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The concept of the modernization of national economic planning

Based on the audits conducted by the State Audit Office (SAO) and the analyses prepared by its research institute, we do not think that Hungary has such national economic planning in place by relying on which the challenges posed by our global and EU convergence can be met by comprehensive solutions. This is why we aimed to prepare a study that proposes concepts of modernizing such planning on the basis of four basic principles. These are as follows: the creation of the conditions required for developing the logical system of planning; the creation of a higher level of synchronicity with the EU's planning and decision-making cycle from the side of domestic planning; the development of a system of national economic planning to replace the fragmented planning activities, as well as the creation of conditions for an open and transparent, comprehensively controlled planning system, and the active participation of the representatives of the civil sector in the latter. In the article, the key directions of the actions proposed for the realization of the concept are also described.

During the audits performed by the State Audit Office and in the programs organized by its research institute, special emphasis has been put on the new tendencies of state involvement, the examination of the influencing factors, as well as the execution of state functions and tasks, for several years. One example for this is the publication of our public finance the-

ses concerning the reform of public finance in 2007, while the other example is the study entitled *The Sensible Involvement of the State in the Global Economy of the Early 21st Century*, which was published in 2009. However, our activities are aimed not only at public finances but also, the processes of the real economy as a whole and the social processes as well.

In doing so, our view that *Hungary has not got an appropriate planning system in place*, by relying on which *we could give comprehensive answers to the challenges posed by our global and EU convergence and to those meant by the strengthening of the social safety net*, is becoming increasingly stronger. This is why we have aimed to prepare such a study in which the best practices of some countries are described and the reasons for the need to modernize the planning system are summarized. On the basis of the latter and based on analyzing the challenges posed by the new international environment, European integration and domestic development, as well as the analysis of domestic practices, *a conceptual-level proposal for the basic principles of planning and its potential structure is made, on the national, local government and regional levels alike.*

In the SAO's 2010 audit plan, the audit called *Auditing the Operation of the Central Budgetary*

Planning System is identified as an audit to be launched in 2010 and stretching over to 2011. Our research effort is aimed to provide a scientific background (information, international benchmarks, analyses, hypotheses) for this audit.

SOME INTERNATIONAL “BEST PRACTICES”

It would be desirable to see that the methods and techniques of management sciences spread in Hungarian economic management as well, just like in the developed market economies. In the past few years, those who used the words “plan” or “planning” were often reprimanded. However, the success of the prosperous countries was also rooted in their highly-developed planning cultures. They use the concepts and techniques of information representation, i. e. those of plan and planning, accurately, since their organizing power and usefulness have been proven in multiple ways (the Hungarian practices are misleading, as each individual uses a different terminology, full of inconsistencies). They are aware of the difference between a goal and a program. There are no endless religious disputes on what we need more: the program, the project, the plan, the forecast, or the preconcept.¹ It cannot happen either that they would primarily use budgetary concepts listed in categories for the exclusive expression of forecasts. It is not the cashflows that have primary dominance but the specific problems that are resolved and the results that can be demonstrated in the world of the natural, human and artificial spheres; so the financial sector is adjusted to these natural spheres. The *idea of strategy* can also be rightly interpreted in this context, rather than in itself, or as some kind of a jolly joker concept – it should rather be interpreted in the correlations of a context. This means that in case that we are probably able to control some sphere of phenomena, then the following *organizing ideas* will be developed.

They will only establish a vision if they have a relatively *clear view of the current situation at any time*, including what should be changed and what can be left unchanged. The result of the change can usually be achieved *according to various strategies*, to each of which realistic timing is allocated. In general, it is a question of political stances what kind of future they envision and what kind of strategy they select for that.

In Western Europe, it is usually mid-term planning, for periods of three to five years that is regarded as appropriate. This mid-term view of problems and visions serves as the basis for the annual government budgets within the time horizon (especially in Denmark, Germany, Spain, Ireland and the Netherlands). There are some countries where the mid-term plan and the annual budgets are prepared by a single organization, which is usually the Ministry of Finance, this is what happens in Spain, Ireland, Norway and Finland. In Germany, the Netherlands and Denmark, these two kinds of jobs are done by different organizations but the two tasks are well coordinated.

Prior to carrying out such tasks, it is generally *the priorities of economic policy*, i.e. the goals and the strategies selected for the latter, that are defined. Countries following this practice include, for example, France, Ireland and Holland. These key subjects selected from the vision are the bases for the negotiations between the social partners and the government. In Ireland, even the capital investments are organized in accordance with this.

Based on the experience gained recently, there is general satisfaction with these visions of these key subjects (for instance, in Ireland, Spain and in Germany before reunification). This is the case even in Holland, where the impact of external factors is highly enforced, as a result of the extraordinary openness of the country. The quality of future visions was improved by Finland by its having been able to

balance the unfavorable effects arising from the dissolution of the Soviet Union in 1991–1992.

In reality, *the mid-term visions are also harmonized with the long-term ones*, like, for example, in France, Holland, Norway and Germany. The majority of long-term visions are of the type where a goal is identified and a wide range of society and experts participate in its development.

The Norwegian and Finnish practices are especially instructive, although these are also typical in the other countries. They think in terms of what they call *value-creating activities*. The courses of development are required to be such that the solution of the problems of the present should not threaten the life of the future generations. They think in terms of “sustainable development” and “information society”, within which they protect the increasingly threatened environment, and they encourage the spread of knowledge-based thinking as rapidly as possible. This complex forward-looking job includes several elements. They cooperate with the international community in developing a European vision and they stress the significance of knowledge and expertise, i.e. the human capital, in the internal and European planning efforts.

Besides briefly highlighting the planning practices of the developed market economies, the international experience that *planning is an important tool of economic convergence in many developing countries*, should also be mentioned. According to a 2009 survey encompassing as many as 47 countries,² it is in 32 countries that planning is done on the level of the national economy, from among which four are developed countries (Austria, Canada, Germany and Switzerland), the others are converging ones. According to the survey, in the countries that are involved in planning, the documents that envision the outcome of planning can be listed in the following four groups:

- political (coalition) programs (Bulgaria, Germany);

- mid-term development plans and economic programs (China, Tunisia);
- long-term development plans and economic programs (Russia, Lithuania), as well as
- programs related to the budget (Norway, Malta).

STARTING PRINCIPLES OF MODERNIZATION

Besides studying the best international practices and examples, the further basis for research is *the summary and evaluation of the experience gained in planning* that has been developed in the past few years, since we aim to *develop our own planning culture that meets our national needs and characteristics*, which at the same time meets the needs of international cooperation, first of all those of the European Union.

The next chapters contain the detailed description of the practical experience gained in domestic planning in the past few years. In this section, we have exclusively made summary conclusions on two significant areas of planning.

As regards *national development planning*, it can be concluded that neither the first national development plan, nor the second one drafted for the period between 2007 and 2013 has proven to be satisfactorily efficient in the moderation of regional discrepancies, or in increasing the resources of the entrepreneurial sector, especially those of the micro-, small and medium enterprises. This situation is made even worse by that the regulation of the New Hungary Development Plan (NHDP) does not have a satisfactory statutory background, the equal opportunities of the applicants are not duly enforced and the calldown of the EU funds is slow.

