Relevant projects being prepared in sufficient quality, and at the appropriate time can be ensured through this, thereby enabling the efficient utilisation of funds. Among other things, subsidising the elaboration of preliminary studies and technical designs will also become possible in the framework of project preparation.

4.1.4. The relation of the priority and the specific objectives

The region's economic competitiveness is going to become stronger through the interventions the implementation of which is planned in the scope of the priority, and thereby it contributes to the achievement of the specific objective of "Competitive economy built around local characteristics" to a great extent. Since the environmental industry is an economic sector that is to be treated with critical importance, the development of enterprises operating in this area will contribute indirectly to the conservation of the region's environmental condition, and the accomplishing of the specific objective, "Preservation of the natural and built environment".

4.1.5. Requirement of flexibility of funding

It is intended that implementation of the priority axis will make use of the flexible financing option provided in article 34, paragraph 2 of Council Regulation 1083/2006 of up to 10% within each priority axis. Project owners may only use subsidiarity between funds if the grant conditions provide for it and the ESF activities are firstly directly related to ERDF-based project implementation and secondly either necessary for effective implementation of the project or aimed at the solution of a highly specific local problem.

4.1.6. *Expected results*

The expected result of the priority will be that the interventions contribute to increasing the profitability of small and medium size enterprises in the region, reinforcing the technologically advanced processing industry, and as innovation-oriented sectors become stronger, a more ideal sector structure will evolve, making the increase of the employment rate level possible.

Local small and medium size enterprises capable of growth will create new jobs, attracting external capital will contribute to increasing employment as well.

The competitiveness of the South Transdanubia region's towns will improve, employment will increase, and the scope of public and business services towns provide will expand as a result of the development efforts.

The actual effect of the measures planned in the framework of the priority will be possible to multiply if the interventions are in coherence with interventions of sectoral programmes, and synergy effects are perceivable among the programmes.

4.1.7. *Indicators*³²

- Increase in gross added value generated by the business sector generated by the programme (HUF)
- The increase in net occupation of industrial parks and industrial areas receiving assistance (%)
- Number of full-time jobs created as a result of the programme (number)
- Direct investment induced by assistance (HUF).

4.1.8. *Horizontal principles*

One cornerstone of economic development in the region is the principle of **sustainable development**. This implies future-oriented, efficient use of available resources and long-term material-, energy- and cost-efficient operation of projects which are implemented, with minimal use of public funds. The DDOP is consistent with sustainability in the wider sense, because in the economic sense it promotes the use of new sources of competition based not on low levels of cost and technology, but on the above factors. This is supported by preference for brownfield investments, encouraging the use of **info-communication technology** and developing its infrastructure and content by providing broad access to it.

The DDOP also defines as a horizontal principle the provision of **equal opportunities**. In connection with this priority, this means assistance for interventions which create new job opportunities by setting up new businesses and initiatives to reduce the vertical and horizontal segregation of the sexes on the labour market.

4.1.9. *Regional preference*

The primary target area of the region's economic development is the region's **development pole** – which constitutes spatial category I –, and the **regional development poles**, which make up spatial category II. Enterprises and the qualified workforce are concentrated in these

³² The summary matrix of DDOP indicators can be found in Annex No. 2.

areas, this is where the conditions for the provision of a wide range of business services have evolved, and universities and research locations are also associated with these areas. The development of areas belonging to the above two spatial categories is due to preference of the industrial park and incubator house related development interventions, as well as in that of subsidising experimental actions.

In the case of the **region's university centres**, the enlargement of the innovation capacity of these institutions is important for the sake of reinforcing their territorial attraction effect. The business relations of primarily the University of Kaposvár, as well as of the Pécs University of Sciences need to be expanded, building on the intellectual capacities that are concentrated there.

The reinforcement of the business and economic service provision functions that build upon local economic characteristics in a objective in the case of **medium size towns with a population above 10,000 people**. The strengthening of the economic functions of **settlements that play the role of micro regional centres** is furthermore important, especially in deprived areas where towns are scarce, moreover in the case of “young” towns.

The renewal of brownfield areas must be supported first of all in towns, as well as in settlements that have a past of coal and uranium mining in the **Mecsek hills and the Völgység** area, moreover in **former military areas** where ownership issues are resolved, and characteristics enable the evolution of new functions.

Economic development projects crossing the national border will be assisted by HU-CRO OP in the framework of the European Regional Cooperation initiative.

4.1.10. Synergy with the New Hungary Rural Development Programme

The OP does not support

- projects related to producing, processing, and marketing of **agricultural products listed in Annex I** of the Treaty establishing the European Community (consolidated version, 1997) (in the case that the processing of the product results in a product listed in Annex I)..
- businesses deriving over 50% of their net sales income, or to sole entrepreneurs deriving **over 50% of their tax base, from agricultural activity** (TEÁOR activity classification numbers 01.11-05.02.)
- micro-enterprises requesting **capital assistance for projects in a village** fulfilling one of the following conditions:
 - population density less than 100/km²,
 - permanent population less than 5000,

The National Fisheries Strategic Plan, financed from the European Fisheries Fund, will not assist activities also covered by the operational programmes of the NHDP.

4.2. PRIORITY AXIS

STRENGTHENING THE REGION'S TOURISM POTENTIAL

4.2.1. Objectives

- To increase the number of tourists visiting the region
- To increase the duration of stay of tourists in the region

4.2.2. Explanation and description

Building on the features of the South Transdanubia Region, and in line with the National Tourism Development Strategy, tourism projects will concentrate on those attractions in the region which have the highest visitor-drawing power. The most important of these are tourism products enjoying the highest priorities at national level: **health tourism**, wine and gastronomy tourism and **heritage tourism**, for which cultural and ecotourism developments have a strong place.

From the perspective of the regional economy in South Transdanubia – built upon local characteristics, values, and development potential – the development of tourism is a task of critical importance, which constitutes one of the sources of endogenous growth opportunities. For every development, a key consideration is sustainability in the economic sense, and a goal for investments is that they should involve further private capital. The Social Accounting Matrix model indicates that demand for tourism generates significant knock-on effects, i.e. the tourism sector can be the source of very significant economic stimulation. It is the development of regional SME's, and the increase of their productivity that needs to be developed in the framework of developing tourism. In order to do so, developing attractions and enhancing their quality is necessary in areas with tourism potential, and this is usually implemented by local governments because attractions often are incapable of generating sufficient profit on their own (cultural tourism development efforts, for example), at the same time their development is a necessity for the sake of increasing visitor turnover.

Visitors are going to generate additional demand for local services and goods through the implementation of this priority, and this will vitalise the economy. As a result, tourism creates new jobs not just directly, but also in an indirect manner.

Developing attractions that generate demand is a fundamental condition for developing tourism, along with providing incentives for improving the quality of services provided by SME's which play a definitive role in realising direct revenues derived from tourism. This is an essential condition for satisfaction of the ever-increasing demands of both foreign and domestic tourists. Developments, especially in the case of hotels and other accommodation, should be based on existing capacity (although not ruling out increasing the capacity of high-standard and special-purpose accommodation), where higher levels of utilisation demand

higher standards. In the case of commercial accommodation developments the aim is to support quality developments in order to enhance the popularity and the revenue-generating ability of tourist attractions. Furthermore, another aim is to involve private capital in a growing manner and to decrease the proportion of support. Therefore, a lower maximum intensity of support is defined for the commercial accommodation developments as it is determined in the regional aid map. We do not support the development of 5 star classification accommodation facilities.

Tourism related development demands the conservation of natural values and the cultural heritage – based on architectural or traditions –, as well as the utilisation of these in a sustainable manner.

This priority is primarily built upon increasing domestic and international demand for cultural, therapeutic and eco-tourism attractions that are based on regional and local values. The South Transdanubia region possesses a couple of attractions of international significance (Lake Balaton, Pécs and its surroundings, thermal baths), as well as several nationwide attractions (Danube and Dráva River country and national parks, the Mecsek Hills, the wine regions, and hunting areas). Its most competitive products are therapeutic-thermal, cultural, wine-gastronomic, water, hunting, and eco-tourism, the latter in the broad sense. In the period of 2007-2013 we pay special attention to health tourism, which is an outstanding asset for both Hungary and the region.

The actual effect of the measures planned in the framework of the priority will be possible to multiply if investment projects financed from other programmes under different priorities are realised in other sectoral and South Transdanubia regional areas simultaneously with these development efforts, among others in the field of transport infrastructure, rural tourism, and the specialised training of people working in the tourism sector.

4.2.3. Types of operations

➤ Developing propulsive tourism products, and formulating complex regional tourism product products in the core tourism areas

The South Transdanubia region's above mentioned attractions of international and domestic significance are not suitable for attracting a substantial number of visitor to the region in their current state. There is a need for **comprehensive, region-based development of tourism attractions** and the linking of core tourism products and the area's other attractions into an experience chain. In the interest of better exploitation of potential, the propulsive products linked to identified tourism core areas must be subject to coordinated development and linkage by developing thematic tours, a coherent image designed, and the linear infrastructure (cycle paths, waterways, historic railways) improved. This crucially requires **linking players in the tourism sector** (developing tourism clusters). The region's leading products are water, therapeutic-thermal, active, wine and gastronomic, cultural and urban, and medical tourism (combined with rehabilitation activities in some cases), along with eco- and rural tourism. Promotional efforts will require development of **marketing tools** and in some cases the **infrastructure giving access to attractions**.

Developing the drawing power of tourist attractions must be pursued in cooperation with the private sector. Increasing drawing power means making attractions capable of receiving visitors, installing visitor-friendly infrastructure and linking together smaller attractions into an experience chain via a coherent concept. The supported attractions should serve tourists

on a high standard, therefore it is important to favour high quality developments, primarily among the most important tourist assets of the region. Enabling attractions to be presented will involve providing the associated infrastructural elements (rest areas, car parks). Compiling information material on attractions, publishing it and developing on-line content will make the region's features familiar and turn the attractions into tourism products.

Culture has become a kind of tourism product, this is why **developing the cultural offering** is important in popular visitor areas with sound cultural features, that nonetheless build on attractions other than culture, where culture does not constitute the core attraction of the given area (predominantly in the vicinity of Kaposvár and Szekszárd, as well as in the Preferential Holiday Resort District of Lake Balaton). The development of the cultural offering as a primary product is especially important wherever culture constitutes an attraction by itself, i.e. in connection with Pécs and its vicinity, as well as Kaposvár and its vicinity, with particular regard to Pécs becoming the European City of Culture in 2010. When developing the cultural offering, efforts must be made to support local life of art and the local creative industry for the sake of the biggest possible proportion of revenues derived from tourism staying in place. Incentives must be provided for the **tourism related utilisation** of the region's cultural values – in a way that they fit to the main product offering of the given core area – for the sake of conserving them.

Building upon the significant therapeutic and thermal water assets of the region, a **regional health tourism product that is competitive** even at international level must be developed. In order to do so, it will be necessary to **develop existing therapeutic and thermal baths in the South Transdanubia region** along the directions defined in a standard regional development strategy, which is to be created with the participation, and approval of all players. Baths in the region will be developed in a way so that their offering complements each other, without baths having to fear competition from their counterparts, **in order to create a competitive thematic thermal-tourism product** that covers the entire area of the region. The developments must be implemented with private sector involvement. There is no justification for supporting of local authority tourism developments in the areas of medicinal and thermal baths and other wellness developments without the involvement of private investors.

In the case of the Preferential Holiday Resort District of Lake Balaton, the developments must be coordinated with the Central Transdanubia and West Transdanubia regions to ensure that the Balaton area as a whole develops in accordance with a well-defined strategy, i.e. the accepted Balaton Development Strategy.

➤ **Expanding the tourism services offering, and the development the tourism infrastructure**

Strong seasonality constitutes a problem for tourism related enterprises throughout the entire South Transdanubia region, which acts as a barrier for the dissemination of high-standard accommodation. This is because return on tourism purpose investment is not ensured in every case because of the short seasons. The lack of accommodation of appropriate quality, however, has already become a barrier for developing tourism, due to lack of appropriate supply of accommodation for guests with high level of spending. This is the situation in the western part of the Preferential Holiday Resort District of Lake Balaton, in the county seats, and especially in Pécs, which builds upon cultural and conference tourism, and where the European Cultural Capital 2010 series of events is inconceivable without the quantity, as well as quality improvement of the current accommodation offering. In accommodation

developments, developments resulting in upgrading existing accommodation to new categories will be granted preference over greenfield developments.

Improving tourism receiving capability and services will be supported in parallel and in connection with the development of attractions, with the involvement of private capital. Incentives have to be provided for the creation of commercial accommodation, providing high level services primarily by upgrading existing accommodation, especially in Pécs and its vicinity, Kaposvár and its vicinity, the Danube riverside, the Preferential Holiday Resort District of Lake Balaton, as well as in the Villány-Siklós-Harkány area, and near therapeutic and thermal baths that provide high standard services. During the developments demand has to be proven and taken into consideration without leading to over-supply. A classification system needs to be created and introduced for pools, baths and waterside facilities in resort areas. In connection with other attraction related development efforts taking place in the region, where there is at present little accommodation, there will be assistance for medium-category in addition to high-category accommodation developments, because in these areas the accommodation capacity will otherwise be insufficient to satisfy the growing demand from visitors following tourist attraction developments. The purpose of assistance is to enable the standard of tourism services to keep up with already partially-realised attraction development.

The South Transdanubia region is an area of outstanding gastronomic traditions. Assistance will be given for compliance with the new standards of hygiene, aesthetics, and health. We will assist reform of gastronomy, and restaurants offering endogenous specialty dishes and quality local wines throughout the region, especially in the wine regions and in Pécs, in connection with ECC 2010. A **classification system for evaluating restaurants** will be established and introduced. The **creation of local supplier systems** has to be supported, building upon places of accommodation that operate in centres of tourism, for the sake of the unique, characteristically local products of food industry of agricultural producers in the surrounding areas should be available for the guests. As a result of this, revenues derived from tourism can be channelled along towards local producers, so a greater part of revenues stays in place. The tourism related development of sports and recreational spaces directly connected to hospitality is also necessary for the chance to satisfy visitor demands with the broadest possible scope of services. The simultaneous construction of service facilities (covered and lockable storage, servicing points, and rest areas) will be necessary along the tourism purpose bicycle road network – to be aligned with the designated national and regional bicycle road network – which is going to be built between attractions situated in various locations of core tourism areas and core areas.

➤ **The setting-up of a destination management organisation that implements an efficient marketing strategy**

Core area destination management organisations that build the offering of various regional levels on one another, and thus utilises synergies must be established to raise the competitiveness of tourism and enable tourism to be marketed efficiently, and local destination management organisations must be encouraged in the settlements covered by core areas. Tourism currently operates with an inefficient structure of isolated organisational units and management. A coherent system is required consisting of interlinked and coordinated organisations linked various area levels and integrating all efforts involved in developing and marketing tourism products. The destination-management organizations are to prepare complex strategies in order to bring the region's destinations to the market, to strengthen their position, to promote them and to develop human resources etc. Tourism service providers

must be increasingly involved in tourism management organisations, and partnership between the public and private sectors must be strengthened. Destination management organisations and networks will function as voluntary units made up of local governments, the population, as well as enterprises that are stakeholders in tourism. The system of organisations must be set up on the bottom-up principle at the levels of town, tourism core area and region.

In the Preferential Holiday Resort District of Lake Balaton, a coherent Balaton Tourist Destination Management system of organisations must be set up by agreement among the three regions affected, and a TDM system launched.

Setting up this system of organisations will, in each area, concentrate in a single body the functions related to market research, product development, information system management and consultancy. Taking the spread of internet into consideration, the **development of online content** impacting the region, the publication of information concerning various tourism and cultural offerings, and the extensive expanding of **online services** (reservation, route planning, visual materials, cultural events calendar, etc.) are all of fundamental importance. Drafting and implementing the regional marketing and promotion strategy, representing the region's characteristic image successfully, and increasing awareness of the region are also required. Media focus and presence, which can be expected to increase in connection with the European Cultural Capital 2010 event in Pécs will provide a lot of help for this. The positive effects of ECC 2010 should be extended across as large area in the region as possible.

➤ **Project preparation**

Support of project preparation operations will be necessary with respect to certain complex operations that demand greater preparation time and have larger cost demand. Relevant projects being prepared in sufficient quality, and at the appropriate time can be ensured through this, thereby enabling the efficient utilisation of funds. Among other things, subsidising the elaboration of preliminary studies and technical designs will also become possible in the framework of project preparation.

4.2.4. Relation of the priority and the specific objectives

Operations that are part of this priority will contribute to achieving the objective of "Competitive economy built around local characteristics", since local enterprises that belong to the tourism sector will set out on a growth path by means of the incremental revenues generated by visitor turnover increasing thanks to development efforts.

4.2.5. Flexibility of funding

It is intended that implementation of the priority axis will make use of the flexible financing option provided in article 34, paragraph 2 of Council Regulation 1083/2006 of up to 10% within each priority axis. Project owners may only use subsidiarity between funds if the grant conditions provide for it and the ESF activities are firstly directly related to ERDF-based project implementation and secondly either necessary for effective implementation of the project or aimed at the solution of a highly specific local problem.

4.2.6. Expected results

Through the implementation of this priority market loss of the Southern Trans-Danubia region is expected to stop compared to the rest of the regions, with respect to both domestic, and foreign tourists. The number of visitors will increase in the supported regions, along with average duration of stay.

