



CENTRAL HUNGARY OPERATIONAL PROGRAMME

2007-2013

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1 EXECUTIVE SUMMARY

By virtue of its GDP per capita, the Central Hungary Region will, starting in 2007, be subject to the ‘Regional Competitiveness and Employment’ objective defined in Council Regulation 1083/2006/EC, which lays down general provisions for the European Regional Development Fund, the European Social Fund and the Cohesion Fund (hereafter: ‘Regulation’).

Until 2006, the Region was covered by Objective no. 1 of Council Regulation no. 1260/1999. This, and the outcome of talks with the European Commission, afforded it special treatment as a ‘phasing in’ region. In the Central Hungary Region, the 85% co-financing ceiling and the range of eligible activities are similar to those of ‘Convergence’ regions, but the level of support in the Region will gradually decrease to the average per capita aid intensity level defined in the ‘Regional Competitiveness and Employment’ objective by the year 2011. As the allocation diminishes, the Region’s EU contribution must be controlled via financial demarcation and appropriate tracking.

The Central Hungary Region Operational Programme (Hungarian acronym: ‘KMOP’) – linked to the New Hungary Development Plan (‘Új Magyarország Fejlesztési Terv’ or ‘ÚMFT’; English acronym used hereafter: ‘NHDP’, which is the National Strategic Reference Framework of Hungary) – comprises developments to be carried out under co-financing provided by the European Regional Development Fund (ERDF). The Programme has been drawn up on the basis of the Region’s strategic plan for the 2007-2013 period and the related sectoral development programs.

An additional five operational programmes are linked to the Central Hungary Region Operational Programme:

- The Electronic Public Administration Operational Programme is the framework for some of the Region’s developments funded by the ERDF;
- The Social Renewal Operational Programme and the State Reform Operational Programme cover the Region’s developments funded by the ESF;
- The Transport Operational Programme and the Environment & Energy Operational Programme provide the framework for the transport and environmental protection related projects of the Region financed from the Cohesion Fund.

The Central Hungary Region’s operational programme has been drawn up by the National Development Agency in cooperation with the Ministry of Local Government and Regional Development, the competent ministries and the Central Hungary Development Council and its Agency, in conformance with the priorities defined in the New Hungary Development Plan.

Objectives and Strategy

The overall objective **of the operational programme is to improve the international competitiveness of the Central Hungary Region, observing the principle of sustainable development.**

With an eye to achieving the overall objective, **two specific objectives have been set: to develop factors influencing the Region’s competitiveness, and to develop the Region’s internal cohesion and the harmony of its spatial structure.**

The Central Hungary Region’s development objectives directly support **growth and the expansion** of employment, in line with the main objectives of the **Lisbon National Reform Programme** and the **New Hungary Development Plan**.

To achieve the above specific objectives, the operational programme has targeted the following priorities:

1. *Innovation- and enterprise-oriented development of the knowledge economy*
2. *Development of the preconditions for competitiveness*
3. *Development of the Region’s attractiveness*
4. *Development of the system of human service institutions*
5. *Development of settlement areas*

In accordance with the *horizontal principles* defined in the New Hungary Development Plan, the Programme lays special emphasis on enabling *sustainability*, particularly the sustainability of the environment and of socio-economic processes. To strengthen *geographical and social cohesion*, it assigns preference to developing the Region’s depressed areas and promotes equal opportunities for disadvantaged social groups.

Funding

The financial framework of the operational programme is determined by the fact that from the structural funds (ERDF, EDF) a maximum co-financing of **EUR 2 031 million** may be used in the Central Hungary Region (at current prices), which, together with the 15% national contribution financing (calculating with 85% co-financing) means a total of EUR 2 389.5 million.

ERDF funding will make up EUR 1726.1 million of this sum.

The E-administration OP (Hungarian acronym: ‘EKOP’) is allocated HUF 89.9 million of the Region’s ERDF funding. The Social Renewal OP (Hungarian acronym: ‘TÁMOP’) EUR 522.1 million, and the State Reform OP (Hungarian acronym: ‘ÁROP’) CHR priority EUR 51.4 million, of the ESF funding.

| KMOP Priority Axes and Main Interventions | Priority budget * (EUR) | Share of the priority |
|--|------------------------------------|----------------------------------|
| 1. Innovation- and enterprise-oriented development of the knowledge economy <ul style="list-style-type: none"> ▪ R&D and innovation development, dissemination of accomplishments ▪ Development of SMEs and promoting their technical modernisation ▪ Development of access to finance for SMEs ▪ Development of the business environment ▪ Development of the local economy | 589 893 160 | 34.17% |
| 2. Improving the preconditions for competitiveness <ul style="list-style-type: none"> ▪ Development of intra-regional transport links ▪ Improving the conditions for community transport | 267 014 260 | 15.47% |

| | | |
|---|----------------------|---------|
| 3. Development of the Region's attractiveness <ul style="list-style-type: none"> ▪ Raising the attractiveness to tourism ▪ Nature conservation, rehabilitation and revitalisation of the natural environment ▪ Development of the system of environmental protection services | 203 109 180 | 11.77% |
| 4. Development of the system of human service institutions <ul style="list-style-type: none"> ▪ Development of the infrastructure supporting labour market participation ▪ Development of higher education infrastructure ▪ Development of public health infrastructure ▪ Development of the social inclusion support infrastructure ▪ Development of close-to-the-public-- social service infrastructure ▪ Development of school education infrastructure ▪ Development of the electronic local public administration infrastructure | 359 011 640 | 20.8% |
| 5. Development of settlement areas <ul style="list-style-type: none"> ▪ Integrated, social-type rehabilitation ▪ Development central urban areas | 244 939 260 | 14.19% |
| 6. Technical assistance | 62 145 856 | 3.6% |
| Total | 1 726 113 357 | 100.0 % |

**at current prices together with the 15% national contribution*

The evaluation of proposals for *major projects* with a budget of over EUR 50 million and project selection are in progress.

A *flagship project* has been designed to raise the efficiency of the operational programmes and to achieve the integration of mutually-reinforcing developments, e.g. with seven competitiveness poles – Budapest Development Pole ('Budapest Fejlesztési Pólus'), Knowledge is Opportunity ('A tudás – esély'), Enterprise Development ('Vállalkozás-fejlesztés'), Accessible Hungary ('Akadálymentes Magyarország'), Healthcare Healed ('Meggyógyítjuk az egészségügyet'), Sparingly with Energy ('Takarékosan az energiával'), 21st Century School ('XXI. századi iskola'), Clean Environment ('Tiszta környezet'), Convergence of Lagging Areas ('Leszakadó térségek felzárkóztatása').

The Regional Operational Programme Managing Authority is responsible for programme **implementation**. Under a set of common implementation provisions, first comes the definition of actions for each priority, then fine-tuning of individual procedures, and thirdly appointment of CHR-specific intermediate bodies.

Partnership

The Central Hungary Operational Programme is designed to manage regional and sector developments integrally, and has been drawn up on the **basis of sectoral and regional strategies**.

The drafting of the Central Hungary Operational Programme was preceded by a *public debate* in which regional and sector partners, businesses, professional organisations and NGOs provided their recommendations through a series of consultations.

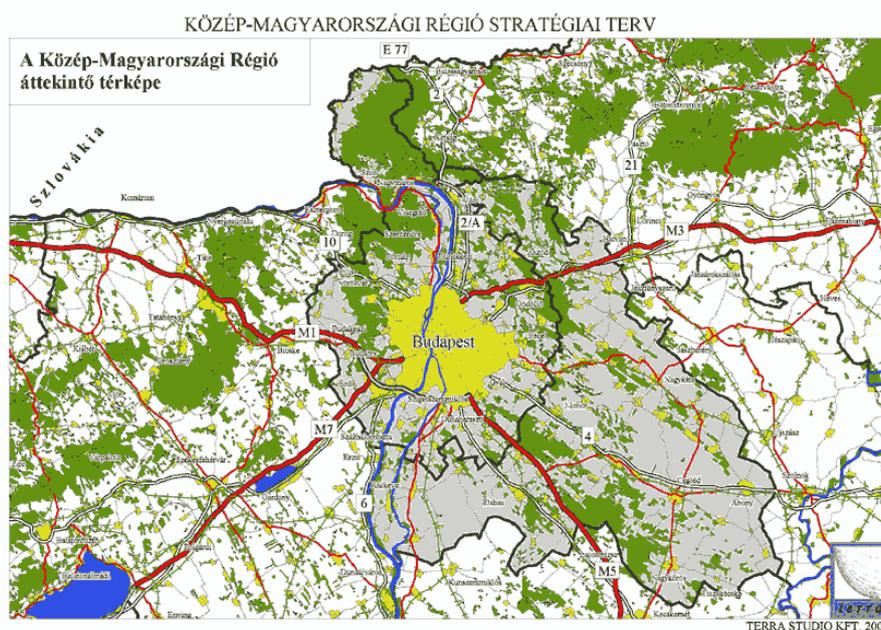
2 SITUATION ANALYSIS

2.1. THE CENTRAL HUNGARY REGION: GENERAL SITUATION

By virtue of its GDP per capita, the Central Hungary Region will, starting in 2007, be subject to the ‘Regional Competitiveness and Employment’ objective defined in Council Regulation 1083/2006/EC, which lays down general provisions for the European Regional Development Fund, the European Social Fund and the Cohesion Fund (hereafter: ‘Regulation’).

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2.1.1 The Geographical Situation of Central Hungary



The Central Hungary Region, comprising Budapest and Pest County, has a total area of 6,918 km². It lies in the central area of the Carpathian Basin, and is bounded by the central hill range, the Great Plain and the River Danube. These determine the main transport routes, on the strength of which the Region has maintained a prominent role throughout history. The principal artery of the Region is the Danube, a key source of drinking water and water transport route, with resort and recreation areas on its banks and crossed by its bridges and ferries forming are important elements of the road network.

2.1.2. Demography and Population Distribution

On 1 January 2005, the Central Hungary Region had 2,840,972 inhabitants, 28.1 % of Hungary's total population. In Budapest, ageing and migration – primarily to towns within the conurbation – are above the country average. Between 1990 and 2004, natural decrease was over 160,000 and nearly 105,000 residents of Budapest left the city. Internal districts are losing their residents, and are being increasingly occupied by institutions and businesses.

Natural Population Growth and Migration (1990-2004)

| | Births | Deaths | Natural population decrease | Immigration | Migration | Migration balance | Population change |
|---------------------|--------|--------|-----------------------------|-------------|-----------|-------------------|-------------------|
| Budapest | 244459 | 405160 | -160701 | 810183 | 915408 | -105225 | -265926 |
| Conurbation | 103923 | 110988 | -7065 | 595286 | 442326 | 152960 | 145895 |
| Rest of Pest County | 64911 | 86171 | -21260 | 254148 | 215535 | 38613 | 17353 |
| CHR | 413293 | 602319 | -189026 | 1659617 | 1573269 | 86348 | -102678 |

Source: Central Statistical Office

Over the past fifteen years, the main population trend in the conurbation has been suburbanisation. People moving out of Budapest have relocated primarily to the outskirts of the conurbation. Suburbanisation started in the mid 1990s, since when the population of the outskirts has grown from 567,000 (1990) to 719,000 (2005). The age structure of the outer conurbation area, in contrast with national trends, has become younger. The fast growing villages of the conurbation have developed a social structure characterised by a striking difference between the lifestyles of the ageing, original population and the newly arriving well-to-do middle class. The newcomers have placed considerable pressure on local government, health care, schools and social institutions. In Pest County, demographic trends outside the conurbation are better than the national average.

From the present age structure of Budapest's population, a continuation of the ageing process may be anticipated. Budapest has better life expectancy than other areas (men: 70.5 years, women: 77.4 years). In Pest County, these indices are somewhat lower (men: 69.1 years, women: 77.05 years). The Central Hungary Region has the highest ageing index of any region (112.3% overall and 145.5% in Budapest).

In terms of population distribution, the Central Hungary Region can be divided into three different parts: the capital, the 80 towns of the outer Budapest conurbation and the rest of Pest County, i.e. outside the Budapest conurbation. In addition to population concentration, this central role manifests itself in the economy, infrastructure and all kinds of institutions. These factors are behind constant expansion of the Budapest conurbation, taking in more towns and villages and increasing the population. The conurbation area now contains 80 towns and villages and nearly two thirds of the county's population: the population density is 360/km², almost four times as the rest of Pest County.

Pest County's 186 towns and villages are home to 1 million 144,000 people. It is the only county in Hungary without a county seat: this role is played by Budapest. It has a markedly different population distribution from the rest of the country. The vicinity of Budapest has prevented the development of small and medium-sized towns: Érd is alone among the county's 40 boroughs ("város," i.e. larger than villages) to have a population of over 50,000. The majority of small towns are deficient in some functions.

The county is dominated by small towns with a population of 2000–4999: these make up 32% of the total. Smaller villages are far less significant than in the rest of the country, while large towns are more so. 18% of towns have a population of 5000–9999, and 17% of 10–49,000, both figures are four times the national average.

Pest County is divided into 15 micro-regions of widely varying area, population and number of towns. The Cegléd micro-region is the largest: having an area of 1200 km² and containing 15 towns, it is over ten times bigger than the smallest (Dunakeszi, with an area of 91 km² and 3 towns). The most populous micro-region on 1 January 2005 was Budaörs, which includes Érd, the most populous town in the county, and 9 other towns, and has a population of some 150,000. In contrast, the 13 towns of the Szob Micro-region have a combined population of only 13,000. Under the classification scheme for micro-regions, which defines five types under a nine-variable index of wealth and social indicators, seven of the county's micro regions are 'dynamically developing', 5 are 'developing' (Aszód, Veresegyház, Monor, Dabas, Gyál) and 3 are 'converging' (Cegléd, Nagykáta, Szob). None of its micro-regions belong to the 'stagnating' or 'falling-behind' categories. Sixty per cent of the county's population live in dynamically developing regions: this proportion is 1.6 more than the national average. The 24% of the population living in developing regions is 5 percentage points higher than the country average.



The 9 variables used in 2004:

1. Foreign direct investment per inhabitant.
2. Income per capita (income tax base).
3. Income per capita 2004/1992 (income tax base).
4. Number of operating businesses per 1,000 inhabitants.
5. Total number of operating businesses.
6. Unemployment rate.
7. Migration balance per 1,000 inhabitants.
8. Number of fixed phone lines per 1,000 inhabitants.
9. Number of private cars per 1,000 inhabitants.

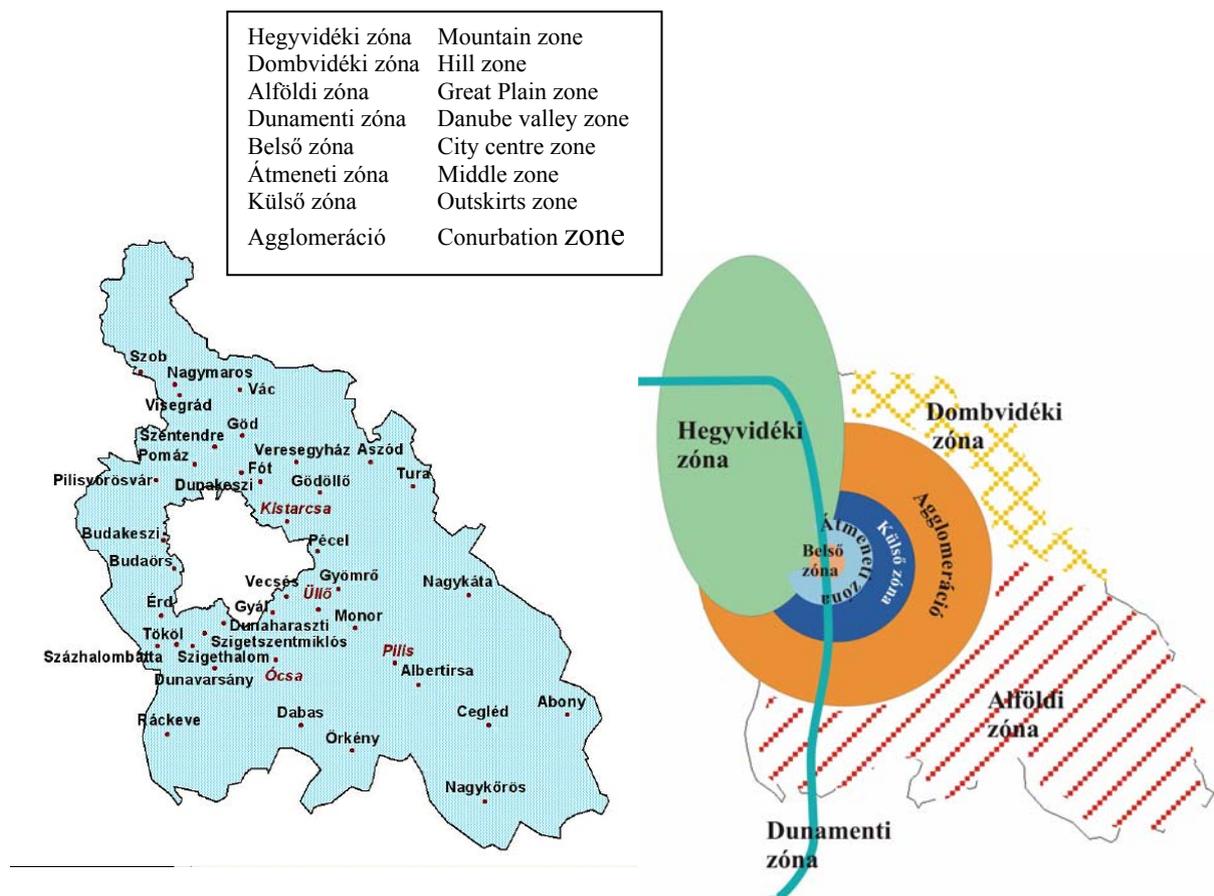
Jelmagyarázat – Legend

Dinamikusan fejlődő- Dynamically developing

Fejlődő – Developing

Felzárkózó - Converging

The county's boroughs and larger villages are located along the roads leading to the capital, and only villages are to be found in the areas between main transport routes. Many villages near Budapest expanded sufficiently to achieve the status of borough (*város*), and the town of Érd has recently been designated 'city of county rank' (*megyei jogú város*). The north and west parts of the Region are hilly areas dominated by small villages (the Börzsöny, Visegrád and Pilis Mountains), while the plains to the south contain several small towns (the Dabas and Tápió areas). The large towns along the roads running out of the capital (such as Vác, Gödöllő, Szentendre and Cegléd) affect the structure only of their immediate vicinity and connections between them remain weak owing to the lack of direct transport links.



* Towns raised to the rank of borough (város) in 2005 are printed in red

The geographical influence of the Central Hungary Region, because it contains Budapest, stretches beyond its boundaries to such major centres as Esztergom, Tatabánya, Székesfehérvár, Dunaújváros, Kecskemét and Szolnok.

2.1.3. The Economy of the Region¹

Budapest, together with its conurbation, forms the wealthiest part of Hungary: in 2004, 44.5% of the country's GDP was produced in the Central Hungary Region. In the same year, the Region's GDP per capita was 159% of the national average (205% in Budapest and 89% in Pest County). In terms of GDP per county, Budapest's GDP was 261% of the national average and Pest County's GDP 114%. 78% of the Region's GDP comes from Budapest and 22% from Pest County. The personal income tax base per capita was 125% of the national average (Budapest 133%, Pest County 95%).

The Region's main competitors (Vienna, Prague, and Bratislava) had levels of wealth far above the Convergence objective criterion before they joined the EU. In 1995, Pest County was among Hungary's poorest counties, but by 2002 it ranked fourth.

GDP per capita (in EUR, at purchasing power parity)

| Area | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003* |
|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Budapest | 13 664 | 14 683 | 15 949 | 16 983 | 18 571 | 21 663 | 23 389 | 26 296 | 26 642 |
| Pest County | 5 489 | 5 778 | 6 617 | 7 066 | 7 833 | 8 112 | 10 099 | 10 925 | 11 428 |
| CHR | 10 902 | 11 629 | 12 701 | 13 476 | 14 708 | 16 488 | 18 314 | 20 329 | 20 643 |
| Hungary | 7 550 | 7 919 | 8 519 | 9 116 | 9 732 | 10 564 | 11 549 | 12 402 | 12 818 |
| EU 25 | 15 233 | 16 011 | 16 856 | 17 647 | 18 523 | 19 765 | 20 495 | 21 170 | |
| EU 15 | 16 869 | 17 679 | 18 570 | 19 421 | 20 369 | 21 695 | 22 463 | 23 162 | |

Source: EUROSTAT, *National accounts 2002-2003, Central Statistical Office

The tertiary sector generates over three quarters of the Region's GDP, produces half of the country's gross added value and employs nearly three quarters of all employees. In 2004, over half of Hungary's finance sector employees, and one third of transportation, postal and telecommunications service employees worked in Budapest. Pharmaceutical, telecommunications, IT and media companies are also concentrated in Budapest.

Budapest's strong position is likely to continue, because it attracts nearly fifty per cent more (144%) investment per capita than the national average. Figures for 2004 show that 62% of all foreign businesses and 64% of foreign working capital are located in the Region – the vast majority (86%) being in Budapest. As regards distribution by sector, 14.5% of foreign capital was invested in commerce, 24.4 per cent in property and business services, 26.3% in industry and 1.2% in the construction industry in 2004.

In 2003, industry produced 18.5% of the Region's GDP by gross added value, and 24.8% of Hungary's total industrial production. The Region has a dominant national position in terms of industrial employment, particularly in chemicals, wood, paper and printing, and engineering. Engineering employs 29% of all manufacturing industry workers in Budapest and nearly 41% in Pest County. The second largest employer in Budapest is the chemical industry; in Pest County it is the food industry. A large proportion of recent greenfield industrial projects have been located in the outer conurbation, leading to the gradual decline of industry in Budapest.

The Central Hungary Region contains 6.8% of the Hungary's total agricultural land. Agriculture accounts for about 1% of its economy, although it produces 10% of the country's agricultural added value. Near Budapest, intensive horticulture is dominant, and more distant areas – particularly the Great Plain – are characterised by traditional animal farming and crop growing. On a national scale, the Region is an important producer of vegetables, fruits and dairy products.

Budapest, together with its conurbation, continues to be the main driver of the Region's economic development, further widening the economic gaps between micro-regions. In order to diminish these and to improve internal cohesion, there is a need for special funding for local economic initiatives, which will also impact on differences in employment within the Region.

2.1.4. Employment and Unemployment¹

The concentration of human resources in the Central Hungary Region is uniquely high. Budapest is more populous than any of its competitor cities, and has a higher proportion of higher education graduates than Vienna, Prague or Bratislava. Budapest and Pest County have over half a million inhabitants with a higher education degree and 1.2 million secondary school graduates, but the low rate of economic activity means that these valuable human resources are underused.

Population, Employment and Business in Central Hungary

| Area | Permanent | Working age | Higher education graduates | Number of employees with higher education | Number of employees | Number of businesses with "legal personality" | Businesses with double-entry accounting | | | |
|---------------------|------------------|-----------------------------------|----------------------------|---|---------------------|---|---|-------------------|-------------|--------------|
| | Population | | | | | | Share capital | Gross added value | | |
| | 2005 | 2005 | 2001 | 2001 | 2001 | 2003 | 1994 | 2003 | 1994 | 2003 |
| | <i>BM</i> | <i>Central Statistical Office</i> | <i>Census, 2001</i> | | | <i>T-Star</i> | <i>Figures from corporation tax returns (billion HUF)</i> | | | |
| Budapest | 1 674 882 | 1 075 243 | 393 679 | 222 298 | 856 193 | 77 272 | 2 696 | 6 071 | 877 | 4 500 |
| Pest County | 1 135 657 | 742 680 | 109 434 | 67 128 | 281 999 | 20 920 | 208 | 2 744 | 88 | 935 |
| CHR | 2 810 539 | 1 817 923 | 503 113 | 289 426 | 1 138 192 | 98 192 | 2 904 | 8 815 | 965 | 5 434 |
| Hungary | 10 143 969 | 6 555 336 | 1 147 474 | 675 825 | 3 502 511 | 185 606 | 4 620 | 13 148 | 1 791 | 9 468 |
| Country w/o the CHR | 7 333 430 | 4 737 413 | 644 361 | 386 399 | 2 364 319 | 87 414 | 1 716 | 4 333 | 826 | 4 034 |
| <i>CHR %</i> | <i>27,7</i> | <i>27,7</i> | <i>43,8</i> | <i>42,8</i> | <i>32,5</i> | <i>52,9</i> | <i>62,9</i> | <i>67,0</i> | <i>53,9</i> | <i>57,4</i> |
| <i>Budapest %</i> | <i>16,5</i> | <i>16,4</i> | <i>34,3</i> | <i>32,9</i> | <i>24,4</i> | <i>41,6</i> | <i>58,4</i> | <i>46,2</i> | <i>49,0</i> | <i>47,5</i> |

Source: Central Statistical Office

Central Hungary's labour market is in a better condition than that of any other region. This fortunate position basically derives from the increase in labour demand. In the 1990s, the creation of new jobs was concentrated in Hungary's urbanised central and western regions, where the population is relatively well educated and the level of infrastructure development high. However, rates of employment and unemployment vary considerably within the Region.

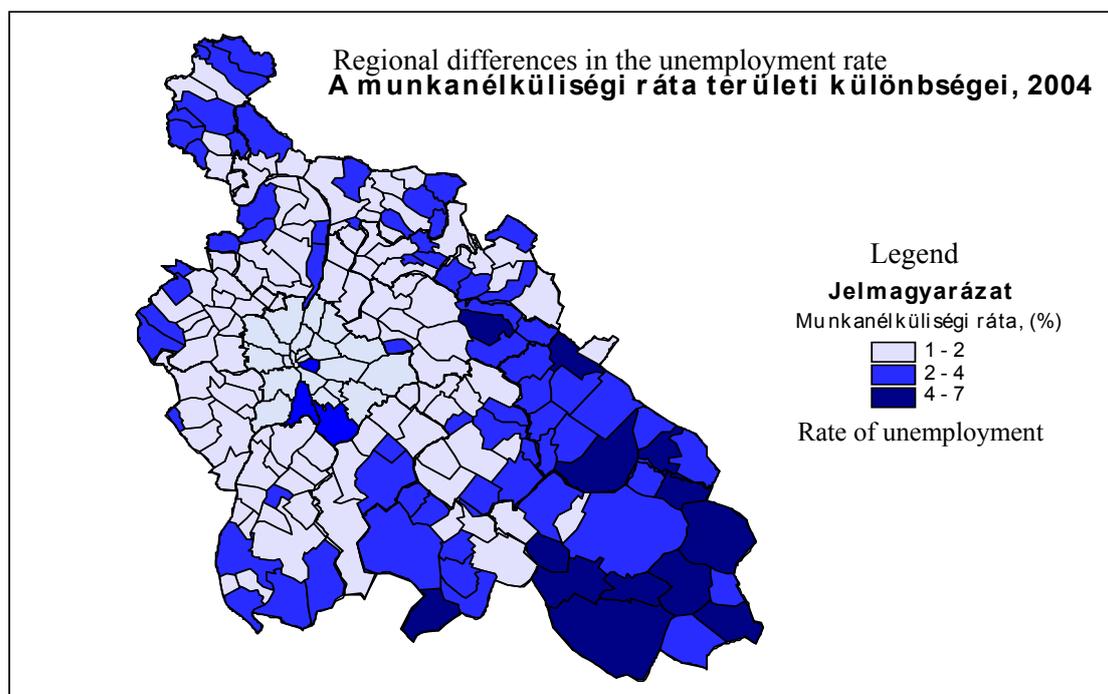
The employment rate of the 15-64-year population in Central Hungary has been increasing steadily since 1998: in 2005, the employment rate was 63.3%, which is significantly higher than national average of 56.9% (it is 65.4% in Budapest, and also above the national average – 60.2% – in Pest County). The rates of white-collar workers and public employees are both exceptionally high (56.7% and 37% respectively). In 2005, the economic activity rate was 66.7%, 5.3 percentage points higher than the national average; it has also been increasing steadily since 1998.

¹ The Region's main economic and employment indicators in international comparison are set out in Annex 1.

Source: Central Statistical Office

| Unemployment, income and employment | Country total | Country w/o Budapest | Budapest | Conurbation | Non conurbation | Central Hungary Region |
|--|---------------|----------------------|---------------|-------------|-----------------|------------------------|
| Annual average number of registered unemployed, 2005 | 409929 | 386569 | 23 360 | | | 43 949 |
| Unemployment rate (15-64-year-old population), 2005 | 7.25 | | | | | 5.2 |
| Income per taxpayer, as percentage of average, 2003 | 110 | 100 | 153 | 129 | 96 | 140 |
| Employment rate (in the 15-64-year age group), 2005 | 56.92 | | 60.2 | | | 63.3 |
| Employment rate, men | 63.13 | | | | | 69.6 |
| Employment rate, women | 50.98 | | | | | 57.5 |
| Percentage of households with no employees, 2001 | 40.9 | 41.6 | 38.0 | 31.3 | 41.1 | 37.0 |
| Managerial and white-collar workers (%) | 20.5 | 17.8 | 31.0 | 22.1 | 13.0 | 26.7 |
| Other intellectual workers (%) | 20.3 | 18.5 | 27.4 | 22.8 | 17.4 | 25.1 |
| Workers in industry and construction industry (%) | 31.5 | 34.7 | 18.9 | 29.7 | 37.2 | 23.7 |

The unemployment rate decreased significantly in the years up to 2002 (to 4%, compared with the national average of 5.8%) and has been slightly increasing since then (5.2% in 2005, still far lower than the 7.25% national level). In 2004, the unemployment rate was 4.4% in Budapest and 4.7% in Pest County, with large seasonal fluctuations and regional differences. The Cegléd, Dabas and Szob micro-regions have the highest unemployment rates in Pest County (7.5%, 7.1% and 6.0% respectively).



For young new graduates, finding a job is increasingly difficult in the Region. The number of registered unemployed new graduates has been increasing since 2001, and averaged 2432 in

2005. For young people looking for work, the lack of vacant positions is compounded by employers' preference for experienced workers and their unwillingness to train school-leavers and graduates. As a result, a lot of qualified people are leaving the depressed areas of Pest County.

Personal incomes are high in the Central Hungary Region. 70% of the Region's personal income is earned by people living in Budapest, over twenty per cent in the outer conurbation and less than 10% outside the conurbation. The traditional differences within the Region are partly explained by differences in the level of education of the income owners and partly by the employment structure. The long-standing difference of roughly 30% between wage levels inside and outside Budapest is also a major contributor to this inequality.



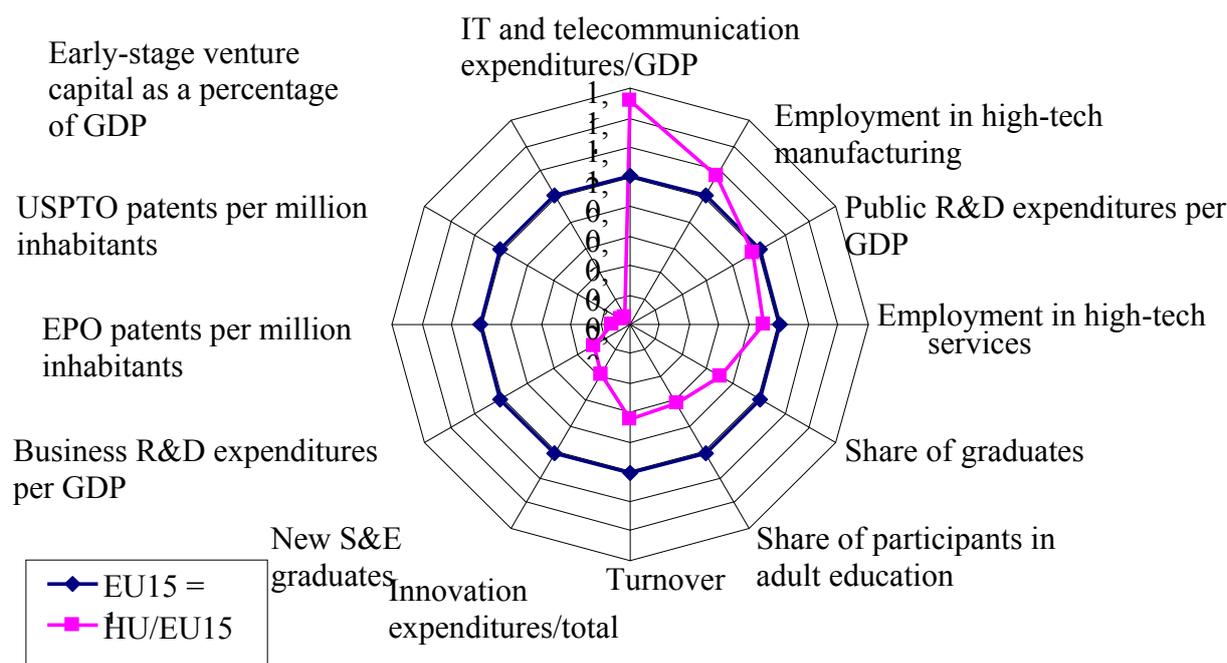
2. 2 FACTORS INFLUENCING THE REGION'S COMPETITIVENESS

2.2.1. Research & Development and Innovation

Though the domestic R&D sector has achieved internationally in several fields outstandingly important results, according to the aggregated SII measure of EIS 2005 study, it is even lagging behind the EU average²; and the backlog in terms of the fulfilment of the objectives of the Lisbon Action Programme is even more.

It can be considered as a favourable result, that Hungary belongs to the countries catching up within the EU (based on the growth rate of SII, EIS 2005 study). Furthermore, there are positive partial results, such as our ranking of the 25 EU countries based on the employment rate in high-tech manufacturing, based on the share of innovative SMEs participating in innovation cooperation, or the high value added produced in the high-tech industry. However, domestic innovation policy scored low in the study, and demand for innovative products is low. Furthermore, it is also worrying that we significantly underperform in terms of licenses, community trademarks and industrial designs creation.

Key R&D and innovation indicators compared to the EU-15 average



Source of data: EIS 2005

² European Innovation Scoreboard, EIS 2005 Summary Innovation Index: (SII) value was for Hungary 0.31, vs. 0.42 for EU-25 average.

Following the country's transition, the volume of research and development activity declined in Hungary: in 2004, Hungary's total R&D expenditure was 0.9% of GDP, down from 2.3% in 1988, and less than half of the EU25 average (1.9 %). In the Central Hungary Region, 1.4% of GDP is invested in R&D, as against less than 0.6% elsewhere in the country. Budapest's R&D and innovation activity is overwhelmingly dominant within Hungary and includes work of international significance. In 2004, nearly half of Hungary's research sites, two thirds of R&D staff, 60% of researchers with PhDs and 60.2% of the total R&D expenditure were concentrated in the capital. 3.2% of Budapest's active employees are research and development workers. The Budapest conurbation is also a significant centre of business research activities: 80% of such expenditures and 75% of such employees are located here. In Budapest and its conurbation, the total number of R&D workers exceeds 17,000. Between 1997 and 2003, their number increased by 30%. The capital is the main research base of a significant part of research and development areas. In agricultural science, this role is played by the nearby town of Gödöllő.

