


CENTER  FOR POLICY STUDIES

AGNES BATORY AND ANDREW CARTWRIGHT

# Monitoring EU Spending in Hungary

2008

MONITORING DEVELOPMENT SERIES NO. 1

# Monitoring EU Spending in Hungary<sup>1</sup>

## 1. Introduction

Twenty years ago, over half of the EU budget went to support the agricultural sector. For a long time, the Common Agricultural Policy was the single largest item in the budget. In the latest financial framework for 2007-13, there appears a change in emphasis with the largest proportion of funds being used for ‘competitiveness and cohesion’. Increasingly, the programmes that support regional development absorb the largest amounts. The main policy objectives of these cohesion and convergence programmes are to stimulate growth and competitiveness in economically disadvantaged regions by encouraging investment, job creation and improving the infrastructure.<sup>2</sup> The allocation to Hungary for 2004-06 was 2 837 M Euro, and a further is expected 22 395 million for the current 2007-2013 programming period (European Commission, 2006).

It is well known that the majority of these development funds are spent and, at 82%, Hungary’s ‘absorption rate’ was the highest amongst the new member states in 2007, almost on par with the EU-15’s 84% (Euractiv, 2008). These spending rates regularly make the headlines in Hungary and elsewhere in Central and Eastern Europe. What is less well studied or discussed is the question of how effective these resources are in reaching longer-term development goals, and what methods are used for allocating these funds. This is despite the fact that new member states were required to establish new structures and procedures and adhere in both letter and spirit to the practices of ‘partnership’, which constituted significant departures from previous administrative practice.

Whilst then the headlines focus on good and bad absorption rates, there are real risks that ineffective national policy frameworks, ‘weak implementation capacities, and inexperience with ... development partnerships ... [lead] the new member states to adopt approaches to the EU funds that are formalistic and mechanical, rather than truly ‘developmental’ (Marinov et al, 2006: 7). The issue of ‘spending development monies well’, rather than merely spending, raises a multitude of practical and political questions concerning the nature of programming, management and evaluation, along with significant normative considerations on transparency, accountability and democratic oversight.

This paper examines a small segment of these changes with an investigation and preliminary assessment of the activities of Monitoring Committees. Monitoring Committees (MCs) are a mandatory feature of European Union spending, combining a mixture of consultative, advisory and oversight roles with respect to each of the different Operational Programs. In order to place MCs within a proper administrative context, we briefly discuss the role of other control/oversight agencies, notably the National Audit

---

<sup>1</sup> This is a slightly expanded version of a paper that was presented at the conference ‘Start up of the network on Structural Funds Impacts and Transparency’, organised by the Slovak Governance Institute and the Representation of the European Commission in Slovakia, 16-17 June 2008, Bratislava. We are grateful for the comments of the participants as well as those that we interviewed who offered written comments on this paper. As this is a work in progress, we would kindly ask that it not be cited without permission of the authors.

<sup>2</sup> The main funds that are used for reducing territorial differences are the four EU funds – the European Fund for Regional Development (EFRD), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fisheries Guidance – and the Cohesion Fund.

Office and Parliament. The paper draws on the few research studies on the topic, publicly available documentary sources and a number of interviews with MC members (identified, to maintain their anonymity, only by reference to the type of organisation delegating them). Given the limited number of interviews, the findings of this preliminary study cannot be said to be representative of all MCs in Hungary. A further qualification is that although the description of the institutional framework is current as of May 2008, some of the interview material refers to experiences in the first period of EU funds in 2004-06. Nonetheless, while there are differences in the practice of individual MCs, a number of general points emerge and are discussed in more detail below.

The paper is structured as follows. The first section reviews the legislative and institutional framework, followed by several perspectives on how the MCs work, reviewing the role of the Managing Authorities, the European Commission representatives, and finally, examining the input of non-governmental actors, in particular, the civic partners. The paper concludes with a section offering a preliminary assessment of the impact and influence of the Monitoring Committees.