4.2.7. Indicators

- Increase in gross added value of the hotels and catering sector (%)
- Increase in the number of visitor nights spent in the region (number)
- Increase in turnover from visitors to assisted tourist attractions (%)
- Increase in utilisation of commercial accommodation capacity (%)

4.2.8. Horizontal principles

This priority puts particular emphasis on providing the environmental, social and economic conditions for sustainability to ensure that the use of funds promotes movement in the direction of sustainable development, i.e. the application of future-oriented thinking. Since tourism increases environmental stress, the integration of environmental criteria is of key importance. To minimise disturbance to the ecological systems, developments must place particular emphasis on environmental criteria. Account must be taken of the resilience of ecological systems in the area and of how the liveable environment, the features of the natural and built environment and the cultural heritage may be preserved and their condition improved. The developments must also take account of relevant safety considerations.

The region as a whole is well placed for implementation of tourism developments, and this is a possible breakthrough point for the region. This provides a good foundation and background for strengthening social cohesion, taking joint advantage, in a mutually supportive way, of shared values for the purpose of combating poverty and social exclusion, establishing social solidarity, and expanding social capital. Strengthening forms of partnership and cooperation and encouraging local community initiatives will foster regeneration, interdependence and cooperation in rural society.

In pursuit of area cohesion, funds for developing rural quality of life and economy will have to be concentrated in certain areas, and the level of lagging areas must be raised.

As prescribed by law, new and refurbished facilities, services and accommodation units must have disabled access, so that developments are accessible and usable by everyone.

4.2.9. Regional preference

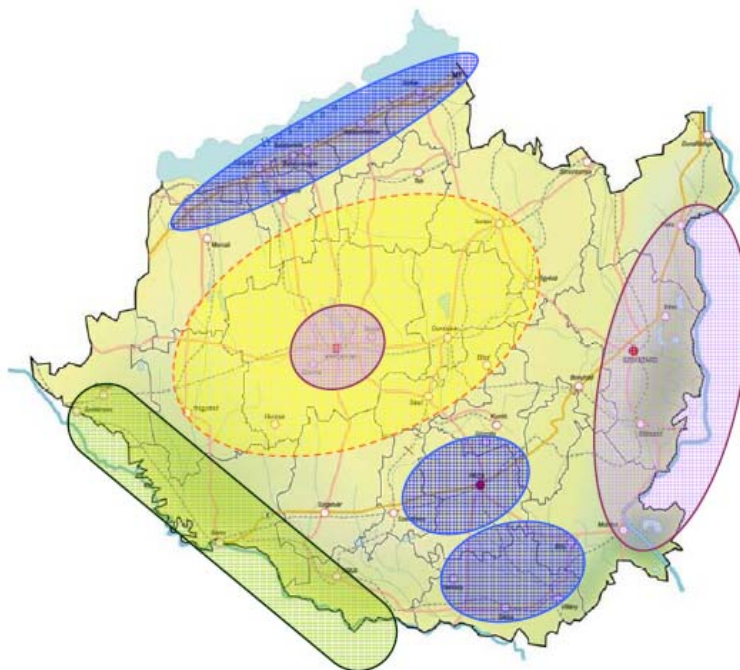
There is measurable tourism in one-third of the South Transdanubia region's settlements, while regional distribution is in alignment with the territorial location of existing attractions in the region. Therefore the development of services as discussed in the priority have to be concentrated, primarily, in the areas impacted by tourism even at this time. Some innovative attraction development efforts (theme park, aquapark, therapeutic centre) that are also significant from the regional perspective are nevertheless required in areas that hold

substantial potential, but are not yet utilised. This will enable tourism developments to start up in areas where converting existing characteristics as they are to significant products is impossible, and allow the growth of the appeal of neighbouring core tourism areas as a result of developing new products. These kinds of development efforts are proposed for Inner South Transdanubia, moreover for the Dráva riverside area. Accommodation and service development tasks associated with developing the attractions can also be supported in these areas, thereby also helping to increase the region's employment potential.

Product portfolio in the various core tourism areas will be specified building on local characteristics, so that the core areas are easily identifiable on the basis of their propulsive tourism products, and the offering of core areas supplementing each other at the regional level. The following map and product/core area matrix shows the core tourism areas, and the proposed product offering of such core areas (the illustration of core areas indicated on the map is of indicative nature, concrete core area boundaries are specified in the South Transdanubian Action Plan).

Cross-border tourism developments are supported by the HU-CRO OP in the framework of the European Regional Cooperation initiative.

Figure 5: Core tourism areas



Development in the frames of the priority is going to concentrate on the seven core tourism areas in the region, where it will be possible to **develop propulsive products** and support **complex tourism products** to be built around core products, moreover to develop associated services in these areas. The goal will be better utilisation of existing strengths in the first four areas, and exploitation of existing characteristics in the other three.

Table no. 5: Product-Core area matrix

Core areas	South Balaton	Pécs and its vicinity	Villány-Siklós-Harkány	Danube riverside	Kaposvár and its vicinity	Dráva riverside	Inner South Transdanubia
Products							
Health tourism							
Water tourism and active tourism							
Equestrian tourism							
Bicycle tourism							
Hunting, angling							
Eco-tourism							
Rural tourism							
Wine and gastronomy							
Cultural tourism							
Conference tourism							
Innovative products / Theme parks							

4.2.10. Synergy with the New Hungary Rural Development Programme

The DDOP supports:

- facilities meeting the legal definition of “commercial accommodation”,
- tourism services except agro-tourism services as defined in the NHDP, i.e.:
 - occasional village and agro-tourism service activities defined in section 59 of Act CXVII of 1995 on Income Tax,
 - services closely related to basic agricultural activities in villages eligible under this action (population under 5000 or population density under 100/km²), such as horse riding, fishing, hunting and forestry tourism.
- attractions and associated infrastructure development: comprehensively,
- tourism destination management centres and services: full assistance for area coordination purposes, irrespective of size of town and type of service provider,
- wine-tourism in case of projects above 100.000 euro support demand. (Under 100 000 euro demand they will be supported by the New Hungary Rural Development Programme).

The National Fisheries Strategic Plan, financed from the European Fisheries Fund, will not assist activities also covered by the operational programmes of the NHDP.

4.3. PRIORITY AXIS: DEVELOPMENT OF HUMAN PUBLIC SERVICES

4.3.1. Objectives

- To improve access of human services, along with their quality – especially in backward or disadvantaged areas– through the creation of integrated micro-regional human services networks and their centres, which provide complex services.
- To increase the number of disadvantaged people involved in sustainable social employment,
- To provide support for making public institution accessible for people with disabilities, and for the information technology development efforts of local governments.

4.3.2. Explanation and description

As a consequence of the region's characteristics, the main direction of social and economical development has to be the enhancement of internal human resources, because the region can hope to see a breakout opportunity for economic development in this field. Partly as a result of that and partly based on European and national specialised policy strategies, it will be necessary to create equality of opportunity for everyone providing the widest possible range of public services. As a consequence of the geographic characteristics discussed in the situation analysis, however, the equality of opportunities can only be accomplished through relatively higher service provision cost, than in other regions of the country. This is why finding solutions that provide access to services for every inhabitant in the region at a cost level that is not higher than in other parts of the country – i.e. with the chance for long-term financing – is a key issue from the perspective of contributing to the region's social and economic development. In the course of arranging the services and establishing the infrastructure associated with them, the solutions to be used have to provide good quality services even in sparsely inhabited areas which are for the most part populated by disadvantaged groups, and where transport conditions are unfavourable, without deploying unnecessary capacities. On the basis of these considerations, the integration-based development of healthcare, social, and child welfare basic services, nursery school and primary school education, moreover cultural services closely connected to these fields, is of critical importance. Apart from developing the services, it will be important to make efforts for the sustainable employment of disadvantaged people, which may facilitate their reintegration on the labour market in the long run, improving of their living conditions.

4.3.3. Types of operations

- **Establishing integrated micro regional level human services networks and their centres**

The development of human public services, and the provision of such services must be solved on a territorial basis, at micro regional level. Infrastructure that is appropriate, as well as suitable for multiple purposes, and complex services which place people in the focus instead of specialisation, and are supportive from several perspectives are needed, and in order to ensure that they can be reached, physical and info-communications accessibility is indispensable. Providing support for the creation of **integrated centres** must be commenced (micro region service centres), where human services covering a centre's attraction can be provided in the same location, if possible (special focus will be given to development efforts that are going to be implemented with brownfield investment). The spatial concentration of services is preferred, but is not a pre-requisite for development activities. In the case of the spatial concentration of services, the sustainability of service centres must be ensured, along with the possibility to access them, partly by means of developing community transit, and partly – especially in micro-village areas – through the emergence of **alternative and/or innovative forms of service** that provide for missing needs. We furthermore consider the encouragement of assigning community functions to infrastructural capacities that are liberated as institutional integration takes place to be a necessity.

The following are possible fields for integration:

- *Basic healthcare services*

The transformation of the system of **basic healthcare services** in a cost-efficient manner is reasonable, along with providing services to every inhabitant in the region.

- *Basic social services*

The possibility to access minimal level **basic services** everywhere in the region has to be ensured, thereby providing **equality of opportunities**, and facilitating the chance to enter, or re-enter the **primary labour market**. Because the development of day-nurseries is planned in an integrated manner with nursery schools, this is discussed in the following paragraph.

- *The integrated development of the public education and cultural service infrastructure*

The operation of institution systems must be **rationalised** for the sake of providing for primarily **nursery school and primary education demands** cost-efficiently and at a standard meeting the requirements of content and methodology for 21st century education. In areas where it is justified by local characteristics, it will be necessary to establish an **integrated institutional network** that is able to incorporate all institutions performing public education tasks. The creation of integrated institutions that also incorporate other – not just pedagogy and education work related – public education activities (e.g. day-nursery) is to be given highlighted support. This can be construed as support for establishing multi-purpose institutions through institutional integration, furthermore incentives must be provided for assigning cultural service and community functions to infrastructural capacities that are freed up in the course of educational integration. Establishing integrated institutions will not be a requirement in cities – if this can be justified professionally – in the case of development efforts targeting more cost-efficient operation.

Special attention is to be paid to the ICT-asset development of public education institutions, tying in with the development efforts of the Social Integration Operational Programme (TIOP), and to ensuring harmony and comprehensiveness between DDOP's infrastructural developments and the educational developments of TAMOP (Social Renewal Operational Programme). It is thus of key importance to support non-discrimination, non-segregation and

the provision of conditions for the educational and social integration of multiply-disadvantaged (mainly Roma) students.

➤ **Healthcare related development efforts**

The health-conscious thinking of the region's population must be encouraged, encouraging the evolution of a healthy society. Supporting of the implementation of regional screening activities as a critical priority is also justified beside the above. These preventive actions contribute to the improvement of employment capability indicators in an indirect way. Developing institutions and services that provide therapy and treatment for **addiction patients**, as well as reintegrating those whose reintegration to the labour market further improves the above mentioned indicators.

An important health reform-linked area development is the upgrading of existing specialist outpatient centres to meet real needs. In order to establish a comprehensive system of care, outpatient care in micro regions without outpatient clinics will be developed under the Social Infrastructure Operational Programme.

On the basis of the facts described in the situation analysis, providing support for the creation of a **complex rehabilitation network** serving the region's objectives, and in coherence with the sectoral reform concepts is justified. The objective in the scope of the priority is to develop rehabilitation services targeting active earners, as well as regional services ensuring care for the elderly, which represent real demands, **in the micro regions impacted by the structural shift, and in the scope of healthcare reform**. The development of rehabilitation services will play a part in the workforce requiring this form of healthcare service to be able to return to the primary labour market in good health, as soon as possible.

➤ **Development of social services**

Developing alternative family and home-focused services building around actual needs is justified for the purpose of supplementing the services that are present in integrated centres.

➤ **Accessibility of public places for people with disabilities, information technology improvements**

Conditions for equal access to county and district local authority public services will be improved. The content of development will be to provide access for people with disabilities in buildings and their environment. This includes info-communications accessibility as well, which will increase the social and labour force involvement of people with disabilities. In the case of IT improvements, integration with central e-public administration systems, as well as public administration upgrade objectives will be necessary. The operational programme provides grants to municipalities to be able to integrate them with application services centres to be established in Hungary with the help of the Electronic Public Administration Operational Programme, for the sake of ensuring IT improvements to support the standardised and financially sustainable "e-conversion" of authority role related, as well as internal work processes at local governments.

➤ **Strengthening the employment of the socially disadvantaged**

Development efforts to be implemented target activities which are able to create jobs on a small scale, based on local level needs, and opportunities. Creating workplaces of production nature which can function in a sustainable and self-reliant manner with a workforce selected from socially disadvantaged people is to be supported (through infrastructural investment projects).

There is a need for implementing local job-creation programmes that organically integrate with infrastructural development efforts that will be realised within the various priorities, as well as complex regional development programmes, which strive to reintegrate groups in a disadvantaged situation; for example the labour market reintegration of the Roma.

➤ **Project preparation**

Support for project preparation operations will be necessary with respect to certain complex operations that demand greater preparation time and have larger cost demand. Relevant projects being prepared in sufficient quality, and at the appropriate time can be ensured through this, thereby enabling the efficient utilisation of funds. Among other things, subsidising the elaboration of preliminary studies and technical designs will also become possible in the framework of project preparation.

4.3.4. *The relation of the priority axis and the specific objectives*

Development tasks included in this priority facilitate the improvement of the local population's living circumstances, and general access to community services of increasing quality, thereby they can be key contributors to the accomplishment of the objective operational Programme "To stop the increase of social differences within the specific region".

4.3.5. *Flexibility of funding*

It is intended that implementation of the priority axis will make use of the flexible financing option provided in article 34, paragraph 2 of Council Regulation 1083/2006 of up to 10% within each priority axis. Project owners may only use subsidiarity between funds if the grant conditions provide for it and the ESF activities are firstly directly related to ERDF-based project implementation and secondly either necessary for effective implementation of the project or aimed at the solution of a highly specific local problem.

4.3.6. *Expected results*

As the objectives set forth in the priority are accomplished, regionally co-ordinated, and optimally functioning healthcare, basic social and primary education services accessible to everyone – even those from the most disadvantaged areas – will be established. The cohesive power of local communities and social cohesion will become stronger, along with the social involvement of the most segregated layers. The handicap of areas and social groups that are falling behind will be reduced through the establishing of an appropriate service provision infrastructure. Differences in accessibility (including the provision of access for people with disabilities in public services) will go down in a demonstrable way in the medium and long term, social safety will be enhanced, and the economic activity, as well as rate of employment of the region's adult population will increase. The medical condition of inhabitants will improve, the number of successfully rehabilitated individuals will increase, and they in turn

will be able to enter the primary labour market next to healthy employees. The increase of the population that is able to work will improve the region's competitiveness.

4.3.7. Indicators

- Reduction of the proportion of students not satisfying the minimum knowledge criteria in national competence assessments (%)
- Increase in the proportion of 0-18 year olds benefiting from the services of multifunction nursery and school education establishments (%)
- Increase in the number of patients receiving high-standard outpatient care (in clinics affected by the development) (number)
- Increase in the number of people receiving social care (number)
- Increase in the number of people accessing high-standard rehabilitation services (in health institutions affected by the development) (number)

4.3.8. Horizontal principles

The horizontal principles in the third priority axis are:

- Sustainability

All developments must take account of natural and human resources, the preservation of the built environment and cultural heritage and the sustainable utilisation of these. In projects involving development of the built environment, preference will be granted to projects promoting energy saving or involving the application of energy-raising development elements.

- Equal opportunities

All developments, where possible, must pay particular attention to the horizontal application of social equality among men and women, Romas, disabled people and people of reduced working ability. All developments must enforce the principles of equal treatment, non-segregation, integration, positive discrimination, preservation of cultural identity, social tolerance, modernisation, equal access and the distinction of the social and ethnic dimensions.

Current human services must be reorganised and made accessible to everyone, keeping equality of opportunity in mind. The goal is to implement developments in integrated micro-regional centres and provide access to them for the population, with due heed to the criteria of sustainability and economy.

In support of equal opportunities, public institutions must be made physically accessible. The goal is to make the full spectrum of human services accessible to people living with disabilities.

4.3.9. Regional preference

Integrated human infrastructure development (relying on multi-purpose micro regional associations) is concentrated on the settlements that play a central role in the region's

settlement structure, and perform micro-regional centre functions, moreover on disadvantaged areas first of all (Dráva riverside, Ormánság, Inner Somogy, Zselic, Hegyhát, Outer Somogy). Disadvantaged areas are going to be take preference with respect to operations that target the employment of the socially disadvantaged. Establishing coherence and fund-concentration with other operational programmes will need to be given emphasis for the sake of the convergence of disadvantaged micro regions that can also be typified as falling behind.

4.3.10. Synergy with the New Hungary Rural Development Programme

The DDOP will support

- infrastructural development of public services provided under mandatory obligation, such as: public education, health and social fixed-line infrastructure (road, precipitation water discharge etc.) base services.
- infrastructure conditions of other, non-mandatory local public services in the towns (or settlements with a population of over 5,000 and 100 people/km² and the associated agglomerations) except the suburb of the cities, towns and above defined settlements.
- in villages of permanent population over 5000 and population density over 100/km² single- or multi-purpose developments of community and service areas not falling within the compulsory local authority or government functions.

The **National Fisheries Strategic Plan**, financed from the European Fisheries Fund, will not assist activities also covered by the operational programmes of the NHDP.

