

Mónika Katona Lambertné

# *Evaluation of the Utilisation of EU Funds in Micro-Regions*

**SUMMARY:** The publication examines the structure of projects implemented with EU co-financing – at a statistical micro-region level – and their applicant-level practices in two time-ranges for the period after Hungary's accession to the EU.

My empirical analysis comprises secondary and primary research. The methodology applied focuses on the complex analysis of the project development and EU fund utilisation activities of micro-regions and project managers. Within the framework of secondary research, I systemised and analysed, using statistical methods, the supported projects of the statistical micro-regions of Zala County. As part of my primary research, using the in-depth interview method, I uncovered the principles of micro-region level strategy making, focusing on grant utilisation activities. As a result of the representative sampling procedure, I have mapped out the fund utilisation and project planning practices of winning applications. My research results:

1. Compared to its economic potential, Zala County received a proportionately higher amount of EU funds.
2. In the statistical micro-regions examined, we have observed local grant application success. We have also observed a strong correlation between the value of grants and settlement size.
3. Implemented projects fit the socio-economic characteristics of the micro-regions.
4. At the level of economic players, familiarity with and application of project planning methods is low.

In conclusion, we can state that developments in the county implemented using EU funds have promoted economic development, improved the standards of living and helped the management of social problems.

**KEYWORDS:** micro-region, project, tender, sample-based research, situation analysis

**JEL CODES:** R58, O22, G38, C83, C43

The subject is highly topical and relevant, given the fact that increasing the efficiency of the public administration system and the efficient utilisation of development funds are crucial factors of the enhancement of the European Union integration process. (Kengyel, 2007)

We can find many definitions for the concept of the micro-region. The most complex definition was put forward by Szörényiné (2002), emphasising the historical and cultural roots, the social, natural and economic qualities and ethnographic values of the region. Researchers have in the past interpreted the concept of micro-regions from a spatial relationship aspect

(Csatári, 2005), as homogenous groups of settlements (Egyed, 2009; Enyedi, 1996), or as spatial units with a quantifier structure (Pap, 2007). The definition and interpretation of the term micro-region is today considered legal terminology, yet we encounter the use of the term in a range of practical contexts in Hungary, for instance in the fields of law, public administration, support systems, local government regulations or in everyday use (Varga, 2008).<sup>1</sup> Council Regulation No. 1059/2003 also defines a non-administrative function regional level and unit for the concept of micro-regions, according to which non-administrative units must reflect economic, social, historical, cultural, geographical or environ-

*E-mail address:* lambertne.monika@pszfz.bgf.hu

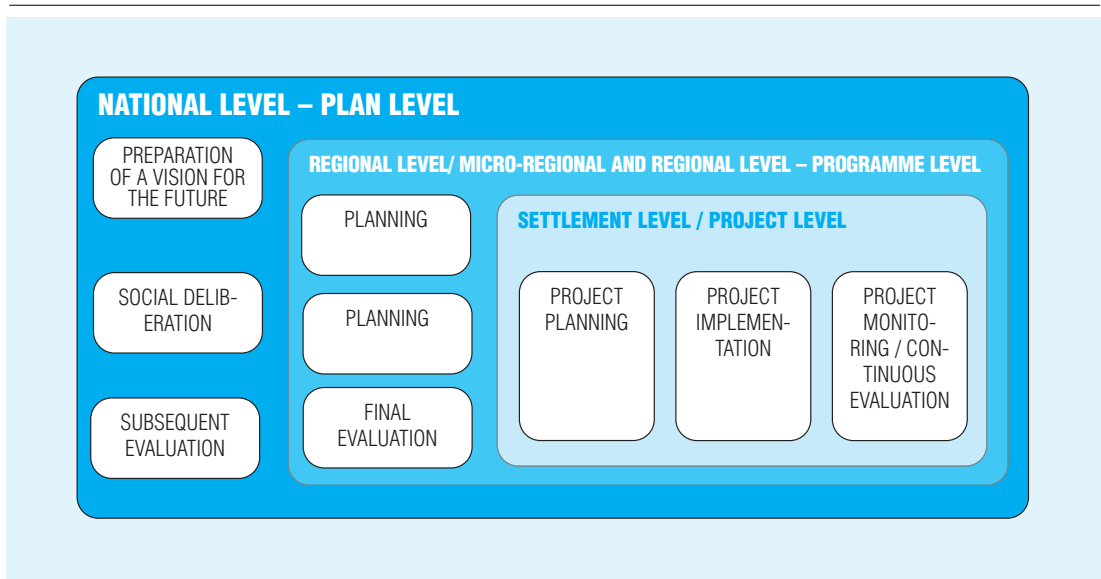
mental circumstances. According to effective laws, in Hungary micro-regions are defined as regional development-statistical units (Act CVII of 2007), the aggregate of neighbouring settlements that maintain intense relationship with one another (Article 5 of Act XXI of 1996). Its establishment was not justified by EU harmonisation. According to *Egyed* (2009), we have established our micro-region system to correspond to NUTS<sup>2</sup> Level 4. The Hungarian micro-region system currently forms – parallel to the planning-statistical function – the basis of the allocation of regional compensatory grants. In 2007, a new National Assembly resolution was passed on regional development grants and the principles of decentralisation the term of which ends on 31 December 2013. The new classification of beneficiary regions was set out by Government Decree No. 311/2007. (XI. 17).

Given the principles of solidarity, equity and justice, the European Union devotes considerable attention to mitigating the differences of the development levels of Member States,

regions and their settlements (Horváth – Szaló, 2003). The main priorities of regional community policy are: economic and social cohesion, the preservation of natural and cultural values and the more balanced competitiveness of the European region (EC, 1999). Today’s regional development strategies and programmes are primarily dominated by thematic or regional priority characteristics, and the instrument of their implementation is independent project support (Brantmüller – Baksa, 2009). “From the aspect of successful regional development, the efficient regional concentration of decentralised regional development funds has great significance.” (Márton, 2008). In his publication, *Piskóti* (2009) defines the procedure to be applied during the creation of the project package as community intervention, with four elements. In my opinion, the model could be enhanced through the joint enforcement of planning practice and programme approach. My enhanced model is shown in *Chart 1. Iván* evaluates the reform of the cohesion policy (‘regional competitiveness’) for the 2007–2013

Chart 1

**REGIONAL DEVELOPMENT PROCESS MODEL**



Source: self-edited based on the Piskóti's (2009) presentation and program approach theory

period as something that primarily serves the interests of the regions of old Member States that are no longer under the 1st objective and are now under the 2nd objective. In the study prepared by the ICEG European Centre (2005), the absorption capacity of micro-regions<sup>3</sup> comprises of conditions, the objective systems of programmes, organisational capacities and financial resources – as factors. The correlation system of factors is shown in *Chart 2*.