## **2. Legal and institutional background**

While the source of development funds may be the European Commission, the implementation of programs are largely managed by member states. They design the framework National Development Plans for the budget period and submit these plans for Commission approval. Member states also draw up detailed Operational Programs (OPs) to address distinct areas such as Human Resources, Agricultural and Rural Development, Economic Competitiveness or Regional Development. The OPs are the responsibility of the Managing Authorities, who implement the objectives by funding individual projects - the so-called central projects - and more commonly through competitive calls for proposals.<sup>3</sup> Member States have the primary responsibility for controlling and assessing expenditure, although, as will be seen, the Commission retains significant direct and indirect forms of control.

The current basic regulatory framework for the management of EU development funds is contained in a Council Regulation (1083/2006), replacing the previous regulation from 1999. Amongst other things, this Regulation sets up the general framework for monitoring, including the minimal requirements for Monitoring Committees. MCs are chaired by a representative from the government or from the managing authority and an official from the Commission can participate in an advisory capacity. Their principal function, according to the Regulation, is to satisfy themselves of 'the effectiveness and quality of the implementation of the operational programme'. The Regulation specifies that the hard powers of the MCs are to approve the selection criteria for projects that will be financed under the OP, to sign off on the annual reports that the Managing Authorities send to the Commission each year, and to present proposals concerning the system of indicators that assess progress towards achieving stated goals. MCs can propose revisions to the OP, but the Regulation creates no formal obligation for the MAs to observe or comply with these requests. As will be discussed later, the actual detailed regulation of the composition and operation of the committees is left largely to individual member states.

---

<sup>3</sup> Eszter Kosa's paper, 'Preferential projects in the second Hungarian National Development Plan' deals with the central projects in Hungary, which according to the paper take nearly half of the SF available in the first (2007-08) action plan of the current programming period.

In Hungary, national legislation was passed to deal with the central projects and for the distribution of EU funds. Act LIII of 2006 on ‘facilitating and simplifying the implementation of investment projects of special significance for the national economy’ accelerated public administration procedures for projects totalling 5 billion HUF or helping to create at least 1000 new jobs. A government decree from 2006 (No. 255 of 2006) on ‘the basic rules and institutions for using [EU Funds] allocations’ in the 2007-2013 programming period, has already been amended several times. In addition, a ministerial decree (16/2006 MeHVM-PM) established certain procedural rules concerning fund allocation, which differ significantly between the special projects and the regular distribution through calls.

The legislation was adopted as part of a major reorganisation of the institutional framework for receiving EU funds in the current programming period. According to the National Audit Office (2007a: 58) these changes affected 57% of the agencies involved and led to the creation of the National Development Agency (NDA) in place of the previous National Development Office. This body was given central responsibility for the implementation of EU funds which necessitated the transfer of personnel from the 2004-2006 MAs in the various line ministries (with the exception of the Ministry of Agriculture) to the NDA. In the new system, the MAs of most of the new OPs function as departments within the National Development Agency.

Ultimately, the selection of development priorities in the form of operative programmes and the identification of central projects remained the prerogative of the Government. The responsible minister is the Minister for National Development and the Economy, who also supervises the NDA which is, in turn, headed by a director. The National Development Council is a committee which advises the government, and is made up of representatives from the regional development councils and various invited experts and socio-economic partners. Finally, a Development Policy Managing Body (DPMB) was also created, consisting of the Prime Minister and the heads of the MCs. The body was set up to ensure coherence across the development plans and to comment on each OP and their more detailed Action Plans. Unlike the other, professional/ technocratic bodies, this initiative seems to have been primarily a political decision to ensure the smaller coalition party’s involvement in, and oversight of, development policy. After this party quit the government coalition in early 2008, the DPMB was wound up as of summer 2008.