4.4. PRIORITY AXIS: INTEGRATED URBAN DEVELOPMENT

4.4.1. Objectives

- To strengthen the urban network in the region by strengthening towns' business and service functions.
- To promote sustainable social and environmental renewal in depreciating urban districts, especially quarters mainly inhabited by the Roma population by supporting the appearance of community and social functions.
- To improve the attractiveness of Pécs and the region by developing economically-exploitable cultural attractions in connection with the European City of Culture 2010 programme.

4.4.2. Explanation and description

The urban network of the region is undeveloped, there are few small and medium-sized towns capable of being area centres, and the regional influence of the few large cities is also weak. For towns and villages to be attractive to capital, labour and residents, the functions accessible in towns must be expanded, the quality of service upgraded and urbanised, and a healthy urban environment created.

The appearance and image of many towns is unsatisfactory. Towns and villages are neglected and do not meet the quality of life requirements of the modern age. The rundown physical environment is in many cases accompanied by social problems, leading to ghetto-like areas where rising impoverishment is a barrier to economic and social development and has a bad effect on public safety. Most of the residents of such districts are low-income pensioners, unemployed people and multiply disadvantaged groups such as the Roma.

To ensure that the European City of Culture 2010 successfully raises the region's attractiveness, tourism potential and recognition, the cultural infrastructure of Pécs and the region must be developed where it can contribute to economic growth, create new jobs, improve the innovative skills of the population and improve the region's cultural tourism palette.

In order that modern urban development methods spread among local authorities, assistance must be provided from making modern management solutions better known and applied. To this end, workers in the management of towns executing integrated urban development schemes must be trained. Training is also needed to ensure intensive involvement of the civil sector to improve the effectiveness of civil associations. The goal is to spread the

methodology of participation planning and enable cooperation based on mutual trust among local authorities, local communities and local business people.

The integratedness of the interventions is to be implemented on the pattern of the URBAN II Community Initiative, and by applying its criteria. The URBAN programme was designed expressly to alleviate problems arising from urbanisation, and is aimed at the integrated, comprehensive regeneration of economically and socially disadvantaged urban districts strictly delineated into contiguous action areas. The programmes will build on local knowledge, the surveying of local problems and the cooperation of local public administration bodies, local residents, NGOs and business people.

Pursuant to Article 7(2) of Regulation (EC) No 1080/2006: "... Expenditure on housing shall be eligible ... in the following circumstances: (a) expenditure shall be programmed within the framework of an **integrated urban development operation** or priority axis for areas experiencing or threatened by physical deterioration and social exclusion ...".

"Pursuant to Council Regulation (EC) No 1828/2006, areas experiencing or threatened by physical deterioration and social exclusion where investment in housing may be eligible for housing operations from EU funds. The degree of deterioration of a eligible area shall be demonstrated with a set of selection criteria. Pursuant to the Council Regulation, the ten (10) criteria enumerated under Article 47(1) are applicable, the eligible areas shall comply with at least three of such criteria (two of which must fall within those listed pursuant).

Among the ten (10) criteria enumerated, the application of three criteria – a), b) and f) – can be ensured throughout the 2007-2013 programming period. In order to focus interventions, the action plan may apply additional three to four of the remaining seven criteria depending on the availability of nation-wide and relevant data for their measurement. The benchmarking values for each criterion shall be determined in partnership with the European Commission.³³

Areas eligible for social urban rehabilitation support are divided into two groups, both having their respective sets of criteria. (Pre-fabricated housing estates and traditional urban areas). The application of separate sets of criteria is justified by the substantial deviation in the population structure and building stock of such areas.

In case the eligible area designated for social urban rehabilitation contains both housing estates and traditional urban areas, then the set of criteria characterising over 50% of the housing stock of the eligible area. Indicators characterising housing estates are applicable if the area eligible for social rehabilitation essentially qualifies for the definition of housing estates by the Hungarian Central Statistical Office (KSH):

- constructed mostly by using industrialised technology after 1945, and
- comprise medium- and high-rise residential housing, towns of housing distinctive from the surroundings.

The amounts which may be expended on refurbishment of residential buildings will be limited at project level, partly so as to maintain the strict internal financial proportions of the projects, and secondly in coherence with article 7, paragraph b) of Council Regulation

³³ The criteria and benchmarking values for South Transdanubia are in Annex 5.

1080/2006 housing expenditure summarized for all OPs concerned shall be a maximum of 2 % of the total ERDF allocation.”

4.4.3. Types of operations

➤ Assistance for function-expanding integrated urban rehabilitation operations

To strengthen the central role of the region's towns, expansion of community and service functions and the development of an urbanised, attractive urban environment must be encouraged. Firstly there is a need for **protection and sustainable development of the urban environment, green areas and the built environment** in such a way the rehabilitation developments involve the local community. For this, primarily in towns with significant tourist business, this will involve **assistance for sustainable exploitation of historic monuments and improvement of the townscape**. Assistance must also be granted to the development of urban green areas, raising the quality of existing green surfaces and developing community spaces (pedestrian zones). In urban regeneration projects, in their target areas (action areas defined in an action plan), assistance must be provided for **rainwater drainage** and urban stormwater drainage developments for the purpose of protecting buildings and increasing the safety of the population.

Development of the urban environment must be interlinked to expanding existing functions in the action areas. By involving local residents, and in partnership with local businesses operating and providing services in the area, there must be a quantitative and qualitative improvement in the range of services available. Linked to urban development projects, and in addition to capital projects, there is a need to develop the affected communities via ESF (flexibility) operations. Support for non-business development plans for brownfield sites is also connected to this development category. Remediation of polluted land in areas under local authority responsibility must also be supported in the framework of brownfield zone rehabilitation and urban rehabilitation projects.

➤ Assistance for social integrated urban rehabilitation operations

To halt the negative development spiral in rundown districts and quarters and in high-rise housing estates, to counterbalance segregation processes and prevent the deterioration of public safety, there is a need to encourage and implement **social urban rehabilitation operations** based on action plans. Actions to be implemented under the OP, especially integrated urban development operations – in accordance with Council Directive 2006/32, Priority 6 of the EU Energy Efficiency Action Plan and article 7 of ERDF Regulation 1080/2006 – will give priority assistance to energy efficiency and energy saving projects, especially refurbishment of residential buildings housing several families, those owned publicly or by non-profit service providers, or those occupied by low-income households or persons with special needs.

In action areas identified and selected under towns' urban development strategies, social urban rehabilitation operations will be supported to develop the urban environment and the local community. The operations will involve infrastructural developments in these areas, regeneration of social housing and blocks of flats (including housing developments in the case of social housing and system-built flats, including developments to raise energy efficiency and remove asbestos from the buildings), clearance of Roma ghettos, and promotion of basic

economic, public-service, community, cultural, active, high-exercise lifestyle-promoting and health promotion services together with providing basic infrastructure as needed.

The target areas for social urban rehabilitation support divide into two groups: high-rise housing estates and non-housing estate areas, i.e. districts of traditional layout. These will have different sets of indicators. If a target area designated for social urban rehabilitation includes both housing-estate and traditional urban areas, then the indicators to be applied are those appropriate for over 50% of the housing stock in the target area. Housing-estate indicators must be applied if the social rehabilitation target area meets the KSH (statistical) definition of a high-rise housing estate:

- prefabricated construction
- comprising medium-rise and high-rise residential buildings and terraces separated from their surroundings.

An area will not be eligible for assistance if new building or demolition equivalent to more than 20% of the present number of dwellings has taken place since 2001.

Essential to social urban rehabilitation operations is the implementation of ESF-type developments aimed at the resident public. The primary need is for training and community-development programmes which strengthen community identity and improve the employability of the residents.

An important role in the implementation of urban development interventions may be played by mobilising private capital, and in the case of economic developments, the use of repayable assistance. The operational programme will provide the opportunity to involve urban development funds set up using EIB and CEB credit arrangements (such as Jessica) in urban development interventions.

➤ **Developments for the Pécs European City of Culture 2010**

After being selected by international jury in a two-round competition, the city of Pécs, at the recommendation of the Hungarian government, was selected by the European Council as 20100 City of Culture together with Essen and Istanbul. The **culture-based urban development programme** included in the bid contains key projects which will contribute to the city becoming capable of carrying out the series of cultural events at an appropriate standard. The venues of the developments were selected with due heed to **urban rehabilitation criteria**.

The programme will involve refurbishment of the historic complex of the famous Zsolnay Porcelain Factory, now lying largely abandoned. The **Zsolnay Cultural Quarter** will accommodate tourist, educational, cultural and service functions. To enable the city to take part in regular movement of art works between museums and to hold prestigious temporary exhibitions, an exhibition function should be provided (**Large Exhibition Space**) which will also house contemporary art installations. On the establishment of the Large Exhibition Space, the existing museums, already concentrated in one area, will become a true museum quarter. We plan to shape the **Concert and Conference Centre** such a way, that it will firstly solve the problem of accommodating the country's oldest symphony orchestra and secondly enable Pécs to host profitable conference tourism, which it has hitherto been unable to do because of infrastructural shortcomings. The **Regional Knowledge Centre** will unite the current city and county library functions and be an important information point for visitors to the city. The **Rehabilitation of Parks and Public Spaces**, as a project element, links and fits

into the fabric of the city the point-like cultural developments, and radiate the beneficial development effect of the cultural development areas to the wider environment.

In order to take the greatest possible advantage of the intense attention drawn to Pécs and of the benefits of the large number of visitors, it will also be necessary to involve the other towns of the region in the European City of Culture events. This will require development of venues for events linked to, and fitting in with, the Pécs events, and expanding the region's range of cultural tourism products.

➤ **Project preparation**

For each broad-based operation with high time and cost aspects, assistance will be needed for the project preparation operations. This will ensure that projects are prepared in appropriate quality and in good time, and thereby that funds are used efficiently. Project preparation assistance will cover such items as project feasibility studies and the production of technical plans.

4.4.4. Links between the priority and the specific objectives

The developments under the priority will promote improvement of the living circumstances of the local population and general access to community services of rising standards, thus making an outstanding contribution to the operational programme. They will also contribute to the specific objective of halting the increase in social differences within the region.

4.4.5. Flexibility of funding

It is intended that implementation of the priority axis will make use of the flexible financing option provided in article 34, paragraph 2 of Council Regulation 1083/2006 of up to 10% within each priority axis. Project owners may only use subsidiarity between funds if the grant conditions provide for it and the ESF activities are firstly directly related to ERDF-based project implementation and secondly either necessary for effective implementation of the project or aimed at the solution of a highly specific local problem.

4.4.6. Expected results

Attainment of the objectives set out in the priority will lead to an improvement in the appearance and image of the towns. The condition of town and village centres will come closer to meeting today's quality of life requirements. Segregation of housing estate districts will decrease, thus improving the social situation of inhabitants of the area. All of this will improve the economic and social development of urban areas and have an improving effect on public safety.

4.4.7. Indicators

- Approach of rehabilitated area's complex activity indicator to the town average (percentage of average) (%)
- Increase in the number of service organisations operating in the assisted area and businesses with premises there (number)
- Number of people living in the assisted rehabilitated districts (persons)

4.4.8. Horizontal principles

– Sustainability

All developments must pay due heed to natural and human resources, the preservation of the built environment and the cultural heritage, and the sustainable exploitation of these. For projects aimed at developing the built environment, preference must be given to projects applying development components which promote energy saving and raise energy efficiency.

– Equal opportunities

All developments, where possible, must pay particular attention to the horizontal application of social equality among men and women, Romas, disabled people and people of reduced working ability. All developments must enforce the principles of equal treatment, non-segregation, integration, positive discrimination, preservation of cultural identity, social tolerance, modernisation, equal access and the distinction of the social and ethnic dimensions.

4.4.9. Regional preference

Assistance will be given for urban rehabilitation operations with community functions in urban districts experiencing or threatened by deterioration, threatened by or struggling with the problem of social exclusion, granting preference to developments based on urban development plans and reflecting an integrated approach to problems.

4.4.10. Synergy with the New Hungary Rural Development Programme

Eligible for DDOP funds are developments in boroughs, villages of population over 5000 or population over 100/km² except the outskirts of the cities, towns and these settlements.

The **National Fisheries Strategic Plan**, financed from the European Fisheries Fund, will not assist activities also covered by the operational programmes of the NHDP.

4.5. PRIORITY AXIS: IMPROVING ACCESSIBILITY AND ENVIRONMENTAL DEVELOPMENT

4.5.1. Objectives

- To improve the accessibility of the region's internal centres of attraction (micro regional centres, large towns),
- To slow down the spread of individual motor vehicle transport as opposed to public transport,
- To improve environmental infrastructural supply, as well as environmental safety,
- To reduce environmental risks.

4.5.2. Explanation and description

Finding a balance between satisfying economic and social transport demands, and the fundamental right of individuals to a healthy environment is a central issue of developing transport. Increasing the standard of accessibility by transport is one of the important elements in the economic and social convergence of disadvantaged areas, and the easiest way to do this is to improve road transport, which is the least environmentally friendly. Developing public transport, transport related division of work, and influencing transport demands appear to be the solution.

For the sake of ensuring the possibility to reach the centres of the region's districts of attraction, business and community services, workplaces, as well as cultural and leisure-time facilities, it will be necessary to establish in the region mobility demands of a higher standard than today, along with transport development **taking the principle of intelligent mobility into consideration** in accordance with EU recommendations. Developing the sub-road network is an indispensable requisite for the entire region to receive a share of the beneficial effects of planned national expressway and main road network development efforts.

Regional transport development must be done in a complex manner, through the combined examination of the existing regional transport network, the transport services as well as transport demands, taking development in neighbouring regions into consideration as well. The development of the standard of regional transport will be accomplished partly by means of **developing the region's internal transport relations**, in other words the regional transport infrastructure (through improving the quality of existing network elements in the four and five digit marked sub-road network, and the construction of missing districts), and partly by **developing the community transport system** for the sake of slowing down the spread of individual transit, according to a co-ordinated schedule, as well as the creation of a new, passenger-friendly public transport transit model that operates with a standard/shared

tariff system. Priority must be given to developing community transport for the purpose of achieving sustainable mobility, conserving the state of the environment, and ensuring equality of opportunity, furthermore the development of alternative transport modes, bicycle and pedestrian transit also has to be supported.

More than 50% of the funds allocated to transport in NHDP will be spent for sustainable transport developments. The South Transdanubia OP contributes to this commitment in such a way, that according to the thematic categorization of the OP, the planned share of sustainable transport (categories 24., 52.) developments will be 22.14 %.

Developing the **environment protection infrastructure** is a task of critical importance for the sake of improving the quality of the environment in the South Transdanubia region, as well as for the protection, and sustainable utilisation of environmental elements and systems. Establishing the criteria for improving the state of the environment, environmental safety, moreover the rational management of the environment, along with the strengthening of **environmental awareness** will also contribute significantly to increasing the region's economic competitiveness, apart from improving the population's quality of life.

The region has favourable natural and landscape characteristics, its flora and fauna is diverse, at the same time its protection against environmental risks (floods and stormwater, waterside landslip, environmental damage from abandoned landfills) and its lag in the field of environmental infrastructure coverage – especially wastewater management and purification, as well as drainage in flatlands and on elevated ground – is significant in relation to European Union expectations.

As a consequence of the above, the implementation of environment protection infrastructure related, as well as environmental awareness increasing development tasks – provided at regional level – is a fundamental requisite for the sustainable utilisation of the region's substantial natural assets.

4.5.3. Types of operations

➤ Developing the four and five digit marked sub-road network significant for the network

When developing the regional road network, partly it is the options to reach regional **centres of attraction (towns serving micro region centre functions)** from surrounding settlements, and partly access to planned national **expressway and main road network elements** from regional centres that needs to be improved. With the restructuring of healthcare, the possible closure of some hospitals and the restructuring of human public services, the role of area centres will expand and access to them must be improved. At the same time, the expansion of the expressway network will give rise to new road traffic needs and destinations. All of these justify development of the subsidiary roads in the region.

Subsidiary roads significant for the areas and the whole network and connecting town bypass roads, which are going to provide access to centres of attraction from a separated area, and also to the expressway and main road network, moreover establish connections between areas that are separated as of today will have to be constructed. One of the key elements of improving access is to implement links which are at present missing, so as to improve access

to trunk roads if such a development significantly shortens access time to area centres. Where local features permit, the new sections should be interlinked so that together they can form up to a new route serving other relations. This will result in better utilisation of the new road.

To provide the appropriate standard of services, improve traffic safety and maintain accessibility to regional centres and expressways and trunk roads, **the deteriorating subsidiary road sections of area and network significance must be upgraded.**

On high-traffic subsidiary roads within urban areas, there is a need for **traffic safety developments** to enable safe and continuous entry and exit of traffic and safety for pedestrians.

➤ *Formulating a harmonised regional public transit transport system*

Community transit must be laid on new bases in the region, **preparations have to be made for the regionalisation of the community transit system in the area** in the medium term, along with the setting-up and operation of the regional transport system. The objective is to improve the standard of passenger transport public services, parallel with the reduction of budgetary burden, which entails the harmonised (with other forms of transport and residents' requirements) operation and development of railroad and bus transport. Decentralising the service order scope of tasks is necessary, along with the establishing of the regional customer level in the case of local transport, which would be made up of local government associations. Preparation for setting up the regional transport system must be supported by project generation.

Before modernising community transport institutions, it will be necessary to improve the infrastructural conditions for community transport. In the first instance, development of intermodal intersections facilitating transfer between different means of transport must be encouraged in micro regional centres. Where the railway station and the bus station are not in the same place, this will require assisting the construction of joint intersections. To improve the competitiveness of community transport, passenger transport facilities must be developed, waiting rooms and platforms built and transport intersection accessibility improved. To minimise the number of transfers and the length of waiting times, a common regional timetable database must be set up enabling services to be optimised. Other IT developments are needed to raise the standard of passenger signs, providing passengers with real-time information.