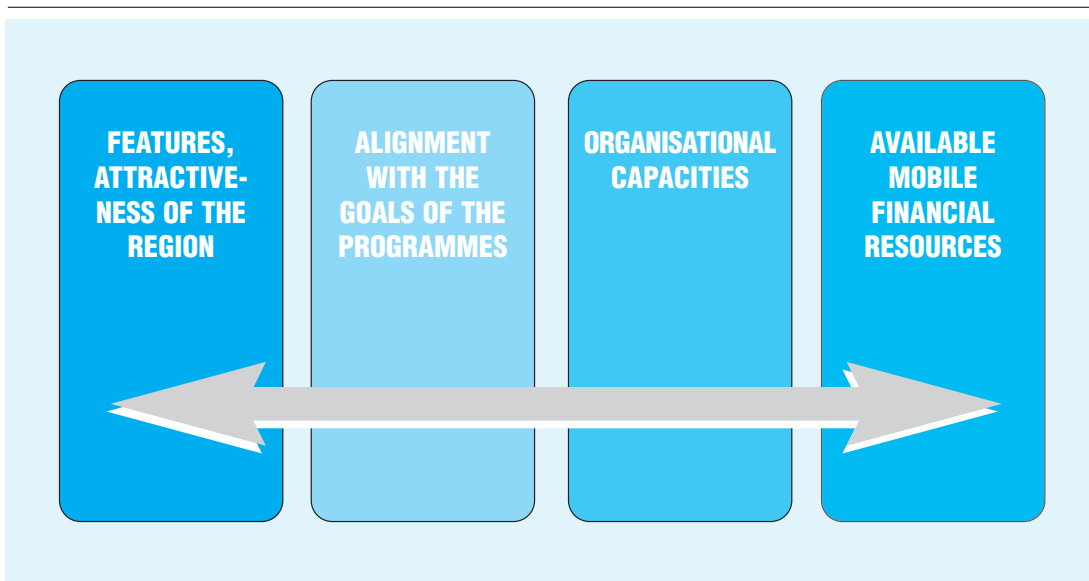
Concentrating on results and impacts to accomplish is an important characteristic of the evaluation of the EU support system (Vörös, 2004). With respect to its evaluation method, it is a comprehensive evaluation system, within which the input-output aspect analysis of the programme and the analysis of the impact of programme results on socio-economic environment are given important roles. In the OECD (2009) study, the evaluation of regional development programmes appears as a financial and administrative audit, i.e. is interpreted as an activity. Relevant projects are required to be awarded EU structural grants, states Vörös

(2004). For projects implemented using grants, Anwar – Gubicza – Tóth (2009) define this relevance as a characteristic adapted to the intervention strategy. In their interpretation, the justified project is not only adapted to the grant measure, but also to a field at a higher level, namely the intervention strategy. Developments implemented using grants, therefore, centre around the project.

The project, therefore, is simply “a plan” which in essence is characterised by the one-off nature of the totality of conditions (Pataki – Sebestyén – Pádár, 2009). It is an important part of the definition of the concept that we achieve an objective with the project, with constraints of time, cost, resources and other factors. This definition is accepted by Vörös (2004), who adds that project activity is a “one-off and complex task”. According to relevant international literature, a project is “a series of activities aimed at bringing about clearly specified objectives within a defined time-period and with a defined budget” (CEC, 2002). Szentirmai (2007) defines project based on the

*Chart 2*

**ABSORPTION CAPACITY OF MICRO-REGIONS**



Source: author-edited based on ICEG EC study

ISO 8402 standard. The definition has been formulated in its entirety on the basis of the methodology of Project Cycle Management (hereinafter: PCM). According to *Kővágyó* (2006), the project is the “smallest element of grants; the instruments (investments, services) that contribute to accomplishing the medium and long-term objectives set by the wider community.” In accordance with the decision of the European Commission, PCM-based methodology was introduced on an EU-level at the beginning of the nineties. *Vörös* (2004) is of the opinion that the application of this method within the EU institutional system is a “self-learning process”, and as a result it contributes to increasing the planning and allocation efficiency of grants.

The evaluation methods of projects implemented using grants can be defined most precisely on the basis of the phases of the “grant application project” cycle. During the making of the grant application decision, applicants are required to meet receipt, admissibility and eligibility criteria. The measurement of the per-

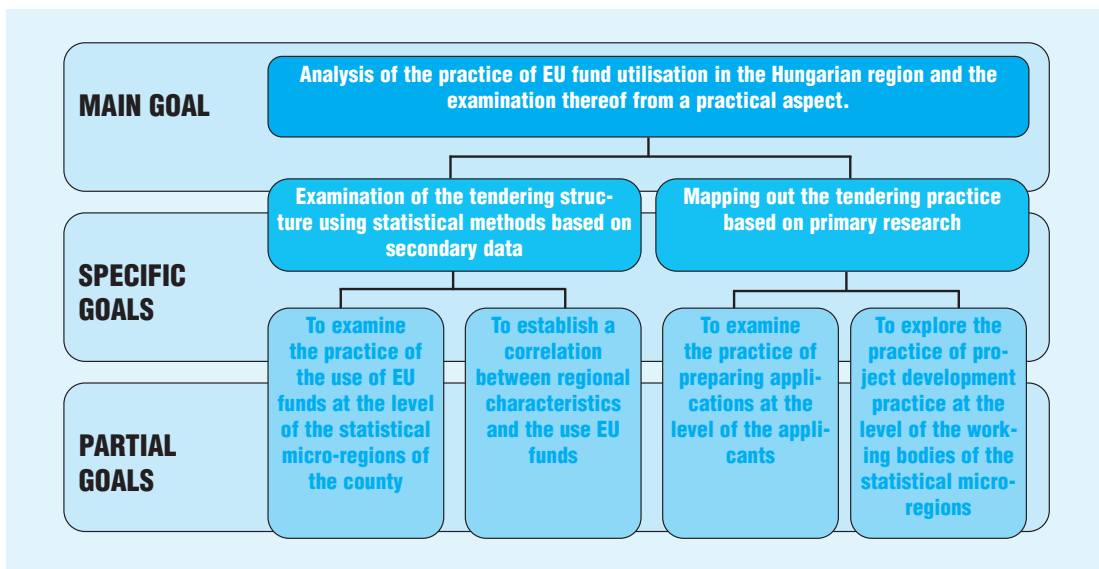
formance of the tender project: the EC Regulation on structural funds stipulates the requirements regarding project indicators. The main groups of monitoring and evaluation indicators: yield indicators, result indicators, and impact indicators to which intervention target areas are assigned (CEC, 2000).

## OBJECTIVE

The primary goal of the publication is to analyse the practice of EU fund utilisation in the Hungarian region and to examine, evaluate and qualify it from a practical aspect. As a secondary objective we can cite statistical analysis based on secondary data, the examination of tendering structure from the aspect of the closeness of relationships, as well as the mapping of EU fund utilisation and project planning practices based on primary research. My objectives summarised in a system of objectives are shown in *Chart 3*. Through my research, I would like to contribute to the mapping of

*Chart 3*

### TARGET TREE OF THE PUBLICATION



Source: own editing

the practices of EU fund utilisation and provide results which can be taken into account for future territorial/regional planning and the development of the EU tendering system.