The first new MCs were established in 2007, albeit with some delay. Pursuant to Article 14 of the government decree, their main task is to ‘observe’ the implementation of the OPs. In an effort to make decision making easier, the membership of MCs is restricted to a maximum of 35. This is a response to experiences in the previous programming period when there was no ceiling and membership of some of the MCs rose to 70. The principal method for selecting MC members is for the MA to request delegates from relevant ministries, from the seven regional development councils, from alliances of self-governments, employees’ and employers’ organisations (together known as the social partners), professional bodies, and at least one representative from civic organisations corresponding to the so-called horizontal objectives (environmental, roma, disability and equal opportunities NGOs). Thus, according to the decree, half of the members of the MCs are delegated by non-governmental organisations. A European Commission (or European Investment Bank, or European Investment Fund) representative may participate in an advisory capacity. In addition to those powers that were laid down by the Regulation – i.e., the bare minimum under European law – the MCs were also given

the task ‘to discuss’ the Action Plans.<sup>4</sup> This is perhaps the most significant change from the previous programming period, when MCs had the much stronger power of ‘adopting’ the programme complements (the equivalent of action plans).

The changes introduced in 2006 provided for more detailed regulation of the MCs, which until then had had considerable freedom to decide their own working methods. This latitude meant different internal rules - some deciding principally via consensus, some by simple majority vote, and some carrying out more decisions outside the main MC sessions in writing. The 2006 decree and the transfer of responsibilities to the NDA resulted in working methods (decision-making aiming at consensus, but failing that majority vote) and composition (rules for delegation) that were more uniform than had earlier been the case. However, as will be discussed below, it is possible that the MCs’ decreased decision-making power weakened the bodies themselves.

### **3. How the MCs work**

In the following sections we review the operation of the MCs’ focusing on the governmental side of the MCs, then the Commission representatives and finally the non-governmental, mainly civil society organisations’ delegates.

#### **3.1 The Managing Authorities and other government agencies**

Although the government decree provides that half of the committee’s members should be drawn from non-governmental organisations, in practice, many of these actors come from organisations that are strongly connected with government, such as the regional development councils, the employer/employee representatives or chambers/professional representations (Kovacs et al, 2006: 10). This means that in practice, MA proposals tend to get majority support in the plenary sessions of the MC. However, given the heterogeneity on the governmental side, inter-agency or inter-ministerial divisions appear from time to time. In the previous programming period, for example, when the MAs were part of the line ministries, delegates from other ministries sometimes voted against MA proposals when particular sectoral interests were at stake (Kovacs et al, 2006: 10). As was the experience in other countries, in these cases, proponents of alternative positions formed alliances with NGO representatives. This was especially the case with respect to the Ministry of the Environment and the environmental NGO representatives (Dönsz, 2005: 12). An interviewed Commission official said that whilst in his experience there were few obvious signs of ‘turf wars’ in the current budgetary period, it was true that some ministries tried to hold on to the influence they had enjoyed when they were the hosts of the MA.

The dominant, leading role of the MAs in the MCs is clear. It is ensured by several factors. First, MAs collect and provide all documentation and information to the MCs. The extent to which committee members are able to effectively monitor progress and processes depends on the quality, quantity and delivery of background documents, briefings and reports from the MAs. Second, MAs are the secretariat of the MCs, convening meetings, setting up sub-committees, deciding on the allocation of resources for training and technical assistance. It is their responsibility to invite members from the civil side, although the relevant government decree does provide some guidelines on inviting civic representatives working in the field of the horizontal objectives. Third, the

---

<sup>4</sup> These Actions Plans were known as Programme Complements in the previous budgetary period.

leadership of the MC is provided by the MA (the chair would be a senior civil servant heading the MA). (In the period while the DPMB existed, its members (politicians) played this role; but this situation now changed with the dissolution of the DPMB).