One of the gravest mistakes of *Hungarian budgetary planning practices* is that baseline,

institution-oriented planning is unsuitable both for enforcing the performance requirements and for laying the basis for the required structural changes. There is no alternative to the pursuing of the goals of the financial balance. This practice also greatly contributes to the regular reproduction of balance problems. Many of the countries which are ahead of us have proven that the performance requirements from the public sector as a whole, its branches, as well as its individual players result in a welfare surplus, for achieving which Hungary does not yet have the right conditions.

It can be stated that currently Hungary *does not have a planning system and coherent practices in place*, since the individual planning activities and the already developed plans are not built on each other according to predefined coordination logics, or at least they are not closely tied to one another. What we can talk of is at most a very loose system of connections between the planning activities and plans, which are developed in an ad hoc way. “Everyone deals only with their own responsibilities”, as is often remarked. Thus, the existence of inconsistencies in the contents is unavoidable, which renders execution, such as the compilation of so-called action plans in the practice of the NHDP, difficult. Without the existence of a system, the development of parallelisms is also the unavoidable accompaniment of the planning job, which leads to the unnecessary wasting of resources.

In answering the question with a view to the realization of *what principles* we encourage the modernization of planning, or, more precisely, that of the planning system, by which we mean all three of its elements such as *the preparation of plans, their practical execution and the controlling, monitoring thereof*, since planning cannot be treated in isolation from the implementation and control of the plans, we have the following to say.³

Our *four basic principles* that serve as the basis for modernization are the following, for the purposes of the research.

- ① Creation of conditions necessary for the development of the logical system of planning.
- ② Creation of better synchronicity with the EU's planning and decision-making cycles from the side of Hungarian planning.
- ③ Development of a national economic planning system to replace the fragmented planning activities.
- ④ The creation of conditions for an open and transparent, comprehensively controlled planning system, and the active participation of the representatives of the civil sector in the latter.

CREATION OF CONDITIONS NECESSARY FOR THE DEVELOPMENT OF THE LOGICAL SYSTEM OF PLANNING

From among the numerous system errors of our planning practices, it is only the three most important ones that we are going to deal with in this section, i.e. the lack of clarification of the nature of planning (plans), the deficiencies of legal foundations and the encouragement of the execution of the plans.

Concepts and nature of planning and plans

According to Note e), Paragraph (1), Section 35 of the Constitution of the Republic of Hungary, it is the government that takes care of the development and execution of the socio-economic plans. Pursuant to Note c), Paragraph (3), Section 19, the National Assembly is responsible for defining the country's socio-economic plan. However, it is not defined in the Constitution what is meant by a socio-economic plan, with what contents and for what time horizon it should be prepared.



We propose that the following be considered in order to answer these questions.

On the one hand, planning is such a tool of creating an efficient state, operated with the active participation of the civil sector, by which the bases of the definition of the country's vision of the future, as well as those of the goals and tools of social and economic policy can be laid, by working out the possible versions of the development courses, in a professionally comprehensive way, and one which supports the achievement of these goals by creating a comprehensive development policy and initiating state measures on an ongoing basis. The process of planning does not only mean the setting of objectives and the definition of the necessary tools but it is also the institutional scene of the reconciliation of interests and institutional bargains between the stakeholders of public policy decisions. The management of the planning process, the acceptance of the plan, and the control of execution are the competence of the elected state bodies.

In a planning theoretical approach, this idea of planning is close to the so-called postmodern direction of the paradigms that affect planning, according to which this activity provides a well-structured basis for social action with a single-minded and forward-looking approach.⁴

This interpretation of planning, from the side of practice, is close to the Dutch practices, to the extent that, in the planning phase, it supports the definition of government objectives by political decision-makers only from a “professional” aspect, and it aims to establish a basis for the selection of the most efficient solutions (measures) with regard to the tools serving the achievement of the goals. In the implementation phase, however, it makes sense for the Hungarian planning system to play a more active role than that: it should receive wider and more independent authorities than the current ones in the allocation of the development funds *based on professional criteria*, in order to improve the effectiveness of growth and

employment, which are in harmony with the development goals. In this sense, state planning, in a theoretical context, is an activity that is targeted at fulfilling the functions of allocation, redistribution and stabilization, of the four main economic functions of the modern state. In this sense, planning is a *synthetizing state function, so-called coordinative planning*.

As regards the contents and time horizon of the plans, the preparation of national development plans was required from the acceding countries by the EU, the completion of which is also the condition of receiving EU funds. In relation to these plans, the deficiency that, in the case of Hungary, the developments implemented exclusively from domestic resources are disregarded, although these play an important role in several areas, is to be eliminated.

The member states are obliged by the EU requirements to prepare *mid-term convergence (stability) programs* in order to enforce the requirements of the general government balance. These play a key role in the compilation of the development plans, as well as in the development of the annual budget. However, it is still an unclarified correlation whether it is the development plan that has to be adjusted to the *state budget* that meets the criteria of the convergence program (CP), or it is the development plan, which has been prepared and accepted on the basis of the environmental conditions, to which the convergence program has to be adjusted.

It is obvious that in these dilemmas, it is only in possession of high-scale assumptions that the side of one or the other option could be firmly taken. The way to release the tension that has developed, and exists, between these plans (programs) is, in reality, most frequently through *the simultaneous and mutual harmonization of the three sides (the development plan, the convergence program and the budget)*, and in the long term, it will only cause increasing problems if the development plan “lags behind”

in the change process, and does not follow the changes in the external and internal conditions, for which we have seen several examples in the difficult period of the recent past.

The *sustainable development strategy* of the established planning practices *for the long run* (for 15 years) was also developed as a result of an EU initiative. This, however, is currently not able to fulfill its function in outlining the country's vision for the future and in providing a satisfactory basis for the effective harmonization of the above-mentioned plans (programs) by defining the priorities.

The legal foundations of planning

Considering that the development policy of any time has significance for the society as a whole, its importance is also declared by the Constitution.⁵ The elaboration of the *law on development policy* was not prepared, although its necessity was declared in the National Assembly's resolution No. 96/2005 (XII. 25.) on the National Development Policy Concept. Thus, the definition of development policy, as well as its connection to the national economic planning system has remained without a statutory background to date, its operation is determined in government and ministerial decrees.⁶

For these reasons, and witnessing the multiplying disputes and harmonizations about the bills, it was proposed by the State Audit Office in its June 2008 report that

- *the government* should take care of the preparation of the comprehensive statutory regulation of development policy in accordance with the requirement set out in the above-quoted National Assembly resolution issued in 2005; and
- *the minister of national development and economy* should initiate the statutory clarification of the criteria of classification and the concepts of national and regional

interests in order to compile the priority projects in a lawful and expedient way; he/she should think over the composition of the priority projects, the expedience thereof and should propose their transformation in such a way that they should in fact serve national social and economic interests, at the same time ensuring equal opportunities for the backward regions.