## METHOD

The methodology applied focuses on the complex analysis of the project development and EU fund utilisation activities of micro-regions and project managers. My empirical analysis comprises secondary and primary research, both of which cover the levels of statistical micro-regions of Zala County. I have illustrated the linking of my research goals and examination methods in *Table 1*, in which I determine the sources of information and the statistical methods applied. Based on the research subject, I have set the periods under review as the period between May 2004–May 2006 and 31 December 2007–31 December 2010.

As part of my secondary research, I have created an Excel database of supported projects focusing on the nine micro-regions. I have processed the database using statistical methods, with which I have examined the economic distribution of funds as well as their distribution according to micro-regions.

I focused my research on two larger areas, the systems of which are shown in *Chart 4*. Using the in-depth interview method, I have examined strategy-making principles, EU fund utilisation practices, PCM method application practices, focused development target areas and the reasons of the regional concentration of tendering activity at a micro-regional level. The other pillar of my primary research was the examination based on representative sampling. During the sampling procedure, I have determined the survey population’s (supported projects) query ratio at 5 per cent. The sampling procedure of primary research is illustrated in *Table 2*. I have conducted the surveys in person or over the telephone.

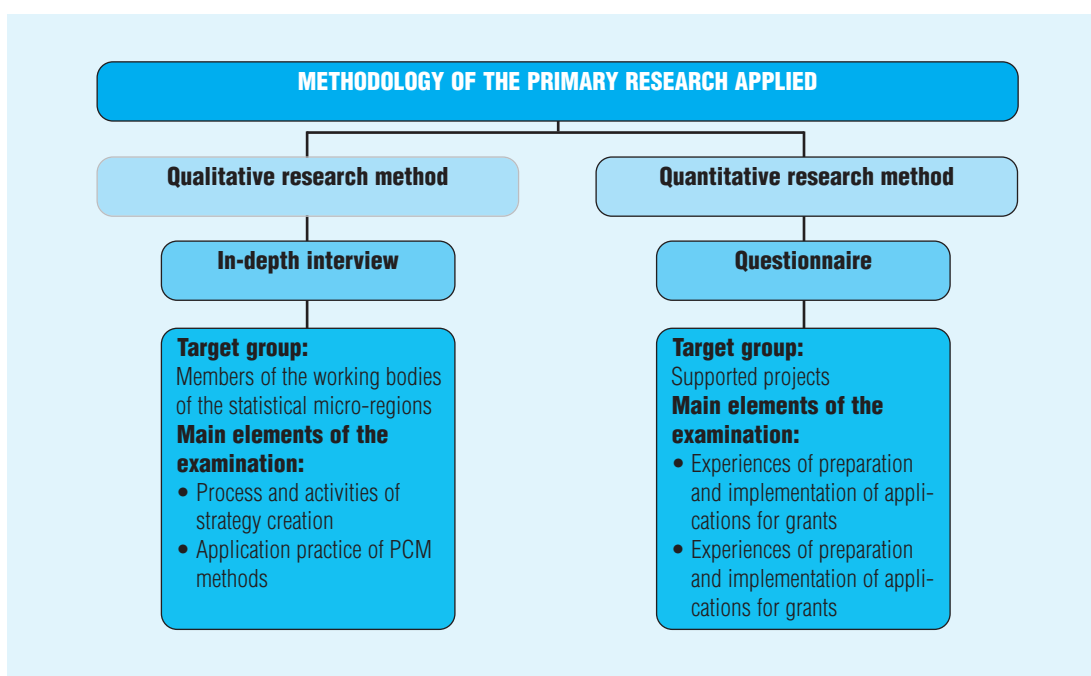
*Table 1*

### RESEARCH OBJECTIVES AND APPLIED METHODS

Research objectives	Empirical analysis method	Method applied
Examines the practice of the use of EU funds at the level of the statistical micro-regions of the county	Secondary research/primary research	Situational indicators, distribution and dynamic ratios, dispersion indicators
Establishes a correlation between regional characteristics and the use EU funds	Secondary research	Correlational dependence test
Examines the practice of preparing applications at the level of the applicants	Primary research	Frequency tables, cross tabulation
Explores the practice of project development practice at the level of the working bodies of the statistical micro-regions	Primary research	Retrieval of text, list of concepts

Source: own editing

**METHODOLOGY OF THE PRIMARY RESEARCH**



Source: self-edited based on Sajtos – Mitev (2007) pp. 11–21

Table 3

**DETERMINATION OF SAMPLE ELEMENT NUMBER**

Micro-regions	Supported projects NDP (no of projects)	Micro-region ratio (%)	Sample element number per micro-region (no of projects)	Supported projects NHDP (no of projects)	Micro-region ratio (%)	Sample element number per micro-region (no of projects)
Keszthely	37	4.91%			13.56%	7
Hévíz	22	2.92%	1	54	5.35%	3
Lenti	84	11.16%	4	59	5.84%	3
Letenye	36	4.78%	2	39	3.86%	2
Nagykanizsa	89	11.82%	4	238	23.56%	12
Pacsá	44	5.84%	2	24	2.38%	1
Zalaegerszeg	362	48.07%	18	336	33.27%	17
Zalakaros	25	3.32%	1	54	5.35%	3
Zalaszentgrót	54	7.17%	3	69	6.83%	3
<b>TOTAL</b>	<b>753</b>	<b>100 %</b>	<b>37</b>	<b>1010</b>	<b>100.00%</b>	<b>51</b>
<b>Sample ratio within the survey population:</b>			<b>5%</b>			

Source: author's own editing based on research database

## RESULTS

After the EU accession, the support structure of economic and regional development underwent significant changes in Hungary. Previously, EU funding replaced certain economic policy public grants, and thanks to EU funding, the amount of regional development grants increased significantly. In accordance with statutes, the structure of EU funding – the domain of intervention below 75 per cent of the GDP – clearly serves the purposes of regional development.

It is an axiom of tendering success that applications must be submitted in order to be eligible to win grants. In order to verify this axiom, I have filtered the database of NDP and NHDP tenders<sup>4</sup> and have made the following observations on the basis of the results.

During the NDP period, I have measured a very strong positive relationship between the number of submitted and supported applications and the correlation coefficient; indicator value: 0.982846.

This value was also very strong in the NHDP period (0.994874). Interestingly, more intense tendering activity can be observed in the case of the new statistical micro-regions established in September 2007 (Keszthely and Hévíz micro-regions), accompanied by higher values grants awarded.

### The examination of the rate of support at the micro-region level

The rate of awarded grants contributes significantly to the development of the settlement and the region. Disadvantaged situation and beneficiary regional classification are priority areas in terms of regional development. During the comparison of the two periods, the following observations can be made.

▶ With respect to applications submitted,

tendering activity increased in eight micro-regions of the county; the average rate of increase was 41.38 per cent, while in the case of one micro-region (Pacsa) there was a decline in tendering activity. In my opinion, decreasing tendering activity is the result of the new micro-region status and the low level of development. In other words, underdevelopment and the high rate of unemployment failed to generate tendering interest and a fund utilisation mood in the region.