R&D Sector: Key Figures 2004

| | Central Hungary | Budapest | Pest County | Hungary total | Region proportion (%) |
|--|-----------------|----------|-------------|----------------|-----------------------|
| R&D expenditure (million HUF) | 116 692 | 109 344 | 7 348 | 181 525 | 64.3 |
| Number of research sites | 1 255 | 1 127 | 128 | 2 541 | 49.4 |
| Number of R&D staff | 27 217 | 25 480 | 1 737 | 49 615 | 54.9 |
| Of which researchers: | 17 535 | 16 524 | 1 011 | 30 420 | 57.6 |
| Number of researchers with a postgraduate degree | 6 416 | 6 076 | 340 | 10 962 | 58.5 |
| Number of businesses involved in R&D activities (2002) | 1 335 | 1 175 | 160 | 1 886 | 70.8 |
| Number of R&D topics | 12 497 | 11 593 | 904 | 22 612 | 55.3 |

Source: Central Statistical Office

The proportion of Hungary's scarce R&D resources expended on basic research, the riskiest phase of the innovation process, is high by international comparison. The same is true for the Region. Only a small proportion of Hungary's R&D efforts are economically exploited, due to the backwardness of business culture, the lack of collaboration between business and education/research and the lack of market information and mechanisms to support market launch. Due to lack of resources and deficiencies in attitude, few research sites other than those within companies make attempts to exploit their results in products, and to patent them. In Hungary, corporate R&D sites account for only 38% of total R&D expenditure, far less than the 50-80% in developed EU countries. The number of company researchers per thousand employees is only 40% of the EU average. The number of researchers working at company research sites has doubled since 1996, although they concentrated in a few sectors and large organisations (pharmaceuticals, IT, telecommunications, and engineering).

Since company R&D expenditure is such a small proportion of the total, only one third of all research activities are linked to development aimed at turning innovative ideas into new products for the market.

According to a 2004 survey by Innobarometer, the proportion of companies with in-house research activities (52%) is not lower than the EU25 average (53%). However, only 9% of companies hire external organisations – other businesses, research institutes, universities – to

do research work, as opposed to the EU25 average of 20%. Compared to leading countries, few companies make use of innovation consultation services: only 8% used publicly funded and 11% private company services (and 3% used both in the 2 years preceding the survey). The corresponding average figures in the EU25 were 5%, 16% and 5%. An improvement is the fact that the majority of SMEs involved in R&D and innovation activities also participate in some form of inter-company cooperation project. However, Hungarian businesses and research sites are not active in international collaborative research projects: for example, Hungary's participation in the EU's 6th Framework Programme is limited. The leading research sites are universities/colleges and the research institutes of the Hungarian Academy of Sciences, although much research also goes on in other public organisations (such as government bodies, the Central Statistical Office, the Army, public health institutions, etc.) or are privately owned.

The various component elements of R&D and innovation are isolated from each other, and most research results are never practically exploited. There is a severe lack of cooperation between organisations involved in innovation (especially between universities/research institutes and businesses).

In 2003, 19% of all businesses in Hungary were 'innovative'³. The figure for companies with more than 250 employees was more than twice the average (41%), but for those with less than 50 employees it was only 17%. In the services sector, medium-sized companies (50–249 employees) were the most innovative, in contrast with industry. A total of 21.4% of industrial companies were innovative. Manufacturers of chemicals and chemical products and manufacturers of machinery and equipment were outstandingly innovative (45% and 33.2% respectively). In the service sector, every fourth financial services company and a third of companies engaged in IT, R&D and engineering were innovative. Nearly half (47%) of all innovation activities exclusively concerned product innovation. Process innovation accounted for just over one third.

Among the defects of Hungary's innovation system are the undeveloped state of technical and business incubation services to help innovative SMEs through the setup and initial growth phases, and the lack of "bridge" organisations providing innovation services. The 'industrial park + incubator service' model preferred by public policy finds only limited practical implementation. Although the majority of incubators in the Region have been set up in towns where there is also an industrial park, only two are currently operating actually within an industrial park⁴. There is virtually no interaction between industrial parks and incubators, because many industrial parks (such as those serving as headquarters for multinational companies) have no demand for incubation services. Such incubator facilities as exist are, due to lack of resources, forced into enterprise activity and as a result have no incentive to get involved in risky projects, technological incubation, idea management or the identification and support of innovative activities. As a result, there are as yet no specialised technology incubator facilities (though two are in the process of being set up). This picture is borne out

³ According to the definition of the Central Statistical Office, an "innovative organisation" is an enterprise which introduced new or significantly modernised products to the market or applied new or significantly enhanced technologies in its normal operation. Furthermore, a company that did not bring any novelty to the market or introduce modern technology but started such activities and was not able to complete the same in the period surveyed or failed with such initiatives for some reason also qualify as an "innovative organisation".

⁴ *Innovation parks offering a wide variety of innovation services operate primarily in higher education centres. Examples include INNOSTART Nemzeti Üzleti és Innovációs Központ ('INNOSTART National Business and Innovation Centres') in Budapest and Budaörsi Ipari és Technológiai Park ('Budaörs Industrial and Technological Park').*

by a 2002 survey carried out by SEED Kisvállalkozásfejlesztési Alapítvány [Small Enterprise Development Foundation], which found that although existing⁵ incubator facilities have a high rate of occupation and the majority of tenants are operating on a growing market, they are not innovative or start-up micro enterprises and their demand is primarily for the infrastructure and much less for consultation or management support. As a result, the innovative element of the incubators' services is limited: they are good at property letting but offer a poor IT network and are slow in developing database services, training, consultation, partner search, bid monitoring and project management. Technology transfer support is rare and research services almost non-existent. There is no network-type cooperation or foreign relations. They have no involvement in the provision of either enterprise launch funding (pre-seed) or seed capital for the starting phase.

In summary, then, for knowledge-intensive, higher added-value activities to spread more widely in the Hungarian economy, there is a need to reduce research projects' isolation, raise the level of exploitation of research results (including market utilisation), and enable enterprises (especially SMEs) to be more active in pursuing innovation.

2.2.2 Enterprises

Micro, small and medium-sized enterprises play a significant role in Hungary's economy: in 2004, they employed 65% of all employees, produced half of the gross added value and accounted for 36% of export sales. The same figures also show, however, that their productivity falls considerably short of large enterprises. Few of them are able to penetrate the common market or third markets, and only a handful actively contributes to the structural modernisation of the economy. The majority of these businesses are labour intensive but not capital intensive and have a far larger share of employment than of sales revenues or income generation. This fact is natural in itself, and indeed there is a gap between small and large companies in other countries, but it is considerably larger in Hungary. It is therefore essential to assist SMEs by enhancing the attractiveness and availability of knowledge-intensive, higher added-value activities, encouraging cooperation among them, and helping them to gain strength and close the gap with large companies, which are currently much further ahead in structural modernisation.

The number of operating businesses per thousand inhabitants is 180% of the national average: in the Region, more than 200% in Budapest and about average in Pest County (Budapest: 232%; Pest County: 105%).

There are a small proportion of medium-sized businesses in the Region – even smaller than in the rest of the country. Trade and service companies with no more than 9 employees make up the majority of active companies. Only 0.2 per cent of the total are companies with over 250 employees. The Region has 140,000 “sole enterprises” (approximately equivalent to self-employment), which in the vast majority of cases are of much lesser significance, and have much lower income, than companies. There are above-average numbers of sole enterprises in areas outside the conurbation and areas where the conurbation intersects with the Great Plain.

⁵ *The 2005 Nemzeti Technológiai Inkubátor és Magvető Tőke program (“2005 National Technology Incubator and Seed Capital Program”) makes mention of 41 incubator facilities.*

**Number and location of businesses operating in the Region,
by number of employees (31 December 2003)**

| Based on 2003 data | 0 employees or unknown | 1-9 employees | 10-49 employees | 50-249 employees | 250+ employees | Total |
|------------------------|------------------------|---------------|-----------------|------------------|----------------|---------------|
| Budapest | 147733 | 92021 | 8153 | 1394 | 292 | 249593 |
| Pest County | 57974 | 36121 | 2811 | 417 | 71 | 97394 |
| <i>Central Hungary</i> | <i>205707</i> | <i>128142</i> | <i>10964</i> | <i>1811</i> | <i>363</i> | <i>346987</i> |
| Proportion of total | 59.3% | 36.9% | 3.2% | 0.5% | 0.1% | 100% |
| CHR/ Hungary (%) | 37 | 43 | 40 | 37 | 67 | 39 |

Source: Hungarian Statistical Almanac, Central Statistical Office, Stataadat County Data, 2003

Small and medium-sized enterprises operate at low efficiency everywhere in Hungary. They contribute only 45% of GDP, despite employing two thirds of all private business employees, i.e. over one and a half million people. One of the main reasons for the low productivity of the small and medium-sized enterprise sector is the obsolescence of much of their production equipment and ICT assets and applications, and their low R&D capacity and level of innovation.

Although SMEs already use some, usually low-cost, IT applications (accounting programs, the Internet, office software), they do not undertake major developments due to their limited capital, low IT level and risk bearing capacity. As a result, company databases and thus information and the knowledge base are isolated. Integrated electronic inter-company business systems are used almost exclusively by multinational companies operating in Hungary.

The growth potential of SMEs is restricted by the low demand for growth: a 2005 survey carried out by the Ministry of Economy and Transport found that only 8 per cent of SMEs intended to take on more employees, 23 per cent planned major capital expenditure and only 3 per cent planned both. Although the high proportion of non-growing enterprises is natural (even international experience shows that 90 per cent of enterprises do not wish to grow), the proportion of growing companies has decreased in recent years, and that of non-growing companies has increased. This trend works against an increase in the number of medium-sized enterprises.

Growth of enterprises by size (%)

| | 0 employees | 1-9 employees | 10-49 employees | 50+ employees | Total |
|---------------------------|--------------------|----------------------|------------------------|----------------------|--------------|
| Growing | 0.6 | 6.9 | 19.3 | 17.6 | 3.0 |
| Relatively growing | 28.2 | 38.3 | 42.2 | 52.9 | 31.3 |
| Non-growing | 71.2 | 54.8 | 38.6 | 29.4 | 65.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Ministry of Economy and Transport: Factors affecting the competitiveness of small and medium-sized enterprises following Hungary's EU accession, 2005

Economic Networking

A survey carried out by the Ministry of Economy and Transport in 2005 found that 57 per cent of enterprises are involved in some kind of (formal or informal) cooperation. This figure

gives an indication of networking. Practical and formal cooperation for the purposes of the collection, sharing and utilisation of business information is especially rare, and cooperation in developments and tendering is also below the desirable level. The propensity to get involved in either formal or informal cooperation varies by size: it is below average among micro enterprises and above average among small and medium-sized enterprises.

| Proportion of enterprises involved in formal or informal cooperation, by size (%) | | | | | |
|--|--------------------|----------------------|------------------------|----------------------|--------------|
| | 0 employees | 1-9 employees | 10-49 employees | 50+ employees | Total |
| Assistance | 49.4 | 64.5 | 71.4 | 77.8 | 53.9 |
| Cooperation | 13.2 | 22.9 | 42.9 | 27.8 | 16.7 |
| Participation in some cooperation | 51.5 | 68.9 | 76.2 | 77.8 | 56.6 |

Note: assistance = informal cooperation

Source: Ministry of Economy and Transport: Factors affecting the competitiveness of small and medium-sized enterprises following Hungary's EU accession, 2005.

Industrial Parks and Industrial Areas and their Economic Development Potential

Industrial parks play an important role in the provision of business infrastructure in Hungary. By 2005, 179 projects across the country had been granted the title of 'industrial park'. CHR has more industrial parks (30) than any other region, but in terms of their total area (1,120 hectares) and level of occupation (38.5%), the Region is near the bottom of the list. By total revenue of enterprises operating in its industrial parks (HUF 407,901 million), the Region ranks in 4th place, and by number of employees (17,164), 5th place.

The industrial parks in Hungary and the Region are considerably ahead of the other countries which joined the EU in 2004, although intensive further development will be required to maintain this relative advantage. Support for industrial parks and assistance for the development of industrial areas in accordance with local needs could provide a major boost for SMEs operating in the Region's depressed areas.

Logistical Potential

Hungary, and the Region in particular, enjoys an exceptionally favourable geographical location from the point of view of logistics, owing to the four TEN-T corridors which cross the area. Logistics centres play a significant economic role, providing businesses – particularly SMEs – with comprehensive value-added services which reduce transaction costs and enable better scheduling of deliveries. According to the European Logistics Report, Hungary is one of the countries with the best conditions for setting up logistics centres, and its position is improving. Logistics centres started to appear in the late 1990s. Major investments have been made in such projects, especially in the Budapest conurbation, where the total floor area of new warehousing facilities nearly quadrupled between 2001 and 2004.⁶

⁶ In Budapest and its conurbation areas, the total floor area of new warehouses is as follows (thousand m²): 2001: 165, 2002: 290, 2003: 435, 2004: 640; Source: DTZ Research [2005]

External Funding for SMEs

Finance for the growth is less accessible to SMEs in Hungary and the Region than in the advanced countries. Loans extended to Hungary's non-financial companies as a proportion of GDP is lower than the EU15 average. From 24.0% in 2000, this figure temporarily fell due to the slowdown of Hungary's economic growth and high domestic interest rates, and then rose, but only to 25.7%, in 2005. This is despite a constantly high demand for credit in the SME sector between 2003 and 2005, as revealed by a survey of banks⁷ carried out for the Ministry of Economy and Transport.

The strong demand for credit among SMEs is chiefly generated by the need to finance corporate growth: firstly increased production requires a higher level of current assets, secondly finance is needed to purchase new fixed assets, and thirdly there are additional costs associated with organisational development, etc. In the light of this, lending to the SME sector is set for continued and rapid expansion in the coming years, although a large proportion of small enterprises are still not eligible for bank loans.

Despite progress in recent years, the financial sector still makes a limited contribution to the financing of SMEs. The principal factors behind the market insufficiencies are also familiar in other EU member states: information asymmetry due to short business history, and the economies of scale problem arising from the high fixed unit costs of financial service providers.

2.2.3 High Added Value Sectors which Promote Development in the Region

Creative Economy

The creative (or copyright-based) industries are those based on individual creativeness, qualification and skills, capable of creating jobs through the creation and use of intellectual property.

Copyright-based industries now occupy a key economic position: in 2000 they produced 5.3% of total GDP in the EU states and accounted for 3.1% of all employees, i.e. over 5 million people. In Hungary, the various copyright-based sectors have a significant overall economic weight in terms of both output and employment (construction 5.1%, education 4.9%, power 3.2%, health care 4.6%). In 2002, these sectors accounted for nearly 6.7% of GDP, of which 3.96% was due to the gross added value of primary copyright sectors.

Since creative goods are largely knowledge-intensive and information-based, the rapid development of digital technologies and the globalisation of communications networks has made the creative sector one of the most rapidly-developing areas throughout the world: in the most advanced parts of the world, creative industries are growing annually at rates of 5-20%. The creative economy thus represents a major business opportunity, but if its potential is to be fully exploited and the knowledge-based economy is to advance, publicly-funded support is essential.

⁷ *Use of External Funds by Micro, Small and Medium-sized enterprises between 2000-2005, ICEG, Ministry of Economy and Transport, 25 April 2006*

Sustainable Production and the Environment Industry

In the pursuit of sustainable production, the traditional ‘output’ approach (product, waste, emission) gives way to an examination of resource use (water, energy, material and soil use), which ultimately determines the technology to be applied (best available technology, zero emissions, industrial ecology). Improving the quality and availability of eco-efficient solutions and environmental information serves both innovation and slower economic growth and promotes the achievement of equal production with less pollution and resource use.

Over the past 15 years, eco-efficiency has improved, although electricity consumption per capita continues to grow, while GDP, as a result of an economy restructuring, is growing more slowly than energy use. One problem is that companies often do not regard the reduction of water use as among their environmental responsibilities. The quality of Hungary’s soils is relatively good and the land area turned over to organic agriculture grows every year. Another important soil-use factor is waste management and storage: recultivation of landfill sites is a time-consuming task, and the quantity of solid waste grows every year.

As regards the output, product, waste and emission flows are the primary source of production-related output.

Tourism

The Central Hungary Region is Hungary’s top destination for foreign tourism. The Region’s international attractiveness is Budapest, although the enormous potential of the city, which includes considerable thermal water resources and world heritage sites, is greatly under-exploited. The capital has a significant share of the country’s business tourism, although the lack of sufficient conference capacity is a potential disadvantage. While Budapest is a popular destination with foreign tourists, Pest County is the prime recreational area for the people of Budapest. The Region has numerous spas with medicinal and thermal waters and the Danube, which crosses the Region, is also an important tourism attraction. The main attractions of the Danube Bend are its exceptional natural features (spas and facilities for winter and water sports and hiking), cultural activities, historic sites and narrow gauge railways. The Gödöllő Area offers mainly cultural, historical and religious sites, as well some active leisure and sport tourism facilities (Hungaroring). The Ráckeve Danube Area is a holiday resort for the capital’s population and a local water and active tourism destination. The part of the Region’s extending into the Great Plain also has much to attract tourists, such as the north part of the Kiskunság National Park (eco- and active tourism). The Region also features many outstanding events throughout the year, excellent food and drink, the Danube-Ipoly National Park, the Tápió Area, the town of Cegléd and sports facilities.

In 2005, the number of commercial guest nights spent Budapest (19.3 million) constituted one third of all those spent in Hungary, and the city’s share of guest nights spent by foreigners was 52%. The Region has 11% of Hungary’s commercial accommodation. In Budapest, 83% of all commercial accommodation (34,000 beds) is located in hotels, nearly half of them (47%) having three- or four-star rating. The capital has a disproportionate share of high-end tourism (i.e. visitors arriving for business, conference or healthcare purposes). The table of commercial accommodation revenue per room shows how much greater revenue is made by hotels offering high quality services and attracting high-spending guests. A clear trend has

emerged in recent years, even among domestic tourists, of a willingness to pay a higher price in return for high quality services.

Budapest and the Danube Bend stand out markedly as tourism centres in the Region. In contrast with Budapest, which has 13 of the country's 17 five-star hotels, the micro-regions of Pest County offer little commercial accommodation. Due to Budapest's attractions and rich array of services, hotels in the capital realise nearly 50% more revenue than hotels elsewhere in the Region. To address the weaknesses of tourist facilities in the county, efforts are needed to develop its attractiveness, widen the range of leisure facilities, develop accommodation and services, carry out regional marketing and improve the state of the environment.

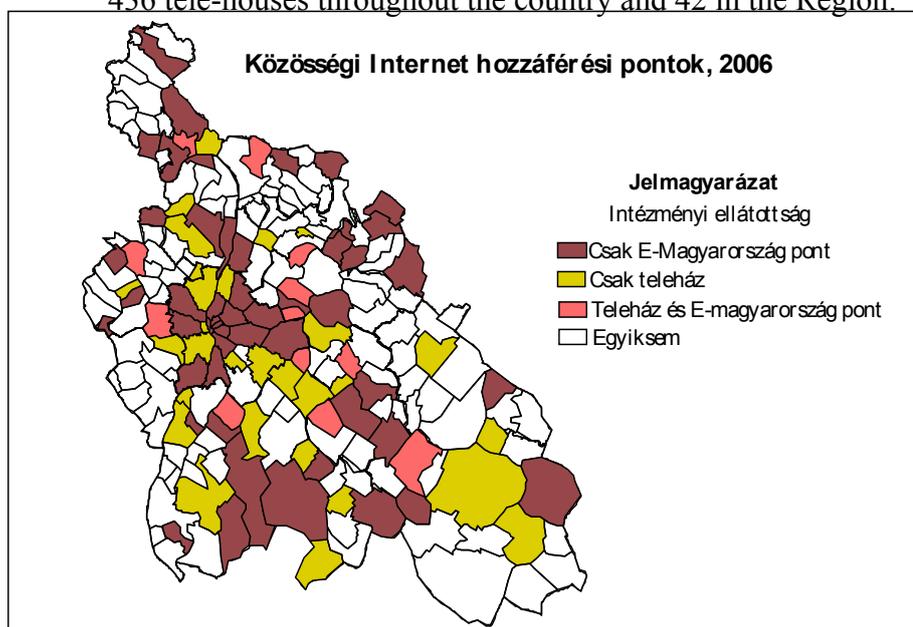
2.2.4 Information Society

Having increased by 22 per cent in only one year, the number of Internet subscriptions reached over 907,000 by the end of 2005. 72% of subscribers chose broadband, xDSL or CATV connections. The proportion of households with an Internet subscription was 20.1%. 29.1% of all Internet subscription contracts were made in the Central Hungary Region.

| All households, 2005 (%) | PC penetration | Internet access | Broadband connections |
|--------------------------|----------------|-----------------|-----------------------|
| Central Hungary Region | 47.2 | 29.1 | 17.1 |
| Budapest | 48.4 | 31.4 | 18.8 |
| Hungary | 38.8 | 20.1 | 10.1 |

Source: Central Statistical Office

Community access is offered by the so-called tele-houses and e-Hungary points. There are 436 tele-houses throughout the country and 42 in the Region.



| Közösségi Internet hozzáférési pontok, 2006 | Community Internet access points, 2006 |
|---|--|
| Jelmagyarázat | Legend |
| Intézményi ellátottság | Availability of facilities |
| Csak E-Magyarország pont | Only e-Hungary points |
| Csak teleház | Only tele-houses |
| Teleház és E-Magyarország pont | Tele-houses and e-Hungary points |
| Egyik sem | Neither |

84% of companies with more than 10 employees based in the Region have access to the Internet, 55% have a website, 19% use an internal network and 12% use some integrated management system. At the same time, the Internet usage of the Hungarian enterprises is so far rather limited: primarily they use it for getting information, keeping contact with the

clients and managing their financial affairs. Only 30% of them use the Internet for keeping contact with the authorities, and 14% to get permissions from the authorities. Limited Internet usage is partly explained by the high rate of narrow band, analogue and ISDN access. While the EU member states have more than 50% corporate broadband Internet penetration, in Hungary this rate is achieved only in case of Budapest, the backlog of the enterprises in the countryside is significant (about 10 percent).

According to national figures for 2004, nearly all departments of public administration use computers, 97% of these being PCs. Local networks are common in central government administration and local government in major towns and cities. Internet usage by local governments in small towns and villages is 90%, still perceptibly behind the 99% of larger towns, although the gap is closing fast.

The overall rate of Internet use by local governments has grown to 93%. Local governments mainly use ISDN (42%) and modem (29%) connections. However, the number of xDSL and wireless connections have together grown by 10%, at the expense of ISDN and modem lines, to nearly 20% (xDSL) and 12% (wireless). Central government offices primarily use leased lines (59%).

Although the presence of IT facilities is spreading in local government, user skills are poor, and e-administration has only got under way in a handful of micro-regions.

2.2.5 Accessibility

The competitiveness of Central Hungary Region is fundamentally determined by its distance from the centre of economic development in Western Europe and the time required to reach the Region, which is in turn determined by the state of transport infrastructure. The costs of reaching major markets can be reduced primarily by modernising the main transport infrastructure (motorways, railways and airways) and the vehicles using them.

At the domestic level, it is accessibility to centres of public services which is important. The Central Hungary Region still has towns and villages suffering from poor transport access, i.e. where it is very expensive for their inhabitants to access public services.

The Region, lying at the centre of the country's radial road and railway network, is Hungary's main transport node. It also has international significance: the Region contains the intersection of three Pan-European road, railway and water transport routes and an additional three branches (the Helsinki Corridor). The boundary of Budapest is crossed by 30 national roads. Of these, 15 motorways and trunk roads carry 75 per cent of the Region's transport. The required radial elements are all in place, although not all have sufficient capacity, but the circular elements to route transport around Budapest are lacking. It is the south-western part of the conurbation which bears the heaviest traffic, much of national and international.

The road network around Budapest, similarly to that within the city, is radial. Here, the lack of circular and transverse roads is especially conspicuous. The conurbation has no continuous circular route and transport in this direction is difficult and slow. Consequently, such transport is uneconomical and entails a high risk of accidents. The deficiencies of the network, including the inadequacy of bridges over the Danube, cause traffic difficulties, which also significantly impact quality of life.

Road Transport

The Central Hungary Region has the highest concentration of trunk roads in the country, but the presence of through roads does not always mean good access to micro-region centres. The lack of transverse connections causes particular problems in the south-east of the Region.

In addition to traffic heading for Budapest, transit traffic puts a heavy burden on the area, and poses a major traffic management problem. The internal roads of towns beside motorways are subject to a very high burden.

The Danube bridges do not have sufficient capacity for both transit and local Budapest traffic. The critical points of the road network are level crossings, which reduce traffic throughput, disrupt public transport schedules and pose a safety risk.

Near Budapest, suburbanisation has increased the demand for mobility and created a special problem in the Region. Commuting time is increasing, making slow means of travel unpopular. Remote shopping centres and other attractive new facilities also encourage the use of private cars and reduce the ability to use public transport.

The Region's average daily traffic is far heavier than the national average. Traffic in Budapest's internal districts has hardly changed in recent years as the road network is saturated and congestions a permanent feature. In Pest County, 16.5% of public roads are of good quality. In Budapest, 80% of the city roads are paved. However, in certain outlying districts, the proportion of paved roads is only around 50-60% – and only 52% in Pest County as a whole.

Railway Transport

In railway transport, a major problem is the condition of railway tracks, the low level of utilisation, low frequency of service and the outdatedness of rolling stock. The same is true for the narrow gauge railway lines which nowadays mainly carry tourists. The railway plays a limited role in the suburban transport of Budapest as the frequency of service cannot be increased in peak hours. Two of the 11 suburban train lines are not electrified. The 3 suburban railway lines play a significant role in Budapest's guided transport. However, all of them are in need of capacity increases and improvement of passenger service quality, and connecting (transfer) systems and parking facilities are also inadequate. There is no rail link between the city centre and the airport. Another deficiency the absence of coordination between the suburban rail network and the city's guided transport.

Water Transport

The Danube forms part of the Helsinki corridor for water transport. It could carry significant freight transport, but due to the shallow waters upstream of the capital, only ships of not more than 1500 tons can travel with certainty. River transport remains uncompetitive because Hungary's barges are obsolete and operate uneconomically, and there is a lack of modern ports. In spite of the decline of water transport, the quantity of goods transported by water has increased from 3.4 million tons to 4.05 million tons since 2000. This includes an increase of inland goods transport from 806,000 to 1.46 million tons. The only port that meets international standards is Budapest-Csepel.

Water passenger transport, which has a history of over 100 years in Hungary, primarily takes place on the Danube, which is an international water route. Since 1975, the volume of water passenger transport has decreased and changed in nature: the passengers nowadays are mostly tourists. The MAHART fleet currently comprises 20 ships and 9 hydrofoils and carries nearly one million passengers and guests a year.

Air Transport

The proportion of goods and passengers carried by air has not changed significantly in recent years. The average distance of air journeys from Hungary has decreased but the number of destinations has grown. The capacity utilisation of aircraft belonging to the national airline has increased from 48% to over 65%. The appearance of low fare airlines has greatly boosted traffic through Ferihegy International Airport: passenger traffic grew by 25% or more than 8 million passengers in 2005.

Public Transport

The ratio of public to private transport in the day-to-day travel of the Budapest population is 60-40%, and in overall travel, 55-45%. The share of public transport has continuously decreased in the past two decades (a trend which is likely to continue in the years to come). 28% of public transport journeys between Budapest and the surrounding area is on the vehicles of the Budapest municipal transport company BKV, 37% by rail (MÁV) and 35% by long-distance bus (i.e. the national long-distance bus company, Volán). The distribution of passengers among different forms of public transport in Budapest are: metro: 22%, bus: 41%, tram: 32%, suburban train: 4.5%. It is notable that guided transport accounts for less than 60% of the total.

The worst problems of public transport are its relatively low speed, poor transfer connections (this problem is not restricted to public transport) and unpredictable service (long travel times and deviations from the timetable), especially in non guided transport and uncomfortable travel conditions. There is a lack of high quality nodes connecting private and public transport.

The increase in private car coverage has not been accompanied by the construction of new off-road parking facilities. Only about 40-60% of those willing to park in public areas can do so lawfully. Budapest has 28 P+R facilities, offering 4777 parking places on weekdays, but only 527 of these are modern and guarded. Many parking areas have no proper public transport connections. Only 1% of journeys from Budapest and 1.5% of journeys from the conurbation use the P+R system.

The Budapest Transport Association ('Budapesti Közlekedési Szövetség') is under formation, and will give rise to a new system which, when complete, will make public transport more attractive to the 3.3 million people living in the capital and its conurbation.

2.2.6 Educational Level and the Education Infrastructure

Budapest stands out in the Central Hungary Region in terms of the number of secondary school and higher education graduates. 54.1% of the adult population have secondary education (national average: 38.4%) and the proportion of higher education graduates is

nearly twice as high as the national average (13.6%). The level of education in Pest County is closer to the national average, and the proportion of higher education graduates is actually below average (11.7%). The education indices of those living in peripheral micro-regions are far worse: the proportion of higher education graduates is below 6 per cent.

| Educational level / Area 2001 | Country total | Country w/o Budapest | Budapest | Pest County | Central Hungary Region | Educational level / Area 2001 |
|---|---------------|----------------------|-------------|-------------|------------------------|-------------------------------|
| Nursery school children | - | - | 47 813 | 25 044 | 14 642 | 127 185 |
| Elementary school pupils | - | - | 119 645 | 61 517 | 39 516 | 321 711 |
| Trade school students | - | - | 15 758 | 4 240 | 3 731 | 31 700 |
| Vocational school students | - | - | 55 795 | 6 937 | 6 434 | 82 537 |
| Grammar school students | - | - | 50 625 | 9 873 | 4 087 | 78 545 |
| People with at least secondary education relative to the whole adult population (%) | 65.0 | 62.2 | 77.6 | 71.2 | 56.7 | 73.3 |
| Higher education graduates relative to the 25+ age population (%) | 16.3 | 13.1 | 30.5 | 18.6 | 8.6 | 24.8 |

Source: Central Statistical Office

The numbers of students in the Region's educational system has changed. In Budapest, the number of children in school is decreasing, but in the area of Pest County within the Budapest conurbation, suburbanisation has caused a significant growth in the number of nursery and elementary school children. The system has major deficiencies, and people moving outside Budapest often have no other choice than to take their children from the outlying areas into the capital, greatly increasing car traffic on the roads leading to Budapest.

The number of students in trade schools has increased by a hundred and fifty per cent in less than fifteen years. In the course of these transformations, the capacity of grammar schools has increased more than that of vocational secondary schools.

The number of students in higher education has nearly tripled over the past decade. Budapest is clearly the country's higher education centre. In the year 2005, the capital had 35 separate universities and colleges, with over 70 faculties. Further enhancing the importance of Budapest is its monopoly of certain subjects and courses. The situation also manifests itself in student numbers: nearly half of the country's 225,000 full-time university and college students study in the capital. Budapest has an even greater advantage in teachers with a postgraduate degree, especially in economics, medicine, engineering and the arts. Over half of all students studying towards such degrees attend universities and colleges in the Region and nearly half of all agriculture, science and law students also study here.

A wide educational spectrum has emerged over the past decade, and local-authority maintained schools – mainly in Budapest – have been set up on varying models, with different curricula and teaching methods. Schools run by foundations, private organisations and churches have also increased in number. There are also multipurpose schools for children and students requiring special education.

In the 2004/2005 school year, the Region had 996 nursery schools⁸, 82.8% run by local authorities. In Budapest, the number of under-5 children per 100 crèche places is 119.9, and in Pest County this figure is 124. Crèches operate at 120% capacity in the Region. Nursery schools are in a better situation in Budapest: there are 94 children for 100 places, as opposed 102 in Pest County. The vast majority (76.9%) of all elementary schools (706) are run by local authorities. Most of them occupy buildings of deteriorating quality, and the educational infrastructure is largely obsolete.

The area of Pest County within the Budapest conurbation faces major shortcomings in the availability of nursery schools and elementary schools, in the educational infrastructure, and in the availability of day care centres for children and elderly people. Spending on construction and rehabilitation has decreased, with the result that 9.2% of nursery and school buildings are in need of immediate renovation and 40% urgently in need. There are some 170-180 schools and nurseries in the Region – most of them in outlying areas of the conurbation – awaiting some major renovation and/or extension. Besides repairing buildings, the most urgent task is the building of special rooms which – according to Ministry of Education Decree 1/1998 (‘Minimum Equipment and Teaching Aids of Educational Institutes’) – all nurseries and schools should have had by 1 September 2003 but nearly a third them still lack.

Nearly 25% of Budapest’s secondary school students commute from Pest County. Demographic trends and changes in the school system are likely to sustain this trend.

There are substantial facilities for non-school labour-market training in the Region. The vocational training system is undergoing changes designed to make them more adaptable to the current needs of the labour market. At present, the training structure is adapted to the existing features of training institutions: there is no connection between training and the enterprises that will later employ students. At present, an experimental model is being drawn up for vocational training as part of the 2004-2006 Human Resources Development Operational Programme (Hungarian acronym: ‘HEFOP’): two regionally integrated vocational training centres (TISZKs) have been founded in Pest County and another two in Budapest (one in the city centre and one in the north of Pest).

A network of Regionally Integrated Vocational Training Centres (TISZKs) is being set up to increase the availability of vocational training, improve the links between training curricula and local labour market needs, reduce the isolation of training establishments, improve the infrastructure and equipment available for vocational training institutes and rationalise the use of available resources. A total of 128 training institutes will be integrated into the 16 TISZKs created in the course of the programming period. These comprise only 9% of all institutes offering vocational training courses. In the Region, one TISZK is being established in the town of Vác and another in Cegléd. The development has not provided training establishments sufficient guarantees for efficient operation or the organisational integration and network-like cooperation required for high quality training, and it has only partly been accompanied by the revision of curricula and content that could satisfy local economic needs and enable cooperation.

⁸ A ‘nursery school unit’ is an independent nursery or a multipurpose establishment with a nursery section.

2.2.7 Labour Market Services

The Public Employment Service (PES), the principal state body for implementing employment policy, was set up and put into operation in the mid-1990s. The PES has been under redevelopment since 2002, aimed at helping the unemployed and inactive workers return to the labour market and preventing long-term unemployment. The new development is based on the organisation's basic service units, the employment centres. The PES still lacks some of the staff, facilities, equipment and infrastructure required to coordinate supply and demand on the labour market, serve the ever-growing number of clients and provide higher quality and more efficient services.