As a result of this, a government decision was made on overviewing the wider correlations of development policy and their legal substantiation, which concept will be presented to the government by the competent minister, by identifying the issues that require political decisions. In the process of developing the concept, only experts' meetings have been held by now, in which the SAO also took part as a guest, at which forums the following key issues in relation to the concept were brought up:

- with regard to the fact that in lack of a statutory background to development policy, the operation of the latter is defined by government and ministerial decrees, in which the regulation of some elements is basically coherent but due to the lack of a uniform statutory basis, there is a hazard of the development of legal loopholes and parallelisms, the management of the development policy is the responsibility of cabinet-level development management bodies, thus the need for the development and acceptance of a law on development policy, or instead, one on national economic planning, which would also regulate the compilation of a development policy, still exists;
- the level of statutory regulation is necessary, since the fundamental rights and obligations of the municipalities can only be defined in a law, furthermore, due to the fact that the civil sector is also affected, no satisfactory regulation for the cooperation

Creating interests in the implementation of the plans

necessary for planning can be established by issuing decrees;

- different from the attempts to date, rather than encouraging the preparation of codified draft texts as part of the legislative activities, the focus should be placed on the elaboration of analysing types of professional studies and their comprehensive discussion both within the professional circles and in the society at large.

Based on all this, we propose that in *the further legislative efforts affecting the subject, a wider range of decision options should be considered and from among these, the most expedient version should be elaborated in detail:*

- only the development policy law in its narrow sense, i. e. not including the planning aspects, or a law that also encompasses the institutional system and processes of planning, should be developed;
- the elaboration of an independent framework law that also regulates the institutional system and processes of planning is also justified besides the development policy law in its narrow sense;
- besides the framework law that encompasses the institutional system and processes of planning, statutory regulation should also refer to the plans that represent the result of planning;
- rather than having laws on development policy and planning, or plans, regulation on the level of decrees should also be maintained, in the case of the development of which decision-making, regulation, and interim modification should be a sole government competence.

From the research, we came to the conclusion that besides a development policy law in its narrow sense, the creation of an independent framework law that encompasses the institutional system and processes of planning would best contribute to the modernization of national economic planning.

The effectiveness of planning is greatly influenced by the commitment of the executing institutions (persons) to the accepted preferences and the realization of the goals in the phase of the implementation of the plans. The participants were very poorly motivated not only in the recent years (for instance, in the utilization of the PHARE-programs and the EU pre-accession funds) but practical experience shows that the level of motivation is currently not satisfactory either. Changing this makes it necessary to apply the *institution of plan contracts*. In the international planning practices, examples for this can be found in the cases of the Polish institution of voivode contracts and the French uniform regional programming procedure.

The application of this is of special importance and is a task to be solved in the course of creating responsibility for, and interest in planning and executing regional and rural development. The tasks whose performance is undertaken by the region and delegated by the center should be summed up in the so-called *regional plan contracts*, in which the funds, the measurement indicators, the method of financing, the frameworks of control, as well as the sanctions involved by potential defaults would be defined. This form of cooperation is already specified in Act XXI of 1996 on Regional Development but the execution decrees required for the application of the law have not been elaborated by the government to date.

In relation to this, we would like to note that Section 400 of Act IV of 1959 on the Hungarian Civil Code contained the plan contract from September 1, 1966 until March 1, 1978, as a contract whose contents had to be defined by taking into account the needs that arise in the course of the economic activities aimed at executing the objectives of the national economic



plan. Plan contracts also appear in the legislation of our days, for example, it is stipulated in National Assembly resolution No. 97/2005 (XII. 25.) on the National Regional Development Concept that in order to ensure the regional utilization of the decentralized development funds, a system of public contracts (plan contracts) between the government and the regional players should be established with an effect of several years. In government decree No. 2011/2008 (II. 14.) on the Action Plan on the execution of the tasks defined in National Assembly resolution No. 67/2007 (VI. 28.) on the subsidies for regional development and the principles of decentralization, as well as the criteria of classification of the beneficiary regions, the development of the rules of a plan contract system to be established between the government and the regional development councils is required, with a similar purpose.

PRINCIPLE OF SYNCHRONIZING DOMESTIC AND EU PLANNING

As we have seen earlier, the fulfillment of EU requirements in planning is of critical importance. At the moment, we have not even got one single country plan which was prepared independently from the EU expectations, at our own initiative. We can say that the EU is the main driver of the establishment of an efficient planning culture in Hungary and in the other member states that have joined the EU recently. What we have noticed here is a phenomenon similar to the execution practices of the Marshall Plan, as a result of which perspective, mid-term, or rather, long-term planning was established in the countries of Western Europe in the Post-Second World War era.⁷

After the pioneer elaboration and implementation of the *Széchenyi Plan* in 2000–2002, it was the compilation of the *I. National Development Plan (NDP I)* for 2004–2006 that

triggered a planning practice with the involvement of the entire government and in compliance with the EU requirements. The experience gained from the execution of NDP I can be summarized as follows, in three key points:

- the level of structure of the goals of NDP I was not satisfactory;
- NDP I was of a technical and accounting nature in many respects, several of its chapters resembled those of the budget, i. e. it was not target-oriented but excessively resource-oriented. In spite of this formal similarity, we still cannot state that it was coherent with the budget, but so-called special bureaucratic deals were noticeable in it in several cases; and
- there was no organic connection or proper transferability between the individual chapters of NDP I.

The *New Hungary Development Plan (NHDP)* for 2007–2013 is also of outstanding importance from the aspect of our development policy. This plan contains the national strategic framework program in which the development priorities are defined and the individual priorities are described in a separate operational program. Each member state is free to define their own development plans but these should be approved by the EU, along with the operational programs.

It is the *National Development Office*, and from 2006, the *National Development Agency (NDA)* that is responsible for the coordination of the preparation of the NHDP, in which the government strategy is identified and the EU requirements are met.

As one of the most important characteristic features of the elaborated national plans such as NDP I or NHDP, we can say that *their contents are one-sidedly focused on development policy*, they satisfy the requirement of being documents describing the areas to be supported, besides identifying utilization, for the purposes of winning the EU support but they do not

meet the macroeconomic and economic policy coordination requirements in the wide sense of the words.

It should also be emphasized as an important feature that the decision-making responsibility with regard to the EU appropriations rests with the president of the NDA in the planning and reporting obligations concerning the appropriations, while it is the minister of national development and economy who has the regulatory authority. Thus, it is not only decision-making but also responsibility that is shared, which makes transparency and accountability difficult.

The plans and their elaboration are characterized by *the high number of priorities*. It may be related to that endeavor of the ministries and the regions that they would like to get access to as many EU funds as possible, however, this practice is still unfavorable, as it may create unfounded illusions. This was, among others, visible in the high number of proposed operational programs at the beginning of the elaboration of the NHDP, which had to be considerably reduced, also to meet the requirements of the European Commission.

Overlappings and parallelisms between the operational programs that played a key role in the execution of the plan could not be fully avoided. This problem arose in the case of planning entities affecting several operational programs such as the complex programs and the priority development poles.

It is a further characteristic feature affecting the connections between the established plans and the planning practices that *the decision of the future* (continuation, modification or termination) *of the programs started in the context of NDP I did not receive enough attention*, in their incorporation into the NHDP.

With regard to the elaboration of the NHDP, according to the technical literature, it is also noteworthy experience that *the presentation of the axes of development was not uniform*.