The dominance of the MAs over the MCs results in a paradoxical situation whereby ‘the managing authorities have to nurture and assist their [own] control mechanism’ (Zentai, 2007: 2). According to the civic actors we interviewed, the MAs did make efforts to ‘nurture’ the committees, e.g., by trying to build the capacity of the non-governmental members of the MCs. One official from the NDA described a study visit to Austria organised for MC members to learn more about how monitoring work is done elsewhere (the event was very poorly attended). Furthermore, the NGOs themselves organised training sessions with the participation of officials from the NDA (e.g., a workshop organised in May 2008 by the National Society of Conservationists). Whilst these efforts were ostensibly to enhance participation in MCs, the question remains whether both the MAs and the government side consider these bodies as substantive control mechanisms or ‘watchdogs’. The wording of the relevant government decree (255/2006) seems to suggest a more enabling and consultative role with MCs ‘observing’ the implementation of the OPs. In response to a question from a member of the parliamentary committee on the national development plan, the Minister for National Development and Economy, Gordon Bajnai described the MCs ‘not as a professional filtering [mechanism]’ but rather a body whose central role is to ‘discuss’ the criteria for selecting projects.<sup>5</sup>

This is to say that MAs would generally like to see well informed and active committees. At the same time, the MAs’ natural bureaucratic instinct and incentive is to get on with things without excessive interference. As mentioned earlier, one of the most direct ways in which MAs influence this outcome is through the control over the distribution of information to the committees. NGO representatives often complained that they receive large amounts of documentation only a few days ahead of meetings, leaving very little time for proper preparation, or in house consultation on positions to be represented at the meeting. It should be mentioned that this was not the case with all OPs and it was not unprecedented for a meeting to be postponed because of delays in sending out preparatory material (COPNDP, 2008: 18).

In terms of access to information, there were cases in the previous programming period when the MA explicitly refused to provide particular types of information an NGO representative requested, such as the composition of a project evaluation body (Dönsz, 2005: 20). The Commission officials pointed out that the information provided by the MAs is sometimes unclear, that it is not always suitable for forming an overall impression, or there is so much of it that MC members simply ‘drown’ in documentation. Some of this is probably due to the fact that the MAs are often working under enormous time pressure. Many of the problems are less acute than in the previous programming period when the MAs, as well as MC members, were confronted with novel procedures.

### **3.2 The Commission’s role**

In accordance with the Council Regulation, officials from various Directorates General of the EC can participate in the MCs in an advisory capacity and without voting rights. The official role for these representatives is to provide information on the legal and formal requirements, to observe the MCs work so that the Commission can be satisfied of the

---

<sup>5</sup> See the official records of the committee’s meeting on 3 September 2007.

standards of its functioning, and generally to facilitate the work of the MC. ‘Whenever the EC representatives find that an action does not comply with rules, they call the attention of the MC members to the relevant EU regulation, best practices, and “customs”’ (Kovacs et al, 2006: 28). Despite this apparently peripheral position, Commission delegates are influential – and according to a number of interviewees the most influential – members of the MCs. Potentially, their ‘disapproval’ could jeopardise the smooth running and allocation of SF programmes and MAs are very conscious of showing their awareness of the necessary regulations and requirements. One interviewed Commission official mentioned that the mere presence of someone from the Commission seemed to have some ‘controlling’ influence reinforcing the view that MC needs to be taken seriously. In the reported minutes of the MCs, especially in the earlier ones where OPs were discussed and adopted, the Commission officials are often among the most active members.

In its official role as ‘guardian of the treaties’, the Commission plays an adjudicatory and overseeing role. According to several Commission representatives, the nature of its authority in the MCs depends a lot on the expertise of the individual Commission officials. Some might have extensive experience from working in more than one member states, others might be less qualified. Commission representatives influence the agenda, e.g. by proposing issues to the MAs for discussion in the meetings or requesting particular types of information otherwise not provided by the MA. From time to time they are also informally asked to mediate between members of the MC, e.g. between civic representatives and the MAs. While the Commission delegates are reluctant to be seen to be taking sides, they do see it as their role to help civic representatives push initiatives, particularly, if they feel this would increase the effectiveness of the MCs’ work. In this sense, there is a natural alliance between civil society and the Commission, both independent of government and interested in seeing, for instance, the more pronounced expression of the horizontal objectives in the OPs.