The successful implementation of active labour market policies is also hindered by the fact that bodies responsible for carrying out labour market policy work in isolation on both national and, even more so, local levels. Benefits for people of working age, the persons entitled to receive them, the conditions for receiving them, and related services are not properly coordinated. In particular, the bodies providing unemployment, social and social security benefits and services currently work in isolation. At the local level, unemployed people can receive support, services and payment from several organisations which are not in formal communication with one another (employment centres, local governments, social institutions and NGOs). In order to support and encourage labour market entry, there is a need for a system which first presents available positions and job search services to the unemployed and makes these people eligible for benefits only if they have no opportunity to immediately start working. The infrastructural operational background of such an integrated system, i.e. the physical infrastructure and the required IT capacities, are not yet available.

2.2.8 Health Services

Owing to the outstanding health services of Budapest, the Central Hungary Region's health care indices are the best in the country. The Region has national institutes, teaching hospitals and a range of outpatient clinics, hospitals and primary health care units run by various different bodies (local governments, private companies and mixtures of these). State-of-the-art equipment is not always available, and the obsolescence and incompleteness of the equipment cause severe problems. The compulsory new computerised data system has to face the obstacles of outdated equipment and the fact that some machines have no access to the network. Several outpatient clinics operate in facilities that hardly meet basic standards and are often overcrowded.

In 2004, inpatient treatment was provided in 52 hospitals with a total of 26,054 beds, 22,361 of them in Budapest. Outpatient care was provided through 18 outpatient clinics in Pest County and an additional 112 in Budapest. In 2004, general practitioners and paediatricians had an average of 1757 patients in Budapest and 2449 in Pest County.

| Primary Healthcare Services 2004 / Area | Budapest | Conurbation | Pest County w/o the conurbation areas | Central Hungary Region |
|---|-----------------|--------------------|--|---------------------------------------|
| Number of practising GPs (31 December) | 966 | 281 | 186 | 1433 |
| Cases per GP | 8118 | 10559 | 11743 | 9067 |
| Cases per member of adult population | 5.5 | 5.2 | 6.6 | 5.6 |
| Number of practising children's GPs (31 December) | 343 | 121 | 58 | 522 |
| Cases per children's GP | 4575 | 7018 | 7536 | 5470 |
| Cases per child | 6.0 | 5.7 | 5.0 | 5.8 |
| Population per GP and children's GP | 1757 | 1788 | 1709 | 1438 |

Source: Central Statistical Office

In the area of Pest County within the Budapest conurbation, the capacity of the health care system has grown more slowly than the population. Only in a handful of renovated wards/hospitals are inpatients treated in proper conditions. The scope and quality of outpatient care services varies widely: services are often difficult to access from remoter parts of catchment areas and instruments are often unsatisfactory. In rheumatology departments appointments have to be made several weeks, and sometimes more than a month, in advance.

| Outpatient and inpatient care, 2004 / Area | Budapest | Conurbation w/o Budapest | Pest County w/o the conurbation areas | Central Hungary Region |
|---|-----------------|-------------------------------------|--|---------------------------------------|
| Outpatient cases per daily consultation | 12.5 | 16.3 | 12.4 | 12.9 |
| Outpatient cases per inhabitant | 37.8 | 15.5 | 10.9 | 28.1 |
| Total active hospital beds | 22463 | 2598 | 993 | 26054 |
| Patients discharged from hospitals | 779638 | 64291 | 27431 | 871360 |
| Treatment days per patient | 8.3 | 12.2 | 11.4 | 8.7 |
| Hospital capacity utilisation | 79.5 | 82.4 | 85.7 | 80.0 |

Source: Central Statistical Office

The commonest causes of death in Budapest and Pest County in 2004 were circulatory diseases (49.8%), tumours (25.8%), digestive system diseases (7.4%), morbidity and mortality from external causes (injuries, poisonings, accidents, suicides: 6.4%) and respiratory diseases (3.7%).

2.2.9 Equal Opportunities and Social Services

Disadvantaged groups include people with reduced working abilities, women in special situations, new graduates, the homeless, members of the Roma minority, the elderly (who often live alone and in poverty), people with disabilities, single parents, those released from prisons, people growing up in orphanages, psychiatric patients and those with housing problems. Young people also deserve special attention, the Region having the highest proportion of young people in the country. Three quarters of people with reduced working abilities are inactive, 5500-6000 such people work in Budapest in protected workplaces,

purpose-founded organisations and in social day care centres. Less than half of women leaving the labour market for childbirth have an opportunity to return to their former employer. Employment is hindered by the system of institutions (crèches and nurseries) with insufficient capacity, quality problems and inappropriate operating opening hours.

Since the Region has the highest proportion of only-child and single-parent families in the whole country, it is essential to provide services for these families. In Budapest, there are 120 children for every 100 crèche places, and the figure for in Pest County is 124. The Region's crèches therefore operate on average at 120% of capacity. Not all towns and villages have crèches, and even where there is one, there is often a long waiting list for admission. 40% of the country's crèches operate in the Region. However, there are 8 towns of population over 10,000 in Pest County (Dabas, Nagykáta, Pilisvörösvár, Szigethalom, Pilis, Veresegyház, Batorbágy, and Kistarcsa) which have no crèches despite their legal obligation to have one.

Approximately 200,000 people belong to the Roma ethnic group in Hungary (according to a self-reporting survey carried out by the Central Statistical Office), and about 10% live in the Central Hungary Region. 52.2% of the Region's Roma population live in Budapest and 47.8% in Pest County. Nationally, the unemployment rate of the Roma is 40% higher than that of the rest of the population; their rate of unemployment is 26% in Budapest. The Roma population have a low level of education; nearly half of them have not even finished elementary school. The proportion of the Roma population is higher than the average in Budapest's 7th, 8th and 9th districts and in the towns of Érd, Monor, Dány, Örkény and Tura in Pest County. The Roma often live in isolated rural areas, declining urban areas and clusters of buildings which are basically unfit for habitation. The life expectancy of the Roma is on average 10 years shorter than that of the non-Roma population.

Homeless people are concentrated in the capital. There are currently an estimated 8,000 or more homeless people requiring primary services, 3000 of them living without a shelter (in public areas). Long-term hostels for the homeless offer 253 permanent places. There are no housing solutions to help the homeless leave the streets (e.g. subsidised tenancy, 'halfway homes').

For people with disabilities, the lack of access to public administration facilities and public services, whether run by the Government, the County, the Region or the local government, is a major obstacle to their social inclusion and their lives in general. In addition, the Region still lacks social rehabilitation facilities.

In Budapest, 515,000 people receive some type of pension, 376,000 of them being over retirement age. 63% of people over the age of 75 live alone. The number of elderly people living in senior citizens' homes and confined to bed is increasing steadily: a growing proportion of the elderly living in such homes require nursing. The lonely elderly population with a low standard of living and requiring nursing is far above the national average in Budapest and in the Szob Micro-region.

Social services catering and home assistance are two aspects of social services which are subsidised on a per-head basis. Towns of over ten thousand inhabitants are obliged to provide 'signalling system assistance'. There are shortcomings in primary and other social services, particularly in the nursing of elderly people requiring special treatment. It is the duty of the

health service to provide nursing for elderly people with chronic illnesses who do not require hospital treatment but need full-day specialist supervision.

Principal Social Services, 2004

| Description | Budapest | Conurbation | Pest County w/o the conurbation area | Central Hungary Region |
|--|----------|-------------|---|------------------------------|
| Total beneficiaries of principal social services (%) ^{a)} | 10.6 | 10.5 | 9.6 | 10.4 |
| Beneficiaries of primary social services (catering and/or home assistance) (%) ^{a)} | 4.8 | 3.3 | 3.3 | 4.3 |
| People attending senior citizens' day care clubs (%) ^{a)} | 1.5 | 0.8 | 0.7 | 1.2 |
| Utilisation of senior citizens' day care clubs (%) | 101.8 | 84.9 | 92.9 | 98.5 |
| Residents in senior citizens' homes (%) ^{a)} | 1.6 | 2.4 | 2.0 | 1.8 |
| Utilisation of senior citizens' homes (%) | 94.6 | 88.1 | 90.4 | 92.1 |
| Residents in homes providing permanent or temporary placement (%) ^{a)} | 2.7 | 3.9 | 3.5 | 3.0 |
| Utilisation of homes providing permanent or temporary placement (%) | 91.7 | 90.6 | 94.2 | 91.8 |

a) Relative to the over-60 population.
Source: Central Statistical Office

Elderly people living alone enter the social service system through social services catering or home nursing. Such people insist on keeping their independence but, due to their advanced age and deteriorating health, being at home alone is risky for them. However, it is not only resistance by the elderly people themselves which obstructs their move into senior citizens' homes. The homes tend to be fully occupied and have long waiting lists. The establishment of a home assistance service based on a signalling system is an obligation for towns of more than 10 000 inhabitants, but such service is actually available only in a handful of towns in the Region.

The Roma form a major component of the ethnic make-up of the Region, living in large numbers in the inner districts of Budapest and in the peripheral settlements of Pest County. There are scattered German and Slovakian groups, and Serbs in the Szentendre and Ráckeve areas. Some company employees have come to Hungary from North America and Western Europe, and there are many immigrants from South-East Europe and, in Budapest, from Asia.

In Pest County, there are no orphanages for children with special needs (the foster parent service, which otherwise works well, is not always suitable for children with special needs), post-treatment centres or alternative housing solutions. The chances of young adults leaving such homes on the labour market are worsened by the lack of suitable qualifications and housing and many become homeless. Many residential facilities are out-of-date, several accommodating large numbers in old castles. These may be run by town or county authorities or central government.

The social problems of urban areas in Central Hungary are basically concentrated in isolated, run-down pockets in old districts and in some large, densely-populated high-rise

estates. Social crises are to be expected in the latter, but severe deterioration is already well advanced in the former.

In the Central Hungary Region, the proportion of high-rise residential buildings is roughly 24% (32% in Budapest). In spite of their evident physical shortcomings, the majority of these have a firm social status and serious social problems causing ghetto-like degeneration, as has occurred in Western Europe, is not expected in the near future. However, in certain cases – typically on large high-rise housing estates built in large towns and cities in the seventies, whose social condition have been poor from the beginning – physical problems are often accompanied by major social problems: in such areas unemployment and the ratio of households with arrears and single-parent families are high.

In problematic inner city areas in the Region, which basically comprise the parts of the Pest side of the city outside the Main Boulevard and extending into the brownfield area, serious physical problems – cramped dwellings, few or no modern conveniences – are accompanied by social problems. The worst of these problems are unemployment, the high number of children per household, deviant behaviour in public areas and other phenomena that presage the formation of slums.

2.2.10 Sustainability and the Environment

The buoyant economic development of the Region, as well as long-term improvements in international competitiveness, bring with them a significant strain on the environment, and this jeopardises sustainable development. The negative effects of activities exerting a heavy environmental burden are followed by targeted environmental interventions and are not, or only seldom, followed by action to protect the environment.

Air Quality

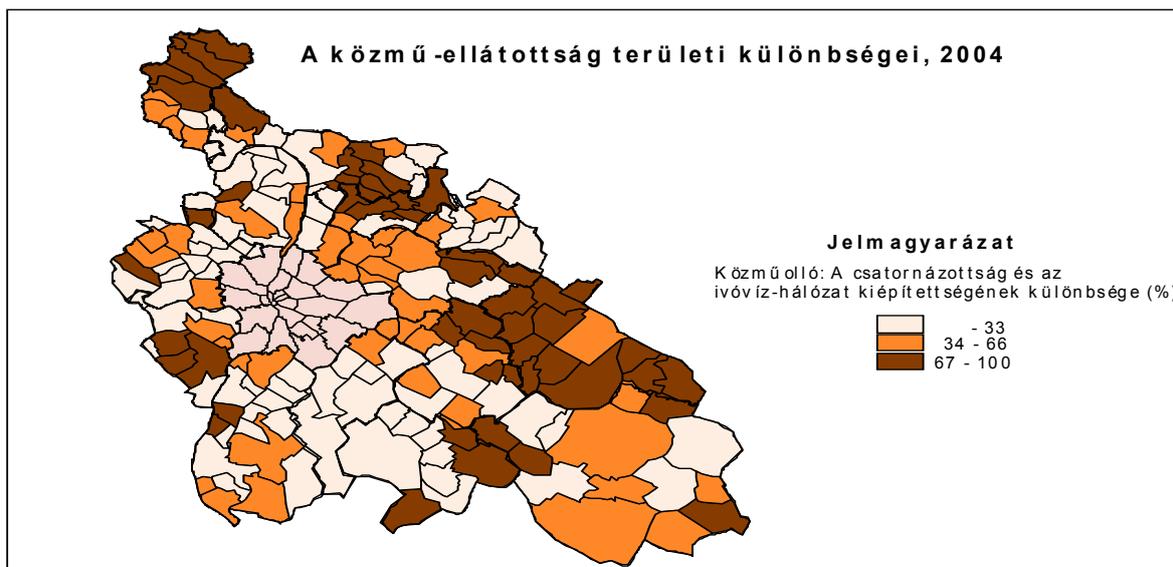
Transport is the main source of air pollution in the Central Hungary Region. Settling and floating dust, nitrogen oxides, volatile organic compounds and carbon monoxide place a heavy stress on the areas with the heaviest traffic, i.e. the inner areas of the capital and towns along the main roads. The concentration of air polluting particles smaller than 10 micrometres (PM10) often greatly exceeds the limit value. In certain weather conditions, nitrogen oxide levels along busy roads and at traffic intersections are sometimes considerably in excess of the healthy limits. Budapest's dense road network, the 100-160% utilisation of the roads from the conurbation and the resulting traffic congestion, the large volume of transit and local freight transport and the increasing number of vehicles (~ 1 million) are the main causes of transport-related air pollution. Atmospheric sulphur dioxide comes mostly from industrial activities, and the quality of air in urban areas as regards sulphur dioxide and carbon monoxide is excellent throughout the country. Floating dust pollution is near the limit value in general and normally in excess of the limit in Budapest.

Noise

In 2004, 100,000 people were subject to daytime noise over 75 dB(A) and 1.9 million people had to bear noise above the 65 dB(A) level, many of them living in the Central Hungary Region, especially Budapest. In recent years, the rate of increase of noise from road transport has slowed owing to the modernisation of the vehicle fleet, the construction of bypass roads and noise protection measures employed in the construction of new roads (anti-noise embankments, walls and plants).

Drainage and Sewage Treatment

132 of Pest County's 186 towns and villages have a public sewerage system. In 2004, 52.5% of dwellings were connected to the sewer in Pest County and 95% in Budapest. 99% of all dwellings had piped water. However, over 10% of sewage flows into the Danube without mechanical filtering and 66% without biological treatment. A large part of the 248 million m³ of sewage produced in Budapest and drained via the public sewer flows into the Danube without treatment. In the conurbation area and in the Danube Bend almost as many dwellings are connected to the sewer network as are supplied with piped water system, while in the Great Plain and the northern parts of the Region, the sewerage system is patchy or absent.



| | |
|---|---|
| A közmű-ellátottság területi különbségei | Regional differences in public utility supply |
| Jelmagyarázat | Legend |
| Közmű-ellátottság: A csatornázottság és az ivóvíz-hálózat kiépítettségének különbsége | Public utility gap: percentage difference between installed sewer and water supply pipe |



Water Supply, Sewers and Sewage Treatment (2003, 2004)

| Index | Country | Central Hungary | | North Hungary | North Great Plain | South Great Plain | West Transdanubia | East Transdanubia | South Transdanubia |
|---|---------|------------------|----------------|---------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | | Bp. | Pest m | | | | | | |
| Proportion of homes connected to the public water supply (%) | 93.2 | 95.9 | | 87.8 | 92.7 | 88.0 | 95.3 | 96.6 | 94.7 |
| | 93.7 | 96.3 | | 88.2 | 93.3 | 88.6 | 95.2 | 96.7 | 95.9 |
| | | 98.3 98.5 | 90.9 91.8 | | | | | | |
| Proportion of homes connected to the public sewer (%) | 59.1 | 78.8 | | 49.6 | 42.0 | 38.6 | 63.2 | 65.0 | 54.3 |
| | 62.2 | 81.0 | | 54.1 | 44.8 | 41.4 | 65.8 | 69.2 | 58.5 |
| | | 94.1 95.0 | 47.4 52.5 | | | | | | |
| Public utility ratio (m) length of installed sewer (m) / length of installed water supply pipe (km) w/o connections | 521.7 | 776.9 | | 518.1 | 458.5 | 321.9 | 599.9 | 536.0 | 366.2 |
| | 550.8 | 797.0 | | 541.9 | 493.0 | 356.5 | 601.3 | 576.1 | 411.7 |
| | | 1016.8 1044.9 | 638.5 656.0 | | | | | | |

Source: Central Statistical Office 2004 * length of sewer per 1 km of water supply pipe

Protection of Water Sources

In the Central Hungary Region, especially in the conurbation area, there is increasing stress on water sources. Drinking water quality parameters are defined in Council Directive 98/83/EC on the Quality of Water Intended for Human Consumption and in Government Decree 47/2005 (11 March, amended later in 2005).

By the pollution sensitivity classification defined in Government Decree 219/2004 (21 July), 68 towns in Pest County are in extremely sensitive areas and 110 in sensitive areas. 102 towns are in nitrate-sensitive areas.

Municipalities with unsatisfactory drinking water as defined in Government Decree 201/2001

| Region | Number of towns and villages* | % | Population | % |
|------------------------------------|-------------------------------|--------------|----------------|--------------|
| South Great Plain | 224 | 25.7 | 1222590 | 48.2 |
| North Great Plain | 219 | 25.0 | 687373 | 27.1 |
| Central Hungary (only Pest County) | 26 | 3.0 | 112309 | 4.4 |
| East Transdanubia | 28 | 3.2 | 34146 | 1.3 |
| West Pannonia | 72 | 8.2 | 61340 | 2.4 |
| South Transdanubia | 203 | 23.3 | 263100 | 10.4 |
| North Hungary | 101 | 11.6 | 157647 | 6.2 |
| Total: | 873 | 100.0 | 2538505 | 100.0 |

a. The number refers to the number of local authorities affected. The Decree mentions 908 towns, villages or districts, but the number of local authorities involved is 873.



Waste

The Region produces nearly one third of the country's total waste and its volume increases by 2-3% annually. In Budapest, about 920,000 tons of household waste is collected each year. Of this quantity, 200,000 tons qualify as hazardous waste. 2006, 50% of solid waste was disposed of through incineration.

The waste produced in Pest County is deposited in over 70 municipal landfill sites. Most of these are used by a single town. Many of the operating landfill sites fall short of the required technical standard. About 2% of the Region's waste is deposited illegally. Illegal waste dumping is a particularly severe problem in the vicinity of built-up areas.

Protected Areas and Urban Green Areas

In order to improve the Region's ecological integrity, it is vital to decrease the isolation of natural habitats, to restore and protect NATURA 2000 areas, protected natural areas and natural features, and to retain the historic and cultural diversity of the built environment.

The two national parks and eleven nature conservation areas the Central Hungary Region cover 77,637 hectares, over 10% of the area of the Region. In the capital, 3,500 hectares are under nature conservation. There a further 81 locally protected areas with total area of nearly 12,000 hectares, 522 hectares of which are in the capital and include historical gardens. Much "green" land inside towns (parks, historical gardens, etc.) has been built on or is deteriorating, especially in Pest County. The Natura 2000 project is an attempt to preserve isolated natural areas by integrating them into an ecological network.

Energy

In 2005, energy generation in the Central Hungary Region was 1.4% above the national average. The Region has significant renewable energy potential (geothermal, solar, etc.), whose exploitation could have major environmental benefits and enable EU commitments to be satisfied.

The Central Hungary Region has the largest source of usable biomass, deriving mostly from Budapest's domestic and industrial sewage.

A significant reduction of environmental stress could be achieved through the use of bio fuels for transport, because the Region has the highest use of public and private transport in the country.

Household energy is a major item in the average household budget. In 2004, almost half of household expenses the Central Hungary Region population were energy expenses. Energy efficiency projects are required to reduce this in the long term.

The Region accounts for a significant part of the country's consumption and production. This puts a severe stress on the environment, and so environmental education is of key importance. Environmental education is provided by 'forest schools', higher education environmental and nature conservation courses and a large number of nature conservation NGOs. It is only by

being educated to environmental awareness that children will understand that the negative consequences of activities which stress the environment can be compensated only through specific environmental action.

Brownfield Areas

As the tertiary sector grows at the expense of industry, industrial sites are being abandoned. Hungary has experienced intensive economic and structural transformation over the last ten or fifteen years. Budapest, the economic centre of the country, has a disproportionate area of disused sites (4073.7 hectares in 2003). Political changes, particularly involving defence, have led to further abandoned and frequently polluted areas being added to the “brownfield” category. There is a sharp contrast between Budapest and Pest County in terms of brownfield land area. The county has the lowest relative brownfield area in the country, comprising 13.2 hectares of industrial land and 634 hectares of disused military facilities in 2003.

Industrial brownfield area and disused military facilities in the Central Hungary Region (2003 figures):

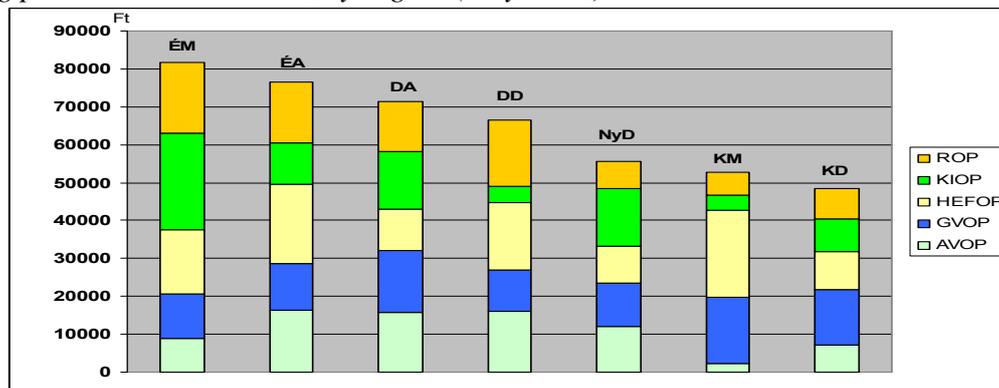
| | Industrial Sites (Hectares) | Military Facilities (Hectares) |
|---------------|------------------------------------|---------------------------------------|
| Budapest | 4073.7 | |
| Cegléd | | 14 |
| Vác | | 8 |
| Budakalász | 4.2 | |
| Mende | 9 | |
| Nagykőrös | | 8 |
| Szentendre | | 28 |
| Kiskunlacháza | | 426 |
| Apaj | | 150 |

Land use is a major factor in sustainable development. Reclamation of environmentally polluted brownfield sites, if this is economically, environmentally and socially sustainable, can reduce environmental threats, improve the attractiveness of the locality and make life better for local residents.

2.3 REGIONAL PLANNING IN NDP I AND ROP

The First National Development Plan was produced to secure access to the Structural Funds in the 2004-2006 contribution period, and formed the basis for expenditure of EU finance from the beginning of 2004.

Funding per head under NDP I, by region (July 2006)



(source: SMIS)

Experience Gained from the Implementation of the 2004-06 Regional Development Operational Programme (Hungarian acronym: 'ROP')

- It was difficult for the uniform ROP to satisfy the sometimes very different development needs of the individual regions with heterogeneous social, economic and environmental features.
- Implementation of ROP placed a very heavy administrative burden on applicants and proposal management bodies. For more efficient, simpler and faster programme implementation, these obligations should be eased during the 2007-13 development period.
- In the case of ERDF type developments, many proposals ultimately received no funding. The primary reasons for their rejection were failure to comply with the formal or legal requirements. The continuous application system enabled many proposals first rejected for formal or legal reasons to be resubmitted, and ultimately to be granted assistance.
- In the case of projects concerning ESF the applicants needed a continuous help at the elaboration and realization. The reason was the special group of beneficiaries and the multicoloured supported activities which resulted complex applications with many actors.
- The experiences of social day care projects show that the applications contain large-scale infrastructure investments, which were inevitable to carry out soft elements. As the principles of the Social Fund did not make it possible to fund these demands the applicants either had to finance the investment from own source or had to decrease its budget.
- The beneficiaries of the central programmes were outlined by legal provision. These organizations did not have any experiences of project-writing or project management, which caused problems during the execution. There has been a continuous demand for counselling and professional help. From 2007 on the coaching of the organizations carrying out special support projects has to receive great attention.

- In many instances, speed rather than quality aspects decided between two projects. This experience has prompted recommendation of new project selection procedures in a few areas from 2007 (e.g. two-round selection).
- The system of project-side services (i.e. those supporting applicants and project implementation) should also be reviewed. This is especially true for new or innovative assistance schemes, depressed areas and areas inactive in proposing ('development white spots'). New and renewable, client-friendly and proactive services for project owners in project collection, project development and project implementation could make implementation of NDP II faster, more successful and more cost efficient.
- The Managing Authority's role as final decision maker and the sharing of the tasks related to ROP program implementation weakened the Region's promotion of local interests. One problem for applicants, the Managing Authority and the IBs alike was the functional separation of ROP implementation management responsibilities between the two intermediate bodies (RDA and Váti Kht.), which hindered inter-organisational communication, the meeting of deadlines and the supply of information. It is recommended that a single regional intermediate body be appointed for the performance of these tasks during the next programming phase (single-point-of-contact system).

Given this experience, regional and area interests should be better represented during the 2007-2013 development period, in line with the Government's decentralisation efforts. This can be achieved primarily through extending the management and decision making rights of the Regional Development Councils and strengthening the enforcement competences of their working organisations. However, ROP planning for 2007-2013 will be greatly facilitated by the experience gained in regional programme compilation and implementation.

In NDP I, i.e. the 2004-2006 period, Central Hungary was a convergence region. Its development goals were pursued by:

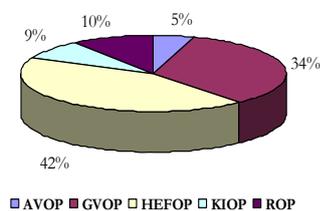
- *Economic and Competitiveness OP* (Hungarian acronym: 'GVOP'): encouragement of investment, the development of SMEs, R&D and innovation support, information society and economy development;
The major part of the projects were implemented in the Central Hungarian Region, involving Budapest. The applicants received more than 50 billion HUF grants, mainly from the R&D and innovation priority. In the other regions the average amount of the grants were 12-26 billion HUF
In the case of "encouragement of investment" priority the ratio of the settlements lagging behind is relatively high comparing to the other priorities – it is because of the evaluation scoring system, extra points were given to those settlements. Nevertheless the number and the volume of the Central Hungarian Region projects remained relevant.
At the R&D and Innovation support priority Budapest and the large university cities were dominant. The main reason behind it is the focus of this priority – the target group of R&D and innovation were the Universities, the non-profit research centres and the industrial research centres located typically in the large cities suburbia
There was a territorial balance among the information society and economy development priority projects, the large cities and small settlements were success equally on the tenders.
- *Human Resources Development OP* (Hungarian acronym: 'HEFOP'): active labour market policy, fight against social segregation, lifelong learning and the development of the social, educational and healthcare infrastructure;

- *Agriculture and Rural Development OP (Hungarian acronym: 'AVOP')*: modernisation of food processing, development of rural areas; 5.2% of all the AVOP applications were submitted in the Central-Hungary region. It can be deduced from the total grant that there was an interest towards the larger project expenditure developments.
Non-profit organisations, mainly local governments in the public finance were the major category of beneficiaries of the applications to the third priority. The main reason for this were the measure aimed at the renovation of villages and the activity of reconstruction of agricultural roads since the objects of the developments are mostly owned by local governments.
In the case of investment-type activities the relatively low maximum value of projects and the eligible activities together with the aims of the measures resulted that mainly micro and small size enterprises and a smaller ratio of medium-size enterprises submitted applications under Priority 3.
- *Environmental Protection and Infrastructure Operational Programme (Hungarian acronym: 'KIOP')*: development of the condition of the environment and the transport infrastructure;
The most successful measure was the “Water quality improvement” (especially the component of “Development of waste water collection and treatment”) and the “Environmentally friendly development of energy management” with several granted projects and completed investments. The quality of some of the open tender applications was not adequate in 2004. The Management Authority investigated the possible reasons for the problems of the different tender calls in 2005 together with the existing demands of the potential beneficiaries of the successful applications. As a consequence, the Managing Authority made efforts in the first-half to help less successful measures, using both the techniques of communication and modifying the tender facilities. Other funds to prepare projects have also been important. In the case of successful measures there has been a wide interest concerning the tenders connected to 2007-2013. Based upon the experiences of 2004 there has been a couple of facilitation established. For example, the local governments did not fall under the obligation of providing safeguards any longer, and the lead-time of the applications (the day of the evaluation until the Project Selection Committee) was reduced to 60 days (14/2004 (VII.13.) collective decree of TNM-GKM-FMM-FVM-PM)
Concerning the central projects the measure for “Upgrading main road network” and the component of “Nature conservation and sustainable flood management” started remarkably. Due to legal problems there were no decision made about the grants of the nature conservation projects in 2004 but more than the half of the it in 2005 and all of the grant in the first-half of 2006 was earmarked. The projects of the measure for the “Development of environment friendly transport infrastructure” were planned in a way that they could be launched in 2005 the earliest.
- *ROP*: strengthening the potential of tourism, development of the area infrastructure and settlements and the regional implementation of human resources development. Most ROP proposals were submitted for the measure entitled ‘Implementation of Cooperation Between Higher Education Institutes and Local Players’. As regards the average contribution requirement of the projects submitted in the Region, the highest contribution need was for the ‘Rehabilitation of Urban Areas’ measure. Funds available for tourism development purposes were not utilised to expectations. This is explained by the fact that, according to the criterion recorded in the operational programme, only holiday resort areas and national parks located outside the city

boundaries of Budapest, frequently visited by tourists and rich in natural and cultural values.

The Central Hungary Region received the highest contribution: in the framework of five operational programmes, it was granted nearly HUF 170 billion, over 70 percent for Budapest. In the framework of the HEFOP, beneficiaries in Budapest received most support (HUF 72 billion): while Pest County received most of the ‘GVOP’ (Economic Competitiveness Operational Programme) development contribution (some HUF 16 billion)

A Régióra jutó uniós támogatások OP-k szerinti megoszlása



Total EU support granted for the Region, broken down by OPs

Az 1 főre jutó (megítélt) uniós támogatási össz

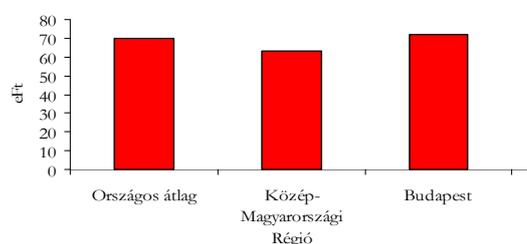


Chart 4: EU support granted per capita

The EU contribution granted per capita on national average is HUF 70 thousand but this amount is not equally distributed geographically: while in Budapest this figure is slightly higher than the national average, this amount is hardly more than HUF 40 thousand per capita in Pest County, thus the Region’s average (HUF 63 thousand) is below the national average.

| | Regional Data | National Regional Average |
|---|---------------------|---------------------------|
| Number of proposals submitted | 10 863 | 5 362.2 |
| Requested amount of contribution | HUF 286 458 091 730 | HUF 189 964 980 550 |
| Number of supported proposals | 4 782 | 2 331.5 |
| Amount of contribution granted | HUF 100 027 522 299 | HUF 71 759 927 227 |
| Number of contracted proposals | 4 084 | 2 075.4 |
| Contracted amount | HUF 88 371 238 141 | HUF 64 958 520 276 |
| Number of payments launched (proposals) | 2 430 | 1 387.5 |
| Contribution paid | HUF 35 342 289 995 | HUF 30 362 641 016 |

NUMBER OF PROPOSALS BY OPERATIONAL PROGRAMME

| Operational Programme | Proposals Received | | Proposals Supported | |
|-----------------------|--------------------|---------------------------|---------------------|---------------------------|
| | Regional Data | National Regional Average | Regional Data | National Regional Average |
| AVOP | 530 | 1 328 | 170 | 572.1 |
| GVOP | 8 171 | 2 994,4 | 3 679 | 1 357.4 |
| HEFOP | 1 955 | 715,7 | 874 | 313.5 |
| KIOP | 47 | 33,1 | 15 | 11.5 |
| ROP | 160 | 291 | 44 | 76.8 |
| Total: | 10 863 | 5 362,2 | 4 782 | 2 331.5 |

CONTRIBUTION REQUESTED AND GRANTED BY OPERATIONAL PROGRAMME (HUF)

| Operational programme | Applications received | | Applications accepted | |
|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| | Region | Average among regions | Region | Average among regions |
| AVOP | 14 498 586 633 | 27 239 438 559 | 7 178 423 718 | 15 459 738 242 |
| GVOP | 128 704 737 238 | 48 545 963 443 | 51 609 306 483 | 21 636 535 741 |
| HEFOP | 85 664 180 786 | 45 390 026 370 | 27 665 513 045 | 14 332 674 051 |
| KIOP | 30 490 195 372 | 20 696 590 945 | 5 778 600 011 | 5 012 959 658 |
| ROP | 27 100 391 701 | 48 092 961 232 | 7 795 679 042 | 15 318 019 534 |
| Total: | 286 458 091 730 | 189 964 980 550 | 100 027 522 299 | 71 759 927 227 |

2.4 THE CENTRAL HUNGARY REGION: SWOT ANALYSIS

| Internal factors – Strengths | Internal Factors – Weaknesses |
|---|--|
| <ul style="list-style-type: none"> ▪ Budapest, with its region, is the dominant socio-economic force (as a financial, trade and services centre) in the country and the centre of public administration, and its influence spreads internationally throughout the Carpathian Basin ▪ High proportion of multinational companies and foreign direct investment ▪ Good sites for businesses (especially logistics sites), including industrial and innovation parks ▪ Large share of the country’s knowledge base, higher education, R&D and innovation potential. ▪ Strong presence of creative industries and copyright activities. ▪ High rate of employment and levels of qualification ▪ Concentration of health services in the capital ▪ Active and well developed civil sector ▪ Easy international and national access (motorway intersections, airport, port) ▪ Crossroads of international transport and freight routes ▪ Attractive natural environment (fine countryside, thermal waters, Danube) ▪ Historic and architecturally diverse built environment | <ul style="list-style-type: none"> ▪ Major differences in wealth within the Region (Budapest-Pest County), ▪ Dual economic structure, with multinational and local businesses working in uncooperating isolation, ▪ Lack of cooperation between large companies and local enterprises ▪ SMEs’ inadequate business skills, innovation ambitions, ICT facilities and access to finance ▪ Weak cooperation between businesses and researchers ▪ Inadequate conditions for high quality tourism ▪ Absence of disabled access to public institutions and public areas ▪ Homelessness problem concentrated in the capital ▪ Some public services in Pest County suffer from uneven access and capacity problems ▪ Residential facilities out of date and overcrowded ▪ Budapest roads overloaded ▪ Structural and capacity deficiencies of transverse transport links and subsidiary roads (e.g. M0, Danube bridges) ▪ Unsatisfactory public transport (outdated vehicles, delays, overcrowding, inadequate transfer connections) ▪ Lack of connections between railway and urban guided transport, and inadequate suburban railway system in Budapest conurbation ▪ Road surfaces in unsatisfactory condition ▪ Inadequate cycle paths and water tourism infrastructure throughout the Region. ▪ High stress on natural environment, green areas and water sources, ▪ Decaying dwellings in the capital |
| External Factors – Opportunities | External Factors – Threats |
| <ul style="list-style-type: none"> ▪ Major growth potential for the knowledge-based economy and innovative enterprises ▪ Attraction of multinational companies’ research centres into the region ▪ Improving the use of renewable energy and energy efficiency ▪ Budapest is number one tourist destination, major international interest ▪ Better utilisation of the Danube’s potential ▪ High purchasing power of internal market (residential, business) ▪ Innovation-transfer role towards Eastern and South-Eastern Europe | <ul style="list-style-type: none"> ▪ Competitor regions (Vienna, Bratislava, Prague) gaining strength ▪ Increasing unevenness of development within the Region ▪ Further increase of Budapest’s ageing population and decrease of its working-age population ▪ Increasing social segregation ▪ Environmental risk from polluted brownfield areas ▪ Roma population living in unsatisfactory conditions ▪ Migration of qualified workforce to Western Europe ▪ More and more commuters with rising travel needs ▪ Increasing proportion of private transport ▪ Deviancy among young people |

| | |
|---|--|
| <ul style="list-style-type: none">▪ Major growth potential for the creative economy and the environment industry▪ Rising spending power of older age group▪ New geopolitical opportunities offered by further EU expansion▪ Growing demand for comprehensive, environmentally sound projects, logistical and facility services (e.g. intermodal logistics, industrial parks) | <ul style="list-style-type: none">▪ Deteriorating water management problems in the Region (e.g. Homokhátság area)▪ High sensitivity to external economic forces |
|---|--|

To summarise the SWOT analysis: the principal obstacles to development in the Central Hungary Region, particularly as regards the knowledge economy, are that SMEs' have inadequate business skills, innovation ambitions, ICT facilities and access to finance, and that cooperation between businesses and researchers is weak. Accessibility in the Region must be improved by integrating transport systems; eliminating structural and capacity shortcomings in transverse transport connections and subsidiary roads; and improving public transport services. To raise the Region's attractiveness, efforts must be concentrated on drawing more tourists to Budapest, making the best of the potential of the natural environment and protecting natural areas, green areas and water sources. Improving access to the presently uneven and inadequate public services in some areas of the Region calls for development of the human infrastructure. Good urban planning and land use could reduce urban segregation, eliminate polluted industrial areas and raise the economic attractiveness of towns and villages throughout the Region.