▶ While the plan, within the axis of the competitiveness of the economy, does not define any priority axes (but lists areas of intervention), the other development axes outline priority axes without any specific areas of intervention, and in the case of the latter, the explicit presentation of the dimension of area is also missing.

▶ The axis of regional development outlines several development areas which are also listed in another development axis without referring to them, or the avoidance of overlappings, or the obvious necessity of a clear separation. As regards the development axis of regional development, it is unclear how the regional developments that are of key importance from a national perspective and require central coordination appear in the structure of the operational program.

▶ In the case of some axes, reference is made to the ability to incorporate them into the operational programs, in some other cases, there is no such reference. The description of the axis of environmental development is the briefest and the most concise.

It can be concluded on the basis of these few examples of planning experience that besides the need to improve the general professional standards of planning, significant progress should be made in several other respects in order to ensure that this activity meets the rapidly increasing requirements.

Beyond the elaboration of the development plan, the EU's planning strategy requires synchronicity, or the improvement thereof in the following areas as well.

▶ The *Lisbon Strategy National Action Program (NAP)* should be developed and the annual report on its execution should be prepared in such a way that the application of macro- and microeconomic policies, as well as the measures aimed at improving competitiveness and increasing employment should receive special attention.



▶ In line with the Göteborg Program, the *National Sustainable Development Strategy (NSDS)* was elaborated on the subject of the key directions of the actions necessary for achieving sustainability, with special emphasis on the areas of environmental protection and energy management.

▶ Due to our participation in *the Hague⁸ and Stockholm⁹ Programs dealing with the issues of security, organized crime and illegal migration*, these special policies should be developed, considering that this area has become a major area of EU cooperation.

The member states had to develop three-year strategic documents aimed at the realization of the Lisbon objectives (*National Action Program for Growth and Employment, NAP*) in a wide-ranging partnership, especially by involving the social partners, and this also had to be discussed by the National Assembly.

Each member state had to prepare a report on the execution of the action program and the new measures taken in relation to the Lisbon Strategy in 2006 and 2007, based on which the other member states and the European Commission evaluated progress jointly, on an annual basis. The social partners also had to be involved in monitoring the execution of the action program. A new three-year cycle began in 2008, by the elaboration of a new action program.

The first Hungarian action program (NAP) was completed by the predefined deadline, i. e. by October 15, 2005, and it was sent to the European Commission by the Hungarian government, after its domestic approval. As part of the compilation of the NAP, in October 2005, a harmonization conference was held *with the participation of a wide range of social organizations*, the experience from which was endeavored to be taken into account in forming the final version of the NAP. NFH (the National Consumer Protection Agency), PM (the Ministry of Finance), GKM (the Ministry of

Economy and Transport) and FMM (the Ministry of Employment and Labor) invited more than 500 organizations to comment on the document, primarily those which had already taken part in the efforts related to the National Development Policy Concept, including the professional bodies of OÉT (the National Council for the Reconciliation of Interests), the county-level employment centers and municipalities.

On January 25, 2006, the European Commission published its annual report on the Lisbon Strategy. In the report, the 25 national reform programs (National Action Programs) prepared in 2005 were evaluated, and based on the conclusions that can be drawn from these, *the new results achieved in the Lisbon process were comprehensively analyzed for the EU as a whole*, furthermore, the *deficiencies* were listed as a guideline for the actions to be taken in the next period. According to the analysis, the Commission wished to draw the attention of the Hungarian government primarily to

- the strategy of ensuring the general government balance,
- measures aimed at the strengthening of competition in the network industries,
- the improvement of the business environment, including the financing background of the SME's,
- better harmonization of the education and further training system with the labor market needs.

On October 15, 2008, Hungary's National Lisbon Action Program for 2008–2010 was submitted to the European Commission, in which program the Commission's country evaluation and recommendations were also taken into account.

Hungary's National Action Program was prepared according to the strategic goals defined by the EU's so-called integrated economic and employment policy guidelines. The key Hungarian challenges were defined as fol-

lows, by taking the frame conditions of the Lisbon Strategy into account.

The priorities are based on those defined in the 2006–2007 National Action Program, accommodating to the changing conditions and taking the results achieved in the past period into account. On the basis of the results of the convergence program, as well as due to the initial moderating effect of the adjustment of the budget deficit on growth and employment, it was an important criterion that the public finance deficit should continue to evolve according to the course described in the convergence program. Nevertheless, the government actions aimed at increasing growth and employment also received attention among the priorities.

The execution of the reform measures in the macro- and microeconomy and in employment, as defined in the action program, or the measures specified in the New Hungary Development Plan and the convergence program did not contribute to the long-term growth of employment and the economy, as a result of the lack of necessary coordination, in spite of the fact that the government conducted a social dialog on the National Action Program with the National Council for the Reconciliation of Interests, the Economic and Social Council, the National Rural Development Council, and the Hungarian Academy of Sciences. A high number of comments was received through the homepage of the National Development Agency, besides which several organizations submitted their opinions, which were incorporated into the final action program by the NDA.

The *National Sustainable Development Strategy (NSDS)* and the related member state report on the execution of the European Union's revised strategy of sustainable development was approved and then sent by the government to the European Commission in June 2007, after its coordination with the society. The strategy was also discussed and

approved in the form of a resolution by the National Assembly in the autumn of 2007. The government made a decision on that the strategy would be reviewed by predefined frequency, and in relation to this, specific, two-year action plans would be elaborated and executed.

In managing the planning efforts of strategy building, NFÜ (the National Development Agency) and the Ministry for Environment and Water took their share as equal participants.

The main objective of the long-term strategy was to facilitate the transfer of the social-economic-environmental processes in Hungary as a whole, i.e. the development of our country to a course that is sustainable in the mid- and long term, by taking the Hungarian characteristics and the wider processes and conditions into account.

The strategy tackles a remarkably high number of important issues *in a modern approach* but this is not typical for the whole document. Some analyzing approaches that are widespread on an international level are missing from the document, for example a systems-based approach to the institutional background and responsibilities, the development of competences, as well as that of execution and follow-up actions, and the structure of the text is built in such a way which makes it difficult to understand at several points.

In the strategy, *no target hierarchy is described*. Thus, the reader cannot establish a comprehensive vision from the document, which, however, is indispensable in such a strategy. Within the 11 intervention subjects, the targets are defined in no more than one sentence each, so the strategy does not show what social efforts (expenses) should be taken (spent) in order to realize the individual objectives. The lack of this does not allow the selection of the relatively low number of areas by relying on which tangible progress could be made in the sustainable course of development.



The other significant deficiency in the strategy is that *it contains no programming, and it fails to clearly identify the responsibilities and the scope of executors on which it wishes to rely during implementation*, although there are several references to the conditions necessary for this.

As the third key deficiency of the strategy, it should be mentioned, in agreement with other experts,¹⁰ that *it does not tackle the subjects of agriculture and rural development in proportion to their weights*.