▶ The grant awarded per project increased significantly. Compared to the NDP period, the value has increased to 6.3 times the previous value.

▶ The increase of the per capita grant value is outstandingly high in the Hévíz (71 times the previous value) and Keszthely (18 times the previous value) micro-regions. In 2007, it was these two micro-regions which separated, after which both increased tendering activities. It is clearly visible that during the NHDP period, in the case of settlements with populations under 1 000 persons, local governments practically only submitted grant applications and enterprises in business for years only performed enterprise development activities financed by EDOP programmes<sup>5</sup> at measures taken by the WPOP<sup>6</sup>.

### The examination of the number of supported EU projects and the rate of support at the micro-region level

The rate of awarded grants contributes significantly to the development of the settlement and the region. Settlement and regional characteristics are important factors in winning grants. In the 2004–2006 period, applicants utilised 93–99 per cent of awarded funding in micro-regions. The payment ratio is 96.28 per cent. In the various micro-regions, payment value deviates from (dispersion) the average by 1.49 per cent. Two micro-regions (Lenti and

Zalaegerszeg) have produced outstandingly high per capita grant values. The grant values provided to micro-regions that are beneficiaries from a regional development perspective (Letenye, Pacsa, Zalakaros, Zalaszentgrót) fall below the micro-region average. This allows me to conclude that the low level of development did not generate a willingness to submit applications to begin with and that capital-scarce project managers were unable to access grants that required own funds.

In the NHDP period under review, the payment ratio of awarded grants is 31 per cent, while the micro-region average is 44 per cent. In the case of settlements implementing large projects, payment value is far below average. In the case of two micro-regions (Lenti, Letenye), the per capita grant value awarded is well below the micro-regional average (see *Charts 5 and 6*).

### The examination of the regional distribution of grants in the statistical micro-regions of Zala County

After Hungary's accession to the EU one of the most widely performed activities has been applying for funds together, coordinating development activity, taking efficiency principles into consideration, and setting the promotion of economic development, the enforcement of the principle of achieving regional balance and improving the quality of life as goals. The county-level distribution of supported grant applications is shown in *Charts 7 and 8*. Looking at the internal proportions of the successful grant applications it can be established that under the New Hungary Development Plan the project owners of the Nagykanizsa micro-region have been rather successful in securing grants. The ratio of successful grant applications in the Letenye and Pacsa micro-regions have decreased, while the ration

increased in the Zalakaros and Zalaszentgrót micro-regions (see *Charts 9 and 10*).

There is a very strong correlation between the quality categories established on the basis of the amounts per grant received and the number of inhabitants in the settlement. The value of the correlational dependence variable  $H$  was 0.82 under the National Development Plan and 0.87 under the New Hungary Development Plan. Under the National Development Plan no dependence correlation can be established between the value of the complex indicator and the grants received using the Pearson correlation coefficient (see *Chart 11*); however, under the New Hungary Development Plan there was a close correlation between the value of the complex indicator and the value of the grant (Pearson-indicator value: 0.685779944). In the 2007–2010 period the number of consortium partnership applications increased. It is my observation that the partnerships are partly based on economic interest and partly on historical traditions, not geographical categorisations.

### Review of the operational programme structure of EU grants in the micro-regions of Zala County

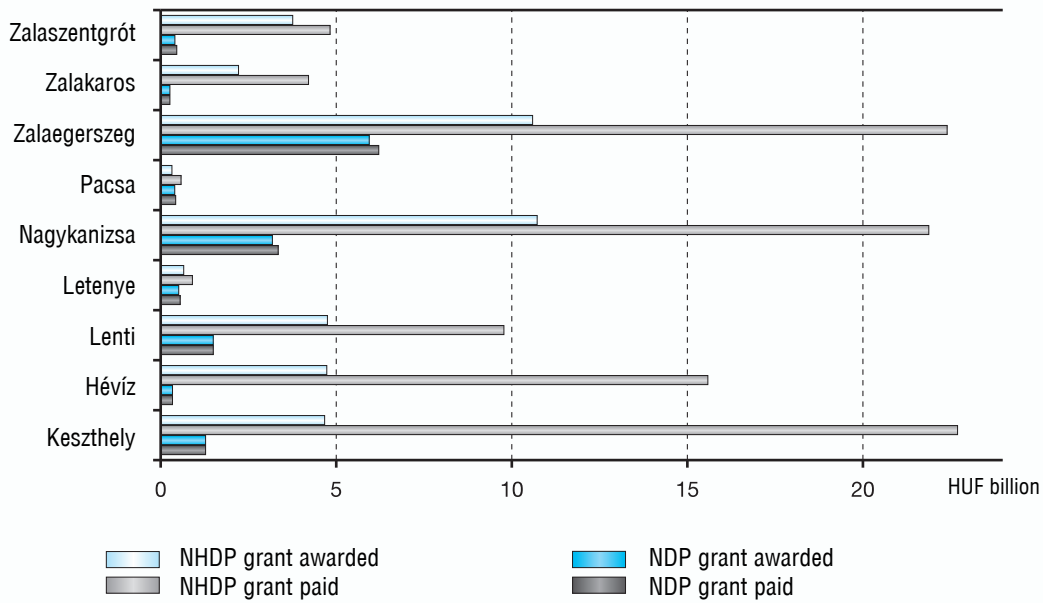
The review of grants based on operational programmes is key because the results of the review allow one to determine the structure in which the supported projects were generated, what kind of social problem they aimed to rectify and how they have contributed to achieving regional balance.

In the Hévíz micro-region the “Lake” is a health tourism centre and the complex development of the surrounding area is a dominant element of the supported projects in the micro-region. Under the New Hungary Development Plan the development of the transport infrastructure of the region, the renovation of the



Chart 5

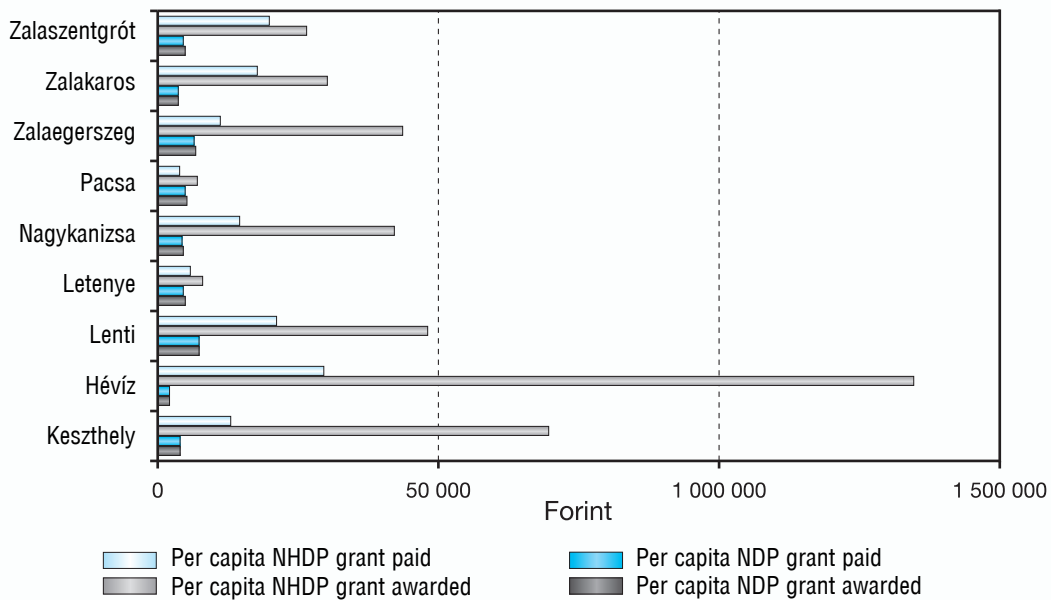
**SUPPORT AND PAYMENT VALUES OF NDP AND NHDP GRANTS**