3 STRATEGY

3.1 Vision and Strategy

The Region's long term vision, which reaches beyond the 2007-2013 planning period, can be summarised as follows:

The Central Hungary Region, with Budapest and the county around it relying on one another's resources, retaining its rate of development, has become a leading Region in Central-Eastern Europe and, complying with economic, environmental and social sustainability criteria, has developed into an economic, social and cultural focus point of the Carpathian Basin. The Region has used its regional competitive advantage in the development of the information society and is active in propagating achievements in South-Eastern Europe. Knowledge-based human resource and economy development concentrates on business services, research & development and the cultural and holiday economy. The Region as a creative place offers its population a quality-focused and friendly life and work environment.

The strategy of the Central Hungary Region has been defined based on its features. The basic cornerstones of development built on a knowledge-based economy are present: a high proportion of multinational companies and foreign working capital, Hungary's knowledge base is concentrated in the Region, a high employment rate and qualified workforce. Owing to these, Budapest and its region have assumed the role of an international economic centre and have integrated into Europe's economic life. Opportunities for the development of the Central Hungary Region are to strengthen and stabilise its role as the link towards South-Eastern Europe and to fortify its international role in the region. The knowledge industry, high-tech industries, activities producing a high added value and the advantages coming from the presence of highly qualified workforce all help the Region to be successful in this role. However, connections between the pillars of the knowledge base are not strong enough yet. Companies have no interest in development and the number of innovative businesses is low. Multinational organisations carry out their development activities outside Hungary and SMEs lack capital. Financing problems are severe. The knowledge base triangle does not yet work: the elements being the vertices of the triangle are already in place but connections between them are weak or interrupted.

International and national access to the Central Hungary Region is: it is situated in the meeting point of international travel and transport routes. However, transport connections should be modernised, transversal transport connections ought to be developed, an integrated transport system should be established and community and environment friendly transport should be developed. An inhabitant-friendly region and conurbation can be created through consistent environment management, integrated environment planning, the revitalisation of functionless areas, the rehabilitation of crisis areas and the protection and extension of green areas.

At the same time, the strategy takes into account differences in the level of economic development within the Region and sets out key objectives and means for areas in Pest County. As part of such efforts, it is important to make public services systems available both in the conurbation area and in Pest County's micro-regions. The conditions of the relative competitiveness of micro-regions must be created, their accessibility has to be supported and their economic development and positive changes in their business environment should be supported.

Due to these strategic considerations, the Central Hungary Operational Programme has set the following overall objective: improve the international competitiveness of the Central Hungary Region, applying the principle of sustainable development. The achievement of this overall objective is supported by specific objectives, as follows: development of the main competitiveness factors and of the Region's internal cohesion and harmonious spatial structure.

3.2. Overall Objective

To improve the international competitiveness of the Central Hungary Region, observing the principles of sustainable development.

The development of the Region as a 'creative place' and the country's social, economic and cultural driving force will improve the competitiveness of the whole country. The objective of the operational programme is to utilise the advantages of the capital to improve the international competitiveness of the Central Hungary Region, applying the principle of sustainability.

The main foundations for pursuing the objective are the high purchasing power of the internal market, the presence of the Central European headquarters of international companies in the outer conurbation and the burgeoning activity of innovation transfer (towards Eastern and South-East Europe). Further resources are the Danube's tourism and transport potential and thermal waters, which must be used carefully. In the long term, Budapest could grow into the regional cultural and commercial centre of Central-Eastern Europe if the available development policy means are properly used.

Besides focusing on the development of the knowledge-based society and the knowledge economy the ageing of Budapest's population will demand better human infrastructure and accessibility, and improvement in the environment. Other important considerations are the geographical unevenness of economic development in the Region, the failure of most large companies to become part of the local economy, and the tendency for local economic interests to overrule environmental needs. Development policy must assign appropriate action to address these problems.

The unequal development indices of Pest County and Budapest and the existence of a dual structure call for a balance to be struck among fairness, ecological limitations and competitiveness, while ensuring harmonious and sustainable development based on the principle of subsidiarity. Backward areas should be encouraged and assisted to utilise the Region's strengths and purposefully integrate into the networks set up to implement the above objective, taking into account the special features of each given micro-region. Given the strains the Region currently has to bear, EU funds should make a major contribution to preventing further deterioration in quality of life and improving the environment. A commitment to sustainable development is vital for the Region's long term development and international competitiveness. The negative consequences of activities exerting high environmental stress must be compensated through targeted environmental actions.

Impact indicator: Change in GDP/employee in Central Hungary (percentage annual growth) compared to the 2000-2004 average

Baseline value: 12 % (average change of GDP/employee (in HUF 1000) in Central Hungary 2000-2004)

Target value: 14% growth

Source: Central Statistical Office

Context indicator: change in the ranking of the Central Hungary Region (based on GDP/employee) among the regions of the EU25 member states (base: rank in 2006)

Baseline value: the Central Hungary Region's ranking by GDP/employee among the regions of the EU25 member states in 2006 (figures to be available later)

Target value: 4th place improvement

Source: EUROSTAT

Measurement method: ranking of regions in EU member states by GDP/employee in 2006 and then every year until 2015

3.3. Improving Competitiveness Factors

Budapest is a metropolis area with major international growth potential. Raising its competitiveness to meet the European challenge and thus developing its prime areas of economic activity while keeping the criteria of sustainable development in view will boost the level of employment in the Region. The objectives are to strengthen Budapest – in conjunction with its surrounding area – as an economic driving force and gateway city, to make it an even stronger focus point for the transfer of innovation to the wider geographical area, particularly South-Eastern Europe, and to encourage the exploitation of the advantages it has built up in the knowledge industry, high-tech industries, high added value activities and the level of qualification of its workforce, by maintaining and enhancing of the quality of human capital.

Cooperation between business and research in the Region have already created the elements of the knowledge base, although the individual elements are still largely isolated. This achievement, uniquely in Hungary, enables Budapest's investment-led economy to become innovation-led. To attain the objective, to boost innovation-based development in Budapest and strengthen the city's position role as a key development pole, the various forces in the knowledge economy (universities, research institutes and the business sector) will have to cooperate, building on Hungary's R&D base, to create competitive and innovative products that can take their place on the international market.

The knowledge-based economy may be strengthened by building on the research and development and innovation potential of the capital and the surrounding area. To assist this process, the programme should encourage cooperation between all parties involved in the knowledge economy and seek integration of the main driving forces of the economy and R&D operations. The emphasis should be laid on improving facilities already in existence, which will be accompanied by a structural change in the economy and the creation of new, innovative jobs. Strengthening cooperation will greatly boost the performance and innovativeness of the knowledge economy and ultimately make for greater economic competitiveness. The enhanced efficiency of the knowledge economy will be the driving force of future growth. In the Region, this can primarily be achieved through building up the biotechnology sector, environmental management and environmental safety, and making good use of information and communication technologies. Incubation-type support for universities, start-up enterprises aimed at the commercial exploitation research sites' achievements, and dissemination of the results of research and developments will accelerate the innovation processes. Setting up high-end info-communication systems to support Hungarian research and developments and supporting the e-economy will also make contributions to economic growth. A further precondition of the development of the economy

is access to finance. The unique innovation potential of the Region mentioned above warrants an increase in the research and development budget. A further condition of the development of the economy is provision of access to finance. The improvement of the Region's international competitiveness would be increased by developing the high added value sectors of the Region's economy. Examples include the creative and cultural economy, the environment industry, the silver economy and international economic relations.

Improving the public service sector in the Central Hungary Region by developing human resources is a key factor in raising the competitiveness of the economy and vital for sustained growth and increasing economic activity. The adaptability of employees and enterprises may be improved by enabling education and training to forge closer links with the economy. Greater investments in human resources will yield benefits in the level of qualification of the active workforce, raising standards in education and establishing specialised training courses. In order to increase the rate of employment, it is important to develop an appropriate system of services tailored to promote people's success on the labour market, i.e. adult and specialised training courses designed to suit to the special features of the Region. In higher education, the best returns for the knowledge economy are to be gained from investing in engineering and science subjects. To ensure a high quality of life and long-term labour market participation, health care services and the social services system must be modernised and their infrastructure developed. The availability of such services is far better in Budapest than the national average. The programme will contribute to investment in human resources through improving the quality of services and provide higher-standard outpatient and inpatient care.

Natural and cultural treasures, if they are sustainably developed and used wisely for the benefit of the tourist industry, could make a significant contribution to the improving Budapest's economic performance. From the point of view of tourism attractiveness, which improves the overall attractiveness of the region, it is of fundamental importance to develop tourism services in Budapest, the top destination for foreign tourists. Such development could connect the capital with other tourism areas in the Region (for example, the Danube Bend, the Gödöllő Area or the Ráckeve Danube Branch) and could thus offer tourists a richer package. In order to retain Budapest's relatively favourable competitive position, arising from its good geographical location and the richness of its cultural heritage, it is important to support quality developments related to the capital's key tourist destinations. Key cultural developments implemented in the Region and generating a high added value also increase the whole country's competitiveness.

An important precondition for improving the competitiveness is development of the Region's accessibility, the Region's transport infrastructure and connections to international travel and transport routes (TEN). To eliminate the shortcomings of the network, transverse transport connections must be developed. Greater competitiveness of public transport may be provided primarily through raising the standards of guided transport systems and developing environmentally sound means of transport.

| |
|---|
| <p><i>Impact indicator:</i> Increase in foreign direct investment, by share capital of businesses based in the Region, compared to the average of 2003-2004 (cumulative %) Context value: average of foreign direct investment per employee (in thousand HUF) in the Central Hungary Region 2000-2003 (HUF 1,550,000/employee) Target value: 10% increase</p> |
|---|

Source: Central Statistical Office

Measurement method: the increase in average foreign investment per employee (in thousand HUF/employee) in the period 2003-2004 compared to foreign investment per employee in the period 2012-2013 (thousand HUF/employee) (cumulative %) dimensions

3.4. Developing the Region's Internal Cohesion and Spatial Harmony

The objective is to make a contribution towards improving the Region's internal cohesion, creating a more balanced spatial structure, developing the Region's boroughs (*város*) and strengthening their role as regional sub-centres. Special attention has been paid to the promotion of harmonious and sustainable operations in the outer areas of the conurbation. Many of the Region's 31 boroughs are located within the Budapest conurbation. The objective is to enable these to provide their environment with public services, boost local economic activity and offer employment. The smaller members of the Region's network of boroughs should also be supported in their role as local centres. A more harmonious spatial structure can be achieved by establishing institutionalised cooperation between these towns and districts and by enabling work to be done locally. It is also aimed to reduce differences in levels of wealth within the Region by providing development assistance for the depressed micro-regions of Aszód, Nagykáta, Cegléd, Monor and Szob and supporting the economic diversity of rural areas.

With a view to achieving the economic convergence of different areas of Pest County and reducing inequalities within the Region, special attention has been paid to improving regional competitiveness, supporting local economic initiatives and reducing the differences among the levels of development in different areas within the Region. Development of the peripheral areas of Pest County calls for different regional development measures, with different priorities and preferences, from those applied in the metropolitan area. The principal applicable measures are: providing access to high-end business consultation services; assisting businesses to become suppliers; establishing network-like cooperation; and installing items of infrastructure specifically required for manufacturing production. Area preferences should be introduced in the Region to improve the profit making capacity of SMEs. The competitiveness of the SMEs in backward micro-regions may be improved by supporting manufacturing businesses, because growth in this area will provide further employment.

There are some places in the Central Hungary Region which suffer from severe disadvantages owing to poor transport, requiring their inhabitants to spend much time and money to access public services. To relieve the difficulties faced by people living in these areas, public transport services and the vehicles used on them must be modernised, and the condition of the roads connecting towns and villages in the areas improved. In addition to improving internal accessibility, advantage should be taken of cross-border opportunities.

In pursuit of the objective, priority is assigned to the sustainable development of the Region's features for visitors, making it more attractive to tourists and making tourism-oriented improvements to the natural environment. In the long term, the competitiveness of the Central Hungary Region is crucially dependent on assigning satisfactory priority to sustainability and environmental protection, preserving natural features and maintaining the character of the countryside. In both the area of Pest County within the Budapest conurbation and the outlying areas of the Region, special attention must be paid to creating a liveable environment and to establishing equilibrium between environmental protection and growth. Environmental

developments should focus on supporting environmental management systems, promoting the use of clean technologies by SMEs and rehabilitating polluted areas. To establish sustainable production and consumption, measures supporting the environment industry and an attitude change are necessary. Key priorities for the sustainable development of the natural and cultural features of both Pest County and Budapest are the regeneration of affected areas and the job-creating effects of developments. Nature conservation in Pest County should be pursued via comprehensive nature conservation and landscape protection programmes and projects to rehabilitate the remaining parts of the green belt around Budapest. The sustainable development of natural and cultural features and their utilisation in tourism will also contribute to the increase of the economic performance of Budapest and Pest County. In Pest County, the objective is to create an appropriate supply of tourism products at tourist attractions (for example, the Danube Bend, the Gödöllő Area, the resort area around the Ráckeve Danube Branch, etc.). The primary means for achieving this is the development of tourism infrastructure to open up access to tourist attractions.

The development of the Central Hungary Region's public service sector will make a significant contribution to improving the Region's internal cohesion. The best route to improving the accessibility and quality of public services is via integrated development of providers of primary services and provision of multifunctional centres for micro-regions. The primary services of such integrated centres (health care, social services, education, arts and entertainment, etc.) must be defined in line with the actual needs of the inhabitants of such micro-regions. The need for development of primary public services is greatest in the underserved areas of the outer conurbation area and in depressed micro-regions. Development efforts should concentrate on infrastructure for schools, primary social services and primary health care. Development of residential facilities should not focus on increasing the number of places but on providing more modern services and relocating and modernising large institutions. It is vital to provide internal accessibility to area centres providing public services. The social inclusion of children and young people requires public spaces, playgrounds, etc. where high quality leisure activities can be organised and prevention of deviance can be begun at a very young age.

Networking developments for towns, villages and urban districts in the Central Hungary Region should result in greater competitiveness and enable all towns, and not just the economically powerful capital city, to gain in strength, and thus serve the harmonious development of the Region as a whole. Supporting integrated urban rehabilitation projects in certain towns designated as area centres will contribute to the creation of an attractive environment in economically and socially depressed town centres and districts. There should also be support for development projects which strengthen the identity of towns and villages and contribute to the emergence of a harmonious spatial structure.

In order to develop a sustainable harmonious spatial structure built on the sharing of functions, and to improve the Region's internal cohesion, developments should concentrate on improving the accessibility from peripheral areas, developing the Region's tourist attractiveness, protecting the natural environment and the landscape, improving public services and care, and assisting urban regeneration.

Impact indicator 1: Gross income inequality index per employee in the Central Hungary Region, at the micro-region level (%)

Baseline value: Gross income inequality index per employee in the Central Hungary Region at the micro-region level in 2004 (23.2%)

Target value: unchanged, at the 2009 level

Source: Central Statistical Office

Measurement method: In the year 2013, the gross income inequality index per employee measured in the Central Hungary Region at the micro-region level will be compared to the previous level, using the relative variance method.

Impact indicator 2: change in employment inequalities in the micro-regions belonging to the Central Hungary Region (%)

Baseline value: Average inequality index of the employment rate between 2002-2004, in the micro-regions belonging to the Central Hungary Region (77%)

Target value: unchanged, at the 2009 level

Source: Central Statistical Office

Measurement method: The average inequality index values of the unemployment rate measured in the micro-regions of Central Hungary in the years 2011-2013 are compared using the method of weighted relative variance.

Result indicator 1: change in the inequality index of gross added value per enterprise in the Central Hungary Region, at the level of micro-regions (%)

Baseline value: Average value of the inequality index of gross added value per enterprise (1000 HUF) in the Central Hungary Region, at the level of micro-regions, between 2002-2004 (47%)

Target value: unchanged, at the 2009 level

Source: Central Statistical Office

Measurement method: In 2013, a comparison is made to the inequality index measured in the Central Hungary Region, at the level of micro-regions, using the relative variance method.

To achieve the specific objectives, the operational programme has defined the following priorities:

- **Development of the knowledge-based economy**
- **Development of the preconditions for competitiveness**
- **Development of the Region's attractiveness**
- **Development of the system of human service institutions**
- **Development of settlement areas**

3.5. The Territorial Dimension

Integrated Urban Development Strategy

A lot of the developments are expected to take place in larger towns and regional centres, as these are the most intensive focus points of socio-economic functions and activities. It is important these projects serve urban development in an integrated way and generate a type of development which enables towns to provide a satisfactory living environment, good social conditions and prosperity for their inhabitants, and to dynamise their surroundings. Towns

must become the driving force of regional development, which is what will give them the ability to dynamise activity in the area.

Main Focus Points of Urban Networking Development in the Region

The objective is to give Budapest even greater strength as a key development pole: this will involve strengthening the role of Budapest and the surrounding area as an international economic centre and a gateway city; integrating the capital into European economy; encouraging efforts to take advantage of the knowledge industry, high-tech industries, high added value activities and the highly qualified workforce; strengthening Budapest's role as an international tourism and cultural centre and making the entire conurbation a pleasant place to live by means of comprehensive environmental management and integrated environment planning, revitalisation of functionless areas, rehabilitation of crisis areas and protection and, where possible, expansion of green areas; modernising transport connections; developing transverse transport connections; creating an integrated transportation system; developing environmentally sound public transport; and establishing and improving institutionalised cooperation between towns, districts and organisations.

The County is still fundamentally split between the conurbation area around Budapest and the peripheral areas. However, distinctions between areas of different levels of wealth are diminishing owing to the gradual sprawl of the conurbation area and the implementation of industrial and logistical projects in an expanding zone around Budapest. The backwardness of peripheral areas manifests itself more and more in the knowledge base and in services.

Development Objectives of the Conurbation Towns

The objective is to establish a conurbation system operating in a harmonious and sustainable manner by developing sub-centres forming a more balanced spatial structure, laying out an ecological/recreational green belt around the capital and encouraging local working.

As a result of the suburbanisation process, the populations of the municipalities around Budapest have significantly increased, but many of the new residents still commute to Budapest and use services there. This commuting lifestyle places a severe strain on families. For this reason, it is necessary to increase the capacities of nursery schools, schools, health care and social services in line with the increase in population.

The development objective for municipalities in the conurbation area outside Budapest is to establish town centres in extended areas without proper centres, by means of urban rehabilitation projects.

Functional Regeneration in the Centres of Micro-regions

The scattered distribution of municipalities outside the conurbation enables clear delineation of functional boundaries between the areas they cover. The number of centres is low, but towns with borough status are more self-contained because of they have provide own independent urban functions. The boroughs of Vác, Gödöllő and Szentendre have city-like institutions, but the other towns also institutions and high-level services that should also make the town a business centre. The objectives of developments are to give a richer portfolio of functions to towns acting as micro-region centres and enable them to perform these functions properly.

Top priority must be assigned to inner-city problems, and issues of liveability and the human environment in towns. Particular points of focus will be developments in derelict and deteriorating districts and rehabilitation of urban areas with potential or actual segregation problems.

The physical rehabilitation of public spaces, the renovation of buildings and the improvement of the environment (green areas, leisure areas, waste and water management, energy conservation and public transport) are all important tasks whose implementation is necessary to create liveable towns.

There is a need for action to promote and strengthen social cohesion include crime prevention, support for the social and cultural integration of threatened or disadvantaged communities (immigrants, women, the young and the Roma), combating discrimination and providing better services.

The integration of urban priorities is best achieved at the local level. It is, therefore, necessary to prepare towns for developments. In the course of this preparation, integrated urban development plans are compiled in line with regional programmes. Long-term development plans will be produced for urban areas, especially where they are needed to mobilise private investment in rehabilitating derelict areas and to form the basis of public-private partnerships.

Main principles of the urban development concept:

- Integrated approach (applying the principle of concentration, i.e. linking together several measures in one small area to maximise the effect).
- Definition of integrated strategic objectives covering towns in conjunction with their surroundings and catchment areas.
- Mobilisation of community (EU and state) and private funds.
- Transparency in the selection of development action areas.
- Strong local partnership, ensuring transparency for the population and simplification of administration.

The mobilisation of private capital and, in profit-oriented developments, the use of repayable assistance, are very important means of implementing urban development projects. The operational programme enables the use of EIB and CEB credit facility-based urban development funds in urban development projects, thus enables the possible use of the Jessica financial instrument in the financing of town rehabilitation interventions.

Revitalisation of Rural Areas: Lagging Micro-regions

A feature of rural areas which is steadily appreciating in value and contributes to raising their competitiveness, is the tranquil and healthy living environment afforded by their low population density and building density, their comparative freedom from the environmental stress of civilisation and from damaging activities, the rich heritage of natural features and the high proportion of unspoiled areas. The Region is rich in national parks, nature conservation areas, mountainous and hilly areas, large water surfaces and valuable water habitats.

A lot of the rural areas have rich local culture and tradition and a highly varied architectural heritage. The cultural heritage is what makes each area unique, and is also a vital local resource to be borne in mind when drawing up development objectives. Local initiatives built on special, individual features can contribute to the strengthening of local links and the

improvement of the area's tourism potential. For this reason, the development of rural areas should aim to take advantage of the rich cultural and built heritage, local natural features and the potential of the tranquil living environment, and to encourage local communities to be more active and enter into collaborative activities.

In spite regional development and rural development initiatives by central government, the wealth differences between Budapest and the peripheral areas of Pest County, and the decline of rural areas have worsened over the past fifteen years. It is typically small villages spread over a wide area, and areas comprising isolated homestead-like smallholdings (*tanya*), such as the Homokhátság area, which suffer the most from these disadvantages.

Taking all this into account, the main aim for the Region's rural areas is integrated development of products and services through initiatives designed to revive local communities by working with local features and observing the principles of sustainable development:

- sustainable exploitation of valuable local features and resources in areas where there are good natural characteristics and interesting cultural features;
- a project covering the entire Homokhátság area, located between the rivers Danube and Tisza, to halt outflow of the population and degradation of the environment by securing local agricultural production through water management, storage and infrastructural measures; carrying out developments for sparsely populated agricultural areas and farms; changing the structure of agriculture; and restoring the deteriorated water management of the ridge area;
- a comprehensive sustainable development project for the Central Danube Valley.

Preference of the economically socially less developed micro-regions is necessary in the course of implementing every priority. The micro-regions to be reviewed periodically in every two years are – according to the indicators in the status analysis – are the micro-regions of Cegléd, Nagykáta, Szob, Aszód, Veresegyház, Monor Dabas and of Gyál at present. The convergence of these is necessary for the strengthening of the region's internal cohesion and for the increase of the region's competitiveness. Furthermore, for the sake of monitoring the implementation and obtaining feedback, the analysis of development assistance provided to the developing and converging micro-regions constitute parts of the Annual Report.

3.6. Horizontal Policies

Environmental, Social and Economic Sustainability

Regional Operational Programme developments are to be aimed at establishing sustainability in the Region. In order to create regional sustainability, the Region must be as efficient as possible in utilising its internal financial and intellectual resources and constantly explore new resources. Part of regional sustainability efforts shall be directed at keeping material, energy, capital and information flows within the Region as much as possible and, where possible, closing cycles in the Region. To implement a sustainable regional system, developments should aim at finding local remedies to environmental, economic and social problems within the Region rather than exporting them to other regions.

In order to ensure the Region's long-term development, the aims and actions of regional development must satisfy the principle of sustainability in all of its three dimensions:

- Development must preserve the biological diversity of the environment, protecting natural resources and the carrying capacity of ecological systems, as well as the sustainable use of natural resources, the built environment and cultural resources.
- Developments have to efficiently utilise the Region's internal resources and must enable continuous economic and technological regeneration in the Region.
- Developments must properly address social challenges (population decrease, ageing, child and youth protection, migration of the qualified young workforce, disappearance of ethnic groups, security) and perform the task of creating a healthy and secure society.

In addition to horizontal considerations, the OP will pursue regional sustainability directly by action to raise environmental safety. This will involve assistance for proper water treatment and management within towns and villages, water catchment area management outside municipality boundaries and sewage treatment measures and asbestos removal from public and residential buildings in villages with population equivalent (PE) of under 2000. Developments must lead to an increasing use of renewable energy sources and improvements in energy efficiency. There will also be attitude-change campaigns to increase environmental awareness. An important task is to implement measures aimed at energy saving and efficient energy use – in both the production and consumption sectors. In the case of every development, it is necessary to favour infrastructure investments that reduce energy intensity and benefit energy efficient and/or make use of renewable energy resource solutions. It is necessary to endeavour to use (technologies and procedures most advantageous for the environment, explicitly the best technologies available, [BAT], or) technologies using renewable energy resources and energy-efficiency improving technologies. This criteria must be equally validated in the course of selection, as well as control/monitoring.

Developing and giving preference to public transport will result in a truly sustainable transport development alternative to individual motorised transport. Developments assisting small and medium-sized enterprises to form networks and embark on innovation will also serve to mobilise internal resources and promote the creation of sustainable regional economic systems. Improving the availability of public services also gives hope for regional communities with a more balanced age structure and a higher level of qualification, with better chances of remaining in the local community.

Some interventions to be carried out during the realization of GOP - in coherence with Article 17. of Chapter IV. of 1083/2006 General Regulation, the horizontal objectives of NHP and the key challenges of the renewed Sustainability Policy Strategy approved by the European Council (15-16. June, 2006) - support sustainable development, as well as objectives concerning protection and improvement of our natural surroundings, including the limitation of climate change.

Equal Opportunities: Strengthening Regional and Social Cohesion

To complement statutory provisions for equal treatment (prohibition of discrimination), the Regional Operational Programme will seek to promote guarantees for four target groups:

- In order to ensure social equality for women and men, a key priority is to increase the rate of employment of women, to eliminate segregation and to provide equal access. In accordance with Article 16, Chapter IV of Regulation No. 1083/2006, the Central Hungary Operational Programme ensures equal opportunity amongst men and women, as well as the facilitation of the validation of the principle of gender equal opportunity in the course of programme planning, implementation, monitoring and evaluation of various phases. In

addition, the OP ensures compliance with prevention of racial, gender-, ethnicity-, religion- or belief-based, as well as age or sexual orientation-based discrimination of any kind whatsoever, with special regard to access to the funds. Significant social and economic advantages accompanying the validation of the above-defined principles can only be reached, if encouragement of, and compliance with these principles is comprehensively adopted in all areas of development policy. In order to ensure equal opportunity, it is especially necessary to prioritise the adjustment of regional disparities, i.e. the region of the country in which the concerned social group lives should not influence their living opportunities.

- During the implementation of projects, the Regional Operational Programme must take into account the special needs of people with disabilities or reduced working abilities and must ensure equal access to project results – primarily through the improvement of physical and communication accessibility.
- As regards the support of the social inclusion of the Roma, the Regional Operational Programme pays special attention to the elimination of social and economic segregation, the application of the principle of positive discrimination, the preservation of their cultural identity and the provision of equal access – all in application of the principles of complexity and integration. In the reduction of educational segregation and the provision of equal opportunities, the support policy based on the equal opportunities principle plays a key role. Through this policy, these priorities must be implemented in all education-related projects, satisfying preliminarily defined criteria.
- As regards the provision of equal opportunities for national minorities, the Regional Operational Programme pays special attention to the priority handling of the threatened cultural values cherished by national minorities in the course of the development of the regions inhabited by such minorities, with an eye to helping such groups to preserve their cultural identity and to providing them with equal access.

In addition to horizontal considerations, the ROP will directly and purposefully serve equal opportunities by improving accessibility in depressed regions and micro-regions and making investments in the human infrastructure to improve the prospects for social groups suffering social disadvantages. Urban rehabilitation efforts will include regeneration of urban districts in poor condition or inhabited by sections of society excluded from the labour market and suffering from social disadvantages. This will make a significant contribution to improving the quality of life among these groups. Development of elementary school infrastructure to support integrated education will support the social inclusion of children requiring special education.

Encouragement of Regional Cooperation

The regional criterion in the Regional Operational Programme is addressed by setting regional impact requirements for developments and applying the land use principles defined in the NHDP.

If regional impacts are to be taken into account, developments must be in line with the objectives of national regional policy.

- The OP's land use principles serve equal opportunities, sustainability, the preservation of values, security and efficient land use. Developments serve the following purposes:
- protection of non-renewable resources and the use of brownfield sites,
- public and disabled access to publicly-owned natural and cultural features and to public services,

- selection of sites and organisation of regional public administration and public services in such a way as to ensure equal opportunities, sustainability, preservation of values and security,
- the efficient and sustainable utilisation of local resources,
- deepening local environmental awareness and strengthening the sense of responsibility towards the local landscape,
- decreasing of the amount time spent in daily travel, making good use of travelling time, improving the security and sustainability of travelling, decreasing the use of private motorised transport and decreasing the environmental, technical and risks of passenger and freight transport.

3.7. Programme Compliance with EU and Hungarian Documentation

Lisbon Strategy

In the light of the renewed Lisbon Strategy, the Community Strategy Guidelines give preference to growth and employment. In line with Lisbon objectives, KMOP handles competitiveness as a top priority and aims at boosting economic activity.

Community Strategy Guidelines (CSG)

| Guidelines (CSG) | Central Hungary OP |
|---|---|
| Priorities | |
| Increase the attractiveness of member states, regions and towns , through improving accessibility, providing services of appropriate quality and standard and preserving environmental potential | ‘Development of the Region’s attractiveness’ priority ‘Improvement of underlying conditions for competitiveness’ priority |
| Support innovation, initiative and the growth of the knowledge economy , through the provision of research and innovation capacities, including new information and communication technologies | ‘Innovation- and Enterprise-oriented development of the knowledge-based economy’ priority |
| Create more and better jobs , employing as many people as possible, making enterprise activities more attractive and increasing the adaptability of employees and enterprises and investments in the human capital | ‘Innovation- and Enterprise-oriented development of the knowledge-based economy’ priority ‘Development of the system of human service institutions’ priority |

A precondition of growth and the creation of new jobs is that appropriate infrastructure (transport, environmental and energy) be available to enterprises. Besides supporting the construction of secondary transport links and connections to TEN-T networks, the Central Hungary OP emphasises the importance of public transport, which also contributes to the sustainability of the environment.

The ‘Innovation- and Enterprise-oriented development of the knowledge-based economy’ priority is connected to the second guideline of the CSG (‘Knowledge and Innovation for Growth’). This priority plans to grant special support to tasks such as the development of the R&D sector.

The ‘human resources development’ and ‘public service sector development’ priorities are related to the third guideline (‘more and better jobs’). These priorities support, in line with the recommendations of the CSG, the implementation of an employment policy aiming at full employment, the strengthening of social and regional cohesion, the transformation of educational and training systems in line with new competence requirements, the improvement of the adaptability of employees and enterprises and the retention of healthy workforce. Based on the current national sharing of tasks, ESF-type human resource developments are implemented in a national sectoral program, while ERDF-type developments covering the public service sector are implemented in the framework of KMOP.

In the framework of the Regions for Economic Change initiative **launched by the European Commission in 2006** are welcomed in the programming process of the KMOP the innovative operations related to the results of the networks in which the region is involved and we will provide information in the Annual Report on the implementation of the regional actions **started as involving the experiences of the network's activities** in the Regions for Economic Change initiative.

Conformance with National Policies

The objectives and priorities of the Central Hungary OP have been defined taking into account the Regional development Act (Act 21 of 1996) and national plans, including:

- The National Regional Development Concept or
- National Strategic Reference Framework.