➤ *Development of the community transport system for urban agglomerations and the Balaton region*

Urban transport has to be separately mentioned as part of the co-ordinated public transport system. The formulation of co-ordinated suburban transit systems must be encouraged in the case of Pécs, Kaposvár, and Szekszárd as part of the above, and the creation of the Balaton Transport Alliance must be started in the Preferential Holiday Resort District of Lake Balaton and its surroundings in co-operation with the affected West Pannon and Central Transdanubia regions, by means of establishing the infrastructural conditions needed for operation. Preparation for agglomeration and regional transport systems must be supported by project generation.

The profitability of a second ferry-line to cross Lake Balaton must be investigated as part of the integrated Balaton-side transport system for the sake of reducing transport load in settlements along the shore. **Facilities serving passengers** also have to be developed in the scope of the South Transdanubia Operational Programme (DDOP), making civilised and fast

transfers and the spread of P+R systems possible, improving conditions for carrying bicycles and establishing **transport engineering and control systems** giving priority to public transport vehicles at busy intersections and in towns. The developments must be implemented in cooperation with the Balaton Development Council and the West Transdanubia and Central Transdanubia regions.

The development of intermodal nodes and other planning work and investments to improve conditions for community transport must be promoted in the large towns in the region

Underground garage and parking house construction – implemented mainly from private funds– must be promoted outside the town centres, for the sake of keeping downtown areas accessible, and for them to retain their commercial-service provision functions, and at the same time of improving the conditions of pedestrian transport and strengthening the community functions of urban spaces. The community transport system must be optimised by installing intelligent traffic control systems, passenger traffic and passenger information facilities must be improved, and the technical means for introducing common tariffs put in place. As traffic jams become more common, attempts must be made to lay out separate bus lanes and to make traffic control equipment bus-friendly so that public transport vehicles may travel more quickly. This will make maintenance of community transport more economical and improve public transport's competitiveness against private transport, thus slowing the spread of private transport.

➤ ***Creating the conditions for job-related bicycle transport***

Creating the **infrastructure for job-related bicycle transport** enabling the daily commute to work is necessary, which could substantially improve the demarcation of settlements. By co-ordinating with public transport, and preference of bicycles in urban transport, the spread of individual vehicle transit can be reduced. To this end, the construction of **facilities associated** with bicycle transport (secure and covered storage near public institutions, commercial facilities, railroad and bus terminals, and at stops on the transit backbone network) is necessary, as is the integration of railway stations lying at a greater distance from settlements with the bicycle network. The carrier nature of bicycle transit must be reinforced especially in the suburban transit system by means of creating the bicycle infrastructure.

➤ ***Developing wastewater management in small settlements***

Developing wastewater management in **micro-village areas and small settlements** (agglomerations and settlements below 2000 resident equivalent) is a task of fundamental importance from the perspective of convergence and ensuring equality of opportunity, the emergence of tourism, the settling of venture capital, as well as the improvement of competitiveness. (The Environment and Energy OP supports actions to eliminate damages from polluted areas that are subject to the sphere of responsibility of the state, and agglomeration based sewage investments that are, pursuant to Govt. Decree 25/2002. (II. 27.), over the equivalent of 2,000 residents and receive EU derogation.) The introduction of stand-alone wastewater purification devices, as well as alternative – close-to-nature – wastewater treatment solutions that can be established and maintained economically is also justified from the perspective of cost-efficiency, along with providing support for liquid waste (wastewater removed with sniffing trucks) treatment. Support can be provided for implementing wastewater treatment appropriate for natural and social characteristics, taking economic considerations into account, through the following operations:

- the construction of sewer systems in settlements, and the purification of wastewater collected with sewers at close-to-nature wastewater purification compounds above all else,
 - the stand-alone treatment of settlement liquid waste (e.g. stand-alone wastewater depositing sub-facility, small stand-alone wastewater purification device, and stand-alone sealed wastewater basin).
- ***Environmental emergency response – neutralisation of geological risk points, and protecting water quality in the scope of integrated drainage area management at drainage areas of regional significance***

For the sake of mitigating the risks of environmental damage associated with the region's population, **eliminating** and preventing **geological hazard points** (the collapse of natural river wall and cellars, landslides) that threaten the regular function of settlements, the established line infrastructure, and public institutions will be necessary in public areas within settlement borders. Life and asset protection hazard elimination tasks that are meant to ensure the fundamental conditions for the regular operation of impacted settlements, transport lines of nationwide or local significance, as well as public institutions will need to be carried out in the following fields. It is in this scope that ensuring the stability of hazardous embankment walls throughout elevated bank areas at Lake Balaton and along the Danube River will need to be supported.

The protection of life and assets must be facilitated **in lowland and highland drainage areas of regional significance** through support for integrated **drainage** management; the implementation of **drainage** oriented development efforts that serve to protect surface water, making possible land and landscape use that fits the hydrological cycles within smaller geographic units.

It is predominantly the following operations that can be supported with respect to the above:

- River bed rehabilitation for the sake of achieving the “good state” – water supplementation, improvement of water quality, rehabilitation (watercourses, lakes, dead-channels, and tributaries).
- Retention of water, water supplementation, re-injection of water for the sake of achieving the “good state” (developing the management of excess surface water as a water reserve, regional retention of water, water supplementation, storage, and water system rehabilitation).

The critical development actions that are prescribed in the Water Framework Directive (WFD) 2000/60/EC of European Parliament and of the Council on December 22, 2000, will be supported in the scope of the Environment and Energy Operational Programme (KEOP).

Water management related development for agricultural activity purposes to be implemented in agricultural areas are going to receive support in the framework of the New Hungary Regional Development Programme.

➤ **Strengthening protection against damage from domestic waste**

In the South Transdanubia Region, regional waste management system will be built with the technical content and to the schedule given in the regional waste management plan (some of this has started with ISPA assistance, and some is expected to be implemented as a Cohesion Funds-assisted major project in the 2007-2013 period). As the waste management systems are implemented in the region, smaller solid waste deposits are being, or have been, abandoned.

To minimise environmental risks, it is important to recultivate smaller landfills which are not being recultivated as part of the regional waste management programmes. In addition to domestic solid waste deposits, protection of the regions surface and subsurface waters requires that animal burial pits and domestic liquid waste disposal sites are also recultivated.

Accordingly, the following operations may be assisted:

- Closure and recultivation of domestic solid waste landfills not recultivated under the region's waste management programmes. (In the recultivation area, there are projects of value over HUF 650 million and crossing the regional boundaries being implemented under KEOP, because they are largely [80%] recultivation parts of ISPA and Cohesion Fund projects which are already approved and under implementation, or parts of large waste management projects in an advanced stage of preparation. Under DDOP, recultivation of other solid waste landfills not falling into these categories may be assisted.)
- Recultivation of animal burial pits.
- Recultivation of domestic liquid waste disposal sites.

➤ **Project preparation**

Support for project preparation operations will be necessary with respect to certain complex operations that demand greater preparation time and have larger cost demand. Relevant projects being prepared in sufficient quality, and at the appropriate time can be ensured through this, thereby enabling the efficient utilisation of funds. Among other things, subsidising the elaboration of preliminary studies and technical designs will also become possible in the framework of Project Preparation.

4.5.4. The relation of the priority and the specific objectives

Development efforts to be implemented in the scope of this priority are going to improve the region's environment protection infrastructure that will moreover facilitate the dissemination of environmentally friendly modes of transport, therefore it plays a significant role in achieving the specific objective of High environmental quality model region. The improvement of access possibility conditions by means of developing the transport network at the same time contributes to the establishment of a competitive regional economy objective as well. By improving access to jobs and services – which are increasingly concentrated in towns –, the priority axis contributes, to a lesser extent, to accomplishing specific objective related to “Stop the increase of social differences within the region”.

4.5.5. Flexibility of funding

It is intended that implementation of the priority axis will make use of the flexible financing option provided in article 34, paragraph 2 of Council Regulation 1083/2006/EC of up to 10% within each priority axis. Project owners may only use subsidiarity between funds if the grant conditions provide for it and the ESF activities are firstly directly related to ERDF-based project implementation and secondly either necessary for effective implementation of the project or aimed at the solution of a highly specific local problem.

4.5.6. Expected results

The **region's internal cohesion will be reinforced** as a result of transport related development efforts, and owing to access times going down in the region, as well as to regional economic-social ties that will be intensified as a consequence. The region's increasing transport demands will be possible to channel in a sustainable manner, keeping environment protection considerations in mind. The **competitiveness of impacted settlements and areas will grow** as access to them is improved, because more favourable infrastructural conditions will be available for enterprises. Services in regional centres will become accessible for everyone – keeping the principle of **equality of opportunity** in mind – through the development of the community transport system, and taking jobs in areas that are farther from places of residence will become a further option.

As the development tasks specified in this priority are implemented, the quality of life for the region's population can be expected to improve, the likelihood of environmental damage (collapse of embankment walls, flooding and excess surface water) occurring and endangering the protection of life and assets can be expected to decrease, the quantity of anthropogenic environmental load will go down, furthermore ensuring the long term preservation and sustainable use of the region's natural and landscape assets will become possible.

Improving the infrastructural background for environment protection will contribute to the increase of the region's capability to attract capital, as well as that of its economic competitiveness.

4.5.7. Indicators

Indicators related to transport development:

- Increase in the number of people who can reach a micro regional centre or expressway within 15/20/30 minutes
- Keeping the number of people using community transport

Indicators related to environment development:

- Number of people served by sewage treatment meeting EU criteria by virtue of assisted projects.

4.5.8. Horizontal principles

In transport developments, preference will be given to those improving the standard of community transport services. This will promote equal opportunities among people without vehicles. Development of transport will reduce the disadvantage of people living far from centres of population in respect of access to work and services. Infrastructural developments improving the conditions of community transport must be implemented with due heed to disabled access considerations.

Although development of the regional road network does not in itself contribute to protection of the environment, construction of new sections of road overall leads to shortening routes, and as such the developments will also prove beneficial from an environmental stress

viewpoint. To attain a liveable urban environment, it is important to give priority to public transport vehicles over private vehicles, because this form of transport is better in terms of economic efficiency and unit environmental stress.

Application of the principle of **sustainable development** by ensuring future-oriented use of available resources will ensure implementation of regional development policies aimed at integrating environmental considerations into interventions.

Implementation of all of these objectives also supports the development of depressed, disadvantaged areas and their possible relative improvement.

The principle of sustainable development contributes to environmental safety, environmental awareness and sustainability of the *unique network of towns and villages* by developing and restructuring it.

4.5.9. Regional preference

The development of missing road network elements must be supported especially in disadvantaged micro regions. Improving access to settlements that play the role of micro regional centres, as well as to main transport routes will have preference.

Renewal/upgrading tasks of the sub-road network will need to be ranked taking into consideration the state of the surfacing and pavement structure, as well as the role and transport intensity of the road.

The DDOP will not support road developments crossing the national border.

The incorporation of integrated conurbation transport alliances will need to be supported – adjacent to the regional level establishing of common tariffs – in Pécs and Kaposvár, Szekszárd, as well as along the Preferential Holiday Resort District of Lake Balaton as the first stage of setting up the regional community transport system. The co-ordination of various modes of services with transport organisation tools must be supported throughout the entire region.

Developing the infrastructure for job-related bicycle transport will have to be supported in the 10 km radius of towns where jobs are concentrated.

Advancing the deployment of smart transport systems is primarily justified in larger towns, since boosting the efficient channelling of increased transport is the most pressing in these areas.

In the framework of developing the environment protection infrastructure, preference must be given to investment projects implemented with respect to improving wastewater treatment in characteristically micro-village areas and those with hummock-and-hill topography (Ormánság, Zselic, Hegyhát, Völgység, Tab micro region, Inner Somogy, South-East part of Baranya County), as well as in the area of the Preferential Holiday Resort District of Lake Balaton. In respect of sewage treatment, villages of population less than 2000 resident equivalent in South Transdanubia may be assisted under the DDOP if they are not included in the list of agglomeration settlements in Schedule 2 to Government Decree 25/2002 (II.27.) on National Domestic Sewerage and Sewage Treatment Implementation Programme amended by Government Decree 30/2006 (II.8.) Water quality protection measures on plains and hill areas not granted priority by the Water Framework Guideline of regional significance are to be implemented in the scope of developing the environment protection infrastructure. Preventing the collapse of hazardous embankment walls on the southern shores of Lake Balaton and

along the Danube River, and the stabilising of their condition is a task that is associated with environmental safety.

4.5.10. Synergy with the New Hungary Rural Development Programme

There are no associated activities.

The **National Fisheries Strategic Plan**, financed from the European Fisheries Fund, will not assist activities also covered by the operational programmes of the NHDP.

4.6. PRIORITY AXIS: FINANCING THE IMPLEMENTATION OF THE SOUTH TRANSDANUBIA OPERATIONAL PROGRAMME (TECHNICAL ASSISTANCE)

4.6.1. Objectives

- Effective and efficient implementation of the OP's operations
Indicator: Implementation rate of supported projects (ratio of approved projects and projects actually completed)
Target value (2015): 100%

4.6.2. Technical Assistance in the NHDP

Pursuant to article 46 of the General Regulation 1083/2006/EC, the Funds may contribute to the financing of the preparation, management, monitoring, evaluation, information and controlling activities of the Operational Programmes, together with the reinforcement of the administration capacities required for the utilisation of Funds.

In the programming period 2007-2013, resources for Technical Assistance (TA) will appear in two places: in the Technical Assistance Priority Axes of the Operational Programmes and in the horizontal Implementation Operational Programme (IOP).

The demarcation between the TA Priority Axes and the IOP corresponds to the structure of the institutional system of the NHDP: the separation of TA activities has been defined with a view to

- the division of tasks among the different levels of institutions
- the distribution of costs resulting from the functioning of the organisations concerned.

On the basis of the above:

- The Technical Assistance Priority Axes of the Operational Programmes support the technical-operational implementation of each programme, primarily the project-related activities of OPs,
- The IOP Priority Axes are meant to support strategic activities at system level in relation to the implementation of the NHDP and all Operational Programmes.

The breakdown of the available TA resources is as follows:

TA resources in NHDP	Share of TA (as a percentage of NHDP)
IOP	1,3%
TA priorities in OPs, altogether	2,6%
Altogether	3,9%

4.6.3. Technical Assistance activities carried out under the South Transdanubia Operational Programme

- **Technical-administrative implementation of the OP (tasks of the intermediate bodies)**

The intermediate bodies (IBs) carry out – based on the assignment and guidance of the managing authority – the technical implementation of one or more OP Priority Axes, among others the following:

- Participation in the preparation of calls for applications and sample support contracts,
- Admission and assessment of project proposals,
- Preparation and signature of the grant contract, accountancy of each contract,
- Monitoring of project implementation,
- Payments to the beneficiaries, carrying out tasks regarding closing of projects,
- Carrying out checks, reporting irregularities,
- Targeted communication activities connected to the specific OP or OP Priority Axis, based on the Communication Plan adopted by the NDA.

(For the list of the detailed tasks of Intermediate Bodies see the Implementing Provisions chapter.)

The tasks of the IBs will be specified in the agreement between the Managing Authority and the Intermediate Body. Financing their tasks in relation to the OP will be based on the **completed activities and on performance basis**, in the framework of the TA Priority Axis.

The main experience from the programming period 2004-2006 was that financing IBs was only carried out by costs incurred which did not inspire motivation for improving cost-effectiveness. To change this, the IBs in the programming period 2007-2013 will be financed exclusively on the basis of performance, through task assignment contracts. Where possible, financing is based on unit costs (e.g. number of project proposals evaluated, number of payments transferred, etc.) *(For the detailed financing method of IBs see Implementing Provisions chapter).*

2. Other tasks related to the implementation of operational programme

Besides the previously described activities carried out by IBs, the following activities connected to the operational programme will be supported in the framework of TA Priority Axis:

- operation of the OP monitoring committees, including related secretarial tasks;

- annual implementation reports, studies, analyses; evaluations not included in the overall NHDP-level evaluation plan, including evaluations at the initiative of monitoring committees;

4.7. INDICATIVE LIST OF MAJOR PROJECTS

The South Transdanubia Operational Programme currently does not plan any major projects in the 2007-2013 period.

5. FINANCIAL PLAN

Financing Plan for the South Transdanubia Operational Programme

Current prices,
euro

Priority axis	Source	Manner of calculation of co-financing*	EU finance (a)	Domestic finance (b)=(c)+(d)	Domestic indicative distribution		Total finance (e)=(a)+(b)	Proportion of co-finance (f)=(a)/(e)	Indicative data	
					Public (c)	Private (d)			Other financial instruments	EIB loans
Strengthening the region's tourism potential	ERDF	Public expenditure	130 895 586	23 099 221	23 099 221		153 994 807	85.0%	n.a.	n.a.
Development of human public services	ERDF	Public expenditure	130 227 765	22 981 370	22 981 370		153 209 135	85.0%	n.a.	n.a.
Integrated urban developments	ERDF	Public expenditure	160 844 693	28 384 358	28 384 358		189 229 051	85.0%	n.a.	n.a.
Improving accessibility and environmental development	ERDF	Public expenditure	183 562 474	32 393 378	32 393 378		215 955 852	85.0%	n.a.	n.a.
Technical assistance	ERDF	Public expenditure	25 387 289	4 480 110	4 480 110		29 867 399	85.0%	n.a.	n.a.
Total			705 136 988	124 435 940	124 435 940		829 572 928	85.0%	n.a.	n.a.