Source: self-edited

Chart 6

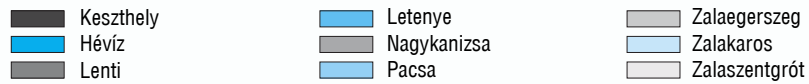
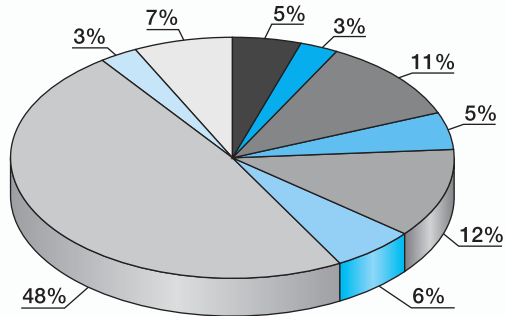
**GRANTS AWARDED UNDER THE NDP AND THE NHDP**



Source: self-edited

Chart 7

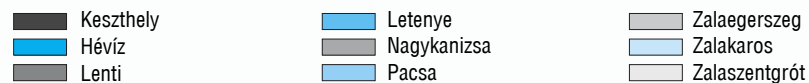
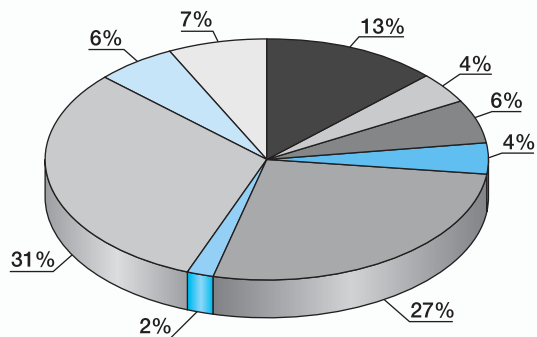
**DISTRIBUTION OF SUCCESSFUL NDP APPLICATIONS IN THE STATISTICAL MICRO-REGIONS OF ZALA COUNTY**



Source: self-edited

Chart 8

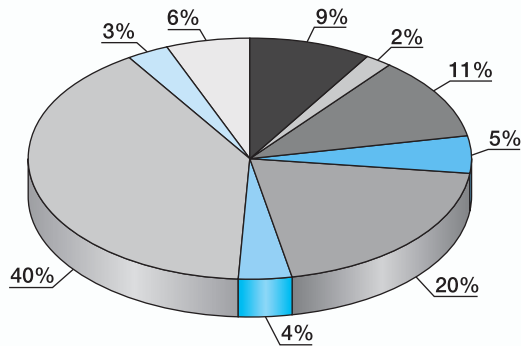
**DISTRIBUTION OF SUCCESSFUL NHDP APPLICATIONS IN THE STATISTICAL MICRO-REGIONS OF ZALA COUNTY**



Source: self-edited

Chart 9

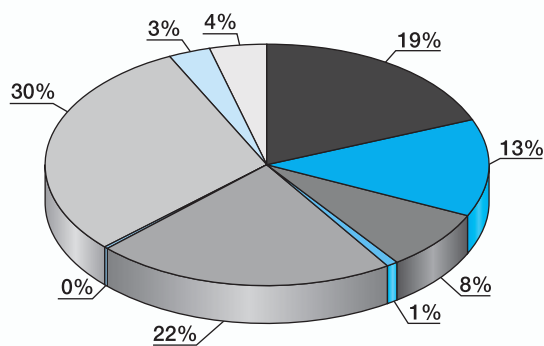
**DISTRIBUTION OF AWARDED NDP APPLICATIONS IN THE STATISTICAL MICRO-REGIONS OF ZALA COUNTY**



Source: self-edited

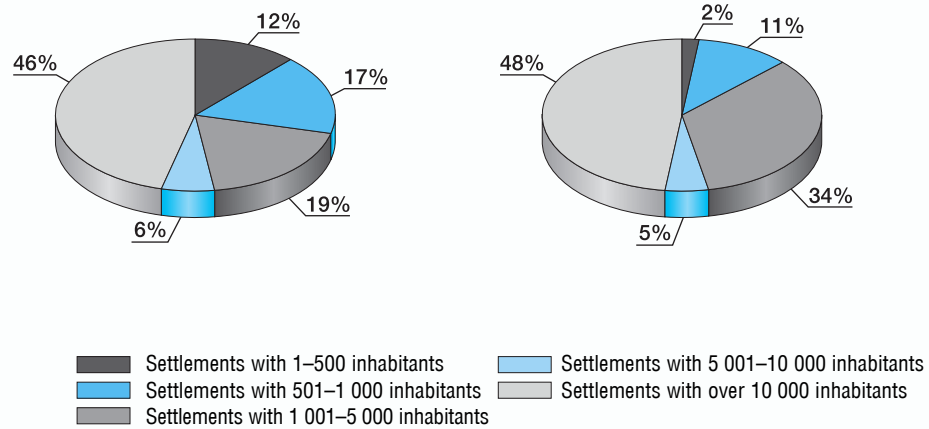
Chart 10

**DISTRIBUTION OF AWARDED NHDP APPLICATIONS IN THE STATISTICAL MICRO-REGIONS OF ZALA COUNTY**



Source: self-edited

**DISTRIBUTION OF NDP AND NHDP GRANTS ACCORDING TO SETTLEMENT SIZE**



Source: self-edited

road network and providing access to highways were important goals. The micro-region, independent since 2007, was able to achieve 94.3 per cent of the national average through successful tendering in the NHDP period.

Development in the Keszthely micro-region is centred around the development of Balaton and the surrounding region; during the NDP period, the complex development of the region was implemented and interrelated tourism projects were supported through measures of the RDOP (Regional Development Operational Programme). In the NHDP period – similarly to the Hévíz region – the development of the road network took priority. In the Lenti micro-region the specialised tourism, handicrafts and gastronomical and agricultural product structure are very important and are the result of the special features and traditions of the region. In the NDP period, developments were implemented in these areas with

ARDOP-funds<sup>7</sup>. Due to earlier tourism-related developments and the Hungarian-Slovenian border, the development of the public road network in the 2007–2013 period is considered to be of particular significance, served by a sizeable grant from the TOP programme<sup>8</sup>. The grants awarded in the WPOP serve thermal-tourism objectives and the development of infrastructure related to rural tourism (bicycle paths). The Letenye micro-region has come to be known as the “Green Heart of Zala”. In the 2004–2007 period, the majority of grants were related to rural development measures. The developments of local governments and enterprises were related to low added-value products. The projects realised since 2007 on the one hand served eco-tourism objectives, and on the other hand, the funding for the development of transport infrastructure was also very significant. The transport-geographical position of the Nagykanizsa micro-region

improved considerably, with significant infra-structural developments realised in the region. A new logistics centre was established, and dominant furniture industry enterprises were strengthened through funding. In the NHDP period, the region, building on its features, treated the utilisation of renewable energy as a priority, a fact well illustrated by the 35 per cent EEOP tendering ratio.