As one interviewed Commission official said, the hallmarks of a well-functioning committee are the full observance of both EU and national legal regulations and of the MC’s own rules of operation, including the timely distribution of materials ahead of the meetings. Furthermore, MCs are considered to function well if there is meaningful debate and ideas are raised at the meetings, rather than members passively ‘ticking off’ agenda items as presented by the MAs. Commission representatives argue that MCs should have weight and real influence, but, as some of the interviewed officials concluded, these expectations are often not met. One official described MCs as having considerable ‘frustrated potential’. One reason for this may be, as another Commission delegate commented, that the MAs misperceive the role of MCs. Instead of using them as forums for genuine discussion, they try to gloss over divisions or problems in order to paint a positive picture concerning OP implementation, in particular towards the Commission representative. This leads MAs to try to pre-empt disagreements by using forums other than the MC. As will be discussed in the next section, there are several factors that weaken the capacity and the resolve of civic participants to make effective contributions.

### **3.3 The non-governmental side: effectiveness, representation, and inclusiveness**

The non-governmental representation can be divided into those that clearly come from the private sector such as the Chambers of Commerce and the representatives of various professions sectors, and those that are representative of civic organisations. We concentrate on the latter more than the former. This was partly because of the

significance of these actors in the advancement of the so-called horizontal principles, but also because the nature of their presence and the quality of their interventions offers a good indicator as to how the government saw the MC itself. Civic input was a mandatory requirement that required MA support but at the same time it could also have important implications for the progress of OPs, particularly where the civic actors were well organised and well supported. The degree to which the considerations of these groups were taken into account shows how far MCs might develop relative autonomy and assert real influence. As mentioned, the civic partners include the four mandatory NGO - Environmental, Roma, Equal Opportunity, and Disability issues, but there were also cases when other civic organisations were invited to be MC members.

Amongst those interviews and in the small literature covering the topic, assessment varied concerning the effectiveness of NGO participation. There were also different opinions on why this should have been the case. According to both NGO representatives and the European Commission representatives, there was a genuine commitment on the part of the NDA to ensure that civic partners were properly represented and that their participation was fruitful. There were a number of initiatives to ‘nurture’ civil participation, to ensure that civic delegates were not overwhelmed by the proceedings and to brief them on the specialised language and terminology. Primarily for the benefit of the civic partners, the NDA introduced pre-meeting briefing sessions in which delegates were given the chance to ask officials from both the NDA and various individual ministries questions of clarifications, or ‘silly questions’ as one delegate put it. The Agency has also cooperated with the NGO coalition “Civil Organisations for the Publicity of the National Development Plan” (COPNDP) which provides an audit on the accessibility and transparency of its operations, publishing their reports on its website.

As mentioned, there was only limited explicit guidance as to how the actual civic delegates for the MCs should be found. According to the NDA, they tried to ensure that civic delegates were representative of broad rather than narrow interests by contacting one of the so-called ‘peak’ or umbrella bodies to ask them for recommendations.<sup>6</sup> Whilst it might have been appropriate to rely on sector-wide bodies, it was not without its difficulties and in some sectors for example, there is no one umbrella body. Similarly, it was not clear whether or not the new Regional Development MCs would select their own civic partners or, following NDA practice, they would trust the suggestions of the regional Civic Forums.<sup>7</sup>

How each umbrella bodies identified a willing participant was at their discretion, and there were different approaches. As far back as 2002, the environmentalist organisations had expressed their interest in working on the MCs. Their well-developed organisational skills meant that each potential delegate for each individual OP was voted for at the National Congress. By the time the first MCs were established, environmental representatives had been selected in a process fully involving all the relevant NGOs active in the field. According to one of those first delegates, these proposed names were all

---

<sup>6</sup> As the NDA’s website indicates, the Agency invited the representatives of the National Congress for Environmental and Nature Protection Organisations, the Roma Integration Council, the Council for Men and Women’s Social Equality and the National Disability Affairs Council

<sup>7</sup> One of the changes between the first and the second round was the creation of a Monitoring Committee for each of the regional operational programmes rather than have just one national MC responsible for the lot. This change reflects the growing importance of the NUTS II Regional Development Councils and the administrative capacity of their implementing agencies. However, as these administrative bodies are relatively new and occupy a territorial jurisdiction that is new to Hungary, it will be interesting to see what kind of civic partnerships they establish.



accepted by the MAs. To the present day, environmental delegates on various MCs discuss issues among themselves, have their own newsletter, and website where MC members report back to the delegating NGO community on what happened in the MC meetings.