* Under Article 53, Paragraph (1) of Council Regulation 1083/2006/EC a) either the total eligible expenditure including public and private expenditure; b) or the public eligible expenditure.

Financial plan of the South Transdanubia OP				
Reference number (CCI) of the operational programme:2007HU161PO011				
at current price, EUR				
Year		ERDF (1)	Cohesion Fund (2)	European Union total (3)=(1)+(2)
2007	In region without transitional support	99 145 354		99 145 354
	In region with transitional support			
	Total	99 145 354		99 145 354
2008	In region without transitional support	96 237 434		96 237 434
	In region with transitional support			
	Total	96 237 434		96 237 434
2009	In region without transitional support	91 700 038		91 700 038
	In region with transitional support			
	Total	91 700 038		91 700 038
2010	In region without transitional support	95 005 754		95 005 754
	In region with transitional support			
	Total	95 005 754		95 005 754
2011	In region without transitional support	107 858 617		107 858 617
	In region with transitional support			
	Total	107 858 617		107 858 617
2012	In region without transitional support	104 542 240		104 542 240
	In region with transitional support			
	Total	104 542 240		104 542 240
2013	In region without transitional support	110 647 551		110 647 551
	In region with transitional support			
	Total	110 647 551		110 647 551
Total	In region without transitional support	705 136 988		705 136 988
	In region with transitional support			
	Total	705 136 988		705 136 988

The contribution of the Community Funds to the operational programme by categories may be found in Annex 1.

6. IMPLEMENTING PROVISIONS FOR THE OPERATIONAL PROGRAMME

The main aspects in terms of the establishment of the implementation system are to summarize the lessons of the period of 2004-2006, to establish a coordinated and effective system, to clearly separate tasks and liabilities, to avoid the overlapping of the different procedures, to ensure the transparency of the procedures, and simplify them, as well as to establish a client-friendly system. These fundamental aspects have to be monitored by all actors of the procedure, at all levels of the implementation system.

The following national legislation lays down the governing rules for implementation:

- Government decree 255/2006. (XII. 8.) on the fundamental rules and institutions in charge of implementation of support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund in the programming period 2007-2013.
- MHPMO (Minister Heading the Prime Minister's Office)-MF (Minister of Finance) Joint Decree 16/2006 (XII. 28.) on general rules of implementation of support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund in the programming period 2007-2013.
- Government Decree 281/2006 (XII.23.) on rules concerning establishing systems of financial management and controls in relation with receiving support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund in the programming period 2007-2013.
-

6.1. Management

6.1.1. Strategy and coordination

Throughout programming and implementation the following **aspects of coordination** must be ensured:

- The coherence and consistency between development assistance financed from the Funds as well as from national resources;
- The co-ordination of programming and implementation between the different Funds – EAFRD, EFF, structural funds, Cohesion Fund;
- Full exploitation of synergies between operational programmes within the NSRF, as well as eliminating duplications and conflicting activities;
- Taking into account regional considerations in case of sectoral OPs through the continuous involvement of the regional development councils;
- Ensuring that sectoral policies are represented in regional operational programmes through the participation of line ministries;
- The programming and implementation of flagship programmes financed by several operational programmes at a time, including territorial development programmes covering more than one region;

- Ensuring the promotion and respect of horizontal objectives – gender mainstreaming, equality between men and women and prevention of any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation ensuring accessibility for disabled persons with respect to Art. 16 of 1083/2006/EC as well as sustainability with respect to Art. 17 of 1083/2006/EC.

The guarantees for coordination equally cover the phases of planning, implementation, monitoring, evaluation and feedback. In order to provide for efficient cooperation of the organisations the principle processes of coordination are defined by the legal framework.

6.1.1.1. Institutional framework

The overall coherence of strategic planning is ensured by the Government. For this, **the Government** approves

- the National Strategic Reference Framework (hereinafter referred to as the New Hungary Development Plan, (NHDP) as well as the operational programmes before they are submitted to the European Commission;
- the action plans that describe the measures to be implemented by the operational programmes in full detail – the schedule, budget, objectives, target groups, of the planned measures as well as the list of projects to be implemented without a competitive procedure, including the list of major projects;
- any proposed amendments to the operational programmes – prior to their approval by the Monitoring Committees.

The Government evaluates the progress of the implementation of the NHDP and the operational programmes on a regular basis.

In order to facilitate the co-ordination of strategic planning tasks related to the NSRF and the OPs, the National Lisbon Action Programme, the National Strategy for Sustainable Development and the rural development plan, the Government established the **Development Policy Steering Committee (DPSC)**. The DPSC has the task of discussing proposals and reports to be submitted to the Government, including the delivery of an opinion on the OPs, the action plans, the content of the calls for proposals. (These functions are without prejudice to the functions of the Monitoring Committee.)

As a further, high-level advisory body to the Government, the **National Development Council (NDC)** was set up. The NDC's members are:

- the Prime Minister,
- representatives of the regional development councils,
- delegates of the Economic and Social Council,
- distinguished experts,
- the invited members of the DPSC.

The NDC evaluates the implementation of the development policy objectives, monitors the implementation of the objectives defined by the NSRF, and the enforcement of the development guidelines of the EU, and based on that, prepares recommendations for the Government. (These functions are without prejudice to the functions of the Monitoring Committee.)

The Government's agency charged with the planning and implementation of the National Strategic Reference Framework is **National Development Agency**. **The NDA** is responsible for:

- the coordination of the planning, programming, evaluation and implementation of the NHDP,
- the coordination of the planning, programming and implementation of the operational programmes,
- in accordance with the Council Regulation (EC) 1083/2006/EC Article 27 Paragraph 4.g) ensuring coordination between the support provided by the operational programmes, as well as – in co-operation with the Managing Authority of the New Hungary Rural Development Programme – those of the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF);
- the coordination of all above financial sources with the assistance received from the European Investment Bank and the European Investment Fund and other resources;
- liaising with the European Commission regarding the questions related to the NHDP and the other operational programmes;
- the elaboration of the general procedural requirements for the implementation of the NHDP and the OPs, including the development of a single operational manual;
- the setting up, the operation and the continuous development of the single monitoring and information system;
- the enforcement and promotion of Community policies and horizontal principles such as sustainability, equality and non-discrimination, public procurements and – in cooperation with the State Aid Monitoring Office of the Ministry of Finance (MoF SAMO) – the respect of state aid rules. In the frame of this for the elaboration of documents and guidelines etc., the enforcement of these in the calls for applications and grant facilities, and the monitoring of the fulfilment of these activities.
- the development of the unified communication strategy regarding the implementation of the NHDP, as well as the requirements related to providing information and publicity on the entire NHDP;
- the organisational development of the institutional system (i.e. providing training opportunities, development of curriculum, dissemination and promotion of best practices, ensuring coordination upon the regulations)
- setting up and operation of the unified client service for the NHDP.

6.1.1.2. Coordination processes

The coherence, complementarity and coordination of the content of the **operational programmes** is ensured through the definition of detailed demarcation principles in the OPs themselves.

The operational programmes are translated into concrete operations by the so-called **action plans**, prepared, on a biannual basis, for an OP or a priority axis thereof. The action plans spell out the objectives and content of the planned operations, their schedule and indicative

financial allocations. Action Plans are also required to present a detailed justification for the planned measures through describing their:

- relationship to community policies (including CSG and Lisbon strategy), sectoral and/or regional strategies and programmes (including connections with flagship programmes);
- complementarity with developments financed from national resources;

The proposals for the actions plans are prepared by the Intermediate Bodies (IBs) and the line ministries and/or regions concerned with the guidance of the Managing Authority (MA) in the framework of a working group where all ministries and regions concerned are represented (**Operational Programme Programming Coordination Committee (OPPCC)**).

In the interest of ensuring the complementarity and avoid double funding with rural development and fisheries the representatives responsible for the implementation of the **EAFRD and EFF** are also taking part in the meetings of the OPPCC, and in the monitoring committee. Small regional advisory networks for the NHDP and EAFRD-EFF will operate in close co-operation.

As an extension of the partnership principle, but also in an effort to further strengthen co-ordination between programmes and measures, the NDA invites **comments from social partners and NGOs** not just during the preparation of the NHDP and the OPs, but also when elaborating the action plans and calls for proposals. Contributions by potential stakeholders – in writing or during dedicated consultation sessions – are then taken into account when finalising the detailed content of operations.

The application of the partnership principle on the different programming-implementing documents, as well as the fact that the relevant line ministry or – in case of the ROPs – the relevant Regional Development Council may be represented in the project selection committee also ensures the realisation of coordination aspects. As members of the monitoring committees regions also take part in the drawing up of project selection criteria.

6.1.2. Managing Authority (MA)

As of July 2006 the Managing Authority of all OPs operate as separate organisational units of the National Development Agency.

The concentration of the management of the implementation improves the effectiveness of the coordination between the implementation of the OPs, the exchange of experience, the transparency, the accountability as well as the rationalisation of management.

6.1.2.1. Designation of the authority

In line with Art. 59 paragraph (1) of regulation 1083/2006/EC, the tasks of the Managing Authority in case of the South Transdanubia Operational Programme are carried out by the NDA's Directorate General *Managing Authority for South Transdanubia Programmes*.

6.1.2.2. Tasks and responsibilities

According to Article 60 of Council Regulation (EC) No 1083/2006 the Managing Authority is responsible for managing and implementing the operational programme in accordance with the principle of sound financial management, and in particular for:

- Coordination of the planning of the operational programmes and the related documents that are under its responsibility. In the framework of the above, it operates

with the participation of the relevant ministries, regions and experts the Operational Programme Planning Coordination Committee as a sub-committee of the Planning Operational Committee;

- Ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- Ensuring that the system for recording and storing the accounting records for each operation of the operational programme in computerised form is fed with up-to-date data, and that the data on implementation necessary for financial management, monitoring, audits and evaluations are collected;
- Ensuring that beneficiaries and other bodies involved in the implementation of the operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- Approval of the calls for applications and the grant contract templates as well as the decisions on the project proposals;
- Receipt and control of the requests for funds prepared by the intermediate bodies, countersigns and forwards verification reports prepared by the IBs to the certifying authority;
- Ensuring that the evaluations of the operational programmes are carried out in accordance with the relevant Community legislation. Thereby, the MA will play a lead role in defining priorities and tasks for evaluation work, in consultation with the Monitoring Committee (*see also the chapter on evaluations*);
- Preparation and continuous update of the audit trail of the operational programme; setting up procedures to ensure that all documents regarding expenditure and controls required to ensure an adequate audit trail are held in accordance with the requirements of the relevant legislation;
- Ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to the expenditure for the purpose of certification;
- Operation of the Monitoring Committee and providing it with documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific objectives;
- Drawing up and, after approval by the Monitoring Committee submitting to the Commission the annual and final reports on implementation;
- Providing the Commission with information to allow it to appraise major projects;
- Elaborating proposals for the amendments to the operational programme;
- Ensuring the implementation of the OP in line with the decisions of the Monitoring Committee regarding the criteria for the selection of operations, implementation of the action plans, ensuring regularity and feasibility of all operations.
- Monitoring of the implementation of the programmes under its responsibility,
- Liaising with the competent directorates-general(s) of the European Commission regarding the operational programme,

- Participation or – where the function is delegated – supervision of the fulfilment of in tasks related to providing information and publicity on the entire NHDP, as well as the operational programme;
- Managing the technical assistance budget of the operational programme;
- Handling of the system level irregularities, making the necessary corrective steps;
- Prepares proposals for the Government regarding the identification of priority projects after consultation with the relevant ministers and regional development councils.

Further organisational units of the NDA – typically regarding the horizontal tasks, related to several OPs, e.g. communication, finance – participate in the fulfilment of the tasks of the OP MA.

With regard to the **Intermediate Bodies**, responsible for delegated administrative, financial and technical tasks of implementation, the MA:

- Provides professional supervision regarding the activities of the Intermediate Bodies related to the implementation of the OP;
- Approves the internal rules of the Intermediate Bodies related to the use of the OP resources;
- Prepares instructions and rules regarding the implementation of the OP for the IB.
- Controls and evaluates the activities of IB on a regular basis.

The Intermediate Bodies provide the delegated tasks based on the task-order contracts that ensure that the Intermediate Bodies receive payment for their services based on their performance.

6.1.3. Intermediate Bodies

6.1.3.1. Tasks of the Intermediate Bodies

Intermediate Bodies fulfil in relation to one or more priorities especially the following tasks:

- Participation in the preparation of action plans falling in its competence.
- Preparation of the **annual work plan** based on the requirements of the Managing Authority. The plan shall contain the dates of the calls for applications as well as the annual targets for commitments, support contracts and payments.
- Participation in the **preparation of calls for applications** and sample support contracts in cooperation with the MA and the relevant ministries.
- Admission and appraisal of project proposals, and based on the agreements with the Managing Authority setting up and operation of Assessment Committees, in case this task has been delegated to the Intermediate Body.
- Concluding of and amendments to the **support contracts**.
- **Verifying** that the co-financed products and services are delivered and the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules;

- **Monitoring of project implementation**, payment of contributions, carrying out tasks regarding project closure, performing verification checks, tracking and reporting irregularities.
- **Recording of data** in the single monitoring information system on a continuous basis, providing an up-to-date and reliable database
- Preparation of **quarterly progress** reports on the implementation of the operational programme, the action plan that specifies the details of the implementation process, as well as the annual work plan, with the recommendations on the necessary measures.
- Preparation and up-dating of the **audit trail**.
- Fulfilment of tasks related to **information and publicity tasks**, based on the annual communication plan approved by the NDA.

6.1.3.2. *Qualification, selection and financing of the IB*

Intermediate Bodies contributing to the implementation of the operational programmes were **selected on the basis of a set of objective criteria** measuring their institutional capacity and technical competence. In order to receive the assignment, the prospective Intermediate Body needed to prove the existence of an appropriate, consolidated organisational structure, the availability of human and technical resources, as well as professional competence necessary. (*Further information is provided on the selection procedure under the administrative capacity chapter.*)

To ensure the effectiveness of the implementation, the performance of the **Intermediate Bodies will be evaluated on a regular basis**.

The Intermediate Bodies participating in the implementation of the OP – based on the result of the qualification process – were appointed through a joint **ministerial decree**. Details regarding the tasks, responsibilities, and financing of the IBs were fleshed out in dedicated **task assignment contracts**, signed by the NDA, the IB and – where applicable – the owner of the IB.

For the sake of effective implementation of the programme in case of certain support frameworks – based on an individual decision – non-governmental organisations or corporations, commercial banks, can also be involved (*e.g. as managers of indirect grants or capital funds*).

The **IBs will be financed** through the above mentioned task assignment contracts from the technical assistance priority of the OP. In order to ensure sound financial management, correctness and regularity of expenditure declared by the IBs in relation to their operational costs the contracts – among others – impose the following requirements:

- The IB has to **separate in full the costs** and incomes related to its activities concerning IB tasks in its financial records as well as in its analytical accounts. Unless unit prices are result of competition, incomes related to IB tasks cannot generate extra profit or finance losses related to other tasks of the organisation.
- The **MA is required to perform controls** of the IB concerning the implementation tasks delegated to it, including the correctness and regularity and effectiveness of expenditure and costs separated in its accounts related to its IB functions.

In case an irregularity is detected the **MA may suspend** the task concerned by the irregularity of the IB or in justified cases all tasks related to the task assignment contract of the IB.

6.1.3.3. *South Transdanubia Operational Programme Intermediate Bodies*

Following the qualification procedure, the following organisations were designated as intermediate bodies for OP implementation:

- South Transdanubia Regional Development Agency Kht. (non-profit company)

The RDA has been working on regional development issues in the South Transdanubia region since 1997. The agency has accumulated considerable implementation experience in the context of both Hungarian and Phare programmes. During the 2004-2006 period, it participated in the implementation of the Regional Operational Programme as an intermediate body; it was responsible for the preparation of project selection decisions and the dissemination of information to prospective applicants.

The organisation has extensive professional experience and highly skilled human resource capacities, its operation is sufficiently regulated and its organisation form allows for the independent discharge of IB functions.

- **VÁTI Hungarian Non-Profit Company for Regional Development and Town Planning**

The organisation has been working in urban and regional development since the 1950s, implementing Hungarian programmes and later Phare and other Community programmes in the field. In the 2004-2006 implementation period, it was responsible for the intermediate body functions of the Regional Operational Programme in conjunction with the RDAs; consequently, it has extensive practical experience in the implementation of both Hungarian regional development and EU cohesion policies. As an intermediate body, its main tasks include the signing of contracts, performing on-site inspections, verifying and authorising claims for payment as well as the monitoring of projects.

VÁTI has sufficient professional skills and capacities and extensive procedural experience to perform the intermediate body functions entrusted to it; its operation is adequately regulated. Considering that the company is 100% state owned, its main responsibility is to assure the incorporation of the regional aspects of sectoral strategies in the OP.

With regard to the conditions set out on Art. 10 of Govt. Decree No. 255/2006. (XII.8.) IBs may be subject to change.

In order to eliminate duplications or overlaps in tasks – as experienced during the 2004-2006 period – as a general rule, all IB tasks related to an operation shall be assumed by one Intermediate Body only. The applicant or beneficiary be in contact with only one organisation (IB) that is responsible for a grant facility during all stages of implementation.