The Pacsa micro-region was established as of 2007 on the initiative of settlements. Based on population counts, it is the smallest region of the county. Under the New Hungary Development Plan several grass-roots initiatives received support and were used to treat some of the social problems of the region through the projects of the regional non-profit organisations. The total value of the support arriving to the region is well below the national average.

The Zalaegerszeg micro-region unites the most settlements and has the highest population count. Based on my research, we can conclude that in terms of tendering activity, this is the most significant region. As of 2004, human resources development was a priority support area in the micro-region, the reason for this in my opinion being that the majority of training organisations implemented their winning applications in the topic with seats in the region. As of 2007, the county seat's strategy primarily focused on enterprise development. This is accompanied by a number of implemented EDOP (Economic Development Operational Programme) and WPOP programmes in the furniture industry. The amount of funding arriving to the region is well illustrated by the fact that in the NDP period, grants exceeded the national average by 30.82 per cent. In the NHDP period, the region, mainly the county seat, received funding amounting to two and a half times the national average.

The Zalakaros micro-region also became an independent functional micro-region in 2007. During both periods, the primary target areas

of funding were tourism development and the development of medical tourism and rural tourism. In my opinion, the underdevelopment and social problems of the region were addressed by the HRDOP<sup>9</sup> and SROP<sup>10</sup> projects implemented in the region. Compared to the national average, funding flowing into the micro-region represented 16–17 per cent of the national total.

The Zalaszentgrót micro-region has considerable agricultural production traditions. The majority of the projects under the ARDOP were related to viticulture and wine-making. The development of thermal-resources-based tourism is a priority objective of the region. Funding was used for technology development by enterprises and infrastructure development by local governments. The development of human capacities represents an identical ratio among total grant values in both periods. Based on my research experience I can conclude: the fact that the proportionate value of funding received by the region significantly exceeds the national average is the result of efficient labour organisation work.

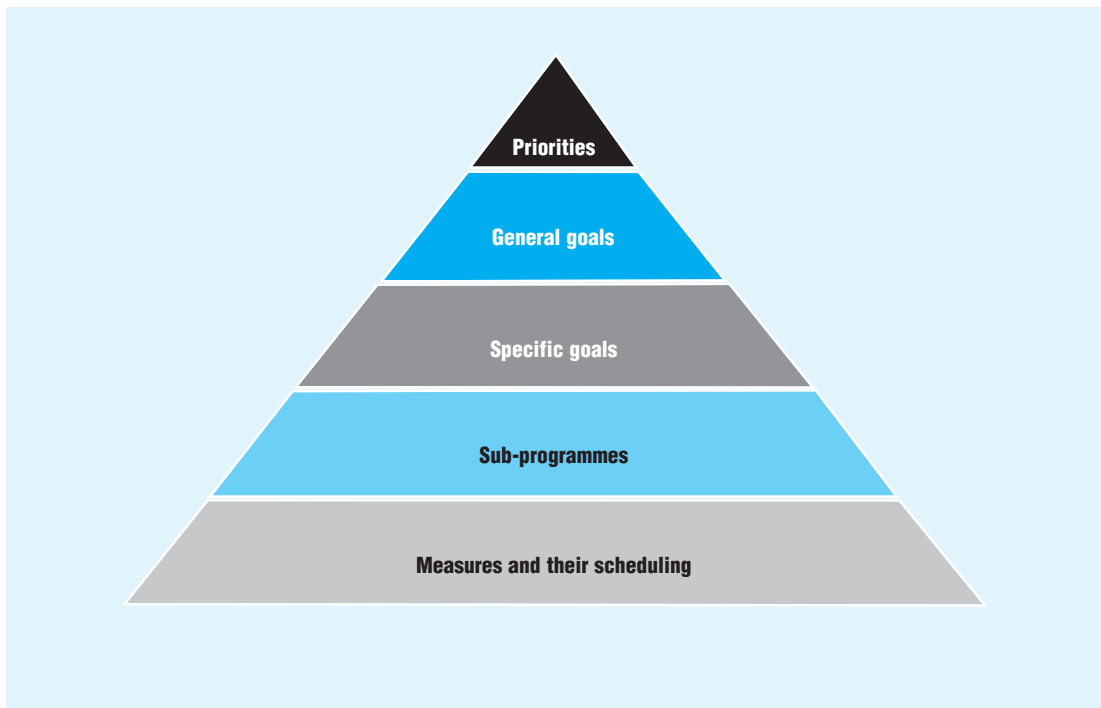
### Examination of grant securing activities using in-depth interviews

Based on in-depth interviews conducted with the heads and associates of the labour organisations of the county's nine statistical micro-regions, I am able to make the following observations.

#### *The principles and methods of strategy formulation*

The working bodies of the statistical micro-regions were primarily interested from 2004 in establishing their organisational structure and complying with the requirements that were applicable to them (set out in the relevant association agreements). The labour organisation

### STRATEGY CREATION LOGIC OF MICRO-REGIONS



Source: self-edited based on the responses given to the in-depth interviews

structure of the micro-region was reorganised in September 2007. The representatives of the Keszthely and Hévíz micro-regions characterised the preceding period as rife with internal tension. They considered the separation of the two dominant towns of the region (Keszthely and Hévíz) into separate micro-regions a positive development.

During the project planning phase almost all micro-regions engage in well-founded planning and use the most widely used methods when formulating their strategies: SWOT analysis,<sup>11</sup> problem tree – objective tree. The timeframes of the strategic programmes always match the EU budget cycle. In six micro-regions the strategic programmes were also supplemented by a Micro-regional Integrated Project Package. The logic of micro-region strategy formulation is illustrated in *Chart 12* (based on interview answers).

#### *The micro-regional practices of bringing in grant funding*

The managers of the working bodies approach the goals of their regions from the perspective of the settlement structure of the county – structure characterised by small villages. The respondents have pointed out that they wanted to strengthen the population retaining ability of the region by expanding the social public service system and implementing infrastructure development. The micro-regions use divergent methods to generate projects, but what they have in common is their reliance on the contacts of the members of the working body. In this regard, the role of the Head of the Association for Villages in Zala County is exceptional, as is the involvement of committed mayors in the project generation process. They initiate strong partnerships in the planning phase of the project. In the interest of

generating projects they hold workshops, information sessions, and thematic conferences with stakeholders. The representatives of each micro-region identified lack of funds as the main limiting factor in project implementation. In the absence of own contributions, they attempt to mitigate the lack of funds by including new partners within the framework of partnership cooperations. Decisions on projects to implement are made depending on support aspects and own contribution requirements. The tendering success of smaller settlements and villages can primarily be attributed to local non-governmental organisations. But one must also give room to the opinion that was generated in connection with the tendering activity of settlements with low population numbers. It can best be described by the principle “if the neighbouring castle is developing, we should too”. This creates internal tension within the work of the association. In my opinion, the foundations of regional tendering success are strategic thinking, high-level professional knowledge and strong partnerships.