In spite of these main deficiencies, the great significance of the preparation of the strategy does not only lie in that the task required by the European Union was performed but also the chance that, by the elaboration of a comprehensive long-term program that was missing from the Hungarian planning culture, a process that satisfies higher professional standards may be triggered, as a result of which long-term planning may in fact become one that creates a vision.¹¹

In connection to these strategic areas, some new planning tasks, or such that have not been satisfactorily performed, can be identified. *Establishing the framework for our participation in the Hague and Stockholm Programs* means new important tasks, since the NHDP does not extend to this. It is true that the NHDP tackles the subjects of the Lisbon Strategy and the Göteborg Program but the affected areas require more determined responses from national planning, the foundations for which may be laid by more detailed and coordinated sectoral policies.

The correction of these deficiencies, along with other, yet unmentioned opportunities, may facilitate the more efficient synchronization of the planning activities of Hungary and the EU. Due to getting closer to shorter term budgetary planning and the elaboration of the convergence programs, the reduction of the budgetary time horizon of seven years, which has been applied in EU's planning practices to

date, to five years, creates a favorable situation for this modernization.

DEVELOPMENT OF THE SYSTEM OF NATIONAL ECONOMIC PLANNING

Systems may be built according to several different logics. We regard the creation of a system as important primarily according to the following *three dimensions*. These are

- differentiated by the *levels* of management and planning: the levels of the national economy, as well as the regional level and that of the municipalities,
- the planning activities and plans different according to the *time horizons*, as well as
- the planning activities and plans aimed at the *financial and real processes*.

Management and planning levels

From among the three elements of system building by levels, it is *on the level of the national economy* that we can see the most extensive planning activities.

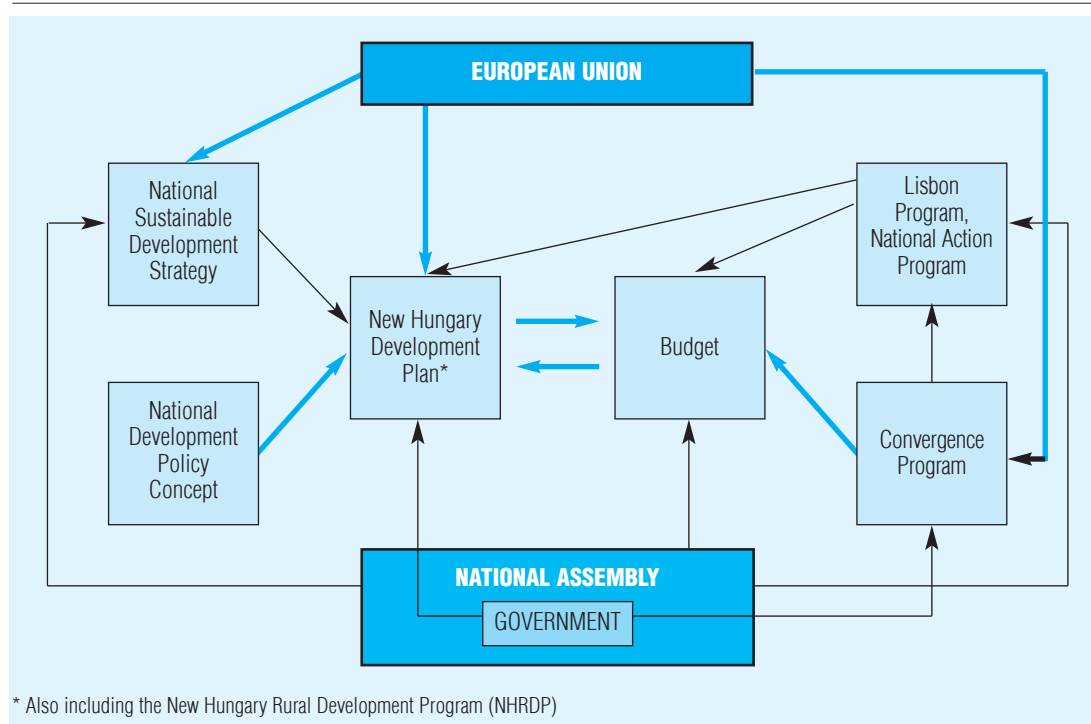
Chart 1 illustrates a quasi-system of the established correlations between the activities, plans, programs, and institutions of *national economic planning*.

In this quasi- or virtual system, the relatively close, dominant connections between the plans (programs) are indicated by arrows in bold type. We have highlighted strong institutional (EU) dominance similarly, which is demonstrated not only in commenting on the plan (program) in question but also in its acceptance, in the case of the NHDP and the convergence program (CP). With regard to the leading Hungarian state organizations, it would of course be unnecessary to emphasize such roles.

As can be seen in the diagram, the correlation between the NHDP, the NHRDP and

Chart 1

CORRELATIONS BETWEEN THE PLANS, PROGRAMS AND INSTITUTIONS ON THE LEVEL OF THE NATIONAL ECONOMY



UP TO DATE PLANNING SYSTEM - A STRONG AND EFFICIENT STATE

the state budget is an issue of central importance.

The NHDP is highly selective: as a result of its function, it does not outline a macroeconomic course, the correlations of budgetary and monetary policies, it only contains the amounts of EU subsidies and the related Hungarian co-financing from among the development expenses that are meant to found economic growth, its implementation is not evaluated every year, the latter is partially done in the context of the Lisbon Strategy National Action Program only once in three years.

It is a further grave deficiency of the NHDP that it *“lags behind” in monitoring the changes in the domestic and external conditions*, as the requirement of regular planning is not enforced in connection to it. Since its acceptance in 2007, it can be regarded as a plan in an unchanged status, in spite of the fact that the

system of two-year action plans, which is a Hungarian methodological innovation, in principle, allows the “correction” of discrepancies between the plan and the realization of the operational programs. An adjustment that also affected the operational programs was performed only because of the high-scale international financial and economic crisis at the end of 2008.

At its meeting on December 17, 2008, the government addressed the issue of its initiative to reshuffle the operational programs of the NHDP in order to alleviate the effects of the economic crisis and boost the economy. The intention is that the ultimate main beneficiary of the rearrangement would be the SME's, since they are the ones who employ most of the employees, and it is from among them that those applicants who are able to use the rapidly utilizable development funds come, and by

doing so, they are able to promise the retention of their employees, by the implementation of complex capital investments if possible, thus contributing to reducing the adverse employment effects of the economic crisis.

From the aspect of the operational programs of the NHDP, in lack of a development policy law, the National Development Policy Concept plays an especially important role, which provides a basis for planning activities as allowed by the opportunities available to it, and has set a deadline of 2020 for the country's development policy in the achievement of the strategic goals. We have to note that this concept is very much like a "basket of wishes" with regard to the goals, and it is not broken down to programs, etc. However, it draws our attention to such boundary conditions as the general macroeconomic context of planning and the need to harmonize the state activities like the steps to be taken for preserving macroeconomic stability, creating efficient state administration, or the consistence and predictability of the regulatory system. The other important factor for the NHDP is the National Sustainable Development Strategy, which calls the attention of the authors of the mid-term plan to the significance of considering the long-term processes.