6.1.4. Procedures in relation to the implementation of the OP

In order to improve the efficiency and effectiveness of the implementation, as well to further encourage transparency it is necessary to standardize and simplify the implementation process.

Selection criteria need to ensure that operations / projects:

- contribute to the social-economic objectives of the NHDP, of the operational programmes, as well as the given priority;
- have objectives that are definite, measurable, and achievable;
- are cost-effective;
- are sustainable from a financial and organisational point of view;
- contribute to the enforcement of sustainable development, equal opportunities and the principle of non-discrimination;
- demonstrate the existence of all necessary pre-conditions for their successful implementation.

In each case, specific criteria for the selection of operations will be approved by the Operational Programme **Monitoring Committee**.

Decisions on projects will be made through one of the following procedures:

- **Major projects:** In line with the provisions of Art. 39-41 of 1083/2006/EC, operations financed by the ERDF or the Cohesion Fund comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which have clearly identified goals and whose total cost exceeds EUR 50 million (in case of environment exceeds EUR 25 million). In those cases where major projects are foreseen the indicative list of these projects will be part of the operational programme and the action plan and thus it is subject to public consultation.
- **Key projects:** Projects that can be supported without a call for applications. These too will be carefully appraised in an assessment procedure, first before pre-selected in an action plan (based on preliminary project proposal), and second before approved for implementation (based on detailed project proposal). Partnership approach will be ensured in both stages, as action plans will be subject to public consultation, and NGOs will delegate members to the project selection committees. Such projects have key importance from the economy and the society point of view. Their beneficiaries are usually – but not exclusively – state or local government organisations. (e.g. infrastructure projects of public benefit, state support of investments having priority employment effect).
- **One-stage calls for proposals:** applied whenever – mainly due to the expected high number of applicants (i.e. private organisations) – it is reasonable to select beneficiaries on the basis of a fully competitive procedure.
- **Two-stage calls for proposals:** This procedure is applied mainly in cases where the size of the target group and the expected number of applications is more limited (typically: public investments), and projects to be financed are more complex. In such cases, projects are first pre-selected on the basis of preliminary (less detailed) proposals. Proposals successful in the first stage then receive assistance, through the IB, during their elaboration into fully fledged, fundable projects.
- **Indirect support:** cover two different procedures:
 - *Indirect grants* are used in case of proposals that are below a given value limit, and the allocation of the support, the monitoring of the implementation of the projects, whether they are in accordance with the regulations and the contracts – based on the contract concluded with the Managing Authority – will be fulfilled by professional management body – e.g. non-governmental organisations.
 - *Financial support instruments:* (e.g. credit, capital, guarantee instruments) are procedures for which the project selection, monitoring of implementation, auditing and the payment of the support will be carried out by financial intermediaries (e.g. banks).

Project selection procedures regarding independent measures are set out in the detailed action plans.

6.1.5. Administrative capacity for implementation

The budget of the development plan – and, within that, the size of the EU's contribution – has increased significantly compared to the previous period. Hungary is committed to the continued development of the institutional system, so that the full and continuous availability

of appropriate institutional capacities is ensured, and EU support is used in an efficient, effective and timely manner.

In order to meet the challenges taking into account the experience of the 2004-2006 period Hungary has decided upon the structural reform of the institutional system. This comprehensive reform covers both the increasing of the efficiency of task assignment and operational management as well as in connection with that – based on preliminary measurement – the extension of administrative capacities.

Therefore:

- All managing authorities were concentrated in a single institution (the NDA). As a result of that:
 - The rules and procedures for programming and implementation are now standardised. This increases the transparency of the system and allows for better dissemination of best practices.
 - The common background functions of all MAs (i.e. finances, accounting, communication, legal matters) are to be carried out by horizontal units of the NDA for all the MAs. This allows for increased efficiency.
- The Government has revised the assignment of tasks related to programming and implementation between the MAs and IBs according to common principles. The MA will be responsible for the strategic tasks regarding the implementation of the OP while the IBs receive more autonomy and responsibility in the case of specific operational issues related to implementation. Therefore the duplication of tasks is to be eliminated, the possibility for mistakes can be reduced and the performance of all stakeholders will become unambiguously measurable and accountable.
- In autumn of 2006 in the frame of an independent institutional assessment the NDA – similarly to 2003 – has performed a qualification procedure on the potential IBs. The aim of the qualification assessment was to assess the competence of the institutions as regards IB functions, as well as to identify the areas in case of each body needed to be enhanced in order to perform the task (gap assessment). The main considerations of the assessment were:
 - whether or not the body is in possession of sufficient professional experience and skilled human resources;
 - whether the form of organization allows for performance incentive of staff and whether it allows for autonomous performance of tasks of an IB during the 2007-13 period;
 - whether the organizational functions and work is well defined and regulated;

As a result of the qualification process precise activity plans were prepared for institutional development for each of the IBs. The action plans established precise deadlines for the IBs that committed themselves to taking the measures necessary in the field of capacity and competences (which may if necessary for instance foresee the employment of additional staff required or the training of staff).

The gap assessment action plans form part of the NDA-IB task assignment contract and their execution is followed up by the MAs. It is therefore ensured that all IBs maintain adequate number of qualified and trained staff.

- A comprehensive performance measuring and incentive system is introduced both at organizational as well as staff level. Thus, all members of the institutional system

became interested in the efficient and as regards the content effective implementation of the programmes.

- A predictable, performance-based system of financing has been introduced for the IB. Where possible, financing is based on unit costs (e.g. number of project proposals evaluated, number of payments transferred, etc.). The contract between the NDA and the IB ensures that the IB has financial interest in high standard, fast selection and management of the projects. It also ensures that the IB manages human and technical resources flexibly: they are free to increase or decrease capacities according to their mid-term tasks. Financial resources to cover the costs of the IB have been allocated to the technical assistance priority of the OP, based on a detailed assessment and calculation of the costs of the institutional system in the 2004-06 period.

Through the individual operational programmes, about two thirds of all TA resources available were earmarked for the financing of IB-level task and capacity needs.

6.2. Monitoring and evaluation

6.2.1. Monitoring

Specific arrangements for convergence ROPs

In accordance with Article 63 of Council Regulation (EC) No 1083/2006 a Convergence Monitoring Committee is to be established for the 2007-13 Convergence Regional Operational Programmes. The Convergence Monitoring Committee allows regions to build on existing experience and share best practice while allowing a better and more efficient monitoring and decision making system. The Monitoring Committee will be composed of one Regional sub-committee for each operational programme based on the Regional Development Councils and ensuring the involvement of a wide range of regional partners. The Regional Sub-committees share the responsibility for programme implementation with the Convergence Monitoring Committee in line with Article 65 of the above Regulation.

Decisions of the Convergence MC will be taken separately for each of the programmes. Regional Committees will ensure supervision of programme implementation and will report and make any necessary proposals for modification to the Convergence Monitoring Committee. The Convergence Monitoring Committee will decide on the basis of the proposals of the Regional Sub-committees.

Regional Sub-Committees are set up in order to take into account in their composition the principle of partnership as well as territorial specificities.

6.2.1.1. Convergence Monitoring Committee

Tasks and Competences:

The tasks within the competence of the Operational Programme Monitoring Committee – with special regard to the efficiency and quality of implementation– are specified in Article 65 of Council Regulation (EC) No 1083/2006 and Art. 14. of Govt. Decree No. 255/2006. (XII8.). Accordingly, the Committee shall

- consider and approve the criteria for selecting the operations financed within six months of the approval of the operational programme and approve any revision of those criteria in accordance with programming needs;
- periodically review progress made towards achieving the specific targets of the operational programme on the basis of documents submitted by the Managing Authority;
- examine the results of implementation, particularly the achievement of the targets set for each priority axis and the evaluations;
- consider and approve the annual and final reports on implementation, and the annually updated evaluation plans;
- be informed of the annual audit report, or of the part of the report referring to the operational programme concerned, and of any relevant comments the Commission may make after examining that report or relating to that part of the report;
- propose to the Managing Authority any revision or examination of the operational programme likely to make possible the attainment of the Funds' objectives or to improve its management including its financial management;

- consider and approve any application to amend the content of the Commission decision on the contribution from the Funds.

The Monitoring Committee debates the action plans referred to in chapter 6.1.1.1. In compliance with Article 63 Paragraph (1) of Council Regulation (EC) No 1083/2006 a Monitoring Committee may supervise the implementation of several operational programmes.

Composition:

The Managing Authorities are responsible for establishing the monitoring committees.

In compliance with Article 64 of Regulation (EC) No 1083/2006, the composition of the operational program Monitoring Committee will be as follows:

The Monitoring Committee according to Art. 64 (1) of 1083/2006/EC is chaired by the person appointed by the Member State, the prevailing member of the Development Policy Steering Committee responsible for the programme area concerned.

Members of the Monitoring Committee will be:

- the Managing Authority,
- a delegated representative of the line ministers concerned in the implementation of the operational programme,
- the Intermediate Bodies concerned in the implementation of the OP,
- the representative of the minister in charge of the state budget,
- delegated representatives of regional development councils concerned,
- at least one delegated representative of local government' associations,
- at least one delegated representative of the environmental protection NGOs,
- one representative of each of the employees' and employer's sides of the National Council for the Reconciliation of Interests,
- delegated representatives of non-governmental organisations – within that, at least one member representing an organisation active for 1.) the Roma people, 2.) disabled people and 3.) equal opportunities for men and women,
- one delegated representative of each of the professional and social organisations concerned.

Members attending in an advisory capacity:

- a representative of the European Commission at its own initiative or the request of the Monitoring Committee;
- the representative of MAs in charge of other OPs affected by the implementation of the OP;
- one representative each of the Certifying Authority and the Audit Authority, as well as the Central Harmonisation Unit;
- for operational programs with contributions from the EIB or EIF, one representative of each of the EIB and the EIF respectively;

- as permanent invitees, one representative each of the organisations responsible for the implementation of the EAFRD (European Agricultural Fund for Rural Development) and of the EFF (European Fisheries Fund).

6.2.1.2. Description of the monitoring information system – indicators and data collection

Data supplied by applicants and by the beneficiaries will be entered in the monitoring information system - an upgraded version of the Single Monitoring Information System (EMIR) used for the period 2004-2006. Feeding the system with data is the responsibility of Intermediate Bodies; the NDA ensures continuous operation and upgrading of the system.

The system will ensure the collection, processing and forwarding of data, and the support of implementation, supporting the daily work of all authorities involved in the implementation of the NHDP, as well as the European Commission, and other national institutions.

It is a fundamental requirement in the programming period 2007-2013 that applicants and beneficiaries meet their data provision responsibilities, wherever possible, through electronic means. The system has been developed by considering these criteria.

The IT system delivers real-time data from each level of the implementation system, and serves as a means of electronic communication between the European Commission and Hungary.

In order to ensure transparency the system will also be used to monitor

- compliance with Article 34 paragraph 2 of Council Regulation 1083/2006/EC as regards complementary financing between the ERDF and ESF and respecting the ceilings thereof, including the special cases laid down in Regulation 1081/2006/EC of the European Parliament and of the Council Art. 3(7) and 1080/2006/EC Art. 8;
- the use of additional assistance to the Central Hungary Region pursuant to paragraph 15 Annex II of Council Regulation 1083/2006/EC.

6.2.2. Evaluation

6.2.2.1. Evaluation plan

The evaluation of the operational programmes will take place based on the coordination specified in the New Hungary Development Plan in a systematic system in accordance with the evaluation plan. The evaluation plan enables the preparation for the evaluations, efficient management of the external and internal evaluation capacities, and utilising the opportunities of the harmonisation of evaluations.

The evaluation plan of the operational programme contains a 3-year forecast and is annually revised, as it is an ongoing evaluation system.

The evaluation plan of the OP will be submitted to the MA of the OP, – with the agreement of the organisational unit ensuring the New Hungary Development Plan level coordination of the evaluation – to the Operational Programme Monitoring Committee, which will annually approve it. (The Monitoring Committee will also have a right to initiate the carrying out of evaluations.) For the implementation period lasting until 2015, the evaluation plan contains forecasted evaluations, as well as evaluations selected annually in the system of ongoing evaluation.

The evaluation plan contains the evaluations described below:

- Mid-term revision of the operational programme strategy and implementation system (2009-2010);
- ex-post evaluation of the operational programme (2015-2016);
- annual operational evaluation of action plans (2008, 2010, 2012, 2014);
- ex-post evaluation of action plans (2009, 2011, 2013, 2015);
- ex-ante evaluation of the contribution of action plans, individual interventions and major projects to the implementation of the objectives of the operational programme, and to the enforcement of horizontal policies (2006, 2008, 2010);
- comprehensive evaluation of the operational programme regarding horizontal principles (for example: equality of opportunities, sustainability, etc.) (2008, 2010, 2012)

The evaluation will include the analysis of the impacts of the operational programme on climate change (as far as possible analysing the environmental, social and economic costs and benefits of climate change as well) to support different actions for climate change prevention, mitigation and adaptation.

The rules for the potential use of evaluations (publication and availability of evaluation reports, presentation and distribution of results, monitoring the use of recommendations) are laid down in the Operation Manual. These follow the recommendations of the Commission's Working documents on on-going evaluations.

6.2.2.2. Selection process of ongoing evaluation

In addition to the preliminarily planned (comprehensive, strategic) evaluations the unified evaluation plan of the New Hungary Development Plan will from year to year be complemented with evaluations related to the action plans, for which the operational programme Managing Authority will make proposals in agreement with the Monitoring Committee. In the frames of the evaluation plan the evaluations will be made:

- in case of those operations of the action plan, for which during the implementation there was a significant difference between the indicator values specified in the implementation schedule;
- to summarize the findings in connection with the measure(s) related to the operations of the action plan, and implemented in the 1st National Hungarian Development Plan (NDP1);
- 2 years after the completion of operations having no innovative domestic implementation history in order to summarize the findings of the implementation, and to explore impact mechanisms;
- to assess the intended and non-intended impacts of at least one operation per priority annually as from 2009, by ex-post evaluation.

Irrespective of the evaluation plan, it is justified to launch ad-hoc evaluation on the basis of unforeseen needs arising in the implementation system (Intermediate Body, Managing Authority), and of the requirements of the Monitoring Committee.

6.2.2.3. Evaluation management

The organisation unit ensuring the horizontal, NHDP-level coordination of the evaluation will:

- prepare and conduct the preliminarily planned, comprehensive strategic evaluations;
- provide resources for the regular evaluations conducted based on unified methodology and the enforcement of the evaluation plan;
- prepare and carry out the evaluations conducted in issues which concern more than one of the operational programmes;
- prepare and carry out the evaluation of operations having no innovative domestic history;
- ensure that evaluation reports are available to the public.

The Managing Authority will maintain sufficient capacity for the performance of evaluation-related management duties, and will:

- be responsible for the performance of duties related to the evaluation of the operational programme and the related action plans and operations, and for the implementation of those parts of the evaluation plan of the New Hungary Development Plan, which concern the operational programme;
- coordinate, develop and stimulate the operational programme-related evaluation activity;
- make proposal for the 3 year evaluation plan of the New Hungary Development Plan;
- ensure the incorporation of evaluation results into planning and implementation;
- generate the data of the indicators related to the evaluation of the operational programme and their storage in the monitoring information system;
- revise the target values of the priority level indicators of the operational programme every second year, upon closing the action plans;
- launch, in justified cases – e.g. at the initiative of the monitoring committee –, evaluations not included in the evaluation plan of the operational programme related to the operations, and support their implementation.

6.2.2.4. Planned resources for evaluation

As regards financial resources, NSRF-level evaluations as well as preparation of evaluation methodologies, coordination of evaluation activities and financing of evaluations included in the annual evaluation plan will be financed by the Implementation OP.

Further evaluations – e.g. at the initiative of the Monitoring Committee – may be financed from the Technical Assistance resources of this OP.

As regards human resources planned for evaluation purposes, besides the staff of 6 persons in the horizontal evaluation unit of the NDA, and appropriate dedicated human resources provided by the MA will be dealing with evaluations.

6.3. Financial management and control

6.3.1. The tasks of the Certifying Authority

6.3.1.1. Structure of the Certifying Authority

The Certifying Authority for all operational programmes financed by the Structural Funds and the Cohesion Fund is a separate organizational unit of the Ministry of Finance. The activity of the Certifying Authority is based on the organisation and experience of the Paying Authority (Ministry of Finance, Office of the National Authorising Officer) of the programming period of 2004-2006.

The Certifying Authority will perform the **tasks** described below:

- receiving payments from the European Commission;
- transfer of EU contributions to the national financing account of National Development Agency;
- drawing up and submitting to Commission certified statements of expenditure and applications for payment;
- certifying that the statement of expenditure is accurate, results from reliable accounting systems, and is based on verifiable supporting documents, as well as the expenditure declared complies with applicable Community and national rules, and has been paid in respect of operations selected for funding in accordance with criteria applicable to the programme and complying with Community and national rules;
- taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- in order to support certification carrying out desk-based fact finding assessments and paying fact finding visits on-the-spot at organisations participating in the financial implementation,
- keeping accounting records on the turnover of the treasury accounts used to receive transfers, on the receivables and liabilities;
- keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation;
- carrying out financial corrections due to administrative errors and irregularities in the course of the implementation of the operational programme, rendering accounts on Community contributions repaid to the European Commission; sending forecasts of the likely applications for payment for the current financial year and the subsequent financial year to the European Commission latest until the end of April each year.