### The result of the questionnaire survey of applicants

In the 2004–2006 period 82 per cent of the selected projects consisted of one-round projects, whereas the same ratio was only 67 per cent in the 2007–2010 period. Investment type projects represent 60 per cent in both periods.

#### *Examination of the antecedents of the applications*

Based on the comparative analysis of the two periods I have made the following observations on the topic of project approaches.

▶ Seventy-one per cent of applicants under the National Development Plan and 67 per cent of applicants under the New Hungary

Development Plan compiled the project plan when drawing up the application, which satisfied the grant requirements.

▶ Project plans are more frequent in the case of investment type applications. This came out to 82.14 per cent of the applications assessed in the two periods. The high ratio can be explained by compliance with the grant requirements.

▶ The ratio of project plans to application numbers is 31.46 per cent. This is considered quite low. In my opinion this low chart proves that thinking in terms of projects has not yet taken hold in Hungary. Under the term of the first development plan the per project planning method value was 1.74 among organisations equipped with a project plan. Under the New Hungary Development Plan this chart has improved to some extent but never reached 2.

▶ The number of project planning methods used in the two periods increased by the tune of 48.48 per cent. This clearly indicates that there is an improvement in the application of planning methods.

#### *Examination of the tender preparation process*

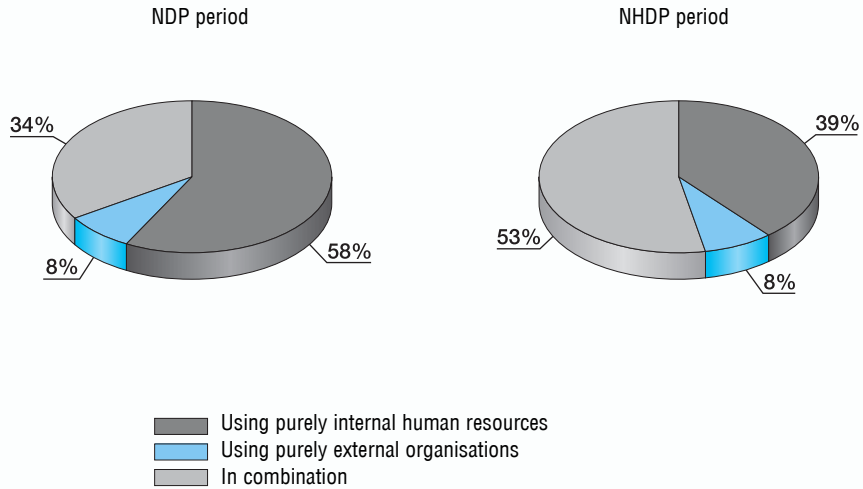
Professional preparation of applications is the key to success.

I proved with my questionnaire-based research that with regard to the projects under review, as a result of the learning process, applicants tended to rely more heavily on the capacities of their own human resources and prepared their applications independently or with the help of specialised external experts. The results of the applications examined from this perspective are shown under *Chart 13*.

Assessing, based on the opinion of the applicants as to which factors play an important part in making application decisions, was an important part of my research. There were very few differences between the results of the two peri-

Chart 13

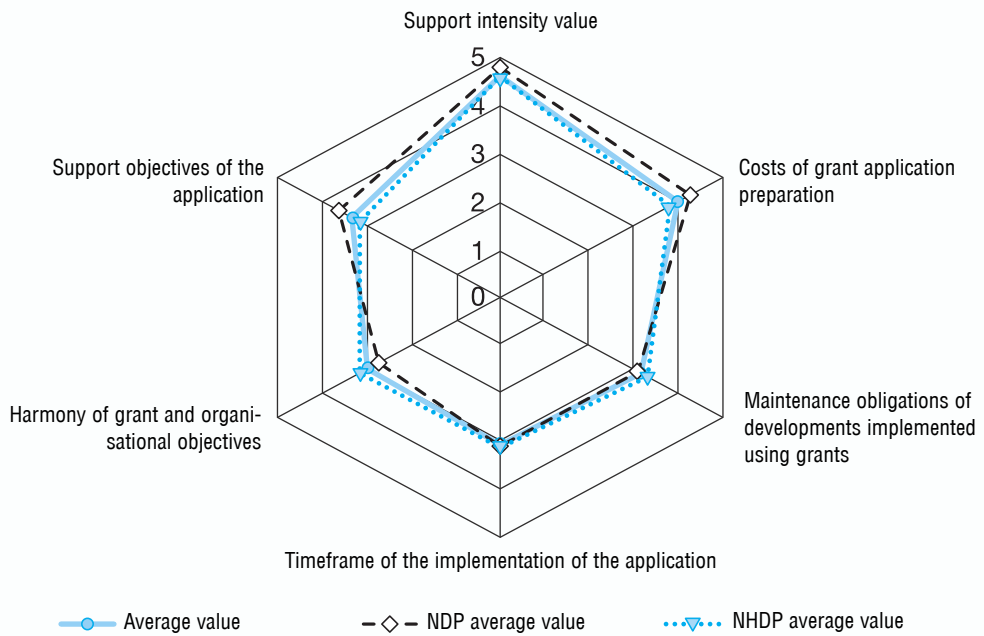
**CASES OF GRANT APPLICATION PREPARATION**



Source: self-edited based on the questionnaire research database

Chart 14

**APPLICATION DECISION CONSIDERATIONS BASED ON THEIR ORDER OF PRIORITY**



Source: self-edited based on the questionnaire research database



Table 3

**RANKING OF FACTORS REPRESENTING DIFFICULTY FOR THE APPLICANTS DURING THE PREPARATION OF THE APPLICATION**

Factors	NDP average value	Ranking	NHDP average value	Ranking
Filling out project summary data on the data sheet	2.27	16	2.12	16
Filling out the data of the applicant	2.13	17	1.90	18
Introducing the applicant	2.02	18	1.96	17
Detailed presentation of project	2.36	15	2.24	15
Determining expected results	2.49	14	2.43	14
Providing indicators	3.49	5	3.45	3
Determining project target group	3.15	8	3.29	5
Scheduling activities	2.97	8	3.02	9
Compiling project budget	3.51	4	3.41	4
Preparing liquidity plan	3.57	2	3.59	2
Preparing financial calculations	3.80	1	3.80	1
Preparing communication plan	2.70	13	2.75	13
Presenting sustainability	3.43	7	3.20	6
Selecting equal opportunity aspects	3.52	3	3.06	8
Selecting sustainability aspects	3.46	6	3.14	7
Providing declarations	2.73	12	2.92	10
Preparing studies	2.79	11	2.78	12

Source: author's own editing based on questionnaire research database

ods. I shall demonstrate the values using a spider web chart (see Chart 14). It can be established that applicants were very rational, because support intensity was always the most important factor in both periods. The chart demonstrates that under the New Hungary Development Plan organisations are not solely concerned by financial support, rather there are elements of a strategic approach that come into play (alignment of goals) as well as planning for the long-term (sustainability). It is my conclusion that the project approach has permeated—even if to a small extent—the level of economic agents.