The state budget is comprehensive in that:

- on the one hand, it contains the co-financing need affecting the budget related to the EU subsidies;
- on the other hand, it encompasses the financial and key macroeconomic processes and by allocating the domestic development expenses and the other state subsidies, contributes to the realization of the development policy objectives. From the aspect of planning the budget, from among the elements of the planning system, it is the CP that is the most critical one, since it contains the commitment of the government to the improvement of the budgetary

balance and the public debt. The role of the National Action Program is smaller but it is still important from the aspect of the sustainability of the macroeconomic policy, the role of microeconomic policies in shaping the economic environment, as well as the boosting of employment.

It is true that the consequence of such a distribution of tasks between the NHDP and the tasks of the budget would necessarily be the continuous coexistence and mutual effects of the two plans, but in reality, no such working relationship has evolved to date, either from the aspect of the official, legal frameworks, or from that of practical operations, despite the fact that the recent years have seen several attempts to represent in the NHDP the state capital investments specified in the budget.

It is obvious from this brief outline of the macroeconomic areas of planning as well that Hungary needs a more closed and more homogenous planning system than the currently existing one, from the aspect of professional and content-related connections. Furthermore, what we also need is that this quasi-system should be complemented by the elaboration of *currently missing, important sectoral and socio-economic strategies*. On the basis of our social position, is it indispensable that a well-considered planning activity should touch upon the solution of such acute problems as the effects exerted by the aging of the population, the improvement of the national health care system, the integration of the Roma population, the support of culture and education, the rebuilding of the state, or even the military reform.

Similar requirements from macroeconomic planning have been set by the recently published Europe 2020 Program¹² of the European Commission, which calls the readers' attention to the necessity of programs to be realized in areas which increase economic growth such as education and vocational training, R&D and innovation, as well as investments into the

broadband internet, energy and transport networks.

For *regional and rural development planning*, the starting point is, on the one hand, NHDP's 5. priority of regional development (with the system of the 7 key poles and the 3 priority projects), on the other hand, it is the New Hungary Rural Development Program (NHRDP). However, this starting point is made uncertain by the circumstance that the NHDP and the NHRDP are scarcely coordinated, in spite of such intentions, furthermore, the circumstance that the amounts earmarked in the NHRDP for the termination, or reduction of regional backwardness are not in close correlation with the appropriations of the annual budgets.

Another problem to be solved is the currently high level of central allocation of resources and the assertion of interests in the planning and implementation of regional developments. The influence of the central institutions is so strong that we can talk about central planning and project implementation even if the realization of a wider (let us say sectoral) development effort is clearly a regional or local issue and its related allocation decisions belong to regional competence.

It also causes problems that the undertaking of regional and areal commitment or responsibility, or such interests are of an extraordinarily low level. Instead of such commitment of the participating organizations of the area (region, county, small region, settlement), almost all of the problems are handled by the NDA, which mostly operates with a resource allocation approach, what is more, in such a way that the requirement of result-orientedness is missing from it. In this context, it causes extra difficulty that, since the regions do not have their own income, assets, etc., they cannot take responsibilities or undertake obligations, so it was the strong central influence that governed almost everything.

As a task to be solved, we would also like to highlight that besides the missing or pushing into the background of certain developments, the squandering of resources can be witnessed in the case of the invited tenders as well, which arises from the view that "the funds have to be spent". It was such factors that contributed to that, among others, the badly missing, appropriate Roma programs have not been completed, just like the rural development programs aimed at reducing backwardness, while administration, in the case of the invited tenders, is interested in tying up as many resources as possible, as soon as possible, even at such cost that perhaps the tenders cannot be fully implemented. The bureaucratic, almost impossible to handle, complicated tender mechanism is also the source of several difficulties.

It is also an important task to *strengthen the planning-development system based on agreements*. For example, there is an expressed need for the standardization of the complex programs (the Roma program, or other, for instance, urban development programs), or for the application of such methodological processes which would found the development of accountable efficiency requirements. The key target areas of the agreements between the center and the region, the region and the county, the region and the small region, the county and the small region, or the small region and the settlement may be the promotion of job creation, innovation and Roma integration. On the level of the small regions, the results of the local agreements can already be seen in their initial form (of cost efficiency). For example, the larger settlement(s) provide(s) services to the smaller ones, and in such a way, it is sufficient to develop the supply functions exclusively in the main settlement(s).

In order to realize this direction of development, it should be solved that, in order to ensure the preparation of the decisions, *such a planning function which is focused on project*



planning built on the actual needs should be established on the small regional level as well. The significance of this function has also been recognized by the “owners” of the individual Operational Programs: more and more of them try to plan the sectoral objectives in the form of programs, or projects, on a sectoral level.

In relation to the development of small regional planning, in order to achieve the allocation of competences between the NHDP and the NHRDP, the classification of the small regions into basically urban and rural regions should be considered. For the development of these two types of small regions, different development policies should be elaborated. In the case of rural kinds of activities, the development of agricultural activities will be critical, while the competitiveness of urban types of areas may be strengthened in another way. In the case of both types of small regions, the city and the surrounding regions should build new types of connections.¹³

As regards the *local government sector*, it is operated with a rather underdeveloped planning culture. This problem is especially acute in assessing and improving the absorption capacity required for the EU subsidies.

It is stipulated by Act LXV of 1990 on Local Governments that each newly elected body of representatives is obliged to prepare an economic program for the political term. Although the contents of the program, or the strategy to be followed are decided independently by the municipality, this statutory obligation is not met by the majority of the municipalities either formally, or in the sense of content.

It can be mentioned as another deficiency, in relation to the laws regulating the utilization of the EU subsidies, that a so-called bottom-up planning philosophy in the legal sense is applied in the regulation, since it is the local initiatives that have priority with regard to the funds that can be obtained both from the eco-

nomical program and through the applications. This approach may even be right in itself but we do not think that this is in harmony with the needs of the Hungarian economy. On the one hand, on the current level of the country's development, it would be self-deception to put the initiative in the hands of those who decide on the local preferences, due to the difference between the actual structure of public needs and the existing resources. On the other hand, the information background and human resources (information on settlements or on public finance) that would meaningfully run this system are not available. Thirdly, the bottom-up philosophy contradicts the requirement of budgetary sustainability.

It is also a key deficiency that there is no content connection between settlement development and regional planning. The “emptied” regional governments are not able to integrate these two viewpoints.

The mention of these problems also indicates that the quality of the financial management by the local governments, the efficiency and effectiveness of performing the local public tasks could be remarkably improved by meaningful activities. An efficient local government planning system would be capable of moderating the above-mentioned anomalies and losses, and promoting the more targeted utilization of the available operational and development resources.

The realization of the above *requires the modernization of the current planning system from several aspects*. These are as follows:

- the incorporation of the mid-term planning obligation in compliance with the obligatory and predefined professional requirements, prescribed with contents differentiated by the levels of local government, to replace the general obligation of preparing economic programs. In this plan, the joint, “consolidated” presentation and planning of the task allocation

between the budgetary limits and the non-budgetary limits should be ensured, in order to ensure that

- ♦ the completed plans are in fact the organizing powers of the operation of the local governments;
- ♦ the municipality financial plans and the goals defined therein are in harmony with the development plans (programs) of the relevant region and ultimately, that of the country, and
- ♦ the “technology” of planning includes the element of applying the program-based planning method;
- the connection of settlement development and regional planning in an institutional form;
- development of the rules and methods of public finance planning, including the development of the planning background of resource allocation between the individual levels and the application of modern budgetary techniques;
- making the regulation of local government funds more predictable by applying the right financial techniques;
- ensuring the information conditions of municipality planning such as the gathering and accessibility of statistics, as well as the development of the public finance information system;

- development of human resources, ensuring the capacities and competences required for planning in the local governments.