The Central Hungary OP clearly contributes to the implementation of the overall objectives of the regional development policy, as defined in the National Regional Development Concept (‘NRDC’).

The NRDC medium-term regional objectives supported by KMOP include, first of all, the ‘establishment of a competitive metropolitan area’ objective, which includes the role of the capital as a pole, and ‘convergence of backward areas, external and internal peripheries’. In the Central Hungary Region, the periphery of the Region as a whole should be the focus point of attention. ‘Integrated development regions and theme areas of national importance’ in the Region comprise the Danube valley and ‘utilisation of thermal waters’ areas, and these are also focus areas for KMOP. Another key area is the ‘Homokhátság’ area located between the Danube and the Tisza River, which is comes under the ‘regionally integrated development of rural areas’ objective.

The objectives and priorities of KMOP comply with the contents of the New Hungary Development Plan (which is the National Strategic Reference Framework of Hungary).

| New Hungary Development Plan | Central Hungary OP |
|-------------------------------------|--|
| Priorities | |
| Economic development | Innovation- and Enterprise-oriented development of the knowledge-based economy |
| Transport development | Development of the underlying conditions for competitiveness |
| Social regeneration | Development of human resources in line with labour market demand |
| Environment and energy development | Development of the Region's attractiveness |
| Regional development | KMOP, serving the purposes of regional development |
| State reform | Electronic local public administration infrastructure |

| National Reform Programme | Central Hungary OP |
|---|--|
| Guidelines set out in the NAP | Priorities |
| <p>Encouragement of research and development (R&D), increase and improvement of research and development activities, especially in the private sector (Guideline 7)</p> <p>Encouragement of all forms of innovation (Guideline 8)</p> <p>Strengthening the competitive advantages of the industry sector (Guideline 10)</p> <p>Creation of a more competitive business environment and the encouragement of business initiatives through better regulation (Guideline 14)</p> <p>Propagation of a healthy enterprise management culture and creation of an environment supporting small and medium-sized enterprises (Guideline 15)</p> | <p>Innovation and enterprise oriented development of the knowledge-based economy priority encourages the cooperations between universities, research institutes and enterprises in innovation, market-oriented research and technology utilisation, modernisation of the micro, small and medium-sized enterprises, development of their innovation potential and strengthens their role in employment. In the framework of the 'improvement of the modern business environment' intervention, support may be granted to the development of the environment of operation of the enterprises, supplementing the regulatory measures defined in the National Reform Programme.</p> |
| <p>Improvement of availability through the development and quality improvement of the infrastructure (Guideline 16)</p> | <p>Improvement of the preconditions of competitiveness priority axis supports the improvement of availability, by increasing the quantity and quality of traffic connections – handling the propagation of environmentally sustainable methods of transport and the security of transport as priorities.</p> |
| <p>More and more efficient support for job seekers and the disadvantaged (Guideline 19)</p> <p>State-of-the-art employment services (Guideline 20)</p> <p>Education and training suited to the actual needs of the labour market (Guideline 24)</p> | <p>In the framework of the development of the infrastructure of services supporting labour market participation support may be granted to the development of the vocational and adult training system flexibly adapted to the requirements of the labour market and to the development of the infrastructural and IT background for the Integrated Employment and Social Care Service System.</p> |
| <p>Encouragement of the sustainable use of resources, strengthening of synergies between environmental protection and growth (Guideline 11)</p> | <p>In the framework of the "Development of the Region's Attractiveness" priority axis, the following intervention measures are eligible for support: nature conservation, rehabilitation of the natural environment, the development of the system of environment protection services, sustainable consumption and environment protection attitude changing.</p> |

Coherence with the Strategic Programmes of the Central Hungary Region

| 2007-2013 Strategic Plan for the Central Hungary Region | Central Hungary OP |
|--|---|
| <p>Improvement of the Region's economic competitiveness: Increase and strengthening of innovation and the research and development capacity Sustainable utilisation of the country's principal features attracting tourists The Region is a natural meeting point of western, eastern and south-eastern passenger and freight routes – exploitation of this natural opportunity</p> | <p>Development of the knowledge-based economy: R&D and innovation development Development of businesses, encouraging their technological modernisation Development of the Region's attractiveness : Improving attractiveness to tourists</p> |
| <p>Strengthening of social cohesion Education that is available to everyone and creates opportunities New employment opportunities Adaptation of the public services system to the distribution of population</p> <p>Improvement of the quality of public services</p> | <p>Development of human public services: Development of health service infrastructure Development of infrastructure to support social inclusion Development of school infrastructure</p> |
| <p>Implementation of a liveable region Full development of environmental protection infrastructures Prevention of polluting substances from getting into the air More efficient protection of water bases, nature areas and green areas Construction of new transport connections (primarily transverse), major improvement of the quality and accessibility of public transport, laying the foundation for the use of alternative means of transport Creation of community spaces that reinforce identity, rehabilitation and functional enrichment of depressed city areas sliding towards slums, large high-rise housing estates, deteriorating inner city districts and characterless, function-deprived centres of outer city districts administration services near point of residence, easier access to higher quality services</p> | <p>Development of the Region's attractiveness: Rehabilitation of the natural environment Development of environmental protection services Creation of underlying conditions for competitiveness: Improvement of operational resources for public transport Urban regeneration: Integrated, social-type rehabilitation Development of town centres by prioritising functions that strengthen local identity</p> |

Medium-Term Development Programme for Budapest

| Medium-Term Development Programme for Budapest | Central Hungary OP |
|---|---|
| <p>For the ‘efficient city’: Strengthening of innovative approach and the capital’s role as a ‘knowledge city’ Development of small and medium-sized enterprises, with special attention to technology intensive industries and ‘development-driving’ clusters Transformation of the Region’s vocational training structure IT background developments in public administration and education</p> | <p>Development of the knowledge-based economy: R&D and innovation development Development of enterprises, encouragement of their technological modernisation Development of human public services: Development of the infrastructure of services supporting labour market participation</p> |
| <p>For the ‘liveable city’: Preference for public transport and environmentally friendly transport Acceleration of residential and public area rehabilitation Establishment of comprehensive waste management Bringing dynamism to the cultural life of Budapest Expansion of green areas Tourism developments – regeneration of spas, development of city centre retail facilities and related marketing activities to improve the capital’s tourism potential Urban rehabilitation in brownfield areas</p> | <p>Establishment of the underlying conditions for competitiveness: Improvement of the operational background of public transport Development of the Region’s attractiveness: Development of the tourism attractiveness Rehabilitation of the natural environment Development of the system of environmental protection services Urban regeneration:</p> |
| <p>For ‘solidarity in the city’: Social urban rehabilitation programme Regional reform of hospital and outpatient treatment Accessibility programme Reduction of inequalities in education</p> | <p>Development of human public services: Development of health care infrastructure Development of social inclusion support infrastructure Development of school infrastructure Urban regeneration: Integrated social-type rehabilitation</p> |

Pest County Regional Development Strategy

| Pest County Regional Development Strategy | | Central Hungary Operational Programme |
|---|---|--|
| Overall objective | Life quality improvement | Improvement of the international competitiveness of the Central Hungary Region, applying the principle of sustainable development |
| Sub-objectives: | <ul style="list-style-type: none"> - Equalisation – development of the peripheral areas of Pest County to the level of better developed micro-regions - Competitiveness improvement - Controlled and planned development | - Development of the Region’s internal cohesion and the harmony of its spatial structure |
| Special objectives | <ul style="list-style-type: none"> - Knowledge base development - Partnership development - Maximised utilisation of EU resources to accelerate development | - |
| Sector-related objectives / Priorities | <ul style="list-style-type: none"> - Regional development: settlement, environment - Economy development - Human resources development - Infrastructure development | <ul style="list-style-type: none"> - Enterprise development, local economic initiatives - Development of intra-regional transport connections - Environmental protection, rehabilitation of the natural environment - Development of accessibility to public services - Regeneration of urban areas |

Budapest Development Pole Programme

| Objective of the Budapest Development Pole Programme | Central Hungary Operational Programme |
|--|--|
| <p>Encouragement of cooperation between the players of the knowledge economy, a strategy based on integrating the driving forces of the economy with R&D institutions. Raising the standard of existing institutions, which entails a structural change of the economy and the creation of new, innovative jobs.</p> <p>Strengthening cooperation will multiply the performance and innovativeness of the knowledge economy and will ultimately make the economy more competitive.</p> <p>The area covered by the Budapest Development Pole is the Budapest conurbation (this exactly covers the metropolitan area and enables polycentric development).</p> <p>This offers a chance to strengthen the central role of Budapest in the network of European metropolises, in the Central-Eastern European Region and in the Carpathian Basin. It could enable Budapest to become an important centre of the Central-Eastern European (Vienna-Prague-Brno-Bratislava-Győr-Budapest) growth pole.</p> | <p>Development of the knowledge-based economy: R&D and innovation development</p> <p>Objective: strengthen research and development and innovation activities in the Region, with an eye to transforming Hungary’s economy into a knowledge-based economy.</p> |

Coherence with Related Sector Strategies

| | |
|--|--|
| Coherence with Related Sector Strategies | Priorities of the Central Hungary Operational Programme |
| Competitiveness concept Foreign trade strategy Establishing coherence with policy strategies awaiting approval: the SME development strategy, the research development and innovation policy strategy and the industry policy concept. | Development of the knowledge-based economy |
| Transport policy concept | Establishment of underlying conditions for competitiveness |
| National Tourism Development Strategy Energy Policy Concept (approval in progress), | Development of the Region's attractiveness |
| National Strategic Report on Social Protection and Interdependence, 2006–2008 (in the preparation phase), Health Development Policy Concept (HDPC), | Development of human public services |
| National Regional Development Concept | Urban regeneration |

Links between KMOP and Other Operational Programmes

The following operational programmes are connected to the Central Hungary Region Operational Programme:

- ERDF-funded Electronic Public Administration Operational Programme (EKOP)
- ESF-funded Social Renewal Operational Programme ('TÁMOP') and the State Reform Operational Programme ('ÁROP');
- Transport Operational Programme (Hungarian acronym: 'KÖZOP') and the Environment & Energy Operational Programme (Hungarian acronym: 'KEOP') (managing the Cohesion Fund)

Electronic Public Administration Operational Programme ('EKOP')

EKOP contains IT-type measures planned for public administration bodies in the Central Hungary Region, while the Central Hungary Operational Programme covers the IT developments in the Region's local councils.

EKOP is also the source of finance for e-government developments implemented in the Region but with national impact.

Social Regeneration Operational Programme ('TÁMOP')

The TÁMOP implements and supports 3 different types of activities in the Central Hungary Region:

1. Developments and human resources development projects required for attainment of OP objectives.
2. Developments to reorganise and reform Budapest-based national institutions providing institutional backup for Central Hungary Region and other regions' OP developments.
3. Central Hungary specific, and competitiveness-raising, ESF developments.

We would like to take advantage of the use of the 10% flexibility facility defined by Article 34 (2) of 1083/2006/EC regulation during the implementation of the measures of the priority axis. However, where the tender call makes it possible the flexibility facility can be used by

the project owners only if the ESF type activities are directly linked to and necessary for the successful realisation of an ERDF project and focus on the solution of a specific individual and local problem.

State Reform Operational Programme ('ÁROP')

ÁROP will provide finance for organisational and human resources development projects in public administration in Central Hungary (both central government and local government bodies alike). Such developments are not planned under KMOP.

Transport Operational Programme ('KÖZOP')

The overall and specific objectives of KMOP are in compliance with the objectives of KÖZOP (Improvement of availability to improve competitiveness and to strengthen social and regional cohesion; Development of public transport). The KÖZOP priority axes are interrelated with the measures and operation types of KMOP Priority Axis 2 (see table).

KÖZOP also includes the CHR transport infrastructure developments which may be funded by the Cohesion Fund (TEN road, rail and river routes, guided city and suburban transport, intermodal nodes).

Transport developments financed from the CHR's ERDF funds may be implemented via KMOP. These are linked to KÖZOP 2. Improvement of Wider Regional Accessibility (e.g. public road network connected to TEN lines, through roads) and 4. Development of the Urban and Suburban Public Transport priority axes (e.g. transport associations, transport routing systems, public transport vehicles, parking areas, etc.) and to the specific development needs of the Central Hungary Region (for example, roads inside settlements, narrow gauge railway lines, bicycle routes, passenger ship docks on the Danube). The implementation of trunk road developments planned in CHR under KMOP will result in more even development of the trunk road network.

| KÖZOP and KMOP Priorities, Connections between Operation Types | | | |
|---|--|--|---|
| KÖZOP (KA/ERDF) | | KMOP (ERDF) | |
| | | Priority axis 2: Improvement of the underlying conditions for competitiveness | |
| Priority axis | Indicative operation types | Measures | Indicative operation types |
| Improvement of international access to the country and regional centres (KA) | - TEN railway, - TEN public road, - TEN river (Danube), - (+ connected intelligent systems) development | - | - |
| Improvement of regional accessibility (ERDF) | - 115 kN development - roads and through roads connecting to the TEN network, | Development of intra-regional transport connections | subsidiary roads (4-,5-digit roads), - transverse transport connections, - municipalities' bypass and internal roads - paving of unmade roads, - bridges, - bicycle lanes, cycle traffic networks and the associated infrastructure, |
| Interconnection of transport modes, development of intermodality and | - support for changes between modes of transport, - integration of logistical centres and industrial | - | - |

| | | | |
|--|---|--|--|
| transport infrastructure of economic centres (ERDF) | parks into the main transport network (road, rail, air and water) | | |
| Development of urban and suburban public transport (KA) | - guided urban and suburban transport infrastructure, - intermodal nodes | Improvement of the operational background of public transport | - Budapest Transport Association ('BTA' or 'BKSZ' in Hungarian), micro-region transport associations, - Electronic transportation systems - Passenger information and transport routing systems, - Modernisation and enlargement of the vehicle fleet - Creation of P+R, B+R parking areas and improvement of parking conditions, - Creation of intermodal nodes, - Improvement of accessibility, - The Danube as a passenger boat transport channel (development of river ports, modernisation of passenger transport ships) |

Environment & Energy Operational Programme (KEOP)

In KEOP developments supported by the Cohesion Fund, the CHR is a beneficiary in the same way as the other 6 regions, i.e. the developments in CHR belonging to these priority axes (Healthy, Clean Towns, Proper Management of Lakes, Rivers and Underground Water, More Efficient Energy Use) can be funded from KEOP.

The ERDF funds available from the Structural Funds can be used in CHR only in the framework of KMOP. Therefore, some of the environmental developments supported by KMOP will be the operation types of the ERDF-type priority axes of KEOP (Proper Management of Our Natural values, Increase of the Use of Renewable Energy Sources and the Encouragement of Sustainable lifestyle and Consumption Types).

The other group of KMOP environmental developments are those also covered by Regional Operational Programmes in the convergence regions:

- As part of urban rehabilitation : the protection and preservation of the cultural heritage, the paving of roads inside municipality boundaries, revitalisation of urban green areas for the purposes of the community, creation of new green areas, planting of trees in urban areas, groundwater and rainwater drainage in urban areas, reconstruction of sewage treatment systems.
- The treatment of the sewage in agglomerations and villages with a population equivalent (PE) of less than 2000, by various technical means, giving preference to natural sewage treatment and small individual sewage storage facilities, as part of the Independent Sewage Treatment National Implementation Programme; Transportation of liquid wastes from settlements on rail vehicles and subsequent treatment.
- Remediation of polluted areas as part of urban rehabilitation and economic development, in conjunction with brownfield projects.
- Eco-tourism developments (in connection with national parks, water management directorates, botanic gardens and other protected areas).
- Residential energy saving measures (in the framework of integrated city district rehabilitation).

- Within the framework of KEOP, renovations only of energy conservation purposes may be assisted, in the case of, amongst others, public institutions too. The ROP Integrated town district-rehabilitation development construction, the object of the project is the environmental, economic and social renovation of the given town-part area; the energy-saving activities in the public buildings here can only be recognised as accountable costs. The submitted applications may only receive assistance if the rules of the set proportions between different cost classes are strictly adhered to.
- Establishment of environmentally sound regional transport systems.
- Protection and propagation of local natural features, environmental attitude change programmes linked to developments. Extension of the network of ‘Green Point’ offices, and the establishment of regional environment information centres and environmental databases.
- Asbestos removal from private and municipal residential, commercial and public buildings, including the safe removal of asbestos containing insulation and the safe treatment and disposal of the resulting waste.
- Protection of the quantity and quality lakes, rivers and underground waters, in regionally important water protection areas:
 - Riverbed rehabilitation to achieve the “good” condition – water replenishment, water quality improvement, rehabilitation (storage facility construction and reconstruction, riverbed and flood area rehabilitation, lakes, river backwaters and branches)
 - Water retention, water replenishment and water back-routing in order to reach the “good” condition (development of the management of soil water as a water source, regional water retention, water replenishment, storage, water system rehabilitation)
- Recultivation of the settlements' solid waste deposit grounds, except for such recultivation projects the scope of which are stretching over the regions and the value of which are in excess of HUF 650 million. A large proportion of those (80%) are the recultivation parts of already approved ISPA and Cohesion Fund projects – their implementation is in progress, or the recultivation parts of such large projects of which the preparation is at an advanced stage.
- Recultivation of animal carcass pits.
- Recultivation of receptors of the settlements' liquid waste.

Economy Development OP

The first 4 measures of the innovation and enterprise oriented development of the knowledge-based economy priority axis are in line with the 4 priority axes of the Economy Development OP, and in the measure local economy development are included the developments specific for regions in line with the demarcation between the EDOP and ROPs.

Social Infrastructure OP

The measures of the development of the Region's public services system of institutions priority axis are in line with priority axes of the Social Infrastructure OP.

Development of the infrastructure of services supporting labour market participation: priority axis 3 of the Social Infrastructure OP

Development of the infrastructure of higher education institutes: priority axis 1 of the Social Infrastructure OP

Development of the healthcare infrastructure: priority axis 2 of the Social Infrastructure OP

Development of the infrastructure supporting social integration: priority axis 3 of the Social Infrastructure OP

Development of the infrastructure of public education institutes: priority axis 1 of the Social Infrastructure OP

3.7. Ex-ante Evaluation and Strategic Environmental Impact Report

Ex-ante Summary

The ex-ante evaluation of the Central Hungary Operational Programme was performed by a consortium consisting of Terra Studio Kft. and KSZI Kft., selected via a public procurement procedure. Evaluation took place in accordance with the relevant EU guidelines, with the structure, content and time schedule agreed upon by the National Development Agency (client), the Central Hungary Regional Development Agency and the Ministry of Local Government and Regional Development ('MLGRD'; planner). The project was launched in June 2006.

Evaluation was performed with the assistance of MLGRD and the NDA (National Development Agency) staff, under the coordination of the latter. The planners involved in the OP priority were invited to expert consultations on the project.

The first draft of the evaluation was completed in September 2006. Evaluation of the situation report and SWOT analysis were based on the 3 July 2006 version of the ROP, and evaluation of the strategy on the version of the OP dated 5 September 2006.

The latest evaluation work used the document version dated 30 November 2006, which takes into account the conclusions of the first ex-ante evaluations, the opinions of experts on interim versions of the OP and the requirements defined in the course of consultations in Brussels. The OP version of 30 November 2006 incorporates the observations made in the framework of the partnership formed in the meantime, as well as the position of the Central Hungary Development Council.

The internal consistency of the plan has greatly improved during the evaluation process. There was a particular need to strengthen consistency between the situation evaluation and the strategy, requiring changes in structure and content. By taking suitable account of the observations and applying them, components of the document were made consistent and the structure of the situation evaluation is in line with the logic of the strategy. The objectives of the OP are now clearer, and overall and specific objectives may be matched to the related priorities. Overlaps between proposed action have been eliminated.

The assessor found the priorities as defined to be relevant to the Region and to cover the most important problems. The strategy is suited to the real situation of the Region. The situation report provides a comprehensive picture of the Region's situation and sheds light on regional differences and conflicts. The data presented well describe regional processes. The ex-ante assessor considers it an advantage that the document was supplemented with international indices during the consultation process.

Some items of data used in the situation evaluation did not contain the latest figures available, but most of the data presented provides suitable foundation for defining priorities.

However, the satisfactory supporting evidence for the development requirements was not provided in every area.

Under certain priorities there are still a large number of measures with costs which are very high compared to available funds (in spite of the cuts made). Examples include tourism and environmental protection. The measures listed are relevant, but funding limitations will probably prevent some measures from being truly effective. The situation analysis tries to identify all needs and problems connected to the large number of measures, but even so, the situation assessment chapter is unable to substantiate the need for all of the measures. The many, loosely connected measures allocated each priority prevent the application of priority level indicators to evaluate the impacts of each and every measure.

Objectives and priorities are mutually consistent. The Region is covered by the 'Regional Competitiveness and Employment' objective. Still, the OP contains many measures (for example, environmental and nature conservation measures, transport development, public services) which support competitiveness only in an indirect way. Nevertheless, these are truly severe problems for the Region and the need to address them is beyond doubt.

Since the funds available will diminish steeply with time there is a high risk attaching to their utilisation and successful allocation. Due to the amount of funds available, the achievement of the objectives of the individual priorities is at risk. A further risk may be identified in the measurability and sensitivity of the indicators allocated to individual priorities. In some instances, indicators are inadequate. It is recommended that the system of indicators be fine-tuned in the final version of the OP.

As regards its form and structure, the document complies with the relevant EU Regulation and the CSG criteria. The document also offers appropriate external coherence: it is related to regional, national and community policies (the latest version of the OP even sets these out). Programme planners have thus clearly strengthened the coherence of the document: they demonstrate links to sector-related objectives and sectoral operational programmes.

According to the material submitted, the system of institutions to implement the programme has been set up with a precise set of procedural rules, but these procedural rules do not reflect the special features of the Region and the Competitiveness OP.

Planner's answer

It is not recommended to decrease number of measures, otherwise OP can not give answer to regional problems, respectively problems with national scope. Division of resources amongst measures will be planned in OP action plan. In our opinion development of certain topics (transversal road connections, children day-care or creative industry) and micro-regions with less amount will produce substantive progress.

Competitiveness is served by not only topics mentioned before, but universities as research centres or tourism and human infrastructure (e.g. colleges) and transport. Altogether these measures constitutes 68% of whole budget. Remaining measures (environment or town development) contribute to regional competitiveness indirectly. From the other side there are huge infrastructure shortages in Pest county which must be compensated to keep regional competitiveness.

OFFICIAL STATEMENT ON THE STRATEGIC ENVIRONMENTAL ASSESSMENT OF THE KMOP

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 Central Hungary 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;⁹ 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 Central Hungary Operational Programme yielded several opportunities for official, state and social partners to put forward their opinion, especially on environmental and sustainability issues, as follows¹⁰:

⁹ 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.

¹⁰ The process also provided the opportunity to mediate discussions between the SEA evaluators and the planners.

- During the first partnership of the KMOP (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).
- 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 KMOP, two forums were held: on 30 November 2006 in Budapest together with the other regional OPs and on 1 December also in Budapest, with the participation of the organisations defined by the Government Decree.

The comments on the SEA of the KMOP 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 of how environmental considerations have been integrated into the programme¹¹

A detailed and comprehensive evaluation on the development of the KMOP as a result of the SEA can be found in the following report: "A Közép-magyarországi 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 |
|--|---|
| <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 priorities 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>Reasons for choosing the programme as adopted, in the light of the other reasonable alternatives considered¹²</p> <p>Yes – it has been integrated into the OP, see the chapters concerning horizontal policies, indicators and implementation.</p> |
| <p>Based on current environmental burdens in the region, we consider it necessary to plan higher than current resources for the 3rd priority which could give rise to a stronger effect of the program on the environmental elements.</p> | <p>In comparison with the version accepted by the government, the allowance of the 3rd priority has increased by EUR 12 040 545 (EU contribution part)</p> |
| <p>Within Priority Axis 4.1, developments (even possibly) implementing the objectives of the MTA (Hungarian Academy of Sciences) VAHAVA (Change – Impact – Response) program should be preferred at the action plan level in the course of subsidizing innovation activities.</p> | <p>Yes – it has been integrated</p> <p>The containment of climate change has been manifest in the OP:</p> <p>a.) in the horizontal section – in general terms;</p> <p>b.) in the section describing objectives - according to the context.</p> <p>c.) in the OP, at the request of the Commission (Cross-checking of mandates in BP), it has been included among the indicators: “Value of energy savings (TJ) achieved as a result of subsidized projects”</p> <p>Separately in the evaluation section:</p> <p>- in the section describing the evaluation plan – “evaluation includes the effects of the Operational Programme concerning climate change (possibly including related natural, societal and economic costs and benefits, as</p> |

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

¹² According to Article 11(b) of the Government Decree, and Article 9.1.b. of the Directive.

| | |
|---|--|
| | <p>well) in order to serve as an efficient foundation in combating climate change.” Moreover, the OP relies on the VAHAVA (Change – Impact – Response) proposals in several sections: Integrated urban development (housing, etc.) and Tourism development (sustainable tourism, etc.)</p> |
| <p>For the sake of the future generation, the involvement of large companies in local economies should be achieved and conscious environmental protection in the given communities should be reinforced, even at the expense of economic interests.</p> | <p>The development of large companies is not a prominent objective in the OP, nevertheless, in supporting SMEs, an important consideration is their capability to adapt to the production chain of larger companies.</p> <p>Moreover, the whole program considers it important to satisfy the requirements regarding environmental quality and conservation, as well as practical implementation of environmental objectives and considerations.</p> |

According to a SEA recommendation, the KMOP sustainability policy has been clarified; this can be found in the OP section 3.6.

The social partners’ and national authorities’ main comments:

| Proposition | Responses |
|---|--|
| | <p>Reasons for choosing the programme as adopted, in the light of the other reasonable alternatives considered¹³</p> |
| <p>In the course of economic developments and other infrastructure developments, the goal must be to prefer ecoinnovative solutions aimed at low waste emission and the application of Best Available Techniques, as well as the application of BAT in the widest possible extent and frequency, thereby contributing increased public awareness and propagation related to BAT, as well as the reduction of environmental burden. Therefore, the action plan must include among the selection criteria a preference for BAT application.</p> | <p>Yes – it has been integrated into the OP. In Section 4.2.3 (Horizontal considerations – Detailed sustainability considerations): “In each development, especially in infrastructure-related investments, solutions decreasing energy intensity, promoting energy savings and efficient energy use and/or utilizing renewable energy sources must be preferred. Efforts must be made to apply the most favorable technologies and processes from environmental aspects [BAT] as well as technologies utilizing renewable energy sources and improving energy efficiency. These considerations must be satisfied both in selection and monitoring.”</p> |
| <p>In the course of adapting action plans to the OP, maximum effort is required to validate horizontal considerations, such as sustainable</p> | <p>Yes – it has been integrated into the OP, see the chapters on horizontal policies, indicators and implementation.</p> |

¹³ According to Article 11(b) of the Government Decree, and Article 9.1.b. of the Directive.

| | |
|---|--|
| <p>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>It cannot break away from its barriers in creating a future vision, as well as in the field of environmental technology and developments, even if it is capable to do so in many respects, in several subsectoral issues. In the field of economic development, R&D and human resource development, Budapest and its region has a national responsibility, and therefore it is important to deepen here the presence of the environmental consideration which is only present now at a superficial level. Along with economic development goals, efforts in the economic structure to reinforce the role of environmental technologies and industry as well as the operation of the economy with a minimum environmental burden could be the factor which could satisfactorily represent the integration of the environmental consideration – which is not present in this form in the present material. .</p> | <p>The complete program considers it important the satisfaction of requirements concerning environmental quality and conservation, as well as practical implementation and achievement of environmental objectives and considerations. At the same time, it still has a fundamental concentration on economic development and the extension of employment (in accordance with the expectations of the “Competitiveness and extension of employment” goal). This has been implemented by the planners by significantly integrating the environmental aspect into the goals (e. g. in the case of economic development, encouraging material- and energy-saving, Best Available Techniques, creation of a livable environment in urban and residential community areas, encouraging brown-field developments). The following sentences are included in the priority for economic development. “Along with the development of the international competitiveness of the region, a fundamental goal is that the consideration for sustainability and environmental protection be included in a conscious and systematic manner to the decisions of companies and organizations pertaining to operation and production, thereby indirectly reducing the environmental burden.” “In the course of modernization of the enterprises, we consider it important to influence the structure of energy sources: to promote the shift from traditional to renewable energy sources. At the same time, an important objective is to create the relevant instruments preferring energy savings and efficient energy use at SMEs.”</p> |
| <p>Participation of the civic sector in monitoring and supporting implementation.</p> | <p>Yes, the handling of this factor has been integrated into the OP implementation chapter.</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>Yes – it has been integrated into the OP, in the implementation chapter Evaluation of horizontal policies – among them, sustainability – has been published, just as the guarantee-related conditions of the application of minimum sustainability criteria.</p> |
|--|--|

Transboundary effects¹⁴

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 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 measures¹⁵

KMOP 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 KMOP 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 KMOP, 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.

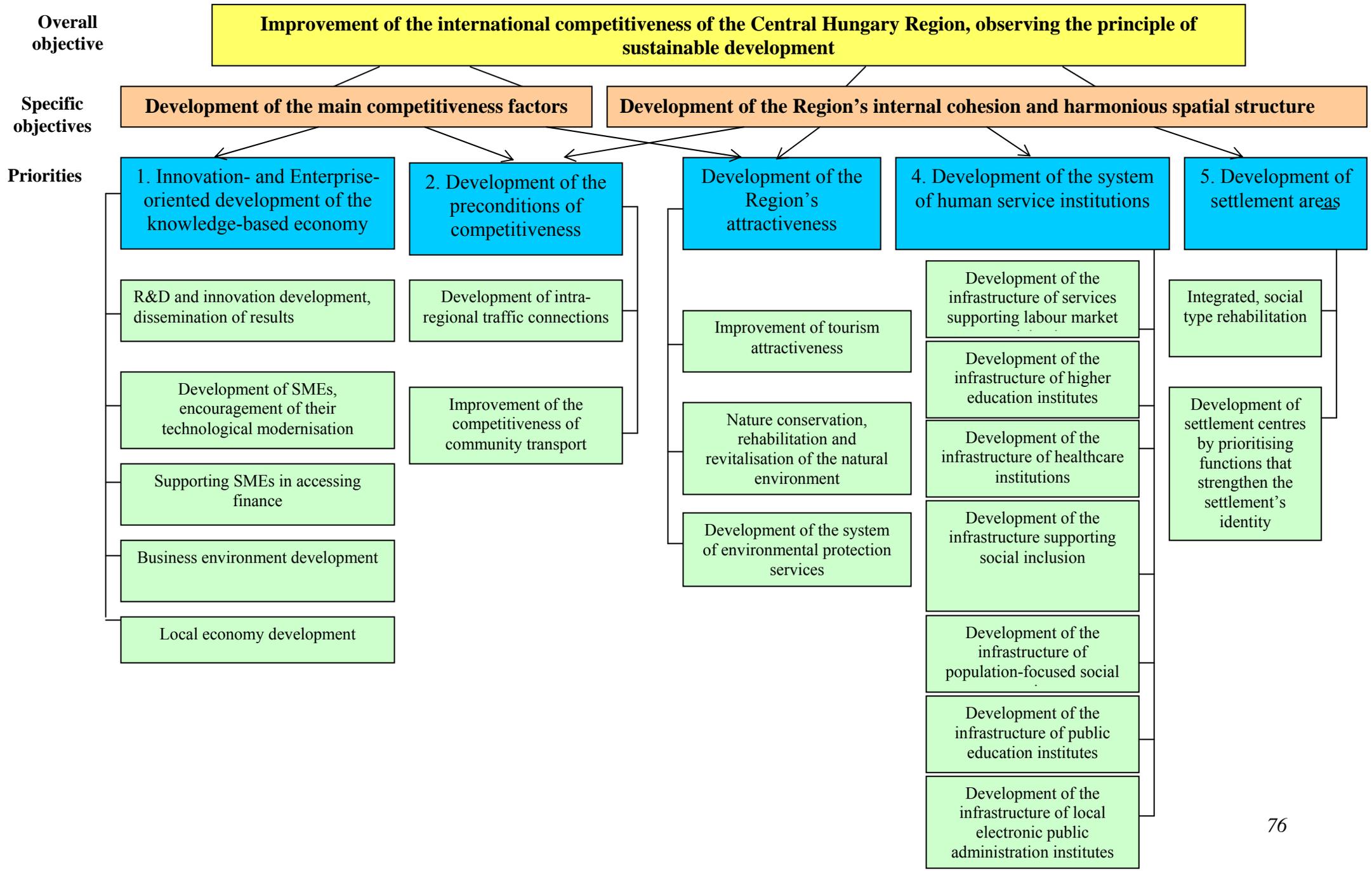
¹⁴ According to 9. § of the Government Decree, and Article 7 of the Directive.

¹⁵ According to 12.§ of the Government Decree and Article 10. of the Directive.

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 KMOP to avoid duplication of monitoring.

The Central Hungary Region: Objectives



4. PRIORITY AXES

4.1. Innovation- and Enterprise-oriented Development of the Knowledge-based Economy

Priority Axis Objectives:

1. Strengthening of research and development and innovation activities in the Region.
2. Improvement of the operational efficiency of businesses operating in the Region, with a view to raising their competitiveness.
3. Development of activities with high growth potential and high added value.

The priority axis contributes primarily to the specific objective, ‘Development of factors determining the Region’s competitiveness’. It also supports the strengthening of the Region’s internal cohesion, owing to the development of enterprises, support for the local business environment and the system of preferences to be applied in the granting of repayable assistance.

A basic objective, in addition to developing the Region’s international competitiveness, is to make enterprises and other organisations take sustainability and environmental protection into account as priorities in their operational and production decisions, and thus directly reduce the stress they cause to the environment.

The priority axis sets out to contribute to the Innovation- and Enterprise-oriented development of the knowledge-based economy by supporting interventions in the following categories:

- **R&D and innovation development, dissemination of accomplishments**
- **Development of enterprises, encouragement of their technological modernisation**
- **Development of access to finance for SMEs**
- **Development of the business environment**
- **Local economic development**

Proposed (result) indicators:

Impact indicator 1: Gross Added Value (GAV; in Hungarian: ‘BHÉ’) produced by the enterprise sector in the Central Hungary Region as a result of the Programme

Baseline value: 0

Target value: 3%

Source: MA

Result indicator 1. Magnitude of investments induced by supports

Baseline value: 0

Target value: 100

Units: billion HUF

Source: Beneficiary, ‘SMIS’

Measurement method: private funding in the project, presentation of the supported project, based on the ‘PZJ’. Target group: beneficiaries.