In my opinion preparing tender applications is a very complex task. Certain application measures do not only expect those responsible for preparing tender applications to be thoroughly familiar with the grant scheme, they also expect them to be familiar with specialised

areas. Prepared on the basis of my research, Table 3 fully supports my conclusion. As an economist the most striking point was that applicants said, with reference to both periods, that financial process related planning and calculations represented the greatest difficulty for them.

*Evaluation of the grant scheme, expression of opinions*

I looked at the tender preparation experiences of the applicants by asking an open-ended question. In my opinion the topic is important in that the experiences represent important information for participating and management bodies to be able to further develop the system. Based on the data of Table 4 it can be established overall that the experiences gained during the operation of the grant scheme fully contain the elements of the learning process of

**CLASSIFICATION OF APPLICATION PREPARATION EXPERIENCES BASED ON THE RESPONSES GIVEN BY THE RESPONDENTS**

Positive experiences	Negative experiences
<ul style="list-style-type: none"> <li>• SMIS application completion system,</li> <li>• Operation of FAQ service,</li> <li>• Operation of a freephone number,</li> <li>• Schedule of the measure known as of 2007,</li> <li>• Standard, uniform document structure,</li> <li>• Public evaluation criteria</li> </ul>	<ul style="list-style-type: none"> <li>• incomplete calls for application modified several times during the tendering period,</li> <li>• frequent modification of the calls for application in the 2004-2006 period,</li> <li>• ambiguous explanation of which costs are eligible,</li> <li>• contradiction between eligible cost and accounting rules,</li> <li>• short deadline for the submission of the application and the call for applications,</li> <li>• changes made to the application completion program before the submission deadline of the application,</li> <li>• setting expensive studies as a requirement for the application,</li> <li>• delayed support decision,</li> <li>• conflicting information given to the employees of intermediate bodies,</li> <li>• overly complicated requirements applied to proving the existence of own contribution.</li> </ul>

Source: author's own editing based on questionnaire research database

the managing authorities. Regulation and the preparedness of human resources are extremely important in the future. Predictability is the basis of planning; it must become a generating element of future projects and applications. It was an important part of my research to map out whether applicants have forward-looking development ideas and project plans. Under the National Development Plan 28.94 per cent of respondents had ideas and 54.54 per cent of those also had a matching a project plan. Under the New Hungary Development Plan the ratio of respondents with ideas was 33.33 per cent; however, under this scheme the ratio of those with project plans was much higher reaching 70.58 per cent. As a result it can be established that comparing the two periods the project approach has started to gain ground. It is important to point out that respondents wish to employ project planning methods in the future that require special skills and knowledge.

**CONCLUSIONS**

In Hungary, the structure of public administration is about to be transformed. During the restructuring it should be taken into account that regional development—as a micro-regional function—is essential and the results thereof are proven by practice. I think it would be important to take into consideration the following aspects for the establishment of the local levels of the new administrative structure: regional and local traditions, coordination of settlement networks, and organisation of administrative tasks.

The settlement structure of Zala County characterised by small villages was determined by topographical and climate conditions. Having examined the indicators describing the socio-economic processes of the regions, it can be established that based on population numbers, age structure, access to infrastructure, and employment and income conditions there are

considerable differences between the levels of development of the various micro-regions.

Nowadays, regional development support consists of national and EU grants. National support essentially supplements EU grants and serves the achievement of development goals. In the future we need to operate a more coordinated grant scheme that does a better job of taking the developmental differences of the regions into account. A scheme that can handle the problems of a county made up of small villages and does not only generate project-level development in cities and towns. In my opinion we need a scheme that focuses on supporting the implementation of investment type projects, as a result of which the infrastructure indicator values of the complex indicator will improve, thus taking the value of the complex indicator with it.

The differences between the micro-regions and settlements of a county in terms of the extent of support granted correctly predict the absorption capacities thereof. Settlements with higher population numbers within the micro-regions submitted more applications. In my view the potential, professional knowledge that would be able to generate and implement developments in such small villages is insufficient. I think that this problem can be solved through an innovation mechanism from above, which builds on regional capabilities and manages regional problems while also involving stakeholders in the planning and implementation processes.

Based on the results of my primary research, it can be established that the projects implemented at the micro-regional level matched the socio-economic characteristics of the region. This outcome confirms the success of planning. In my opinion, this success, however, is limited, as the county was only able to utilise two-thirds of support available through the

grants it was awarded. I recommend that in the future more attention should be paid to generating projects, and the problem of the lack of funds should be managed by means of two-round measures.

As a result of my research I proved that the content elements of the micro-regional strategic programs and sectoral documents proved the utilisation of the project approach at the micro-regional level. In my opinion, the project cycle and management methods used in the EU support scheme contribute considerably to the dissemination of the project approach and the practical application of project planning methods at the level of economic agents in Hungary.

Based on the results of the research I have carried out among the economic agents of the county it can be established that in terms of securing non-refundable EU funds applicants were mostly motivated by the size of available grants. Applicants' decisions on bringing in funds were mostly influenced by support intensity values. With respect to applying the PCM method, organisations are still taking their 'baby-steps'. With the exception of investment type projects, only a handful of applicants have project plans, and they only tend to use two of the project planning methods available. It is my recommendation that trainings in the areas of project planning and management should continue in order to ensure the more effective utilisation of EU funds. Setting up a consultancy scheme could be an alternative solution, which would not only provide assistance with regard to the implementation of regional and micro-regional applications—as under the current practice—but would also make project consulting related to measures financed from development plans available at the regional (micro-regional or borough) level.

## NOTES

- <sup>1</sup> EC – European Community
- <sup>2</sup> NUTS – Nomenclature des Unités Territoriales Statistiques (Nomenclature of Territorial Units for Statistics)
- <sup>3</sup> Absorption capacity – shows how much support a given country or organisation can receive and efficiently utilise.
- <sup>4</sup> NDP? National Development Plan, NHDP?New Hungary Development Plan
- <sup>5</sup> ROP – Regional Operational Programme
- <sup>6</sup> WPOP – West Pannon Operational Programme
- <sup>7</sup> ARDOP – Agriculture and Rural Development Operational Programme
- <sup>8</sup> TOP – Transport Operational Programme
- <sup>9</sup> HRDOP – Human Resources Development Operational Programme
- <sup>10</sup> SROP – Social Renewal Operational Programme
- <sup>11</sup> SWOT – Strengths, Weaknesses, Opportunities, Threats

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