6.3.2. Rules for Financial Management and Control

6.3.2.1. Responsibility of the MA

- The Managing Authority is responsible for the management and implementation of the Operational Programme in line with the principle of sound financial management.
- The Managing Authority delegates the reception, processing and control of the payment claims of the beneficiaries to the intermediate body – if there is an Intermediate Body.
- The MA monitors the fulfilment of delegated tasks.

- The Managing Authority ensures that for the purposes of certification the Certifying Authority receives sufficient information on procedures conducted in connection with the expenditure incurred in the course of the implementation of the operational programme, and declares to the Certifying Authority by counter-signing the verification report of the Intermediate Body that the procedures applied by the Intermediate Body performing the tasks delegated by it are in compliance with the Community and national regulations. The MA arranges for the submission of the verification report prepared by the IB to the certifying authority.
- The MA has to carry out on the spot checks based on risk-analysis at the IB over expenditure declared by the IB. In order to enhance effectiveness of this function the MA has the possibility to delegate one or more persons (treasurers) from the Hungarian Treasury to the IB to ensure the correctness and regularity of expenditure verified by the IB including correctness of data recording in the IT system.

6.3.2.2. Responsibility of the IB

- The Intermediate Body is responsible for the performance of the tasks delegated by the Managing Authority in accordance with Community and national provisions.
- The Intermediate Body provides for the control of the implementation of projects approved in the frame of the operational programme in accordance with Community and national regulations.
- The Intermediate Body is responsible for the receiving, processing and performing administrative verification checks on the applications for reimbursement submitted by beneficiary, for carrying out of on-the-spot checks based on risk assessment, and for summarising the results of verifications carried out in verification report for the purpose of information supply to the Managing Authority and the Certifying Authority. The Intermediate Body is responsible for payments to the beneficiaries.

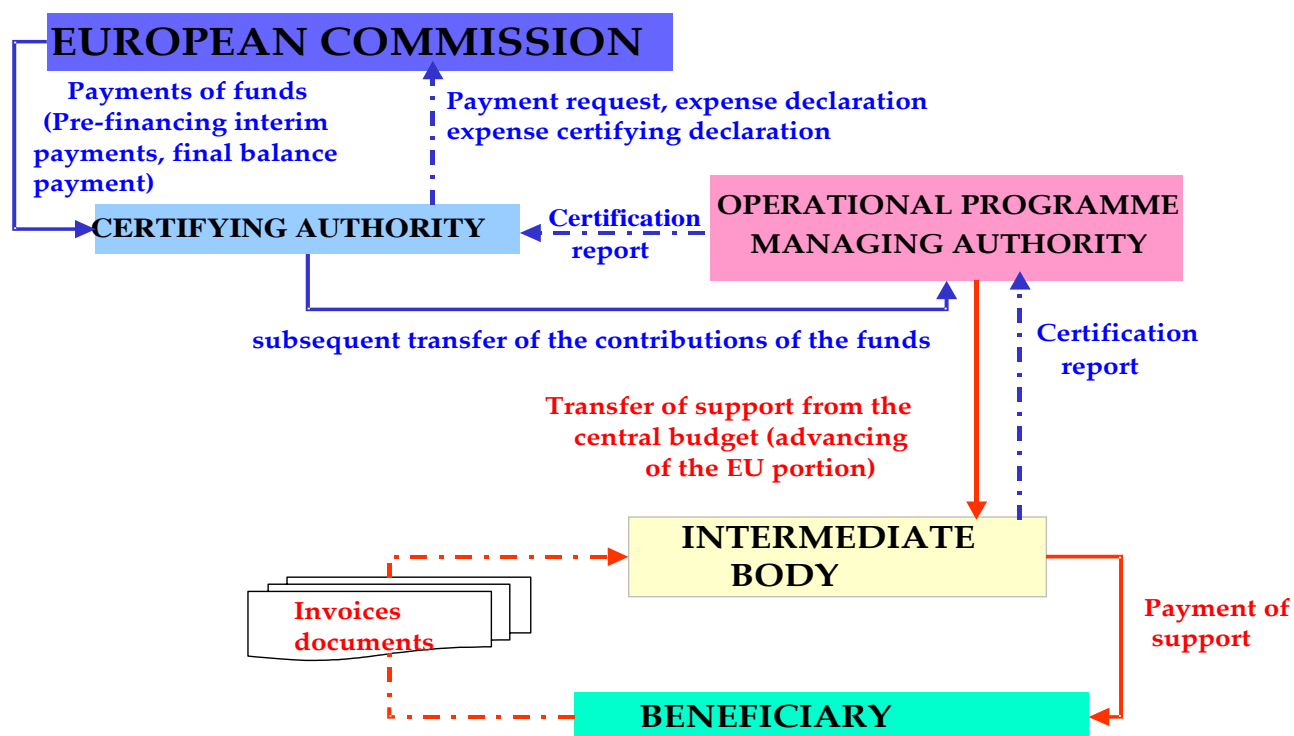
6.3.3. Process of payment to beneficiaries

The beneficiaries will submit their invoices generated in the course of the implementation of the project to the Intermediate Body together with the progress reports, on a regular basis.

The Intermediate Body will perform verification checks on applications for reimbursements financially as well as their content and form, and may conduct on-the-spot checks in accordance with the audit plan prepared on the basis of risk assessment.

On the basis of the approved reimbursement claims the Intermediate Body is responsible for payments to the beneficiaries. It informs the Managing Authority on the results of the verifications conducted in the verification report.

The Managing Authority transfers the Community and the national contributions to the beneficiary from the central budget, which will be refunded to the Managing Authority by the Certifying Authority from the available pre-financing, and from subsequent interim payments.



6.3.4. Control of the European Unions contributions

6.3.4.1. Financial management and control

The Managing Authority, the Certifying Authority and the Intermediate Body establish and operate the financial management and control system. The financial management and control system shall ensure that the activity of the organisations is in line with the regulations and sufficiently regulated, economical, efficient and effective, the information is accurate, and available in due time. The planning, call for proposals, the financial transaction, accounting, control and monitoring duties are functionally separated, and it is necessary to provide for the adequate regulation of these duties also in the relevant internal regulations.

The Managing Authority, the Certifying Authority and the Intermediate Body are responsible for the elaboration of the audit trail, risk management and irregularity handling rules and the immediate entering up of the eventual changes.

In the course of the financial implementation, the Managing Authority, as well as the Intermediate Body are responsible for carrying out administrative verifications and risk assessment based on-the-spot checks prior to payments. In the frame of the above, it is necessary to control whether the physical and financial progress is corresponding with the programme, as well as the project support contracts, and whether the submitted invoices or documents of equivalent probative value are in accordance with the decision related to the application and the contracting terms, the fulfilment of the physical and performance indicators, and the Community and national rules on public procurement.

The chair of the National Development Agency, the head of the Intermediate Body, the Certifying Authority and the Audit Authority are in every year obliged to make a statement concerning the proper operation of the management and control systems – with content and until a deadline as specified by the legislations.

The Minister of Finance executes its tasks concerning the regulation, co-ordination and harmonisation relating to the control of EU Funds through the Central Harmonisation Unit for

Public Internal Financial Control (CHU for PIFC). Regarding EU Funds the CHU elaborates and regularly reviews methodological guidelines to be used in relation to internal controls and makes recommendations for drafting and adopting relevant legislation; through the harmonisation of the audit resources it ensures the fulfilment of an effective, efficient and not overlapping audit activity; and through quality assessment it monitors the execution of relevant regulations and guidelines in relation of the internal control systems.

The minister responsible for the public finance will set up and operate an audit committee involving organisations involved in the implementation of the EU funds, in order to strengthen the transparent use of Community contributions.

6.3.4.2. The Tasks of the Audit Authority

The Audit Authority is a body designated in line with the Community and national rules, responsible for auditing the effective functioning of the management and control systems, which is functionally independent from the Managing Authority, the Certifying Authority and the Intermediate Bodies. In Hungary, the same body performs the duties of the Audit Authority with regards to every operational programme. The tasks of the Audit Authority in line with the provisions of Government Decree 312/2006. (XII. 23.) on the Government Audit Office are performed by the Government Audit Office – a central office having chapter management rights – supervised by the Minister of Finance..

The tasks of the Audit Authority are:

- according to Article 71(2) of Regulation (EC) No 1083/2006, preparation of the compliance assessment criteria of the management and controls systems, to carry out the compliance assessment, and to prepare the report and opinion on the that;
- the preparation and fulfilment of the national audit strategy, and annual reporting obligations (annual audit reports and opinions) to the Commission;
- implementation of system audits and sample checks;
- implementation of audits at the request of the European Commission;
- follow-up of the findings of the audit reports and the schedule related to the measures;
- preparation of declarations on partial closure, and closure declarations and the underpinning audit reports;
- participation in preparing member state responses to audits carried out by the European Commission, as well as in the required negotiations;
- participation in the cooperation with the European Commission according to Article 73 of Regulation (EC) No 1083/2006 in order to coordinate audit plans and exchange the results of the audits.

6.4. Provisions related to information supply and publicity

6.4.1. Regulations

In compliance with national and Community legislation requirements, the NDA (National Development Agency) will be responsible for the tasks related to the communication and publicity of the New Hungary Development Plan and the operational programmes, with special regard to the following:

- Communication to the potential beneficiaries, economic and social partners on the opportunities related to the contributions. Within this, special role will be given to the

efficient mobilisation of the prospective applicants, to well-founded project generating activity and information on available calls for applications.

- Communication to the public on the role played by the European Union in the implementation of the developments. In the course of the above the communication will focus on the introduction of the results of activities implemented with Community co-financing.

The realisation of activities related to information and publicity involves liabilities on the part of both the actors of the institutional system (NDA, Intermediate Bodies) and on the part of the beneficiaries. It is necessary to coordinate the general communications activities related to the entire New Hungary Development Plan, as well as operational programme-related communications activities and partnership actions at central level. The Intermediate Bodies will participate in the performance of other communications tasks related to the introduction of the support possibilities (organisation of professional and information days, forums for the prospective applicants on the programmes at national, regional, county and micro region level), in promoting the communication activities of the beneficiaries, as well as they also carry out data collection and data provision.

On the basis of the information and publicity guidelines prepared by NDA, the beneficiaries have to introduce their own project to the widest public.

Concerning the implementation of tasks related to information and publicity, in accordance with the regulations, NDA (National Development Agency) will prepare a uniform communication strategy for the entire New Hungary Development Plan, which will define the objectives and message of the relevant measures, the strategy and content of their implementation, the targeted social and economic groups, the criteria measuring the efficiency of the measures, the proposed budget of the measures, their estimated time schedules, as well as the administrative units responsible for implementation, and their liabilities. The communications plan will be prepared annually on the basis of the communications strategy. The task of the Intermediate Body will be to prepare and submit to NDA (National Development Agency) the communication plan related to the operational programme managed and/or to the entirety of the priorities, for approval.

Main areas:

- *Introduction of support possibilities, efficient mobilisation of applicants, project generation*
For the successful and effective use of the development resources it is indispensable to efficiently mobilise the potential beneficiaries, and to introduce the support possibilities. This area requires especially active, efficient and concentrated communication focusing on identifiable target groups (various segments of the range of potential beneficiaries). In the frame of this special attention shall be given to providing direct information and help with project generation and in case it is necessary through implementation to organizations representing the most disadvantaged groups.
- *Introduction of the results of development programmes realised through co-financing*
The introduction of the realised projects show the success of the domestic use of the structural funds, and reinforces the image of a rapidly and dynamically developing Hungary in the public, strengthens the image of the European Union, and inspires prospective applicants – setting a positive example.

- *Partnership*
The performance of methodological tasks related to the application of the principle of partnership – such as partnership strategy, partnership actions, partnership reports –in connection with social partnership process, keeping contacts with the preferred partners, involving of partners in professional cooperation, and the preparation of a strategy and reports related to the application of the principle of partnership are of extraordinary importance for the Hungarian government and for the European Commission. Partnership activities are carried for each OP and action plan separately. In line with the terms of delegation of tasks for regional OPs RDAs carry out partnership activities, financed by the TA priority of the OP. Costs of the monitoring committee will be financed by the TA priority of the OP.
- *Client-service*
A special responsibility of the institutional system is the maintenance of relations with potential and winning applicants. From the aspect of the strengthening of the service provision character of the institutional system, and from the aspect of transparency, this is an important area. Accordingly, the performance of the client communication and information supply task in a unified system is necessary at central and also at local level. The main elements of the unified client-information system are: applicant-information site on the Internet, operation of online and telephone-based client services (*Contact Centre*), coordination of the information activity of the Intermediate Bodies, setting up and operation of an internal information system coordinating the flow of information.

6.5. Community policies and horizontal principles – Sustainability, Equal Opportunities and Partnership, State Aid, Public Procurement

6.5.1. Sustainability, equal opportunities and non-discrimination, partnership

In the course of the planning and implementation process, all along, criteria of sustainability (with special attention to the environmental aspects of sustainability) must be fully met taking into account the provisions of Articles 16-17 of 1083/2006/EC. To this end, an environmental assessment was completed in the case of the NSRF and all operational programmes. The NSRF and the operational programmes were submitted to the National Council for Environment Protection.

Appropriate management arrangements shall ensure at all levels of programme implementation, that possible effects which are unsustainable or unfavourable to environment, especially as concerns impacts on climate change, the maintaining of biodiversity and ecosystems, and the drawing on natural resources, are avoided or kept as low as possible, so that the environmental charges of the OP in total, will in the end be climate- and resource-neutral. The OPs positive effects and potentials for synergies in the sense of optimising its contribution to an environmentally sustainable development, shall be exploited at best and, wherever possible, be strengthened.

The single Operational Manual to be implemented by all Managing Authorities provides guidance for the due adherence to sustainability considerations in the course of the public procurement procedures (so called “green public procurement”).

In the course of the consultations on the NSRF and the operational programmes with the social partners a great number of non-governmental organisations specialised in different aspects of environment protection, or equal opportunities expressed their views which if

possible, we took into account while working out the final draft of the abovementioned documents. We also extended the practice of consultations with the social partners to the action plans and calls for proposals.

Equality between men and women and integration of the gender perspective will be promoted during the various stages of the implementation of the NSRF and all operational programmes. Respect of the principle of non-discrimination (prevention of any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation) will also be ensured during all phases of the implementation, in particular in relation to access to funding. Accessibility for disabled persons is a particular criteria being observed when defining the operations of the various operational programmes and being taken into account during the various stages of implementation as well.

The Managing Authority responsible for co-ordination shall develop guidelines and compile an Operational Manual in order to ensure the full respect of the horizontal principles of equal opportunities, and non-discrimination both at all stages of programme implementation as well as with regard to the institutional system. These guidelines will be specialized by the OP MA taking into account the specificities of the Fund, the programme and potential beneficiaries and target groups. Also the Managing Authority supports and disseminates good practices, ensures the possibility of counselling for beneficiaries regarding practical application of horizontal principles during project implementation. Special attention is also given to monitoring the progress made towards equal opportunities targets on programme level.

In the course of the selection process of the projects – as minimum criteria – the full respect of environmental sustainability and that of the principles of equal opportunities, and of non-discrimination are mandatory by the law. In order to ensure full compliance with the above requirements – we have introduced as a novelty – the procedure of the two level evaluations of proposals. In the course of this selection procedure the acceptance of any proposal is subject to the compliance with the horizontal criteria.

It is mandatory to include into the Monitoring Committees at least one representative of a non-governmental organisation specialised in environment protection. Also, at least one representative each of an organisation for Roma people, for persons living with disability, and dedicated to the equality between men and women should be invited to participate in the Monitoring Committees.

Special reports on the compliance with the principles of sustainability and non-discrimination will be compiled, and submitted, on a regular basis to the Government, the Monitoring Committees, the Steering Committee on Development Policy, the National Development Council and Parliament.

On an annual basis, the National Council for Environment Protection shall be informed on the environmental impact of the NHDP and on the compliance with the horizontal aspects of sustainability.

In the course of implementation particular attention should be devoted to

- the monitoring of the gender equality (in particular in view of collecting data broken down by gender);
- the partnership mechanism;
- and to the effective participation of the disadvantaged groups (with special attention to the Roma minority) in the programme.

Therefore in the course of operations a widely accessible information and customer service will be put in place. It will include provision of targeted information and support services for the disadvantaged groups. The employees of this customer service will undergo specific training courses tailored to the needs of these target groups. For the sake of providing appropriate information to the different handicapped groups, we plan to offer full access to our websites. Applicants from disadvantaged regions will have access to on-site information through branches of the national orientation service established in all micro regions.

National advisory network will provide help with project preparation for potential beneficiaries in all micro-regions. Special support by Roma experts is also provided for Roma beneficiaries.

The implementation system is fully committed towards the ensuring of the horizontal principles of sustainability as well as the promotion of equality between men and women and non-discrimination, therefore the introduction of the EMAS is foreseen for the NDA. Furthermore measures will be taken in order to provide for a family-friendly work-environment.

Partnership also prevails at all stages of implementation:

- members of non-governmental organisations take part in the project selection committees (including for preparatory activities) as full members (with voting right);
- half the members of the Monitoring Committee are delegated by non-governmental organizations;
- in the frame of environmental impact assessment public consultation is mandatory for projects

6.5.2. State Aid

The NDA takes into account to their full extent legislation in force regarding state aid. To ensure compliance with state aid regulations the **State Aid Monitoring Office (SAMO)** of the Ministry of Finance participates in the preparation of the programmes and action plans (see further on). Furthermore, it examines, in each case, the relevance of the state aid rules with respect to the activity to be co-financed. The Managing Authority (MA) bears responsibility for the compliance of the operational programme with state aid rules and the SAMO ensures professional control over this compliance. Therefore all support schemes shall be pre-assessed by the SAMO.