Result indicator 2: Increase in enterprises' R&D expenditure as a result of the programme

Baseline value: HUF 53414 million (2004)

Target value: 14% annual average increase in nominal terms until 2015

Source: Central Statistical Office, indirect/ultimate beneficiaries Measurement method: enterprise sector (without micro enterprises). Target group breakdown: beneficiaries (directly in measure 1.3; indirectly in measures 1.1 and 1.2), over the eight calendar quarters starting from the quarter when the funding contract was signed (after 'PZJ')

Result indicator 3: number of new jobs

Baseline value: 0

Target value: 5000

Unit of measure: head

Source of data: EMIR

Measuring means: the figure will be reached by aggregation, based on the individual project plans

R&D and Innovation Development, Dissemination of Accomplishments

The objectives of this intervention are to intensify the R&D and innovation efforts of Hungarian enterprises, to better utilise existing capacities and achievements and to encourage cooperation between parties involved in the R&D+I process in the key areas on which the intervention focuses.

Efforts will be concentrated on developments involving material and energy efficient solutions and on the propagation of Best Available Techniques as widely as possible.

The issues of priority funding for specific scientific areas defined in the science, technology and innovation policy strategy (under preparation) will be the focus of particular attention in this intervention. This will encourage the creation and maintenance of high-standard research sites; the establishment of modern, concentrated R&D infrastructure; the transfer of knowledge and technology between sectors and enterprises; the expansion of networking and international relations in the research sector; and the furtherance of training and exchange schemes for researchers.

The three pillars of the knowledge base – higher education, R&D and the driving sectors of the economy – are concentrated in the capital. In Budapest and the Central Hungary Region, cooperation between business and research in the Region have already created the elements of the knowledge base, albeit mainly independently from one another. Cooperation between universities, research institutes and enterprises must be strengthened so as to integrate the drivers of the economy with R&D institutes. The development of the knowledge-based economy makes economic development in the capital's conurbation more dynamic by strengthening cooperation among local sites whose potential is hitherto isolated: it focuses on the future of technology, research and development, knowledge-intensive production with high added value, business services and the strengthening of cohesion between all parties involved. The strengthening of cooperation multiplies the performance and innovativeness of the knowledge economy and ultimately makes the economy more competitive.

Key tasks under this objective are to encourage innovative, market-oriented research and technology cooperation between universities, research institutes and businesses (collaborative research projects implemented by consortiums of businesses, universities and research institutes) and the development and strengthening of R&D centres through supporting new technology and product development methods.

The development of the competitiveness and growth potential of the enterprise sector will be directly and significantly supported by the development of enterprises' individual R&D+I potential and the encouragement of the innovation activities of technology-intensive enterprises. It is therefore very important to encourage independent product, service and technology developments (and the purchasing or adaptation of competitive technologies), support exploitation and marketing of new or improved products and assist in the associated brand-building.

Also important is support for the creation of organisationally independent R&D units within enterprises as this could help larger SMEs to integrate R&D into their core activities. R&D developments building on the research potential available in Hungary will encourage investment by R&D- and innovation-oriented large businesses and thus contribute to the further expansion of this potential.

For research results to be successfully exploited in practice, it is important to identify ideas with real potential. It is therefore vital to support technology-intensive, innovation-oriented spin-off and start-up enterprises.

The programme incorporates, under this heading, the creation of innovation and technology parks providing physical space for research activities and innovative enterprises and the development of existing facilities through the provision of the necessary assets, services and innovation management staff.

These projects primarily – but not exclusively – comprise the research infrastructure developments required under the Budapest Development Pole Programme. These make use of available university and research institute capacity. This ensures that the developments will be concentrated and focused, and promotes regional cohesion.

These measures will result in innovation and technology parks which are capable of making a significant contribution to the development of innovative enterprises specialising in research or operating in the given sector and to the generation and implementation of innovative ideas; the incubation of start-up enterprises and the deepening of R&D+I cooperation and cluster relations. They will also – indirectly – enable universities in these poles to develop their external relations and R&D capacities.

The Budapest Development Pole Program encourages creative cooperation between local innovative enterprises and professional organisations, research and development bases and educational and training establishments in a model that increases the national and international competitiveness of the economy in the form of globally marketable products and services. The development pole can truly bring dynamism into the economy if its sectoral focus offers connection points to as many other areas as possible. This is the ultimate objective of the Budapest Development Pole Programme: it encourages creative cooperation between local innovative enterprises and professional organisations, research and development bases and educational and training institutes in a model which increases the national and international competitiveness of the economy in the form of globally marketable

products and services. The development pole can truly bring dynamism into the economy if its sectoral focus offers connection points to as many other areas as possible.

With appropriate coordination, the South Budapest Area could become a major innovation region on a European scale, working in close cooperation and collaboration with the knowledge centres in other parts of the Central Hungary Region and other regions and providing unified representation of the innovation potential within a metropolitan area. To achieve these objectives, the parties involved in innovation in the Region and a quasi-consortium of the Region's institutes of higher education, the 'Tudapest Kabinet' ('Knowledgeable Budapest Cabinet') have drawn up the 'Innopolis' concept, based on cooperation between higher education, research sites and the business sector. The Budapest Development Pole defines horizontal programmes and three strategic areas comprising demand-driven programmes which will enjoy priority funding under the Region's innovation strategy: the ICT pole (Information Society Technologies), the Medi-pole (Medicine, Biotechnology) and the Eco-pole (Environment industry and renewable energy sources). In line with the Science-, Technology and Innovation Policy Mid-term Strategy the Key technology areas and knowledge based industries as follows:

Key technology areas:

- Info-communication technologies
- life sciences and biotechnologies
- medical technology
- materials science and nanotechnology
- environmental technologies
- technologies of renewable energy resources

Knowledge-based industries:

- IT and electronics industry
- engineering and vehicle manufacturing
- pharmaceutical industry
- chemical industry
- food manufacturing industry
- innovative service industry
- environmental industry and technologies

Development of Enterprises, Encouragement of their Technological Modernisation

The most important objectives of the intervention are to increase the profitability of enterprises with growth potential (primarily: micro, small and medium-sized enterprises) and to improve their market positions. Given the favourable features of the Central Hungary Region, considerable benefits will be delivered by modernising small and medium-sized enterprises, strengthening their role in employment and developing their innovation potential. The principal grounds for providing support are SMEs' size disadvantages (e.g. difficulties in accessing information and finance) and inadequate entrepreneurial knowledge. The Central Hungary Region has the 'objects' of development: enterprises rendered capable of growth by density of businesses higher than national average and keen competition.

A significant part of Hungary's enterprises use technologically obsolete production equipment, ICT tools and applications. In order to enable companies (especially SMEs)

replace the outdated technologies they use at present, comprehensive business development projects are planned to: encourage penetration of foreign markets by companies with growth and development potential; assist technological modernisation aimed at improving their innovation and adaptation skills and enabling them to become suppliers; and promote the development of corporate management systems. A key preference for this section of the OP is the priority handling of environmental protection and energy/material efficiency objectives which serve sustainable economic development and sustainable production. In the course of implementation, the Region will lay special emphasis on intensive support for job creating projects in depressed regions.

Within a few years, as the information economy emerges, the use of electronic means for conducting business relations and performing administration will no longer be an option, but a minimum requirement. The OP will therefore also support efforts to raise the efficiency of corporate organisation and process management developments, and to develop e-commerce and e-services.

An important aspect of business modernisation, and one the OP sets out to influence, is the choice of energy mix: the aim is to support a move from traditional energy sources towards renewable energy sources. Another important task is to help SMEs acquire working assets which contribute to energy conservation and energy efficiency.

The support of investments realized in disadvantaged and the most disadvantaged regions and creating significant work opportunities are priority areas of the Operational Programme, thus contributing to the increase of openings available for the Roma community living concentratedly in the given region, as well as the improvement of their social integration.

Supporting SMEs in Accessing Finance

Based on their past experience, the banks are still reluctant to take the risk of lending to SMEs in certain areas. Such companies thus find it very difficult and time-consuming to obtain credit. One of the most important areas of action for strengthening SMEs is to provide appropriate means of finance and facilitate their access to funds.

This OP intervention, in line with the JEREMIE¹⁶ mechanism of the European Commission, will be designed to widen access to external sources of finance for small and medium-sized enterprises via various means of finance and related consultation. Some OP funds will be placed in a holding fund and used, via the refinancing or co-financing of – primarily private-sector – financial mediators, to give SMEs greater access to access sources of finance. The choice of financial mediator under the scheme will be relatively free, at least in the initial years of the programmes, so that there will be competition to be involved in the implementation process. Operational support will be handled separately from profits in the initial period, enabling the efficiency of organisations to be constantly evaluated.

To remedy the shortcomings of financial markets (as described in the situation analysis), and in accordance with the operational principle described above, the following interventions are intended to significantly ease companies' access to sources of finance:

¹⁶ *Joint European Resources for Micro to Medium Enterprises, a joint initiative of the Commission, the EIB and the EIF for improved access to financing for SMEs. See <http://www.eif.org/jeremie/> and http://ec.europa.eu/regional_policy/funds/2007/jjj/jeremie_en.htm.*

- Micro financing
- Guarantee facilities
- Development of the capital market (venture capital, seed capital)

Micro financing. Due to the relatively high transaction costs, the small credit requirements of micro enterprises are difficult for Hungarian banks to handle. As a result, such organisations can be best served by organisations specialising in micro credit. To resolve this problem, the objectives are to develop micro financing methods and to increase the amount of available funds. A refinancing budget will be opened for organisations providing micro financing, enabling them to build up a credit portfolio.

Working Capital financing: Due to the general lack of resources as a consequence of the negative international financial processes, the outstanding loans to the SME sector decreased by the the Hungarian Bank System, and the maximum of the loans decreased below the previous levels. In order to reduce market failures, our aim is to provide working capital loans at reduced rates for production or service activities of the SMEs by combining the available sources of funding and the resources provided by the MFB Zrt.

Guarantee facilities. The biggest problems for banks are lack of collateral security and the handling of the special risks associated with small enterprises. Guarantee facilities have been identified as the appropriate means for enabling SMEs to obtain bank finance. By improving the credit guarantee system, it will be possible, via credit provided on commercial terms, to mobilise a sum several times the OP grant, which will be provided in the form of a guarantee. Guarantees undertaken for individual transactions and small enterprise credit portfolios will improve the banks' risk management efficiency. The financial mediator selected by the holding fund will provide a counter guarantee for commercial banks and will undertake joint risk.

Development of the capital market. The proposed means of developing Hungary's capital market is co-financing of private sector funds. Private investors will be motivated to invest in smaller enterprises by the non-proportionate sharing of costs and profits. Co-financing will be offered to capital funds if their investment policy is in line with OP objectives.

Business Environment Development

Although business services are concentrated in the Region and the quality of the business infrastructure and services in Budapest is the highest in the country, business services must develop further if the Region is to retain its competitive position among European cities. Interventions under the Business Environment Development heading will grant funding not, in the first instance, directly to businesses, but towards the development of their external operating environment, supplementing the regulatory measures defined in the National Reform Programme.

Advanced Info-communication Infrastructure

To develop the ICT infrastructure for the purpose of improving competitiveness, an advanced ICT network infrastructure is required, supporting access to broadband networks. Technology-neutral support will be aimed at improving broadband coverage and operational security especially in depressed and disadvantaged regions. On cost-effectiveness grounds, assistance should encourage the use of state-of-the-art, interactive info-communication

solutions with open source code offering integrated access and interoperability. Developments must pay special attention to improving information security (data and network security). This will also increase confidence in IT systems and networks. With an view to preventing the formation of monopolies and consequently to reducing prices, there is a need for development policy and market regulation incentives to encourage alternative service providers and services to enter the market, which will foster competition between different broadband technologies.

Development of logistic centres

The demand for logistical centres offering a complete package of services prompts the need to support development of the logistics sector, broaden the range and raise the standard of high-end services (including ICT applications) provided by logistics centres (especially intermodal logistics centres) and develop the related ‘inside the fence’ infrastructure. Capital investment to improve logistics services indirectly assists SMEs to get involved in supplier and distributor activities, thus enhancing the competitiveness of their operations.

Providing investment incentive, consulting and market development services for the enterprises

To improve the general competitiveness of enterprises and to facilitate access to the information they required for their development, it is planned to set up a network of organisations, formed by reorganising, developing and strengthening the existing system of business and trade development organisations institutions, which can offer enhanced consultancy services on a regional basis (i.e. transfer the knowledge and skills required for the proper operation of enterprises; including legal, financial, commerce development, investment, capital investment, foreign trade, etc. knowledge) and provide services supporting market entrance and information on, for example, how to access development funds.

Local Economic Development

The creation and development of regional and/or sectoral partnerships, networks and ‘clusters’ capable of taking effective advantage of synergies is nowadays increasingly crucial for maintaining and increasing economic competitiveness. The strengthening of cooperation networks will accelerate the development of the economy and will result in a healthier economic structure. A dense network of connections between large companies, small and medium-sized enterprises, members of the public and the government sector can give rise to the formation of clusters in specific sectors of the economy. The task is to foster and develop such forms of cooperation, in the form of communication and organisation efforts and physical infrastructure developments. Besides supporting the creation and implementation of network partnerships and associated investment projects, the development of services provided by the network managements is also a key objective.

A major priority for support is the improvement of business incubation facilities and the development of enterprise incubator houses, which contribute to the creation and expansion of business services. Enterprise incubator facilities simplify the operation of new start-up companies, providing space and services for their operation and integrate them into the structure of the economy: through the provision of information and services, they encourage their closer cooperation with business service providers and Enterprise Development institutes. Such incubator houses offer a favourable economic environment to enterprises by transforming buildings into ‘creative places’, which serve small enterprises. The objective is

to create a supportive environment that diminishes the rate of start-up enterprise failures in the critical, early stage of the enterprise lifecycle.

The level of development of the regional business infrastructure (business site development, IT, physical infrastructure development required for new services) plays a significant role in the attraction of enterprises, foreign investments and the support of their integration into local economy. The creation of attractive business sites requires the extension and quality improvement of the high added value services of already existing industrial parks (including ICT applications). To increase the competitiveness of small and medium-sized start-up or operating enterprises, industrial parks should also improve the general operational background and knowledge of companies through counselling and other services. It is for these considerations that the development of industrial parks, the support of their efficient operation and the improvement of the quality of their enhanced services provided for enterprises are defined as objectives.

In order to improve the general competitiveness of enterprises and to facilitate their access to the information they need for development, assistance is required for enterprise development, business, information and market development consultation and services which are used by – and thus automatically tailored to the needs of – small and medium-sized enterprises.

In accordance with the Region's Strategic Plan, special support will be granted under this OP intervention to activities emerging out of individual creativity, qualification and skills and capable of creating wealth and new jobs through the invention and exploitation of intellectual property.

Disadvantageous micro-regions from social-economic point of view will be favoured in program implementation to promote internal cohesion. Apart from the direct investment assistance we put a high emphasis on providing available information. It is primarily the task of the regional and local consultative network operating in the frames of the KMOP to assist the Roma enterprises in the research, successful demand and usage of the available financial resources.

Project Preparation

For complex operations whose preparation involves substantial time and expense, there is a need to provide support for the preparation process. This can ensure that relevant projects are prepared to the right standard and at the right time, thus promoting efficient use of resources. Project Preparation support may be used towards activity such as drawing up preliminary studies and technical plans for project implementation.

Experimental Projects

The operational programme enables the efficient and successful support and testing of experimental methods, programmes and projects at the regional level and the regional adaptation and dissemination of good EU development policy practices.

Possible types of novel and experimental interventions of the operational programme:

1. Regional support for experimental methodology and management practices:
 - Introduction of experimental methodologies: achievement of objectives through new financial or tangible assets (assistance schemes, procedures, technological solutions);

- Regional support for experimental management, network, partnership and dissemination cooperation projects and best practice.
2. Support for the regional adaptation of model projects and programmes:
 - Support for the adaptation of best practice (with special respect to EU member state practices);
 - New development areas and objectives: support for the developments of experimental projects and programmes on eligible innovative themes so far not covered by developments.
 3. Support for the dissemination of novel and experimental results.

Target Group

The target group for these developments comprises the research and development staff of research and development institutes and associated enterprises; micro, small and medium-sized enterprises covered by Enterprise Development and their partners; start-up companies; local government bodies; and non-profit organisations whose activities develop the local business environment.

4.2 Improvement of the Preconditions for Competitiveness

Objectives of the priority axis:

- Improvement of the Region’s competitiveness by integrating the Region into the international road network.
- Better traffic management in municipalities and micro-regions by developing transverse transport connections
- Support for the use of alternative means of public transport

The priority axis primarily supports the implementation of the specific objective, ‘Improvement of the Region’s international competitiveness,’ by improving access and increasing the quantity and quality of transport links, incorporating efforts to promote environmentally sustainable means of transport and raising transport safety.

The primary justification for public road developments is that we wish to promote the labour force’s access to the centres of places of employment. The lack of secondary interconnecting roads often makes it impossible that the potential employees living in a micro-region or in a settlement district could take a job in the micro-regional centres, or indeed, at companies operating in the neighbouring settlement. Construction of bypassing roads will reduce the pollution in the transit sections, will significantly reduce the number of accidents as well as the short access time will all contribute towards the improvement of competitiveness and towards an increase in the level of employment.

Micro-regions (equally) less developed in terms of transport will be prioritised in the course of development, hence ensuring better access.

The priority axis will contribute to the improvement of the underlying conditions for competitiveness by supporting the following intervention measures:

- Development of intra-regional transport connections
- Development of the operational conditions for public transport

Development of intra-regional transport connections, improvement of the operational conditions for public transport will be implemented at regional level.

Impact indicator 1: Decrease of transit traffic on city centre main roads (%)

Baseline value: survey of the stretches of road covered by the intervention

Target value: traffic reduction

Source: representative survey

Measurement method: traffic counting on main city centre roads

Result indicator 2. Change in the number of public transport passengers in the towns of the Region (%)

Baseline value: 1,405,000 passengers (average of data from 2000 – 2005)

Target value: 1,405,000 passengers

Source: Central Statistical Office

Measurement method: The average of the years 2009 – 2013 will be compared to the data from 2000 – 2005.

Development of the Region’s Road Transport Connections

The Region's international competitiveness is significantly affected by the quality and capacity of its public road network. Besides, public transport developments are crucial to achieving competitiveness improvements through developing the economy of towns and satisfy the horizontal principle of environmental sustainability. The topology and capacity of the Region's transport connections basically determines the ability of SMEs operating in the micro-regions of Pest County to become suppliers to large companies and helps worker in less active micro-regions to get involved in the Region's economic processes. Occupational bicycle and water transport are good alternatives beside public road and public transport and contribute to the reduction of the environmental load caused by traffic.

Objects of support under the priority are construction of municipality bypass roads, development of micro regional-municipal transverse and bypass transport connections, development of subsidiary roads the surfacing structurally significant unmetalled roads within municipalities, the construction of bridges to provide transport links between micro-regions, and the planning and implementation of new public transport services to improve links between municipalities, and the planning and construction of bicycle routes, bicycle transport networks and the relating infrastructure.

Development of the Operational Background of Public Transport

Efforts to raise the mobility of the workforce have to build on the Region's strengths. These include the still relatively high proportion of public transport and the breadth of the capital's public transport network. The consistent implementation of the objectives of the Budapest Transport Association ('BKSZ') will lead to more intensive use of public transport.

The Transport Operative Programme provides assistance towards fixed-track transport developments to be implemented in the regions (suburban trains, tram network, underground train development) in association with this, within this priority will involve support for BKSZ developments through improving relationships and cooperation between the Region's clients and service providers. Support should further be granted for the creation of BKSZ linked transport associations in the micro-regions, the development of electronic traffic systems, the improvement of services and information supply, the development of transport routing systems and passenger transport technology, the modernisation and expansion of the vehicle fleet in synchronisation line refurbishments and extensions, the creation of P+R and B+R parking areas, the improvement of parking facilities (especially beside the guided public transportation network and at intermodal nodes), the establishment and development of intermodal nodes and intelligent transportation systems, and the improvement of physical accessibility.

For the development of the alternative, environmentally sound methods of transport are to be supported the increasing the rate of utilisation of the Danube as a corridor for passenger ship transport, taking into account ecological considerations (development of ports, vehicle pool suitable to the river's bed terrain, modernisation of passenger ships).

More than 50% of the funds allocated to transport in NHDP will be spent for sustainable transport developments. The KMOP contributes to this commitment in such a way, that according to the thematic categorization of the OP (see the annex 1) the planned share of sustainable transport (categories 16., 17., 24., 25., 28. 32., 52.) developments will be 17,57 %.

Project Preparation

For complex operations whose preparation involves substantial time and expense, there is a need to provide support for the preparation process. This can ensure that relevant projects are prepared to the right standard and at the right time, thus promoting efficient use of resources. Project Preparation support may be used towards activity such as drawing up preliminary studies and technical plans for project implementation.

Expected Impacts of the Priority

Transport-related projects improving the Region's internal accessibility will reduce transit traffic through the capital and create attractive living conditions for the local population. At the same time, transport connections will establish more efficient flow of traffic. By replacing overloaded road sections, transverse roads and bypasses will contribute to efficiency in transportation and, thus, to the Region's competitiveness and the improvement of the accessibility of the individual areas within the Region.

The improvement of the operational background of public transport contributes to the creation of an efficient passenger transportation system and, consequently, to the reduction of the social costs of labour mobility. Through the preservation of the quality of the environment, the development of environmentally sound transportation systems results in the drastic reduction of environmental damages – which improves the Region's attractiveness to investors.

Target Group

The target group of these development projects is the population of the relevant municipalities, regions and micro-regions and of districts served by public transport.

4. 3 Development of the Region's Attractiveness

Objectives of the Priority Axis

- Development of the Region's tourism competitiveness
- Development of the system of environmental protection services
- The preservation and rehabilitation of the Region's natural values through developments supporting sustainable utilisation and attitude shaping

The following areas are eligible for support under the 'Development of the Region's Attractiveness' priority axis: development of the tourism, nature conservation, rehabilitation of the natural environment, development of environmental protection services, sustainable consumption and changes of attitude towards nature conservation.

These activities serve the improvement of the natural and built environments and their economic condition. To ensure that the planned interventions result in improvements to the environment the priority requires that environmental stress must be at most proportional to the actual results attained.

Proposed (result) indicators:

Impact indicator 1: increase in the Gross Added Value (produced by the tourism sector) (%)
Baseline value: HUF 734.456 millions (2005)
Target value: 1.000.000 mFt (2011)
Source: Central Statistical Office
Measurement method: The 2005 value will be compared to the programming period end value

Result indicator 1: The population directly influenced by the developments (number of people)
Baseline value: 0
Target value: 100,000 people
Source: Central Statistical Office
Measurement method: The combined number of the resident population and of visitors to the areas covered by the development projects

Result indicator 2: Number of tourist nights (piece)
Baseline value: Average number of commercial guest nights of Hungarians and foreigners between 2000 – 2004 (~5.5 million guest nights)
Target value: 40% increase
Source: Central Statistical Office
Measurement method: Average number of guest nights between 2010 and 2013

Result indicator 3: Number of new jobs created in the Region by tourism-related activities (number of people)
Baseline value: 0
Target value: 300 jobs
Source: SMIS
Measurement method: the sum of the job figures undertaken for implementation of all projects

Result indicator 4: Total area covered by habitat rehabilitation and development (unit of measurement: hectares)

Baseline value: 0

Target value: 6,500

Source: SMIS

Development of the Tourism Attractiveness

As a means of developing tourism, destinations within the Region have been identified which may be offered to tourists as individual sights worth a separate visit: Budapest, the Danube Bend, Gödöllő and its area, Ráckeve and its area, the Danube-Ipoly National Park, the Tápító Areas and Cegléd and its area.

Budapest attracts many international tourists. However, in order to retain the capital's favourable competitive position, major tourism-related developments are necessary and there is a need to enhance the quality of services and to create comprehensive tourism packages. This calls for implementation of the following:

- Development of conference tourism infrastructure
This intervention is designed to develop Budapest's conference tourism capacity. In practical terms, this means the modernisation of existing conference facilities and the construction of new ones. The operation of conference facilities is not a profitable activity, and so it is necessary to develop or promote the development of the related service infrastructure (catering capacity, business and cultural services). In Budapest the development of conference capacities is not only an important element of the Budapest Tourism Strategy but a key product development task defined in the National tourism Development Strategy.
- Creation of a 'spa-city' image for Budapest
As part of health tourism, there is a need to develop a comprehensive service portfolio for spas and launch wellness services for tourists.
- Developments related to the monuments serving as symbols of the city
Key projects include the reconstruction and improvement of world heritage sites and museums. This should involve creating services that present world heritage sites in an exciting and entertaining manner and developing associated information services, e.g. the establishment of a visitor centre in the city centre.
- Reconstruction of venues for major cultural events
- Raising standards in public areas visited by tourists in the vicinity of the above project sites.

Interventions outside the capital are required primarily to improve the tourist facilities in Pest County and to create new jobs. The following are the key areas of development:

- Development of the elements of the cycling infrastructure for active and eco-tourism (those belonging to the National Cycle Route Trunk Network set out in the National Area Management Plan and thus also part of the EUROVELO network); development of hiking and active tourism, including visitor centres and facilities, botanic gardens, training paths and thematic routes, and the development of narrow gauge railway lines (track and carriage fleet modernisation, service portfolio expansion, development of the quality and availability of passenger information and services).
- Action to revitalise features of public interest and protected natural features will involve refurbishment work in natural heritage sites (the Danube, Danube-Ipoly National Park,

landscape protection zones, protected cultural areas, castle parks, historical gardens) and the development of the relating usage infrastructure (visitor centres, park forest, water sports and cycling services and product-specific accommodation). Interventions will concentrate on: setting up facilities for receiving visitors in national parks and landscape protection zones for eco-tourism purposes, developing nature trails, visitor centres and related eco-tourism accommodation (for example, tourist hostels) and the preservation of the archaeological and architectural features of protected cultural areas, setting up presentation facilities for these, and supporting traditional farming methods (e.g. nature parks).

- Cultural tourism, restoration of protected monuments, museum functions.

Related to these are developments of tourist activities and services (including marketing) aimed at incorporating these sights and attractions into high-standard in tourist activities. The primary specific development areas are product-related services, information, catering, product-specific accommodation, which will be supported only where it is justified (proven demand, without leading to over-supply). But we do not support the development of 5 star classification accommodation facilities.

Marketing interventions affecting the Region as a whole include:

- Definition of a ‘Regional Events Strategy’ and support for its implementation, regionally coordinated planning of events,
- attracting national and international tourism and sports events to the Region (identification and proposal),
- Creation of information and tourist reception centres at the main tourist reception sites,
- The developments implemented in the framework of the ‘Urban and other Municipality Areas’ priority will assist hitherto unutilised, often run-down areas to get involved in the tourist industry.

Action Related To Other Priorities

Developments implemented in the framework of the ‘Urban and other Municipality Areas’ (‘Városi és települési területek’) priority will assist hitherto unutilised, often run-down areas to get involved in tourism.

For a marketable regional tourist choice of reliable standards, it is imperative that regional and local organizations designed to fulfil duties of destination management are set up. It is necessary to prepare complex strategies, to bring the region’s destinations to the market, to strengthen their position, to promote them and to raise the skills of human capital etc.

Development of Environmental Protection Services

Developments in the Region’s system of environmental protection services will serve the following objectives: installation and application of individual and nature-friendly sewage treatment technologies for small communities (urban districts, outlying parts of municipalities, outlying smallholdings [*tanya*], businesses, farms), improvement of the infrastructure of municipal and regional sewage draining and treatment, comprehensive water conservation measures, renewable energy projects and education on sustainable consumption. The following types of operation are eligible for funding under the above headings:

- As part of the Individual Sewage Treatment National Implementation Programme, the sewage treatment of agglomerations and settlements with a population equivalent of less

than 2000 are to be assisted via a mixture of technical solutions, with preference for small sewage disposal facilities that ensure nature-friendly disposal of sewage. Related to the building and expansion of waste water cleaning works will be encouraged the utilization of the waste water sludge as a renewable energy source.

- Eligible activities include local flood protection, rainwater drainage and collection in settlements and surface drainage of rainwater for protective purposes.
- Facilities are required to prevent and remedy geological hazards which threaten the operations, routed infrastructure and public institutions of municipalities (for example, the high banks of the Danube).
- It is extremely important to prevent the further pollution of surface and underground water so as to safeguard the quantity and quality of water. To this end, support will be provided for projects dealing with bodies of water subject to a high level of hydromorphological risk:
 - Riverbed and flood area rehabilitation;
 - For the protection of water quantity: water retention, water replenishment and water back-routing, in accordance with the interventions of the National Agricultural and Rural Development Plan (Hungarian acronym: ‘NAVT’).

Nature Conservation, Rehabilitation of the Natural Environment

In order to improve the Region’s ecological integrity it is fundamentally important to reduce the isolation of natural habitats and to restore and protect Natura 2000 and other natural areas and natural values. Also belonging to this group of operations are the development of botanical gardens providing ex situ protection of species and protected historical gardens, and the restoration of geological and speleological features, which have special importance in Hungary.

This priority requires implementation of comprehensive nature conservation, landscape protection and water management programmes (protection of rivers, streams, flood plain forests and marshes). These will result in the protection of individual habitats and ecosystems and the restoration of connections between the components of the biotope network. The priority gives special preference to revitalising the surviving sections of the former green belt around Budapest.

Another means of rehabilitating the natural environment is provided by projects to alleviate damage to nature and the landscape from linear construction projects. Support may be provided for:

- Nature-friendly construction and reconstruction of power lines and the improvement of their security (for bird protection, nature protection, etc. purposes),
- Nature-friendly reconstruction of the transport infrastructure (roads, railways).

Projects to provide the agricultural and forestry infrastructural basis for preserving natural habitats in Natura 2000 and protected agricultural and forest areas.

Support for the development of ‘forest schools’ has the purpose of increasing the level of social awareness required for preservation and enrichment of biological diversity and the natural environment and shaping attitudes to nature conservation.

The nature conservation section of this priority, a key area, offers support for the implementation of broad-based, integrated projects proposed by organisations operating in this area (water source protection, biotope network, municipality green area regeneration, planting of parks and forests, etc.), and for the achievement of the objectives related to the preservation of natural features of towns, districts and micro-regions.

Further important tasks include the extension of the network of ‘Green Point’ offices and the creation of regional environmental information centres and environmental databases.

Tasks related to asbestos removal are subject to Priority no. 5 (‘Urban Regeneration’).

The measures of the priority „Good treatment of our natural values” of EEOP directly and indirectly contribute to economic development for the following reasons:

- The substantial part of our natural values can be found in the most under-developed micro-regions of the region. The conservation of these constitutes a basis for eco-tourism and village tourism targeting natural areas, as key service sectors, as well as local sales of products produced locally, and consequently for the population retention capacity of rural regions and their economic development.
- The majority of environmental protection investments have high live labour demands (e.g. manual eradication of invasive species), which therefore implies that the implementation of these also directly contribute to the temporary employment of the rural labour force.
- A part of the planned investments also benefit the prevention of economic damages.
- Habitat reconstruction activities help reduce the impacts of climate change, more specifically, economic damages.

The quality of the environment tends to become a decisive factor for decisions made in connection with investment, therefore, investments in nature protection will have a strong indirect impact on economic development.

Project Preparation

For complex operations whose preparation involves substantial time and expense, there is a need to provide support for the preparation process. This can ensure that relevant projects are prepared to the right standard and at the right time, thus promoting efficient use of resources. Project Preparation support may be used towards activity such as drawing up preliminary studies and technical plans for project implementation.

Results Expected of the Priority

The development of tourism attractiveness will improve the competitiveness of the Region’s economy. This necessarily follows from the demand for additional services created by the increasing number of visitors to the Region. A high level of attractiveness to tourists, coupled with the regeneration of urban areas, will result in living conditions that will mark the Region out as an attractive business investment area for organisations contemplating future location of business projects, and have an effect on these organisations’ decision-makers when they visit the country. At the local level, the development beneficiary target group comprises institutions and organisations responsible for the management of tourist attractions and, for developments covering the whole of Pest County, service provider companies. The developments themselves are targeted at tourists visiting the Region and people living in the Region who will use the environmental protection and tourism services created as a result of the developments.

The following projects may be implemented jointly under KMOP and KEOP: the rehabilitation of the Danube section crossing the Region in accordance with the requirements set out in the ‘Water Framework Directive’, the comprehensive development of the Danube Bend and the development and rehabilitation of the Region’s Danube area and its other surface waters.

Target Group

The local population and tourists visiting the Region.

4.4. Development of the system of human service institutions

Objectives of the Priority Axis:

The objective of the priority axis is to develop the Region's public service sector and its institutions through improving the efficiency of labour market organisations and developing the infrastructure for schools, adult education, vocational training, higher education, health care and social services, which all contribute to raising the standard of human resources. Measures must take due heed of environmental protection and their environmental stress and energy use must be proportional to actual achievements.

The priority axis primarily contributes to the objective, 'Development of the Region's internal cohesion and the harmony of its spatial structure'.

Projects in the Region in the following areas are eligible for support under development of human public services priority axis:

- Development of the infrastructure of services supporting labour market participation
- Development of the higher education infrastructure
- Development of the health care infrastructure
- Development of the infrastructure of population-focused social services
- Development of the school infrastructure
- Development of the electronic local public administration infrastructure

The areas, 'Development of the infrastructure of services supporting labour market participation', 'development of the higher education infrastructure,' 'development of the health care infrastructure' and 'development of infrastructure supporting social inclusion' will be implemented at the sectoral level, and the areas 'development of the infrastructure of population-focused social services,' 'development of school and adult education' and 'development of electronic local public administration infrastructure' are developments involving regional implementation.

Impact indicator 1: Increase in the Region's rate of employment (%)

Baseline value: 63.3% (2005)

Target value: increase to 65% by the year 2015

Source: Central Statistical Office

Impact indicator 2: Decrease in the share of pupils not able to meet basic knowledge criteria in those schools where the share is more than 50%

Baseline value: Based on a national competence survey will be defined in the first annual report

Target value: 20% decrease by 2015

Source: National competence survey

Result indicator 1: Number of students in developed educational and training institutions (number of students)

Baseline value: 0

Target value: To be defined in the first annual report

Source of data: EMIR

Measuring method: Aggregation of the number of students/users of the institutions developed in the individual projects

Result indicator 2: The population of the service provision area, or the number of people using the services, which is/are directly covered by the developments (number of people)

Baseline value: 0

Target value: 100.000

Source: SMIS

Measurement method: Aggregation of the number of users of the services provided by the institutions developed in the individual projects

Result indicator 3: Number of new jobs created (number of people)

Baseline value: 0

Target value: 100 jobs

Source: SMIS

Measurement method: full time equivalent (FTE) of total new jobs created under the different projects

Horizontal objective

Result indicator 4: Number of disadvantaged children studying in educational and training institutions developed in the individual projects (number of children)

Initial value: 0

Target value: To be defined in the first annual report

Source of data: EMIR

Development of the Infrastructure Supporting Labour Market Participation

To increase labour market participation, there is a need for a training structure tailored to the actual needs of the economy and effective measures to match supply and demand. The continuous changes on the labour market give rise to a need for new services in the training system, the Public Employment Service (PES) and social services. The coverage of the services encouraging and supporting job search should be gradually extended beyond the registered unemployed to everyone who is of the legal working age and is capable of working but has no income from work and receives means-tested benefits. This objective can be achieved through close cooperation with the social service system, the creation of an integrated employment and social service system and the transformation of the regulations covering this area.