By contrast, the selection processes of the other three civic groups (Roma, equal opportunities, and disabilities) appeared more ad hoc and nowhere near as formalised, or fully representative, as that within the environmental NGO sector (COPNDP, 2008: 21), and feedback and coordination mechanisms also seem to be less sophisticated than within the environmental movement.

One question that arose in the interviews was whether the inclusion of these four sectors in particular distorted the representativeness of civic participation. Although the horizontal issues represent important development goals, they were to some extent reflections of the Commission's concerns and its long term agenda in promoting equal opportunities and inclusion of minorities, for example. The mandatory inclusion of these four partners and the obvious efforts by the NDA to make sure that their concerns were properly addressed may have inadvertently marginalised other civic interests, especially following the 2006 amendments, and the 35 member ceiling. As far back as 2004, it was clear that the MA were unwilling to extend the scope of the horizontal issues. According to one of the civic participants, the National NGO Forum for Regional Development failed in their attempt to promote 'territorial inequalities' as an additional horizontal principle deserving of its own representation. The managing authorities were not wholly unsympathetic though. The Regional Forum was offered the chance to participate on a consultative basis and they eventually sent delegates to four of the MCs.

In terms of effectiveness, we can examine NGO participation in the MCs from two angles. The first is the written records of the MC meetings where we can see the kinds of interventions that came from the civic partners and their apparent influence on proceedings. Did their enquiries lead to binding decisions on the part of the Committee? Were their particular expertise recognised, for instance, were they asked for their opinion on issues close to their experience? Were they asked to follow up on matters in sub-committee and then did they report back to the full MC? The second approach comes from the self-perception of the civic partners themselves and how they characterised their own role and influence.

To answer the former group of questions, we draw on two pieces of research carried out on MCs in Hungary (Kovacs et al 2006, Donsz 2005), the minutes of the MCs and on interviews with MC members. Most of the material draws from the MC of the Agricultural and Rural Development Operational Programme (ARDOP), as its records were relatively more comprehensive and publicly accessible. Unlike many of the other MCs, this committee released copies of its discussions both in Hungarian and in English. Their diligence might reflect the importance of the topic, the size of its MC (60-70 members) or the fact that the Ministry of Agriculture had been heavily criticised for shortcomings in the pre-accession SAPARD programme. Unfortunately whilst the first records were very detailed on member contributions and offered some material on the arguments and debates, the later reports became shorter and much more bland along the lines of 'this person made this report on progress on implementation'.<sup>8</sup>

---

<sup>8</sup> It should be noted that although the internal procedural rules of each of the MCs makes the publication of the minutes on-line obligatory, according to COPNDP (2008: 20) as of January 2008 only two OPs made up-to-date documents available.

As already mentioned, one important difference between the MCs in the first round and the 2007-13 period was the loss of approval power over the Action Plans. In the first round, there was at least a formal possibility of substantive amendment when the Action Plans were first presented to the MC. As the ARDOP MC chair put it 'If the monitoring committee approves a version, that will be the final version'.<sup>9</sup> Discussion on whether or not to approve the Programme Complement raised questions on conditions for accessing funds, the scope of eligibility, individual application criteria and on the budget ceiling allocated for certain measures. Whilst there were many specific interventions from both the institutional and sectoral representatives, civic contributions were more in nature of statements of principle or advocating certain broad positions. In response, the Chair normally redirected such enquiries, asking for intervention to be related to the specific section under discussion.