Timely harmonization of plans

In discussing *the second dimension of the building of planning systems*, we are starting out from the idea that *the satisfaction of the requirement of timely harmonization is also a significant factor* of the efficiency of the interconnections between the plans, programs and planning institutions, besides the professional contents. This requirement was enforced only on a low level in the Hungarian planning practices (see *Table 1*).

On the basis of international experience, it can be stated that such a planning system in which there is many-sided interactivity between the short-, mid- and long-term forecasts and considerations will be able to support state-level decision-making with a higher level of security.

In view of the harmonization requirement, as is also illustrated by *Table 1*, the currently virtual Hungarian planning system is characterized by several asymmetric “confusions of time horizons”.

▶The budget is mostly elaborated with a short-term approach, the definition of the

Table 1

DATES OF ELABORATION OF THE EFFECTIVE NATIONAL ECONOMY PLANS AND PROGRAMS

	Year of elaboration	Year of modernization
Lisbon Strategy National Action Program	2005	2008
National Development Policy Concept	2005	–
Convergence Program	2006	Annually (partial)
New Hungary Development Plan	2007	2008
New Hungary Rural Development Program	2007	–
National Sustainable Development Strategy	2007*	(Early) 2010
State budget	Annually	–

* Prepared after the elaboration of the NHDP and the NHRDP

expense limits of several years, in the background of the annual budgets, is still in its initial phase. This lack would have been moderated by the convergence program in the recent period, had it been professionally well-founded enough. In planning the budget, the lack of a related development policy is still a blank spot. This problem would be eliminated if, based on the NHDP, by applying a regular and revolving planning procedure, (*decentralized development plans broken down to years*), as well as, by taking the latter into account, three-year plans were also prepared, which would create a natural bridge between the annual budgetary and the seven-year (perhaps later, five-year) development planning efforts (plans). These new types of plans would be made especially efficient contact points by such further modernization which would enhance the role of the three-year period in the development of the budget, ideally by the elaboration of a *three-year budget*. A further argument for the three-year period is that as a result of the introduction of the budgetary rules, budgetary planning has actually become a three-year process. For such a modernization, it makes sense to propose that the two-year time horizon of the *action plans* prepared to date with the method of rolling planning be increased to three (2+1) years. In the case of the further development of the combination of the plans, which are in close unity with each other, an appropriate control budget would be available for the comprehensive tax cut program to be shortly put on the agenda, the launching of structural reforms, as well as the necessary harmonization thereof with the macroeconomic processes.

▶However, from the process of elaborating the NHDP, which represents a mid-term approach, those financial chains and systems which are necessary for the efficient implementation of development policy, and which are able to ensure operability even in a short-term

approach, are missing. The direction of modernization resting on an annual and three-year basis proposed in the previous section would also be an efficient way to fill this gap.

▶As regards the laying down of long-term foundations for the mid- and short-term plans and programs, as well as planning efforts, all those attempts that could be built upon in the past few years can merely be regarded as incidental, initial steps. Recovery from the global crisis and the EU's Europe 2020 Program¹⁴ render it necessary to strengthen the role of long-term planning activities in such a way that would create a solid basis for long-term *strategic governing and management*.

The development of long-term (10–15 year) forward-looking plans is justified by the above-mentioned decrease in the planning time horizon in itself, which is represented by the planned shortening of the current seven-year allocation practices of the EU funds, besides the global challenges such as the climate change, the difficulties of energy supply, etc.

Harmonization of financial and real processes

As regards the third dimension of creating a planning system, it is a key requirement from the planning activities related to *financial and real processes* that both aspects should receive special attention and they should be harmonized with each other. Attention to the importance of this is also called by The Europe 2020 Program of the European Commission when it proposes the implementation of such budgetary consolidation programs which at the same time give priority to the enhancement of economic growth.

This requirement is not met in the current planning practice. The role of financial processes is pushed to the foreground to such an extent as if there were no more real eco-



conomic processes in the Hungarian economy. In such circumstances, we are only stumbling among the ever-so-important factors that determine economic growth and the evolution of employment.

This should be changed in such a way, in the narrow sense of planning, that we should start exploring and analyzing the trends of the evolution of product and service markets more intensively and cautiously than before, both in the business and public sectors.

In a wider sense, the extensive application of such planning models and methodologies which are based on *indicators suitable for forecasting effects and measuring performance* may mean a comprehensive solution.

The lack of these has been criticized by the SAO reports several times, for example, in relation to the programs of the NDP I, where no *indicator and monitoring tools* for measuring implementation, controlling the utilization of the subsidies and the meeting of reporting tasks *have been established*. In the NHDP, a result-oriented indicator system was already set up. A multilevel system of indicators was developed, which derives the hierarchy of the NHDP: in the system, specific indicators were and are created on the level of the NHDP program, operational program (OP), priority, scheme and invitation levels. Except for the NHDP and operational program levels, the indicators defined on the different levels can be aggregated. The indicator system operates as the module of the IT system managing the projects of the NHDP (and earlier, those of the NDP I), which is called the Standard Monitoring and Information System (Hungarian acronym: EMIR). In the indicator module, according to the practice applied to date, it was the users of the EMIR, typically the staff members of the participating organizations who recorded the plan and actual values of the indicators belonging to the project in question (usually as part of managing a certain project).

An indicator system with a similar effect and performance approach should also be applied during the *elaboration and implementation of the budget*. Considering that the current budgetary planning practice is characterized by starting out from the given situation rather than from performance orientation, the major and increasing part of the expenses should be planned on a program basis. Since this transfer will require a longer time, it can be proposed that *a program-based budget should* first be introduced for the EU support programs and most of all, at the ministries working with so-called “chapter-managed appropriations”. After planning, a performance-oriented approach can be enforced in financial management by allocating performance indicators to the utilization of the budgetary appropriations and monitoring their fulfillment on the organizational, sectoral and government levels alike.

* * *

Based on the overview of the areas of planning, we can conclude that *Hungary needs the establishment of a planning system that is closer from the aspects of professional and content connections, the time horizons, as well as the financial and real processes, and more homogenous than the current one*.

THE ROLE OF AN OPEN, TRANSPARENT PLANNING SYSTEM AND THE CIVIL SECTOR

As transparency and accountability are the fundamental legal principles of the operation of public finances, the validity of these should be extended to the planning activity and the implementation of the plans as well. Without the transparent and accountable operation of the planning system, the trust of the majority of society and the professional circles cannot be gained, neither can the willingness of the

foreign partners and institutions to cooperate be achieved, which is, however, an indispensable condition for the selection of an efficient socio-economic action scenario.