Regional Training Networks: Development of the Infrastructure of Vocational Training and Adult Education

The objectives of development are to establish a vocational training and adult education system flexibly adapted to the requirements of the labour market, and to improve access to training courses. Implementation of these objectives will involve firstly continuation of the programmes to set up Regionally Integrated Vocational Training Centres (Hungarian acronym: TISZK) and set up or improve infrastructures for the member organisations of the TISZK network and secondly creation of a regional vocational training and adult education network based on the regional training centres (operating at the NUTSII level) and involving the TISZKs. These developments will require ESF and ERDF-financed measures.

Under the HEFOP programme, 16 TISZKs were established between 2004 and 2006. From 2007, in order to lay the foundations for up-to-date vocational training, infrastructure for

practical training sites is being developed as part of the integration of institutions, school buildings are being renovated and schools are being provided with IT equipment.

In order to better utilise capacities and to create a training portfolio suited to the actual needs of the Region's economy, the different institutions offering vocational and/or adult training and operated or financed by the state must be organised into regional training networks, on the basis of regional training centres. The representatives of the Region's economic players (employer and employee organisations, chambers and other bodies representing interest groups) will participate in the management of the operation of this network. The infrastructure required for the operation of the network and for the regional coordination of training programmes has to be established and the centres must be rendered capable of providing all the functions necessary for the performance of regional tasks (examiners independent of instructors, training of instructors, methodology development programmes, etc.).

Creation of the Infrastructural and IT Background for the Integrated Employment and Social Service System

In 2007, work will start on setting up a national integrated system to coordinate the operation of benefit and service systems for unemployed people of working age. To meet its commitments to the increased number of clients, and perform its tasks at a high standard, successfully and efficiently, the PES will need a suitable technical resources and infrastructure. The areas financed by the ERDF are development of physical infrastructure and development of IT infrastructure. The latter covers both the employment service and social service organisations. (*Elements financed from the ESF are covered by the TÁMOP.*)

For the integrated system to operate successfully – as part of the extension of the new service provision model – self-service job search information systems must be installed in all employment centres to reserve more capacity for the assistance of people requiring more help with labour market integration and for the provision of tailored services. The buildings used by the current services are rented, and in order to convert them into a condition capable of providing the new functions, they will have to be purchased. A common point of entry (single window) system must be set up based on the PES. A precondition of this is the creation of an IT database to track people in the active age group receiving social benefits (which will in the long term be national social security benefits) and unemployment benefits. The database will be accessible to all pillars of the system.

Development of Higher Education Infrastructure

In line with the initiatives and action programmes of the European Union on the modernisation of higher education, the higher education reform in Hungary is regulated by the Hungarian Universitas Programme as approved by Parliament and by Act CXXXIX of 2005 on Higher Education.

As an organic part of the action programme and of the science and technology policies of the Government of the Hungarian Republic for 2006 to 2010 the reform of higher education includes the intentions of Hungarian higher education to access the European Higher Education and Research Area, further to these the reform aims to strengthen the quality of Hungarian higher education, to establish strategic partnership with businesses, to increase the autonomy of Hungarian higher education institutions in the fields of organisation, governance and finances and to assure real autonomy and accountability.

Major components of the reform are:

- to renew the structure and content of education, to improve R&D&I&E activities, to promote European co-operation and mobility in higher education,

- to improve quality, including the creation of a quality management system within higher education and the recognition and encouragement of excellence,
- to strengthen the links between higher education and the economy,
- to raise awareness about knowledge in the society,
- to increase the governance and financial freedom in higher education,
- to improve significantly the infrastructure of higher education institutions.

In line with objectives of reform of higher education through the development of higher education capacity (in engineering, economics, science, social sciences, arts, music, etc.) interventions under this category will support the establishment of a regional knowledge centre. The project will include building renovation activities, development and modernisation activities and the creation of multifunctional service spaces equipped with ICT technologies enabling high quality training, research and recreation and increase the capacities of higher education available for community services, community organisation and tourism. In institutions where innovation has not come into its own, the qualification and technical level (and, where necessary, the number) of teachers, seminar rooms, central libraries, information centres, career offices, computer rooms and laboratories will have to be improved/increased, with due heed to the application of energy efficient construction technologies, environmental considerations and the improvement of accessibility.

Development of administrative, management and IT systems and related services, support for institutional process management and development of infrastructure for electronic content developments will provide university administration departments with appropriate information technology, make them up-to-date and cost effective, and render them capable of satisfying the cost-effectiveness and quality requirements deriving from the challenges of the Bologna process and the Bergen Declaration. Management information systems enabling objective performance measurement, higher efficiency in management and better planning will be prepared and electronic resources- and modern IT service-management will be established.

Development of Health Care Infrastructure

The aim of the Health Care reform is to increase the quality of service, decrease territorial disparities and to assure sustainability through a more efficient allocation of public expenditures. The measure contributes to the increase of the number of quality adjusted life years; to the earliest recovery of employability; and through the concentration of the resources they also increase the quality and the cost efficiency of the services. The goal of the infrastructure investments within the framework of the CH OP is the assurance of high-quality health care services with regard to the changes in the region's health care system implemented within the scope of the sectoral reform. This goal is to be reached through equipment change and updating, purchase of new units if necessary and modernization of the infrastructural background. The measures above ensure the feasibility of a single and integrated system of prevention, cure (system of premises) and recovery (modular system of the specialized fields) which, based on its complexity, is able to facilitate a quality, patient-centred health care.

For the achievement of the Region's strategic objectives the development of regional health care is fundamentally important as the capacities, structure, operation and infrastructure of the health care system has a fundamental impact on the improvement of the state of health and the efficiency of the human resources, – thus directly influencing the Region's competitiveness,

the dynamism and employment of resources – and contributes to strengthening the Region’s internal cohesion.

To establish an efficient health care structure (restructuring), there is a need to modernise hospitals (by centralisation and provision of up-to-date facilities) and develop one-day interventions and emergency health care services. Newly-established and improved regional specialist centres will include diagnostic and screening centres and an up-to-date regional oncology network.

Development of facilities and services for the treatment of chronic diseases will focus on setting up regional rehabilitation centres and providing health care services for the elderly. Duplication in active inpatient services among health care providers in the Region must be eliminated for both clinical and cost-effectiveness reasons. This will also leave more capacity for rehabilitation services. Rehabilitation shall be properly integrated into acute services, so as to ensure appropriate emphasis on self-care and the regaining of the ability to work, besides the treatment of organic diseases.

In the Region’s (micro-)regions which are disadvantaged in terms of health services, it is crucial to develop local outpatient specialist care. Outpatient specialist centres in micro-regions will operate at the level of existing specialist clinics. These integrate services on an as-needed basis and offer comprehensive health care services, including forms of care to replace hospital treatment (one-day and on-the-spot therapy services, nursing, etc).

Development of Infrastructure to Support Social Inclusion

Some of these developments will be designed to create a modern system of social services and child protection services in the Region, to improve the conditions and prospects of disadvantaged and vulnerable social groups (homeless and disabled people, psychiatric patients and people with addictions, children in temporary state care or under child protection, the elderly, etc.). They should also aim to increase the rate of economic activity and contribute to improving quality of life. Other projects will aim to ensure that all public buildings operated by central or local government are physically accessible by people with disabilities.

Modernisation of Residential Institutions

High priority will be given to developments aimed at upgrading large residential institutions, usually by replacing them with smaller, more modern forms of accommodation, especially for people with disabilities, psychiatric patients, people with addictions and children living in residential institutions. Support will also be given to upgrading and replacing homes for elderly without increasing capacity. One area of intervention specific to Budapest will be the development of residential institutions for the homeless.

Accessibility

Accessibility and equal access developments will open up public services and customer services to people with disabilities. Implementation of this objective will embrace improvements in physical and info-communication accessibility, as required by the law on the rights and equal opportunities for people with disabilities. Implementation of developments will pay special attention to improving the accessibility in public administration, judiciary and public service buildings which are located in the Region but have national competence, and in

public buildings and the buildings of other institutions operated by the Region's towns and multipurpose micro-region development associations. Info-communication accessibility (e-equal opportunities) can enhance social and labour market participation of people with disabilities even more effectively than physical accessibility, and guarantees developments that take into consideration the requirements and opportunities of the information society.

Development of the Infrastructure of Population-focused Social Services

An important area of intervention is the modernisation of social and child welfare services using information network technologies. This offers a unique opportunity to make the operation of the otherwise dispersed system more efficient and more economical.

Another area of intervention is development of primary social and child welfare services, modernisation of the infrastructure essential for their operation and improvement of access to such services. Human resources development for these services may be supported through the 10% cross financing and by TÁMOP projects.

Services assigned development priority:

- Day-care for children, especially in areas without crèches. Integrated crèche and nursery facilities should be set up in micro-regions and in towns with a population of over 10,000 (which have a legal obligation to maintain such facilities);
- Establishment of child welfare centres, development of the infrastructure of family support and child welfare services;
- Creation of broad-based facilities offering integrated services to the elderly and/or modernisation of existing facilities;
- Development of day care for disadvantaged groups (the homeless, people with disabilities, people with addictions and psychiatric patients),
- Development of services supporting access, with special respect to rural social work services in underserved villages and scattered farm areas (*tanya*),
- Development of the infrastructure of the social economy (renovation of the buildings of social and training institutions directly managing the local, micro-regional needs) primarily the implementation of the economic infrastructure development (e.g. infrastructural support of local employment initiatives, provision of local jobs as a means of involving the disadvantaged unemployed).

The up-to-date approach to developing population-focused primary services is to organise the provision of such services in multifunctional micro- or small-regional centres, so as to improve both cost-effectiveness and access.

Development of the School Infrastructure

Some of the main objectives of the public education reform are to improve educational achievement (competitive knowledge, reduction of disparities in education), to renew the quality (an efficient and integrating public education system) and structure of public education and to enable access through equal chances to quality public education. The following objectives serve the development of the learning environment:

- to create the conditions for the dissemination of pedagogic practice which focuses on the development on varying competencies and is differentiated,
- to create the conditions for the integration of info-communication devices in the teaching-learning practice,
- to create the conditions for institutional quality improvement and pedagogical innovation,

- to set the standards for financial resources in education, and to create the supporting conditions for these,
- to improve the accessibility to specialised pedagogic services,
- to establish a uniform output and qualification system for the education sector as a whole,
- to establish a uniform and individualised career orientation and counselling system.

The promotion of appropriate investments by public education institutions (in infrastructure, appliances and devices) in line with the public education reform processes is to create the necessary conditions for the accomplishment of quality education. Creation of regional social cohesion, equal chances and of the modern school through the investments by institutions situated in towns with demographically stagnating or increasing population (in case of the Central Hungary Region it is the agglomeration), as well as by institutions with a large number of disadvantaged children will contribute to the assurance of long-term competitiveness in the regions.

Support is to be granted for the following project types: renovation of school buildings (elementary and secondary), nurseries and student hostels, increasing their capacity, setting up integrated public education networks in micro-regions and in micro-regions (including networks for vocational training not covered by the TISZKs), construction, renovation and extension of facilities for out-of-school activities available to the local community (gymnasiums, club rooms, libraries, theatres, kitchens, dining rooms, IT and Internet rooms), renovation of schoolyards, procurement of equipment required for curriculum development, improvement of accessibility and procurement of school buses. Special priority will be assigned to: purchase of IT equipment, provision of sufficient bandwidth inside buildings, propagation of wireless networks (wi-fi) and network development. In line with the strategy of lifelong learning, the development of settlement and mobile libraries as the locations for formal and informal learning and also the development of the service networks provided by community houses are necessary.

In order to provide students with the basic competences and skills for labour market competitiveness, it is essential to provide, at all levels of school education, the infrastructure for teaching the key competences required for lifelong learning. Infrastructure developments warranting special emphasis will be those supporting the acquisition of info-communication and foreign language skills.

The school environment must be transformed or set up to minimise failures at school and achieve the integration of students with special education needs. School regeneration projects must include content development as defined in the TÁMOP, which will be funded from the 10% cross financing budget, and must aspire towards the modern environment of the 21st-century ‘inclusive school’: a basic criterion is that no regeneration or infrastructure development should be implemented without the related content development. An ‘equal-opportunities-based’ support policy, harmonised with content development, shall be applied to infrastructure developments, to ensure the segregation-free education of students with multiple disadvantages on the basis of equal opportunities.

The ‘intelligent’ school:

- is the centre of the organisation of local community, cultural and community cultural life,
- is suitable for independent learning; for group work, teamwork and trying out different group roles,

- provides everyone with easy, immediate and continuous access to learning content, through different information media,
- creates an environment where teachers, students and visiting adults have a good time, enjoy their stay, expand their knowledge and develop their skills ('Community Learning Place').

Development of Local Electronic Local Public Administration Infrastructure

The purpose of public info-communication developments planned for the Region is to implement electronic developments in the Region's local (as opposed to central) public administration institutions. Although the Region is in the competitiveness target area, the public administration bodies located here have not been able to properly address the resulting challenges. By supporting e-government developments providing info-communication solutions within and between the Region's public administration bodies, it will be possible to set up integrated IT decision-supporting systems meeting uniform standards and suited to local service needs. In order to provide local governments with uniform and financially sustainable IT developments that support the development of electronic tools for their official and internal work processes, the operational programme supports the connection of local governments to the Application Service Provider Centres implemented in Hungary under the Electronic Public Administration Operational Programme. Within the framework of the ESZA inter-relation, end-user training, educational courses held in the local public administration institutes may be assisted that are associated with the above info communication developments and with the newly implemented information technology systems.

Project Preparation

For complex operations whose preparation involves substantial time and expense, there is a need to provide support for the preparation process. This can ensure that relevant projects are prepared to the right standard and at the right time, thus promoting efficient use of resources. Project Preparation support may be used towards activity such as drawing up preliminary studies and technical plans for project implementation.

Expected Impacts of the Priority Axis

Implementation of the projects will result in improved cooperation among labour market bodies, and more efficient operation of social services, health care and educational services. The target groups of the interventions are government- and local authority-maintained bodies and organisations concerned with the labour market, vocational training, health care, social services, child welfare and protection, school education, adult education and public administration.

Infrastructure developments enable systems supporting labour market participation to provide higher quality services, more flexibly adapt to the needs of the economy and create the physical conditions for the structural reforms required to improve the country's competitiveness and to increase employment. This lays the foundation for an institutional structure which – through vocational training courses in a variety of fields – enables the flexible transformation of the training structure. As a result of the development of the vocational training infrastructure, the quality and efficiency of the educational and training system will improve, which provides better access to competitive knowledge and skills and

makes entry to the labour market easier. The creation of an integrated employment and social service system will result in a significant increase in the number of clients (the current annual client turnover of 1 million may as much as double).

By the end of the planning period, everyone will have access to the same services and information – regardless of where the given job seeker or employer is located. The connection of data systems multiplies the effective capacity of organisations, enables active and passive assets to be tracked and accounted for accurately and makes labour market services more transparent.

Owing to the development of public service systems, job seekers and the economically inactive will receive more information and more tailored assistance and public services will be sufficiently flexible and available to everyone. The newly created systems will put the individual and existing skills in focus and will enable people with reduced working abilities to access the services required for the maintenance and development of their skills.

Target Group

The target group for these developments comprises members of the Region's population who use the public services offered by the Region in connection with the labour market, vocational training and healthcare, educational, cultural and public administration services.

For projects developing infrastructure for services supporting labour market participation, the target group comprises service users who are unemployed or facing redundancy and the staff providing the employment services and social services. For higher education developments it comprises the higher education students, teachers and managers; for health care developments the target group is made up of the managers, employees and patients of health care establishments and people making appointments for medical screening. Social development programmes are targeted at the social service employees, the people they serve and their family members, and people with disabilities; school education projects are targeted at school employees, students and their family members, the operators of cultural establishments, visitors to cultural events and the users of cultural services; and the target group of electronic public administration development comprises the employees of local authorities and public administration bodies and the members of the local population who use their services.

4. 5. Development of settlement areas

Objective of the priority axis:

The objective of the priority axis is to improve local quality of life through improving the quality of the physical environment and increasing the attractiveness of the settlement.

The priority axis contributes to the implementation of the ‘Development of the Region’s internal cohesion and the harmony of its spatial structure’ objective. To ensure that the planned interventions result in improvements to the environment the priority requires that environmental stress must be at most proportional to the actual results attained.

Intervention areas of the priority:

- Integrated, social-type rehabilitation
- Urban centre developments prioritising functions strengthening local identity

The priority contains developments with regional implementation.

Proposed (result) indicators:

Impact indicator 1: Closing up the complex activity indicator of the rehabilitated areas nearer to the settlement average (expressed in the percentage of the average)

Baseline value: based on the first annual report

Target value: 75%

Source of data: Central Office of Statistics

Method of measurement: comparison of the complex activity rate of the rehabilitated area with the value calculated on the whole of the settlement

Result indicator 1: Number of people affected by the assistance in the rehabilitated settlement-parts (number of people)

Baseline value: 0

Target value: 350,000 people

Source: SMIS

Measurement method: Summation of the number of people living in the areas directly covered by the developments.

Result indicator 2: Number of sites of companies locating in the regenerated district (piece)

Baseline value: 0

Target value: 100 companies

Source: SMIS

Measurement method: The numbers of the sites of companies locating in areas directly covered by such projects are added together

Horizontal objective

Result indicator 3: The saved energy as the outcome of the supported projects

Baseline value: 0

Target value: Will be determined in the first annual report

Source of data: EMIR

For the purpose of improving quality of life in municipalities, the priority axis concentrates on the integrated (physical and social) regeneration of the Region’s crisis areas (large high-rise

housing estates, run-down inner-city districts, areas of Roma population etc.), on the physical rehabilitation and functional empowerment of disused industrial areas and military facilities in the Region and on support for changing the function of these areas. The priority axis also supports the renewal of urban centres, the enrichment of their functional portfolio and the compilation of longer-term development strategies and plans.

Towards balanced regional development of KM region, local economic initiatives mainly concentrated to micro-regions and towns lagging behind. Planning of town development interventions is synchronised with community transport development and mainly target transport modes and lines between city and agglomeration or rather neighbourhoods inside Budapest lagging behind in social-economic aspects.

Integrated, Social Type Rehabilitation

To find remedies for the economic, social and environmental problems concentrated in certain urban crisis areas or in districts threatened by decay, new economic, cultural, social and community functions must be created and existing ones strengthened. The impact of these will spread to the surroundings or the municipality they are implemented in. Integrated social type rehabilitation is appropriate for urban districts suffering from adverse demographic trends, low levels of education among the population, low economic activity rates, a high rate of long-term unemployment, high levels of poverty and segregation, a high crime rate and a degraded environment.

Taking Article 8 of Regulation 1080/2006EC of the European Council into consideration, the town development interventions are performed according to action area plans fitting in the medium-term town (town-part) development strategy, where the plans are integrated. Pursuant to Article 7. of the Regulation, home investment costs may be accounted within the framework of separate, integrated town development priority and they exclusively affect multi-apartment houses or dwelling houses owned by local governments or other, non-profit organisations.

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 Commission 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 Commission 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 (see annex 4). 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.

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(2) of Regulation (EC) No 1080/2006 of the European Parliament and of the Council concerning eligible areas, housing expenditure summarized for all OPs concerned shall be a maximum of 2 % of the total ERDF allocation.

The interventions will involve integrated, social-type urban rehabilitation projects, mainly in Budapest. Measures planned for action areas include support for construction work on blocks of flats, making interventions as soon as possible to prevent large prefabricated housing estates, which already have a low social status, from becoming ghettos.

For residential buildings built using 'industrial' technology, assuming a 30-year refurbishment cycle, major refurbishment and modernisation tasks are expected in the near future:

- The majority of the buildings built in the 1960-70s have severe problems in their thermal and acoustic insulation and waterproofing,
- The buildings' plumbing and heating systems are ageing and in need of refurbishment or replacement.

Support for the renovation of residential buildings will be restricted to integrated urban rehabilitation projects targeted at severely degraded areas and those threatened by degradation, where increase in value caused by the renovation of dwellings is expected to stay below the amount of investment.

The kind of action-area rehabilitation principally eligible for support will be physical rehabilitation projects, such as those to lay out or refurbish public areas. These may embrace the provision of public utilities, the refurbishment and extension of community institutions (if this is connected to new community programmes supporting the rehabilitation objectives), the setting up of community facilities, the renovation and extension of cultural, sports and recreation facilities in the target areas, the renovation of areas of common use in blocks of flats (whether they are owned by the local authority, the tenants or a housing association) and the preparation of studies and construction drawings for current and future rehabilitation phases. Support may be granted for the removal of asbestos from private and local authority-owned residential and public buildings, including the safe removal of insulation containing asbestos and the safe treatment and disposal of the resulting waste. In order to improve the quality of life of the local population, the following are eligible for support under the heading

of urban rehabilitation: the protection and preservation of the cultural heritage, the paving of roads within municipality boundaries, the revitalisation of urban green areas for community purposes, the creation of new green areas, the planting of trees in urban areas and the laying out of recreation areas. The planning of such developments must be coordinated with sewage treatment and drainage projects. Integrated city district rehabilitation projects will also implement energy saving measures.

The integrated town development interventions – in coherence with Directive no. 2006/32 of the EU, with Priority no. 6 of the Union’s Energy efficiency Action Plan, and with Article 7 of ERFA Regulation 1080/2006 – provide special assistance to energy efficiency and energy saving investments, within which, to the renovations of houses of flats housing several families and of buildings in the ownership of an authority or a non-profit service provider that accommodate the homes of low-income households or the needy.

Administrative capacity building affects primarily the municipal building and management organisations and development companies owned by local governments. It is crucial to keep them well-informed and to prepare them for planning and implementing integrated projects. The Action Plan will contain the details of capacity building measures.

Urban Centre Developments Prioritising Functions Strengthening Local Identity

The objective of the intervention is to increase the attractiveness of towns by establishing, or encouraging the proliferation of, economic and community functions. The intervention supports the integrated development of central urban areas of outstanding social and economic significance.

The intervention supports projects for the revitalisation of municipalities with or without borough (*város*) status, observing demarcation with the ÚMVT (‘New Hungary Rural Development Plan’).

For municipalities without borough status, projects shall be expressly directed at revitalising town and village centres via functions with strengthen identity.

For municipalities without borough status, the objects of support will be integrated projects in delineated action areas through developing economic and community functions of central areas. Consequently, the geographical target areas for funding will be town centres and district centres.

The intervention will assign priority to assistance for integrated rehabilitation developments of action areas in micro-region centres, implemented integrally with the NHDP urban development concept. These will be developments to strengthen small towns’ ability to provide central functions and boost their role as key players and organisers of the region and its economy.

Key priority is given to developments aimed at laying out central areas in towns lacking a proper centre.

Urban rehabilitation projects will feature the following elements:

- Efforts to create new economic and community functions and strengthening existing functions.
- Sustainable regeneration of cultural features and the intellectual and built heritage.
- Creation of an attractive town environment and improvement of the built environment. These will encourage further private investment.

- Provision of infrastructure for micro-region service functions, in line with the objectives of micro-region associations.

In pursuit of the objectives, there will be a need for projects based in public spaces and affecting public institutions in the area covering traffic management, disability access, energy efficiency, protection of historic monuments and activation of small businesses.

Through interventions under the second priority, ‘increasing accessibility within the Region,’ implementation efforts must be directed at exploiting synergies.

Horizontal intervention area: Renewal of Brown Field Sites

Due to the forced speedy economic restructuring following the fall of communism, the Central Hungary Region still has a high number of brown field sites. As a result of the collapse of former huge companies, emptying military barracks and the out-of-datedness of the railway system serving these, the proportion of areas requiring rehabilitation is still high. To counterbalance green field projects, the intervention encourages the utilisation and elimination of brown field sites. A purposeful brown field policy and an area utilisation concept are required of towns with such sites. In this area, the key priorities are economy, economic sustainability and the reduction of environmental endangering and environment loading. The intervention supports the re-integration to the town structure of brown field developments formerly separated from the town structure; the keeping of industrial sites if they were part of the settlement culture; the integrated, social rehabilitation will as a horizontal element of the interventions, promote the harmonisation of such areas with the general townscape, with the emphasis on the functions reinforcing the developed town centres’ local identity.

With brown field projects, in the course of area renewal support should be granted for the creation of new – economic or mixed – functions, while in case the given area is used for the same purpose as formerly, function changes are preferred. The intervention supports environmental damage elimination, re-use, function strengthening or function change at brown field sites and offers organisational support for brown field rehabilitation. The intervention encourages the establishment of new functions (for example, community, cultural, industrial, administrative, tourism and commercial functions) that match the structure of the given town and ensure long-term sustainability.

Project Preparation

For complex operations whose preparation involves substantial time and expense, there is a need to provide support for the preparation process. This can ensure that relevant projects are prepared to the right standard and at the right time, thus promoting efficient use of resources. Project Preparation support may be used towards activity such as drawing up preliminary studies and technical plans for project implementation.

Expected Impacts of the Priority Axis

The expected outcomes of interventions under this priority are improvements urban development approaches through successful practical application; a significant boost to the municipalities’ experience in strategic planning and implementation; and stronger cooperation between towns and the Regional Development Agency in the definition and implementation

of development policies. Production of urban rehabilitation action plans require broad-based partnerships, which also contribute to the improvement of cooperation.

The methodology of projects integrating social services and rehabilitation will become common practice and it will become possible to identify areas where a crisis situation already exists and areas where crisis threatens. By applying a well-grounded approach to urban rehabilitation planning, it will be possible to address problems on a continuous basis. Some projects in Budapest's crisis areas and in Central Hungary's large high-rise housing estates integrated interventions will become 'best practice' for further interventions. In the areas covered by these interventions quality of life will improve, but there will not be a major shift in the residential population.

The brownfield interventions will accelerate the process of strengthening and/or changing the economic functions of brownfield areas, especially in Budapest. Businesses locating in these areas will increase utilisation of local economic capacity.

Identity-strengthening urban rehabilitation projects, by regenerating town centres, will raise the attractiveness of these settlements and boost their population retaining power. Urban rehabilitation interventions aimed at the improvement of economic attractiveness will increase the functionality and influence of micro-region centres responsible for the projects. In Budapest districts and in some towns of Pest County, there will be an emergence of sub-centres with new economic and community functions.

Target Group

The target group for these developments comprises the residents, businesses and other organisations in the action areas and their surroundings.

4.6 Financing of the Implementation of the Central Hungary Operational Programme (Technical Assistance)

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%

Technical Assistance in the NHDP

Pursuant to article 46 of the General Regulation, 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 other Operational Programmes. As the Implementation OP is mono-objective, covering only the Convergence regions, activities linked to those contained in the IOP, but in favour of the Central Hungary Region are financed from the national budget, outside the OPs and the NHDP. Horizontal actions concerning the NHDP as a whole are to be financed on a proportional basis – according to the share representing the Central-Hungary Region within the NHDP – with a ratio of 8,15% from national resources and 91,85% from the IOP.

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% |

Technical Assistance activities carried out under the Central Hungary Operational Programme

1. 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;

5. FINANCIAL TABLE

The limit of the operational programme budget is set by the maximum EUR 2,031 million (at current prices) co-financing from the structural funds (ERDF, ESF) assigned to the Central Hungary Region, which, together with the 15% national co-financing (assuming 85% co-financing) gives a total of EUR 2389.5 million.

Of this amount, EUR **1726,1** million is available for Central Hungary Operational Programme.

Note: The Region's ERDF funds are partly used in the Electronic Public Administration OP, while the Region's ESF sources are used in the Social Regeneration Operational Programme ('TÁMOP') and in the State Reform Operational Programme ('ÁROP').

The two tables required under Paragraph (e) of Article 37 of Council Regulation (EC) 1083/2006, forming part of the funding plan, are as follows:

Central Hungary OP – Financial Plan

Operational Programme reference number (CCI): 2007HU162PO001

EUR, at current prices

| Year | | ERDF (1) | Cohesion Fund (2) | EU total (3)=(1)+(2) |
|-------|---|---------------|----------------------|-------------------------|
| 2007 | In regions without transitional support | | | |
| | In regions with transitional support | 494 868 716 | | 494 868 716 |
| | Total | 494 868 716 | | 494 868 716 |
| 2008 | In regions without transitional support | | | |
| | In regions with transitional support | 389 432 661 | | 389 432 661 |
| | Total | 389 432 661 | | 389 432 661 |
| 2009 | In regions without transitional support | | | |
| | In regions with transitional support | 279 449 781 | | 279 449 781 |
| | Total | 279 449 781 | | 279 449 781 |
| 2010 | In regions without transitional support | | | |
| | In regions with transitional support | 164 781 635 | | 164 781 635 |
| | Total | 164 781 635 | | 164 781 635 |
| 2011 | In regions without transitional support | | | |
| | In regions with transitional support | 45 286 066 | | 45 286 066 |
| | Total | 45 286 066 | | 45 286 066 |
| 2012 | In regions without transitional support | | | |
| | In regions with transitional support | 46 214 994 | | 46 214 994 |
| | Total | 46 214 994 | | 46 214 994 |
| 2013 | In regions without transitional support | | | |
| | In regions with transitional support | 47 162 500 | | 47 162 500 |
| | Total | 47 162 500 | | 47 162 500 |
| Total | In regions without transitional support | | | |
| | In regions with transitional support | 1 467 196 353 | | 1 467 196 353 |
| | Grand total | 1 467 196 353 | | 1 467 196 353 |

Central Hungary OP – Financial Plan

Operational Programme reference number (CCI) : 2007HU162 PO001

at current prices, in EUR

| Priority axis | Source | Method of calculation of co-financing * | EU funding (a) | National funding (b)=(c)+(d) | National indicative breakdown | | Total funding (e)=(a)+(b) | Proportion of co-financing (f)=(a)/(e) | Informative data | |
|--|--------|---|----------------------|------------------------------|-------------------------------|-------------|---------------------------|--|------------------|-------------|
| | | | | | Public (c) | Private (d) | | | Other funding | EIB credits |
| Innovation- and Enterprise-oriented development of the knowledge-based economy | ERDF | Eligible public cost | 501 409 186 | 88 483 974 | 88 483 974 | | 589 893 160 | 85,0% | n.a. | n.a. |
| Development of the preconditions for competitiveness | ERDF | Eligible public cost | 226 962 121 | 40 052 139 | 40 052 139 | | 267 014 260 | 85,0% | n.a. | n.a. |
| Development of the Region's attractiveness | ERDF | Eligible public cost | 172 642 803 | 30 466 377 | 30 466 377 | | 203 109 180 | 85,0% | n.a. | n.a. |
| Development of the system of human service institutions | ERDF | Eligible public cost | 305 159 894 | 53 851 746 | 53 851 746 | | 359 011 640 | 85,0% | n.a. | n.a. |
| Development of settlement areas | ERDF | Eligible public cost | 208 198 371 | 36 740 889 | 36 740 889 | | 244 939 260 | 85,0% | n.a. | n.a. |
| Technical assistance | ERDF | Eligible public cost | 52 823 978 | 9 321 878 | 9 321 878 | | 62 145 855 | 85,0% | n.a. | n.a. |
| Total | | | 1 467 196 353 | 258 917 003 | 258 917 003 | | 1 726 113 356 | 85,0% | n.a. | n.a. |

* According to Section (1) of Article 53 of Council Regulation (EC) no. 1083/2006, (a) = total eligible costs, including public and private expenditure and (b) = eligible public expenditure

6. RELATIONSHIPS WITH OPERATIONS ASSISTED BY THE EUROPEAN AGRICULTURAL AND RURAL DEVELOPMENT FUND AND THE EUROPEAN FISHERIES FUND

The programme to be financed under the National Fishery Strategic Plan does not finance activities overlapping those under ÚMFT Operative Programme.

The New Hungary Rural Development Strategic Plan coordinated by the Ministry of Agriculture and Rural Development and the associated New Hungary Rural Development Programme (ÚMVP) are being produced in harmony with the strategies already mentioned (OFK, OTK, NAP, the National Strategy for Sustainable Development, the National Environmental Protection Program) and based on the Community Strategic Guidelines, Regulation 1698/2005 EC on the European Agricultural and Rural Development Fund and Council Decision 2006/144/EC on Strategic Guidelines.

The links between the Central Hungary Operational Development Program (KMOP) and ÚMVP ensure that the strategic objectives of the agricultural sector and the Region include common objectives such as enhancement of competitiveness, protection of natural resources, protection of natural features, and the sustainable utilisation of these.

KMOP will be harmonised with the New Hungary Rural Development Strategic Plan in the following common development areas:

- improvement of economic competitiveness in agriculture; raising quality, added value and profitability through developing agriculture and forestry and food processing;
- developing human resources also in agriculture and rural development through helping to acquire knowledge necessary for improving competitiveness and raising the level of qualification of human resources;
- protecting the natural environment through encouraging the use of renewable energy sources, improving water management, rationalising land use, and preserving environmental and natural features;
- decreasing regional inequalities and strengthening cohesion through expanding rural employment, diversifying economic activities, and developing local communities and services.