For some civic delegates, it was a cause for regret that there did not appear to be a real opportunity to bring amendments to the Action Plan/Programme Complement. The final version was delivered to the ARDOP MC members only one week before the MC meeting and there was an impression that the document had been through so many drafts (nine versions had been produced before it came to the MC) that individual interventions from would already have been covered. In terms of the style and tone of the Committee, the Chair made it clear that it preferred active and informed participation on points of detail and less interest in broader questions of principle or approach.

The later ARDOP MC meetings from 2005-06 showed a marginal role for civic actors, albeit with some notable exceptions. Declining attendance was a general problem across MCs. Whereas participation was high in the first couple of meetings (where the matters under discussion might have appeared more important, such as the approval of the Programme Complement), in the later meetings, the agenda was full of formal presentation on progress by individual implementing agencies. The reports of the MC minutes reflect this, as they became much briefer and there was little recorded comment on the actual presentations. For both the European Commission and some of the civic actors interviewed, there was a feeling that contentious issues were dealt with outside of the MC forum, in sub-committees, in individual representation to the NDA or to other implementing agencies. From the recorded minutes, the twice, sometimes thrice annual meetings of the MC appeared to be principally concerned with information sharing and presentation.

Civic involvement in the MCs can also be approached via their own assessment. Here there were several areas where the civic input was rated more significant, particularly in the sub-committees, which seemed more suitable for articulating concerns and opinions than the large plenary meetings. Whilst their creation did sometimes rely heavily upon the voluntary efforts of certain civic members, once they were established there was a certain imitative momentum and more and more MCs created their own sub-committees. Such bodies were established to consider the equal opportunities dimension of the Programmes and to suggest guidelines that might help project applicants. From the standpoint of some advocates, they were an opportunity to inform government officials about practical implementation issues related to gender mainstreaming, for example,

---

<sup>9</sup> Minutes of the Monitoring Committee for Agricultural and Rural Development Operational Programme, December 19th 2003, available at [www.fvm.hu](http://www.fvm.hu)

where the NGO representatives could use their expertise as leverage. As one delegate put it:

It's obvious that the EU said it, so they wrote into the document that we need to do gender mainstreaming, however, the Hungarian state cannot do it, as they have no idea what it is about.<sup>10</sup>

The NGO representatives recommended guides for different applicants and indicators that might be used for certain sub-sectors, for instance, Small and Medium-sized Enterprises. In some cases, they commissioned research using the Technical Assistance budget, in other cases they carried out site visits. In the research by Dönsz (2005: 16), it appears that the decision to set up sub-committees was 'greatly influenced by the representatives and advisors of the European Union', although she concedes that sub-committees were not established in every MC nor were they simply set up to consider horizontal issues. In the Regional OP for example, the tasks of the sub-committee were arranged according to the cycle of the programme, sub-committees for 'project preparation, implementation, post-evaluation and monitoring' (Dönsz, 2005: 17).

It was clear from the interviews that effective participation required considerable effort on the part of the NGO representatives. Whilst representatives of the MA were appreciative of the efforts of individual civic partners, civic partners were also one voice amongst many and as such, they needed to compete for the attention of the implementing agencies. The main meetings of the MCs with their dozens of members and high proportion of professionals or civil servants were not conducive to elaborate discussions on unfamiliar topics such as gender mainstreaming, and by the time important matters such as approving the Programme Complement or the Annual Report, came on the agenda the stakes were so high that the managing authorities tried to anticipate and pre-empt disputes through parallel channels. As one Commission representative put it, the impression was that the business of the meeting was 'cooked up'; major issues were settled before hand.