Based on this principle, we cannot regard the reconciliation of interests related to the NHDP as satisfactory, although the participating NGO's evaluated it positively but this referred to the formal characteristics (the possibility of participation) rather than the incorporation of the opinions into the decisions, as the mechanisms thereof are not familiar. The NGO's often felt, partly because of the brevity of available time, that the state entities only wished to meet the expectations of the EU with the reconciliation.

We think that, as part of the process of establishing an open, transparent, controlled planning system, cooperation between the government institutions, and civil society and its institutions should be strengthened, by transferring the emphasis from “social dialog” to “civil dialog”. As a result of the deficiencies of efficiency and civil participation, it is not enough to institutionalize the consultative procedures with the “social partners” such as the trade unions or the employers' associations but it is the comprehensive, institutional participation of the civil organizations, a civil dialog that is necessary in public policy decision-making and implementation. The following three attributes should be developed in order to achieve EU conformity:

- *transparency*, which is important in demonstrating to the citizens the activities of the public institutions and the individual responsibility of those employees who work for the public institutions, and in allowing the assessment and potential criticism thereof;
- *accessibility*, which means that the services and the information on the public institutions should be accessible to the citizens;
- the *ability to respond or react*, which

requires that the public institution should be able to react to the needs and ideas that arise in the civil society.

As it turns out from the above, the requirement of openness points beyond that of transparency. (This has not been expressed so unambiguously before.) Accessibility and the ability to respond mean two such further dimensions which set new quality requirements from the interrelations between the public institutions and social groups and communities, also with respect to national economic planning.

DIRECTIONS OF THE REALIZATION OF THE CONCEPT

In order to perform the proposed modernization of the planning system, a series of actions in four directions are necessary, which are as follows.

▶The *preparation of the legislation program* aimed at modernization, in the center of which is the elaboration of the law on national economic planning, and where the minimum requirement is the creation of a law on development policy. It is for the purposes of this that we propose that such a law on national economic planning be drafted which refers to all the national decisions that qualify as socio-economic plans, so it is the institutions and process of planning that should be defined on the statutory level. In this respect, the systematic review, or “stocktaking” of the tasks to be performed in the key planning areas is also vital.

▶In *creating the responsibilities and institutional procedures* of national economic planning, the first, critical step to be taken is the definition of state institutions responsible for the conceptual and methodological management of planning activities. We propose that a State Secretariat of Strategy (Planning) be established in the Ministry of National Economy, which, in its capacity as the central institution of national eco-

conomic planning, would ensure the implementation of a high-level planning coordination activity. Furthermore, we propose that for the programming of the utilization of EU funds, for the management of its applications and those of the Széchenyi Plan, such a planning expert apparatus be established in the Ministry of National Development which is responsible for the practical implementation of the development plans, their control, as well as monitoring. Even if we assume the strongest possible willingness to cooperate from the side of the two ministries, the involvement of significant and regular tensions whose professional release is not possible through the short way of state administration, seems to be unavoidable, and these will increase the time requirement of coordinated decision-making. In order to avoid this, we propose for consideration that such a Strategic-Planning Secretariat be established within the Prime Ministerial Office which would continuously ensure that the priorities of social and economic developments be appointed and their harmonization with the civil sector be organized on the basis of the development goals determined in harmony with the country's coordinated vision.

The second important step is *the establishment of the planning apparatus (organizational unit) in the ministries again, with a view to strengthening the creation of special policies.* (As is familiar, these departments have ceased to exist/have been transformed/reduced in the recent years – the number of sectoral planning experts working there was 150–170 in 2004.)

As the third step, such research programs should be launched, with the participation of

several research institutes, which would create *the foundations of a usable, uniform planning methodology*, furthermore, would promote training in this methodology at the institutions of higher education.

▶A vital requirement for the application of modernized national economic planning is *the development of an information system applicable for planning purposes.* The definition and regular “maintenance” of a vision, the harmonized performance of state tasks require that its development be started as soon as possible.

▶Such a system should be developed whose key feature is that the institutional harmony of real development (the national development concept and plan, regional development, rural development, settlement development, economic development, the development of the social and cultural spheres) and financial planning (the convergence program and the annual budgets on the central and local levels alike) is ensured. Another expectation from this system is that structural modernization should be incorporated into the development plans by taking the requirements of development policy and economic competitiveness into account, complexity should not be disregarded any longer, which was typical of the reform attempts to date.

Two operational programs of the New Hungary Development Plan (the State Reform and the Electronic Governing OP's) may provide direct resources for the purposes of the establishment of a planning system that would contribute to the creation of the bases for a modern, developmental state.

NOTES

¹ Gusztáv Báger: Planning as the Quest for Goals: European Examples, Hungarian Tasks, in: Sorsfordító esztendő (A Year that Changed Our Fate). Presentations of the 42. itinerant conference for economists, Tas-11 Kft, 2005, pp. 351–364

² The survey was performed in the context of the program of the INTOSAI Working Group on Key National Indicators.

³ However, for reasons of space, our key focus is the preparation of plans in this study.

- ⁴ László Faragó: Slices from the Deep Levels of Planning, quarterly journal *Tér és Társadalom*, Year XV, 2001, issues 3–4, pp. 11–24
- ⁵ Notes e), f) of Paragraph (1), Section 35 of Act XX of 1949 on the Constitution of the Republic of Hungary
- ⁶ See the Report on the Audit of the Operation of the National Development Agency, State Audit Office, June 2008
- ⁷ Gusztáv Báger – Miklós Szabó-Pelsőczy: From the Marshall Plan to a New Equilibrium, *Közgazdasági Szemle* (the journal *Economic Review*), issue 1998/5
- ⁸ The Council of Europe had a meeting on December 4–5, 2004, where it approved the Hague Program for several years meant to strengthen the region, based on freedom, security and law enforcement.
- ⁹ The Stockholm Programme - An open and secure Europe serving and protecting the citizens, 17024/09 Council of The European Union, Brussels, December 2, 2009
- ¹⁰ See the strategic environmental assessment of the document of the National Sustainable Development Strategy (final report), Consortium of RESPECT Tanácsadó és Szolgáltató Korlátolt Felelősségű Társaság (RESPECT Consulting and Service Providing Limited Liability Company) and KÖVET Környezettudatos Vállalatirányítási Egyesület (KÖVET Environment-Conscious Corporate Management Association), Budapest, July 6, 2007. The preparation of the final report was also supported by the former general director of the SAO's Institute of Development and Methodology Dr. Gusztáv Báger as an expert interviewee, during the application of the DELPHI expert method.
- ¹¹ *Jövőkereső* (Searching for the Future), report of the National Council for Sustainable Development to the Hungarian society, National Council for Sustainable Development, November 13, 2009
- ¹² A strategy for smart, sustainable and inclusive growth. European Commission, Brussels, 3.3.2010
- ¹³ László Faragó: Proposals for the Regional Foundation of the New National Development Plan, EU Studies IV, Budapest, National Development Office, 2004, pp. 9–42
- ¹⁴ A strategy for smart, sustainable and inclusive growth. European Commission, Brussels, 3.3.2010. The strategy is aimed at supporting the European Union in recovering from the current crisis stronger, as a result of knowledge-based, efficient and socially responsible economic growth, by creating such a sustainable social market economy which results in a high level of employment, productivity and social cohesion.