The concrete connection of mutual structural, job-creation and rural development objectives, the synergy in the course of planning the operative programme can give an overall view of the individual measures as complementing one another. Cooperation must serve the building of different resources organically on each other, and also the coherent implementation of inter-connectible developments. In order to avoid double assistance, the limits of the different support areas were determined, as can be seen below:

| Associated areas | Fixed limitations | |
|--|--|--|
| KMOP priorities | KMOP | ÚMVP |
| 1. Innovation and enterprise-driven development of the knowledge-based economy | <p>No support may be given to</p> <ul style="list-style-type: none"> ▪ the enterprises that are in receipt of revenues from agricultural activity (TEÁOR code: 01.11-05.02.) at a level that is higher than 50% of their net sales revenue, or, in the case of sole traders, that are in receipt of agricultural activity at a level higher than 50% of their revenues recognised in their income tax base ▪ for the beneficiaries whose development need is for investments associated with the production, processing or marketing (subject to the end-product of the processing being one of the products listed in Annex I.) of agricultural products defined in Annex I. of the Treaty establishing the European Community (consolidated version, 1977). <p>Investments support may be given to micro-enterprises for developments in towns (or settlements with a population of over 5,000 and 100people/km² and the settlements of the agglomeration of Budapest</p> <ul style="list-style-type: none"> ▪ KMOP does not support innovation and technology parks associated with innovation clusters of member enterprises all qualifying as agricultural enterprises¹⁷. FURTHERMORE, ▪ KMOP does not support innovation and technology parks associated with innovation clusters, the activity of which is the production, processing or marketing (subject to the end-product of the processing being one of the products listed in Annex I.) of agricultural products defined in Annex I. of the Treaty establishing the European Community (consolidated version, 1977). | <ul style="list-style-type: none"> ▪ The improvement of the competitiveness of agricultural, food processing and forestry sections, the relief of the structural tensions and the promotion of the structural change of production (ÚMVP Group of Measures no. 1.) for those enterprises that are in receipt of revenue from agricultural activity (TEÁOR code: 01.11-05.02.) at a level that is higher than 50% of their net sales revenue, or, in the case of sole traders, that are in receipt of agricultural activity at a level higher than 50% of their revenues recognised in their income tax base. ▪ The investments of agricultural purpose into enterprises falling under any category, with the objectives being the reduction of rural employment tensions, the extension of opportunities for rural gainful activity, the improvement of the quality of life in rural areas and the improvement of access to the services (ÚMVP Group of Measures no. 3.) ▪ Investments of micro-enterprises in rural settlements (villages with a population of under 5,000 or 100 people/km², specified in the Appendix of ÚMVP). |
| 2. Development of the main conditions for improved competitiveness | Road development subject to the scope of KÖZOP-KMOP | Road developments are not supported. |

¹⁷ Agricultural enterprise is the enterprise that is in receipt of revenue from agricultural activity (TEÁOR code: 01.11-05.02.) at a level that is higher than 50% of its net sales revenue, or, in the case of a sole trader, that is in receipt of agricultural activity at a level higher than 50% of his revenues recognised in their income tax base.

| | | |
|---|--|--|
| <p>3. Development of the region's appeal. Tourism</p> | <p>support may be given</p> <ul style="list-style-type: none"> ▪ Development of tourists' accommodation rated as commercial under the terms of legislation in force, ▪ Development of touristic and agro-touristic services, excluding those agro-touristic services that are in receipt of assistance within under ÚMVP, which are: <ul style="list-style-type: none"> ○ The provision of ad hoc village- and agro-touristic services as defined in Section 59 of the Personal Income Tax Act cxvii/1995, ○ Touristic services closely associated with agriculture such as equestrian, fishing, hunting and forestry services in eligible settlements specified in this present measure (namely: villages with a population of under 5,000 or 100people/km²). ▪ Development of special attractions and the associated infrastructure: fully, ▪ Touristic destination management centres and services: fully, in the case of territorial coordination purposes, regardless of the size of the settlement or the person of service provider. ▪ wine-tourism in case of projects above 100.000 euro support demand. | <ul style="list-style-type: none"> ▪ Development of private lodging, ▪ Development of touristic and agro-touristic services directly associated with agricultural activity: ▪ The provision of ad hoc village- and agro-touristic services as defined in Section 59 of the Personal Income Tax Act cxvii/1995. ▪ Touristic services closely associated with agriculture such as equestrian, fishing, hunting and forestry services in eligible settlements specified in the Measure (III./313.) (namely: villages with a population of under 5,000 or 100people/km²). |
| <p>Nature preservation</p> | <p>Limitations are based on the legal entity of the beneficiary and the protection of the area. Support to beneficiaries/institutions in state or local government ownership (preservation and restoration of protected natural values), or the creation of the infrastructural base for forestry and agricultural activity preserving the living spaces in the Natura2000areas. Supports the renovation building, and equipment purchases of forest schools.</p> | |
| <p>Utilisation of renewable energy resources</p> | <p>In the field of renewable energy sources the OP supports the developments in energy production the non on farm use of renewable sources in the case of non-agricultural enterprises.</p> | <p>The NHRDP supports the development of small-scale and medium-scale facilities for the production and the use of renewable energy sources to be used for performing agricultural activities of agricultural enterprises¹⁸ and developments in energy production the on farm¹⁹ use of renewable sources in the case of non-agricultural enterprises as</p> |

¹⁸ Agricultural enterprise: income from agricultural activity exceeds 50% compared to total income in the year in question. Agricultural activity: TEAOR 01.1 – 01.3; 01.4; 02; 01.5; 05; 15.71.

¹⁹ On-farm renewable energy source use: agricultural use of the renewable energy at the site of the agricultural enterprise.

| | | |
|---|---|---|
| | | well as the medium-scale end-processing facilities for semi-finished goods produced by small-scale production plants. |
| 4. Development of the institutional system of human public services | <p>- 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</p> <p>- Support of the 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 in the settlements of the agglomeration of Budapest except outside of Budapest agglomeration: outskirt of towns and settlements with a population of over 5,000 and 100 people/km²) KMOP supports the development of community and service places fulfilling non-mandatory one- or multi-purpose local government or public administration functions implemented in towns or in settlements with a population of over 5,000 and 100 people/km², and in the settlements of the agglomeration of Budapest</p> | <p>- Development of community and service places fulfilling non-mandatory one- or multi-purpose local government or public administration functions, rural base services, (including the further development of the village- and farm-master networks) in the villages with a population of under 5,000 or 100 people/km². The town and the settlements of the Budapest agglomeration do not constitute target areas of the measure.</p> |
| 5. Renovation of settlement spaces | <p>Eligible settlements:</p> <p>- towns or settlements with a population of over 5,000 and 100people/km², and the settlements of the agglomeration of Budapest except outside of Budapest agglomeration: outskirt of towns and settlements with a population of over 5,000 and 100 people/km².</p> | <p>- The ÚMVP Priority III: „preservation and modernisation of rural heritage” (code 323.) measures support the functional renovation for public benefits, the buildings and architectural structures under local protection, natural elements and public spaces in settlements that are eligible in accordance with the definitions of the Annex of ÚMVP:</p> <p>- villages with a population of under 5,000 or 100 people/km²)</p> |

7. 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.

7.1 MANAGEMENT

7.1.1 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.

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 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.

7.1.1.1 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.

7.1.2 Specific management and coordination aspects of the CHOP

Taking into account the decreasing commitment profile of the programme, as well as that the OP contains at the same time regional and sectoral measures, the CHOP requires specific management and coordination arrangements.

- When defining the strategy of implementation the Managing Authority has to observe the decreasing commitment profile of the OP;
- The complementarity and consistency of sectoral measures in the OP has to be ensured with those of the relevant sectoral Convergence OPs (mirror-measures).
- Without prejudice to the responsibilities of the ROP MA, in order to allow complementarity and harmonisation of actions as regards sectoral measures the MA shall consult with the relevant MA responsible for the sectoral OP(s).

The MA will be responsible for ensuring the availability of the staff necessary for the effective fulfilment of the abovementioned specific co-ordination responsibilities. Accordingly, to ensure the effective coordination of the tasks deriving from the special situation of the region, a separate Central Hungary Region (CHR) team has been established within the Managing Authority for the Regional Development Programmes. Also within the Managing Authority the team of professionals specialised in different sector fields is in a matrix-model type contact with the CHR team to provide them with assistance in the sector-

specialised questions. Moreover, the Financial team is in close connection with the KMOP tasks, on one side they handle the challenges originating from the gradually decreasing financial allocation and the control of the Intermediate Bodies on the other. There is also one colleague allocated to the supervision of the Intermediate Bodies in the Financial team.

7.1.3 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.

7.1.3.1 Designation of the Managing Authority

In line with Art. 59 point (1) of regulation 1083/2006/EC, the tasks of the Managing Authority in case of the Central Hungary Operational Programme are carried out by the Managing Authority for Regional Development Programmes directorate general of the NDA.

7.1.3.2 Tasks and Responsibilities of the MA

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.

The specific situation of the KMOP comes from the fact that it contains both regional and sectoral development tasks. In the case of sectoral developments it is essential that the Intermediate Bodies of the SOPs should also be involved to ensure harmonisation and the use of common case maps concerning the developments of the seven regions as well and also to

benefit from the sector-specific competencies available at the Intermediate Bodies with long-term practice and several years of experience.

In the Central Hungary OP, IB tasks will be assigned according to the character of the operation in question. For operations mirroring operations of sectoral OPs, the IBs will be the same as for the corresponding measures of the sectoral OPs. For operations with a specific regional focus IB tasks will be assumed by the Regional Development Agency and VÁTI, following the model applicable to convergence ROPs.

The Managing Authority of the CHOP in cooperation with relevant MAs develops the method and terms of co-ordination of the work of the IBs that guarantees the efficient and effective management of the programme. The arrangements within the MA have to be developed in order to ensure the necessary administrative capacity to carry out these tasks.

7.1.4 Intermediate Bodies /IB/

7.1.4.1 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.

7.1.4.2 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.

7.1.4.3 The Intermediate Bodies of the Central Hungary Operational Programme

As a result of the qualification procedure the following organizations were appointed for carrying out intermediate body tasks in case of the Operational Programme:

- Pro Regio Regional Development Agency Kht. (non-profit company)

The RDA has been working on regional development issues in the Central Hungary region since 2000. 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.

- MAG - Hungarian Economic Development and Subsidies Center Ltd.

The MAG - Hungarian Economic Development and Subsidies Center Ltd. carries out the tender management intermediary tasks according to its contract with NDA, as well as to the relevant EU and state legislation.

The organisation was established in September 2006 by the integration of the MFB' Aid Interpositioning Directorate (formerly performing tender management tasks itself), the Hungarian Enterprise Promotion Public Benefit Company (MVf), the IS, as well as a part of the Office for Research Fund Management and Research Exploitation, in order to set up an effective, transparent and customer-friendly organisation carrying out the tasks of aid interpositioning for the benefit of the applicants. All of the predecessor organizations carried out intermediary institutional tasks during the programme period of 2004-2006, thus the integration ensures the survival of the accumulated knowledge and competencies.

As a result of the integration a more clearly arranged institutional system serves the applicants, with a special emphasis on the micro enterprises and SMEs. By combining predecessor organisation MAG will eliminate several duplicates, hence costs are expected to diminish. Establishes the best practices according to the formerly applied different operational proceedings and raises them to become the to-be-followed standard of the tender management system, thus increasing the effectiveness and productivity of tender management.

It has all competences and capacities to fulfil its role as an Intermediate Body.

- Transport Development Intermediate Body, in Coordination Centre for Transport Development (KIKSZ, KKK)

KIKSZ is an independent, separated organisation within KKK for assisting in the management of transport related EU funds (PHARE, Schengen Fund, CF, EIOP, CHROP for the period 2004-2006 and TOP,). It exclusively deals with tasks financed out of these funds.

Until the end of 2006 these tasks – excluding TOP and CHROP - were implemented by an intermediate body within the Ministry of Economy and Transport. The Intermediate Body tasks were transferred from Ministry with regard to increase efficiency, to provide transparency and to separate functions between the Ministry and the Intermediate Body. The established institutional framework provides more stable surrounding for fulfilment of IB's tasks. The Grant Contract – signed with KIKSZ – pre-defines and proves that the head of the IB has the necessary organisation related conditions, human and financial resources, professional competences to be able to complete his task.

KIKSZ's integrity, considering decision making and commitments and management tasks is provided through the following measures:

- Accounting and cash-flow policy guarantees, that the head of IB disposes over the financial resources, allocated according to the Grant Contract..
- Except the above mentioned procedure, the Organisational and Operational Procedure ensures the independence of decision making and commitments, and internal regulations clearly define the responsibility and competency of the head of IB. These regulations provide the independent and transparent operation of the IB.

The human capacity transformed from Ministry of Economy and Transport, and the financial stability based on a Grant Contract ensure the availability of a strategic view, competencies, and capacities inside the IB.

- European Social Fund National Implementing Agency Public Service Company (ESZA Kht.);

The Kht. operates under the auspices of the Ministry of Social Affairs and Labour, and it is responsible for the operative management of Hungarian and EU employment programmes.

In the course of the implementation of the Human Resource Development Operational Programme (HRDOP), the Kht. has accumulated substantial practical experience in the organisational of the implementation of ESF type grant schemes, in the drafting of calls for applications, the preparation of evaluation and the conclusion of grant agreements. The actions managed by the Kht. were directed at satisfying the training needs of businesses and promoting the participation of NGOs in employment functions. They successfully evaluated a large number of small-volume applications, concluded grant agreements and discharged the related monitoring tasks.

Furthermore, they participated in the preparation of central adult training programmes and the monitoring of their implementation. Their flexible implementation structure is designed to facilitate such intermediate body functions.

- Ministry of Education, Fund Management Directorate (OKM-TI);

The OKM TI, as a background institution to the Ministry of Education and Culture, performs tasks relating to applications for chapter-managed appropriations and programmes delegated to them by the Ministry of Education, as well as other international and EU funds, their implementation and control. Its responsibilities include the implementation of application schemes relating to the areas of public education, integration, IT and higher education.

Within the Hungarian institution system managing EU application schemes, the OKM TI as an accredited Intermediate Body is responsible for the operation of both ESF and ERDF development programmes financed from the Structural Funds within the Human

Resource Development Operational Programme, thus it has experience in the management of both large numbers of small-volume projects and small numbers of high-volume infrastructure projects; furthermore, it also participates in the planning of the 2007-2013 programming period.

- Institute for Strategic Health Research – Structural Funds Programme Office (ESKI-STRAPI);

The Structural Funds Programme Office was set up in January 2003 by the Ministry of Health, Social Affairs and Family; at present it is an organisation unit of the Institute for Strategic Health Research with independent financial management. Within the Human Resource Development Operational Programme (HRDOP), STRAPI is responsible for the management of high-volume application-based infrastructure projects relating to health care (hospital projects), smaller-budget training and high-budget infrastructure projects in the social field, as well as the implementation of central model projects in health care and in the social field to serve as inputs in the 2007-13 period. The human resources of STRAPI include highly skilled professionals with several years of project experience and extensive professional expertise. They have important functions in the implementation of ERDF type projects within the HRDOP.

With regard to the conditions set out on Art. 10 of Government 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.

7.1.5 Procedures in Relation to the Implementation 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.

7.1.6 Administrative Capacity

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.

7.2 MONITORING AND EVALUATION

7.2.1 Monitoring

7.2.1.1 Monitoring Committee

Tasks and Competence:

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 Government Decree No. 255/2006. (XII.8.). 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 7.1.1.. 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.

A single Monitoring Committee is set up for the CHOP.

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).

7.2.1.2 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.

7.2.2 Evaluation

7.2.2.1 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.

7.2.2.2 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.

7.2.2.3 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.

7.2.2.4 Planned resources for evaluation

Since regarding geographical eligibility, the Implementation OP is considered mono-objective, thus covering only the Convergence regions. Therefore activities linked to those contained in the IOP, but in favour of the Regional Competitiveness Region (Central Hungary) are financed from the national budget, outside the OP and the NHDP. For this financial resources of NSRF-level evaluations as well as preparation of evaluation

methodologies, coordination of evaluation activities are provided for by the IOP and on a proportional basis – as regards the ratio of these considering the Central Hungary Region – national resources. Financing of evaluations of this OP included in the annual evaluation plan are ensured from national resources.

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.

7.3 FINANCIAL MANAGEMENT AND CONTROL

7.3.1 The Tasks 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.

7.3.2 Rules for Financial Management and Control

7.3.2.1 Responsibilities 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.

7.3.2.2 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.

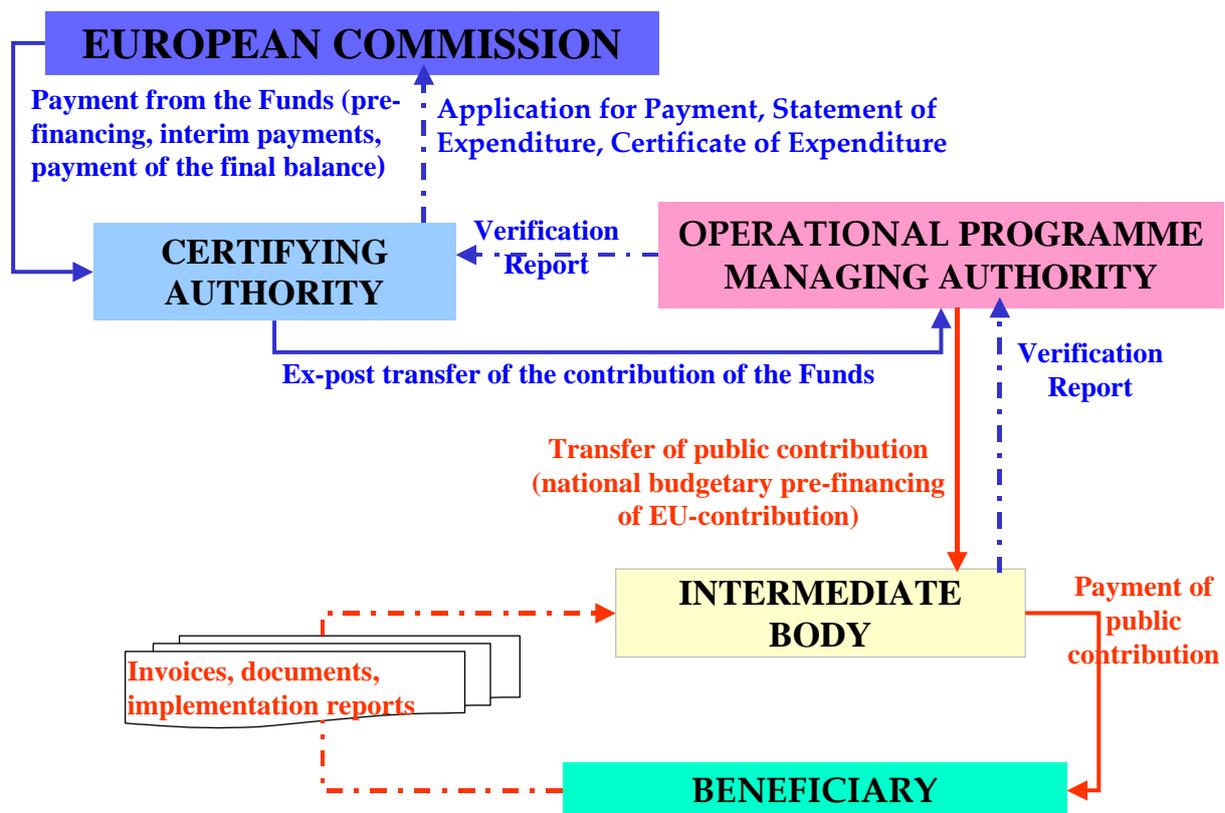
7.3.3 The Process of Payment to Beneficiaries

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.



7.3.4 Control of the European Union's Contributions

7.3.4.1 *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.

7.3.4.2 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.

7.4 PROVISIONS RELATED TO INFORMATION SUPPLY AND PUBLICITY

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 action plans related to sectoral interventions the horizontal unit of the NDA carries out partnership activities, financed from resources of the central budget, and IBs will participate in these, while for action plans related to regional interventions 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.

7.5 COMMUNITY POLICIES AND HORIZONTAL PRINCIPLES – SUSTAINABILITY, EQUAL OPPORTUNITIES AND PARTNERSHIP, STATE AID, PUBLIC PROCUREMENT

7.5.1 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

7.6 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.

7.7 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).

7.8 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).

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.

8. MAJOR PROJECTS

The process of evaluating and selecting proposals for major projects – i.e. those with a budget exceeding EUR 50 million – is already in progress.

9. PARTNERSHIP SCHEDULE

Social Consultation for the Operational Programmes

The National Development Agency (NDA) opened up the operational programmes for social consultation on 16 October 2006. At the same time, the NDA made all the 15 programmes available to the general public on its website (www.nfh.hu). Social consultations were held on 14 operational programmes – the only exception being the Execution Operational Programme (‘VOP’). Opinions were accepted up to 8 November.

The methodology of partnership consultations was based on the methodology applied in the course of the debate on the New Hungary Development Plan. The NDA requested either directly or by post or e-mail some 4000 partner organisations – including professional organisations, trade unions, NGOs and representatives of the business and science sectors – to take part in the consultation. The social debate was open as anyone could download the operational programmes and the associated questionnaires from the NDA’s website and the latter to the e-mail address of the relevant operational programme.

The consultation was based on a structured electronic questionnaire. This facilitated the processing and integration of the opinions returned. Altogether, nearly 1350 organisations sent their views by means of the electronic questionnaires or in the form of an essay. For the sake of transparency, these are available to everyone at the website. Most (nearly 350) views were submitted on the Social Renewal Operational Programme (‘TÁMOP’) and an additional 150 on the Transport Operational Programme (‘KÖZOP’).

The NDA also organised a series of consultation forums for discussions on both the sectoral and regional operational programmes. These forums were attended by a representative of the competent ministry and the Development Policy Directorate (‘Fejlesztéspolitikai Irányító Testület’). The organisations invited to these forums were selected from a database of nearly 4000 organisations, the partners of all planning bodies – ministries, offices with national competence and the Regional Development Council. To each individual sectoral debate forum approximately 20-25 social, professional and academic organisations and NGOs competent in the given subject were invited. The times of the consultation forums were specified at the website and the applications of organisations that had not previously received an invitation were also accepted. Structured minutes were taken at each forum which was scheduled for 2 hours. These minutes are also available on the Agency’s website. Discussions on specific operational programmes were also included on the agendas of key macro forums, including the National Collective Conciliation Council, a body whose decision preparatory organ, the National Development Committee, holds regular meetings with the NDA, the Economic and Social Council, the Hungarian Academy of Sciences, the National Environmental Protection Council, the National Regional Development Council and the National Development Council, which was founded on 5 September 2006. The regional operational programmes were discussed at the meetings of the Regional Development Councils in the regional centres. The opinions and proposals put forward at these council meetings were audio recorded and the transcripts may be downloaded from the website. In addition to the sectoral regional and macro forums, the Development Policy Managing Body held frequent meetings on the contents of the operational programmes.

An important milestone in the series of partnership consultations on KMOP was the Partnership Conference held on 3 November 2006, where the representatives of the participating government and local government bodies and business organisations and NGOs discussed the consultation version of KMOP.

The Regional Working Group of the Central Hungary Development Council (Hungarian acronym: 'KMRFT') also discussed the document and submitted its position to the NDA.

All positions submitted by the deadline were processed by the NDA in tables, in accordance with the structure of the given operational programme. On 14 November 2006, the positions set out in these tables were forwarded by the NDA to the planning units responsible for the given area, which prepared their draft proposals, marking each position as 'approved', 'rejected' or 'partly applicable'.

The Pro Region Agency ('Pro Régió Ügynökség') preliminarily categorised the list of positions received by the NDA and the Council, based on their compliance with the related items of legislation and methodologies, the regional strategy and the contents of the other OPs, and drafted responses.

| Response categories | Number of responses in category |
|---|---------------------------------|
| Yes, we approve the proposal. | 156 |
| The proposal may be taken into account in the preparation of the action plan. | 26 |
| The proposal is already included in the document. | 51 |
| We reject the proposal. | 105 |

Following the process of discussing KMOP and evaluating the partnership views, the Central Hungary Development Council resolved at its meeting of 23 November 2006 that the Central Hungary Operational Programme be approved if the proposals put forward by the Council's Regional Working Group are incorporated. The list of responses to the processed partnership positions was approved and forwarded to the body responsible for coordinating preparation of the Operational Programme, the National Development Agency, which incorporated the proposals into the programme.

The Regional Operational Programme Inter-Ministerial Committee (ROPIMC; Hungarian acronym: 'ROPTKB') and the Operating Committee for Planning (OCP, Hungarian acronym: 'TOB') decided on the use of the proposals and their integration into the Operational Programme at their meeting of 28 November 2006.

Following the evaluation of the opinions and proposals received, the organisations who had submitted them were sent personal response letters, in the same way as is done following the conclusion all social consultation projects.

As a result the partnership positions expressed in the course of the social debate on KMOP, the following main amendments and additions were made.

- The general part was supplemented with a discussion of the differences between the patterns of towns and villages in the Region's 3 highly distinct areas, i.e. Budapest, the part

of Pest County belonging to the capital's conurbation area and micro-regions outside this area.

- The part of the document's competitiveness section analysing the Region's economy and enterprises was supplemented with an analysis of economic networking, industrial parks, the logistics potential, the creative economy, sustainable production and the environment industry.
- A subchapter on equal opportunities and social welfare institutions presents the social problems of the Region's urban areas (large prefabricated housing estates, formation of slums).
- The subchapter on sustainability and the condition of the environment was supplemented with a more detailed analysis of the environment segments and the presentation of the features of protected areas, green areas, energy supply and brown field sites.
- The part describing the experience of NDP I was supplemented with the detailed description of the experience gained in the course of the implementation of the regional operational programmes.
- The SWOT analysis was extended, primarily by going deeper into the details of the external factors, opportunities and threats (for example, the expected growth of demand and investment needs in innovative sectors, the creative industry and the environment industry or the geopolitical consequences of EU enlargement).
- In the definitions of the interventions for the first priority axis ('innovation- and enterprise-oriented development of the knowledge-based economy'), the 'local economic development' part contains the intervention areas assigned to the regional operational programmes (for example, enterprise incubation, cooperation between enterprises), based on the demarcation between convergence operational programmes and the 'GOP'.
- In the 'development of the Region's competitiveness in tourism' part of the third priority axis ('Development of the Region's Attractiveness') – based on the proposals of, for example, the Central Hungary Development Council ('KMRFT') and the RIB (Regional Tourism Committees) – tourism destinations in Budapest and Pest County were more accurately identified.
- The 'development of the infrastructure of public education institutes' part of the fourth priority axis ('development of public services') was supplemented with the concept of the 'intelligent school' and the identification of the criterion of 'related content development'.

ANNEX 2: INTERNATIONAL COMPARISON OF CENTRAL HUNGARY REGION INDICES

| Indicator (year) | EU25 | EU15 | EU10 | Hungary | Central Hungary Region | Budapest | Pest County |
|---|-----------|-----------|----------|----------|------------------------|----------|-------------|
| GDP per capita, million Euro PPS (2003) | 21740.6 | 23720.1 | 11499.1 | 12896.5 | 20627.5 | 26526.3 | 11567.8 |
| GDP per capita Euro PPS in EU average (2003) | 100 | 109.1 | 52.9 | 59.3 | 94.9 | 122 | 53.2 |
| Rate of employment* % 2005 | 51.9 | 52.6 | 48.2 | 46.6 | 51.7 | - | - |
| Rate of unemployment * % 2005 | 9 | 8.2 | 13.4 | 7.2 | 5.1 | 4.7 | 5.8 |
| Labour productivity** 2003 (EU25=100) | 100 | 106.6 | 60 | 66.7 | 97.3 | - | - |
| R&D expenditure in % of GDP, 2003 | 1.9 | 2 | | 0.9 | 1.4 | - | - |
| R&D expenditure, M Euro PPS (2004) | 184939.56 | 177905.11 | 7034.45 | 1225.198 | 787.608 | - | - |
| Of this, amount of business R&D, m PPS 2004 | 117384.25 | 114201.93 | 3182.33 | 503.789 | 360.516 | - | - |
| Of this, amount of higher education R&D, m PPS 2004 | 41095.24 | 39320.68 | 1774.56 | 301.125 | 138.573 | - | - |
| Total R&D workforce* 2004 | 2040667.3 | 1867505.4 | 173161.9 | 22826 | 14741 | - | - |
| R&D workforce as percentage of population of working age | 1.36 | 1.46 | 0.8 | 1.19 | 2.12 | - | - |
| Of these, researchers *** | 1217523.7 | 1095777 | 121746.7 | 14904 | 9791 | - | - |
| Corporate R&D workforce*** | 1095490 | 1050147 | 45343 | 6704 | 4738 | - | - |
| Of these, researchers *** | 599076.4 | 573905.6 | 25170.8 | 4309 | 3143 | - | - |
| Public sector R&D workforce*** | 292184.6 | 247007.9 | 45176.6 | 7595 | 6107 | - | - |
| Of these, researchers *** | 159607.7 | 131224.4 | 28383.3 | 4693 | 3893 | - | - |
| Number of hotel beds, 2004 | 10783463 | 9952275 | - | 157970 | 41326 | 36102 | 5224 |
| Number of guest nights spent in hotels (unit), 2004 | 630489491 | 566481449 | - | 8728682 | 5292429 | - | - |
| Other accommodation, 2004 | 13636578 | 12662740 | - | 178524 | 10570 | 7060 | 3510 |
| Number of guest nights spent at other types of accommodation (unit), 2004 | 235967466 | 226149174 | - | 1779427 | 107378 | - | - |

Source: EUROSTAT

* Percentage of the over-15 population

** GDP/employee

*** converted to full-time equivalent

ANNEX 3: KMOP INDICATORS – SUMMARY TABLE

| Objectives/Priority Axes | | Indicator Type | Indicator | Baseline Value | Target value (2015) | Frequency | Source of data |
|--------------------------|--|----------------|--|---|--------------------------------------|------------|----------------------------|
| ÁC | Improvement of the international competitiveness of the Central Hungary Region, observing the principle of sustainable development | Impact | Change in the GDP/employee value in the Central Hungary Region ,(%) | 12% (average of the years 2000-2004) | 14% | Biennially | Central Statistical Office |
| | | Context | Change in the ranking of the Central Hungary Region (based on the GDP/employee) among the regions of the EU25 member states (base: rank in 2006) | Rank in 2006 (data will be available later) | 4 th place improvement | Biennially | EUROSTAT |
| SPC1 | Development of principal competitiveness factors | Impact | Increase in foreign direct investment, by share capital of businesses based in the Region, compared to the average of 2003-2004 (cumulative %) | Context baseline value: HUF 1,550,000/employee (average of years 2000-2003) | 10% increase | Biennially | Central Statistical Office |
| SPC2 | Development of the Region's internal cohesion and the harmony of its spatial structure | Impact | Gross income inequality index per employee in the Central Hungary Region, at the level of micro-regions (%) | 23.2% (2004) | remains unchanged, at the 2009 level | Biennially | Central Statistical Office |
| | | Impact | Change in employment inequalities in the micro-regions belonging to the Central Hungary Region (%) | 77% (2002-2004) | remains unchanged, at the 2009 level | Biennially | Central Statistical Office |
| | | Result | Average value of the inequality index of the gross added value per enterprise (1000 HUF) in the Central Hungary Region, at the level of micro-regions, between 2002-2004 | 47% (2002-2004) | remains unchanged, at the 2009 level | Biennially | Central Statistical Office |
| PT1 | Innovation- and enterprise-oriented development of the knowledge-based | Impact | Gross Added Value (GAV; in Hungarian: 'BHÉ') produced by the enterprise sector in the Central Hungary Region as a result of the Programme (HUF) | 0 | 3% | Biennially | MA |

| | | | | | | | |
|-----|--|--------|---|---|--|------------|-----------------------------------|
| | economy | core | Value of manufacturing projects launched in the Region owing to the programme interventions (billion HUF) | 0 | 100 | annual | MA, IB |
| | | core | Number of new jobs created | 0 | 5000 | annual | MA, IB |
| | | Result | Increase in enterprises' R&D expenditure as a result of the programme (million HUF) | HUF 53414 million (2004) | 14% annual average value increase until 2015 | annual | Central Statistical Office, MA/IB |
| PT2 | Improvement of the underlying conditions for competitiveness | Impact | Decrease of transit traffic on main city centre roads (%) | Survey on the road sections covered by the intervention - 2007 | Traffic decrease | Biennially | Representative survey MA/IB |
| | | Result | Change in the number of passengers of public transport in the towns of the Region (%) | Average of the data of the years between 2000-2005 (1,405,000 people) | 10% increase | annual | Central Statistical Office |
| PT3 | Development of the Region's attractiveness | Impact | Increase in the Gross Added Value produced by the tourism sector (%) | HUF 734 456 million (2005) | HUF 1000 000 million | Biennially | Central Statistical Office |
| | | Result | Population directly covered by the developments (number of people) | 0 | 100,000 people | annual | Central Statistical Office |
| | | Result | Number of guest nights spent by tourists in the Region (piece) | 5.5 million guest nights (2000-2004) | 40% increase (2010-2013) | annual | Central Statistical Office |
| | | Result | Number of new jobs created through tourism-related projects | 0 | 300 jobs | annual | MA, IB |
| | | Result | Total area covered by habitat rehabilitation and development (unit of measurement: hectares) | 0 | Under elaboration | Biennially | MA, IB |
| PT4 | Development of human public services | Impact | Increase in the Region's rate of employment (%) | 63.3% (2005) | 65% (2015) | Biennially | Central Statistical Office |

| | | | | | | | |
|-----|--------------------|--------|--|-----------------------|---------------------|------------|----------------------------|
| | | Impact | decrease in the share of pupils not able to meet basic knowledge criteria in those schools where the share is more than 50% | Annual report of 2007 | 20% decrease | Biennially | National Competence survey |
| | | Result | Number of students in developed educational and training institutions (number of students) | 0 | First annual report | annual | MA, IB |
| | | Result | The population of the service provision area, or the number of people using the services, which is/are directly covered by the developments (number of people) | 0 | 100.000 | annual | MA, IB |
| | | Result | Number of new jobs created | 0 | 100 jobs | annual | MA, IB |
| PT5 | Urban regeneration | Impact | Closing up the complex activity indicator of the rehabilitated areas nearer to the settlement average (expressed in the percentage of the average) | Annual report of 2007 | 75% | Biennially | Central Statistical Office |
| | | Result | Population directly covered by the developments (number of people) | 0 | 350,000 people | annual | MA, IB |
| | | Result | Number of sites of enterprises opening units in the regenerated urban areas | 0 | 100 enterprises | Biennially | MA, IB |
| | | Result | The saved energy as the outcome of the supported projects | 0 | First annual report | annual | MA, IB |

ANNEX 4: BENCHMARKING VALUES FOR CRITERIA SELECTED PURSUANT TO ARTICLE 47(1) OF COMMISSION REGULATION (EC) NO 1828/2006

| Indicator type | Criteria threshold in traditional urban areas | Criteria threshold in housing estates | Reference data ²⁰ |
|---|--|--|------------------------------|
| 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 9% | minimum 7% | 6.4% |
| 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% | minimum 2.4% | 2% |
| 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 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 | minimum 9%. | minimum 8% | 7.3% |
| High rate of housing owned by the local government in the area of action Source of data: declaration by local governments | minimum 20% | minimum 8% | 7.7% (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 | 28.5% |
| 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% | | 10% |

²⁰ 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.

| | | | |
|--|---|--|-------|
| High rate of maximum single-flat housing within inhabited housing in 200 | minimum 30% in towns with populations exceeding 50,000 capita, and minimum 20% in town with populations less than 50,000 capita | | 18.9% |
| Source of data: Hungarian Central Statistical Office, 2001 census data | | | |