6.5.3. Public procurement

Hungary has a Public Procurement Act which was adopted by the Parliament in 2003. More than 10 regulations (“secondary legislation”) lays down some detailed rules of public procurements e.g. templates of call for applications, the way of publishing call for applications, special rules related to construction procurements, design contests, etc.

Intermediate bodies are responsible for ex post controls related to public procurements conducted by beneficiaries. The National Development Agency has set up a unit for ensuring regularity during public procurement procedures. The role of the Unit for Public Procurement and Control (UPPC) is to provide management control during public procurement procedures.

The rules concerning management control and ex post control are laid down in a regulation which was issued by the minister who is responsible for developments and by the minister of finance (16/2006.(XII. 28.) MEHVM-PM).

6.5.4. Provisions Related to Electronic Data Communication between the Commission and the Member State

The SFC2007 system of the European Commission under development will operate on the basis of electronic data provision according to the expectations of the Commission. The IT system is accessible for the institutions of the member states in two different ways (through the website – Web Application, as well as directly through electronic connections with the member state system – Web Service). It is possible to get connected to the system either using one of the methods, or by combining the two methods. The data that have to be submitted in accordance with the annexes of the regulations will be displayed up to the level of the operational programme components.

In the case of those data, which are included in the Single Monitoring Information System (EMIR), data loading will be ensured according to the specifications supplied by the Commission. Those data, which do not have to be recorded in the Single Monitoring Information System (EMIR) (to avoid duplication of data), will be entered in SFC directly by the key users of the responsible central institutions (such as central coordination, Certifying Authority and Audit Authority).

The Member State Organisation - MSO, responsible for tasks related to the system will be NDA (National Development Agency) in accordance with to domestic regulations, so the Member State Liaison, as well as the 'MS System Owner', the executive of the member state organisation responsible for technical issues will be designated also from the members of the staff of NDA (National Development Agency).

6.5.5. Regulations on Data Provision

Concerning the given data, the method of data provision depends on the way of connection the designated institutions use for data provision purposes out of the two options:

- if they upload the data to the SFC2007 system through the website, the authorised key users of the above assigned institutions (central coordination, Certifying Authority and Audit Authority), enter data to the tables within the competence of their organisation in the requested form, as well as verify them.
- if the member state system sends the data to the SFC2007 system through direct electronic contact, the authorised key users of the above assigned institutions (central coordination, Certifying Authority and Audit Authority) load the data into the member state system, verify and send them to SFC2007.

Irrespective of the way of data recording, – the task of the assigned institutions (central coordination, Certifying Authority and Audit Authority) is the direct and perfect loading of the data into the system(s) keeping the deadlines, so that the data provision by other institutions related to their report can also be carried out within the deadline.

The documents will be supplied upon upload into the system. The documents will deem to have been sent to the Commission, only if they have been validated by the authorised persons. If the system is permanently inaccessible, especially if the deadline for the data delivery is endangered, the member state will deliver the information to the Commission in the form of paper-based document specified in the relevant regulations. If the access problem has been solved, the member state, or the designated competent organisation will subsequently carry

out the loading of the information to the system (SFC2007). In such cases the official date for sending the documents will be the date of the sending of the paper-based documents.

ANNEX 1: CONTRIBUTION OF THE RESOURCES OF THE COMMUNITY FUNDING TO THE OPERATIONAL PROGRAMME, BY CATEGORY

CCI number: 2007HU161PO011

The name of the operational programme: South Transdanubia Operational Programme

Figures are in EUR at current price.

According to priority subject		According to priority subject		According to form of financing		According to type of area	
Code	Amount of EU financing	Code	Amount of EU financing	Code	Amount of EU financing	Code	Amount of EU financing
03	32 723 125	85	22 848 560	01	698 085 618	01	407 805 209
04	1 558 603	86	2 538 729	02	7 051 370	05	271 944 490
05	5 937 534	In total:	705 136 988	In total:	705 136 988	00	25 387 289
08	85 817 707					In total:	705 136 988
09	35 847 864						
13	3 125 466						
23	96 186 736						
24	10 463 061						
46	23 837 638						
52	16 887 750						
53	31 482 494						
54	4 704 797						
55	24 778 534						
57	80 818 928						
59	27 214 922						
61	65 853 034						
75	76 573 926						
76	30 712 916						
78	5 409 207						
79	19 815 457						

ANNEX 2: SUMMARY MATRIX OF INDICATORS OF THE SOUTH TRANSDANUBIA OPERATIONAL PROGRAMME

Objectives/Priority axes		Indicator Type	Indicator	Fund	Target (2015)	Frequency	Data source
STC	To stop the South Transdanubia region's falling behind	impact	Per capita GDP of the region as a percentage of national average	71% (2003)	71%	annually	Central Statistical Office (KSH)
STC	To stop the South Transdanubia region's falling behind	Core ind.	Number of gross direct jobs created	0	2200	annually	
SPC1	Protection of the natural and built environment in the region	impact	Improvement of satisfaction with the state of the environment among the affected population (%)	will be determined in 2007.	+10%	every 3 years	MA
SPC2	Competitive economy based on local characteristics	impact	Improvement of the ratio of those employed in the region against population aged 15-64 years (%)	53,4%	54%	annually	State Employment Service (ÁFSZ)
SPC3	To stop the increase of social differences within the region	impact	Yearly average of net migration rate per 1000 residents for the lowest value in the region at the level of micro regions (persons)	-6,4	-5,0	every 3 years	CSO
P1	Competitive economy built upon the development of urban areas	impact	The gross added-value growth of enterprises generated by the programme (HUF)	0	24 billion HUF	annually	KSH/AP EH (tax auth.)

South Transdanubia Operational Programme

		result	The increase in net occupation of industrial parks and industrial areas receiving assistance (%)	67,8%	80%	annually	MA
		Core ind.	Number of full-time jobs created as a result of the programme (gross jobs created)	0	240	annually	MA
		Core ind.	Direct investment induced by assistance (HUF).	0	10 billion HUF	annually	MA
P2	Strengthening the region's tourism potential	result	Increase in gross added value of the hotels and catering sector (%)	will be determined in 2007.	20% increase	annually	Central Statistical Office (KSH)
		result	Increase in utilisation of commercial accommodation capacity (%)	31,2 (2005.)	40%	annually	Central Statistical Office (KSH)
		result	Increase in the number of visitor nights per 1000 visitors spent in assisted commercial accommodation units in the region	2.256.000	2.600.000	annually	MA
		result	Increase in turnover from visitors to assisted tourist attractions (%)	will be determined in 2007.	20% increase	annually	MA
P3	Development of human public services	impact	Reduction of the proportion of students not satisfying the minimum knowledge criteria in national competence assessments (%)	will be determined in 2007.	20% decrease	annually	MA
		result	Increase in the proportion of 0-18 year olds benefiting from the services of multifunction nursery and school education establishments (%)	will be determined in 2007.	will be determined in 2007.	annually	MA
		result	Increase in the number of patients receiving high-standard outpatient care (in clinics affected by the development)	0	259.000	annually	MA
		result	Decrease in the average access time to high-quality specialist care (in clinics affected by the development) (%)	0	489.000	annually	MA
		result	Increase in the number of people having access to high-standard rehabilitation services (in health institutions affected by the development)	0	will be determined in 2007.	annually	MA
		result	Increase in the number of people access to social care	will be determined in 2007.	20% decrease	annually	MA

P4	Integrated urban development	impact	Approximation of rehabilitated area's complex activity rate indicator to the city average (percentage of average) (%)	will be determined in 2007.	75%	annually	MA
		result	Increase in the number of service organisations operating in the supported area and businesses with premises there	0	400	annually	MA
		result	Number of people living in the supported rehabilitated districts	0	51.000	annually	MA
P5	Improving accessibility and environmental development	result	Increase in the number of people who can reach a micro regional centre or expressway within 15/20/30 minutes	will be determined in 2007.	will be determined in 2007.	annually	MA
		result	Increase in the number of people using community transport	will be determined in 2007.	maintain the level of 2007	annually	MA
		result	Number of people served by sewage treatment meeting EU criteria as a result of assisted projects.	0	55.000	annually	MA
P6	Technical assistance	result	Proportion of supported projects implemented (%)	0	100%	annually	MA
	Horizontal indicators	core ind.	Number of jobs created by the programme in disadvantaged areas	0	80	annually	MA
		core ind.	Number of women employed full time in jobs created by the programme	0	120	annually	MA
		core ind.	Number of disadvantaged people employed full time in jobs created by the programme	0	60	annually	MA
		result	The number of disadvantaged students learning in supported schools	0	4000	annually	MA
		result	Energy saving achieved by assisted projects (TJ)	0	will be determined in 2007.	annually	MA

ANNEX 3. SUMMARY OF FLAGSHIP PROGRAMMES

1. “No one left behind”

The *No one left behind* flagship programme supports development of disadvantaged micro regions where Romas are substantially over-represented in the population. Under this programme, special comprehensive assistance is provided in two ways: by drawing up target group-specific thematic, financial and procedural elements for the relevant OP operations, and by assistance to strengthen the capacity to accommodate target groups. The regional operational programmes will contribute to the attainment of these goals primarily by the following interventions: development of social services to strengthen social inclusion, improvement of businesses’ competitiveness, development of local transport.

2. Chance for Children

The purpose of the *Chance for Children* flagship programme is to prevent child poverty and lay the foundations for later success in education and the labour market, and a successful and happy childhood, followed by adulthood, i.e. to provide equal opportunities for disadvantaged children and young people from poor family backgrounds. The goal is prevention, fighting exclusion of disadvantaged children and breaking the legacy of poverty between generations.

The strongest linkage is to the Social Renewal Operational Programme and its objectives of social inclusion, increasing employability and provision of high-standard education and access. Regional operational programmes also contribute to improving prospects for children by means of certain elements of priorities aimed at development of local and area public services.

3. School of the 21st Century

I. Reform of content in the school system (TÁMOP)

1. Competence-based education, provision for students with special educational needs
2. Education of students from migrant families and those from ethnic minorities
3. Inclusive school programme, provision of equal opportunities for multiply disadvantaged and Roma students

II. Quality assurance and efficient school education (comprehensive measurement, evaluation and quality assurance system) (TÁMOP).

III. Infrastructural paradigm change in the Hungarian school system

1. Extending the “Intelligent School” infrastructure, increasing the effectiveness of school education (TIOP + KMR)
2. Regenerating School Programme (ROPs) – grant scheme
Refurbishment of approximately 700 schools, upgrading heating and lighting

4. “Barrier-free Hungary”

1st Priority: Physical access (services of central bodies) (**TIOP + KMR**)

1. Access to buildings
2. Sign-language interpretation and alternative and augmentative communications service

2nd Priority: Physical access (local authority public services) (**ROPs**)

1. Equal access to public services
2. Provision of access in other infrastructural developments (not upgrades!)

3rd Priority (**TÁMOP**)

1. Access methodology centres
2. “Universal design” pilot project
3. Training programmes and personal equipment grants

4th Priority: Development of urban and suburban public transport (procurement of vehicles with disabled access) (**KÓZOP**)

5th: Other

1. Equipment library
2. Guide dog training
3. Sign language interpreter network
4. TV subtitles

5. Development Poles Programme

Elements of the Development Poles Programme being implemented in the DDOP are:

- Setting up and developing economic and sectoral clusters and collaboration among businesses
- Development of incubator houses
- Strengthening services supporting small and medium-sized enterprises
- Development of industrial parks
- Experimental actions and programmes to support regional innovation

7. European City of Culture 2010

This flagship programme has its objectives the following major capital projects:

- Large Exhibition Space
- South Transdanubia Region Library and Knowledge Centre
- Zsolnay Cultural Quarter design competition
- Conference and Concert Centre
- “Parks and Public Spaces” project

ANNEX 4. ORGANISATIONS PROVIDING OPINIONS ON THE SOUTH TRANSDANUBIA OPERATIONAL PROGRAMME

Bakonya Development Foundation
Balaton Development Council
Balaton Association
Balatonboglár Local Heritage Association
National Regional Development Public Consultation Forum
Balatoni Hajózási Zrt.
Balatoni Integrációs Kht.
Mining And Energy Industry Trade Union
Baranya People's Alliance
Baranya Child and Youth Conciliation Forum
Barcs Multifunction Micro-Region Alliance
South Transdanubia Regional Youth Services Office
South Transdanubia Regional Youth Council
Bószénfa Local Authority, Bóly Local Authority, Dunapataj Mayor's Office, Balatonföldvár Local Authority, Sasad Mayor's Office, Somogy County Council, Tamási Local Authority
György Gottsegen National Cardiological Institute
Association of Informatics Businesses
Industrial Parks Association
ISPA Office Pécs
Kaposvár Youth Cultural Association
Kaposvár Mayor's Office Mayor's Office
Kaposszerdahely Local Authority
Kémes Teleház
Micro-Region Youth Assistance Service, Ormánság
Villages, small towns and micro-regions, Szigetvár micro-region delegate
Hungarian Industry Association OKISZ
Hungarian Logistics Association
Hungarian Association of Events Organisers
Hungarian Statistical Society
Magyar Telekom
Hungarian Academy of Sciences (HAS) – Károly Szegő
Marcali Micro-Region, Szentes and Micro-Region, Dombóvár Micro-Region, Barcsi Micro-Region, Pécs Micro-Region Office, Fonyód Micro-Region, Lengyeltóti Micro-Region, Siófok Micro-Region, Simonfa Mayor's Office
HAS Andrea Molnár
HAS Regional Research Centre, Zoltán Raffay
HAS Regional Research Centre, Viktor Varjú
Nagybajom Youth Society
Zoltán Nógrádi – Mayor of Mórahalom
Male-Female Social Equality Workshop
National Spinal Treatment Centre
Pécs Development Kft.
University of Pécs (UP)

PRO-MOSZ Association
UP Central Student Services Office
UP Institute of Physical Education
Regional Environmental Centre
Teleház Hajdúbagos
Tímár és Társa Kft.
Tisza Water Catchment Area Programme Region Local Authority Alliance
Tolna County Agricultural Affairs Office
Tourism Monitoring Committee
Private individuals: Ferenc Wekler, Csizmadia Ferencné Nemes Márta, Valdmann Istvánné, Szidónia Nagy, Éva Ebergényi, Zsuzsanna Erdős, András Grain, Ilona Gál, Tibor Gulyás, Gángó Lászlóné, Dér Miklósné, Lajos Horváth, László Zoltán Horváth
Zselickisfalud Local Authority
Zselickislak Local Authority
Zselicszentpál Local Authority

ANNEX 5. BENCHMARKING VALUES FOR CRITERIA SELECTED PURSUANT TO ARTICLE 47(1) OF COUNCIL REGULATION (EC) NO 1828/2006

South Transdanubia region

Indicator type	Criteria threshold in traditional urban areas	Criteria threshold in housing estates	Reference data ³⁴
HIGH LEVEL OF LONG-TERM UNEMPLOYMENT (Compliance with criterion requires fulfilment of at least one of the indicators.)			
High rate of unemployed in the area of action in 2001 Source of data: Hungarian Central Statistical Office, 2001 census data	minimum 11%	minimum: 10%	8.5%
High rate of permanently unemployed in the area of action in 2001 (rate of those unemployed beyond 360 days) Source of data: Hungarian Central Statistical Office, 2001 census data	minimum 3.6%	minimum 3.4%	3%
HIGH LEVEL OF POVERTY AND EXCLUSION (Compliance with criterion requires fulfilment of at least one of the indicators.)			
High rate of those of active age (15 to 59)	Minimum 15%	Minimum 11%	10.2%

³⁴ Reference data refer to average values concerning a particular indicator in towns of the region with populations in excess of 20 capita. The reason thereof being that data measured at block level are available on such towns for the time being; however, owing to their sizes, these towns are highly likely to become the beneficiaries of social urban rehabilitation.

years) relying solely on state or local subsidies as their source of income in 2001 Source of data: Hungarian Central Statistical Office, 2001 census data			
High rate of housing owned by the local government in the area of action Source of data: declaration by local governments	Minimum 10%	minimum 8%	4.3% (2001)
More support (units) distributed from recurring social subsidies provided by local governments in the area of action with reference to urban average per households. (Eligible forms of support: recurring social aid, every form of housing subsistence support, recurring child protection support, debt reduction support.) Source of data: declaration by local governments	Number of recurring social subsidies is at least 1.5 times urban/district average with reference to the number of households	Number of recurring social subsidies is at least 1.3 times urban/district average with reference to the number of households	
PARTICULARLY RUNDOWN ENVIRONMENT (Compliance with criterion requires fulfilment of at least one of the indicators.)			
High rate of inhabited housing in residential buildings with more than 5 floors in towns with populations exceeding 50,000 capita. Source of data: declaration by local governments		minimum 60% rate of housing located in buildings with more than 5 floors in towns with populations exceeding 50,000 capita	12.3%
High rate of housing without amenities, reduced amenities and of make-do housing within inhabited housing in 2001 Source of data: Hungarian Central Statistical Office, 2001 census data	Minimum 25%		8.4%
High rate of maximum single-flat housing within inhabited housing in 2001 Source of data: Hungarian Central Statistical Office, 2001 census data	minimum 30% in towns with populations exceeding 50,000 capita, and minimum 20% in town with populations less than 50,000 capita		8.3%