However, it should not be assumed that there was a widespread frustration and disappointment about the non-governmental input to the MCs. The incentives to use any influence represented organisations had were seen to be great. As one member interviewed as part of an earlier research project put it:

"Everyone knows that whoever cannot have access to resources between 2007 and 2013, pro rata, will simply die. And not only on a social level, but within the country, too: businesses, institutions, education and universities, everywhere. There is a lot at stake."<sup>11</sup>

Overall, the MCs are only moderately influential in shaping the OPs. First, they only meet only twice a year and this 'limited timeframe does not allow for the comprehensive discussion of ideas' (Dönsz, 2005: 11). Second, the MCs lost one of their main leverages, which was the requirement that they 'adopt' the detailed plans of funds distribution (programme complement/action plans), in the current programming period. It seems that

---

10 Interview with MC member, Economic Competitiveness Operational Programme, carried out as part of the DISCURI Framework Six Project for Kovacs et al (2006).

11 Member of the Economic Competitiveness MC, Delegate from one of the Regional Development Councils, and President of a County Chamber of Commerce and Industry, Budapest, 21st December 2005

beyond the approval of the criteria for selecting operations to be financed by the OP (which happens within six months of the OP's approval) the committees' importance declines. This is reflected in the decreasing attendance rates, as noted above, the decrease of motivation by the less active members, and a sense of frustration among the more active ones (from the non-governmental side). At one extreme, as an interviewed NDA official commented, some of the non-governmental members appear to come 'to have some sandwiches and then shortly after leave'. Commission representatives also perceive the MCs less active than they could be.

Having said this, it would be a mistake to see the MCs' formal powers as negligible and there are interventions through which they can and have made a difference. First, this concerns the representation and mainstreaming of horizontal objectives and considerations into programming. For example, in the previous programming period environmental NGOs proposed 50 specific modifications to the programme complement, two thirds of which were adopted (Bojtos in Dönsz, 2005: 25). There are numerous examples of equal opportunities representatives proposed (and have conducted) research, or achieved that the MAs generate statistical data allowing the more effective monitoring of meeting equality objectives.

Equally importantly, the MCs play an important role in producing 'feedback loops', i.e. inducing learning processes among the authorities whose task is to implement the OPs, both in substantive and procedural issues. An example of the former, again from the particularly active environmental field: the re-evaluation of submitted project proposals from an environmental point of view led to high rates of rejection, which in turn led to regional agencies and project owners themselves better integrating environmental aspects into later rounds of proposals (Farkas in Dönsz, 2005: 24-25).

#### **4. Other control/oversight agencies**

While the MCs represent perhaps the most visible 'innovation' in terms of monitoring of resource management and allocation in the new member states, they are by no means the only bodies charged with this responsibility. In Hungary, the National Audit Office (NAO) and an ad-hoc Parliamentary Committee in particular also oversee (the method of) SF allocations, the first in legal-technical terms and the second as part of the political process. (Internal audit is performed by the Government Audit Office under the Minister of Finance). The NAO conducted two audits of the monitoring system established for pre-accession aid in 2000 and 2002, and published in 2007 audit reports both on SF spending generally (with respect to 2006) (NAO 2007b), and on the monitoring and control system specifically (NAO 2007a). The reports were critical about the management of the transition to the new programming period, commenting on delays with the adoption of some of the relevant rules and regulations, and pointed to a lack of central coordination among various development aims and programmes.

Parliament established a dedicated ad-hoc (non-permanent) committee to supervise the implementation of the national development plan at the initiative of the opposition parties. The committee regularly reviews the reports of the minister for national development and economy and the head of the NDA on the operative programmes and is also concerned with the functioning of the overall development policy structure. Notably, members of the committee from the opposition parties use the opportunity to question the selected central projects – both individual projects but also the method for

selecting them.<sup>12</sup> As one would expect, the opposition has been highly critical of the government's handling of the OPs and raised considerations related to the use of SF resources, whereas the minister stressed capacity to absorb and generally pointed to Hungary's comparatively good record in amounts spent. Again, in line with the general nature of parliamentary oversight, the Committee's technical expertise and capacities do not match that of the NAO, but it nonetheless serves an important function in informing the opposition parties and forcing the government to defend its practice.

## 5. Conclusion

Having reviewed the work of the MCs in Hungary, it is clear that so far the committees and the partnership principle they embody have not become embedded but rather continue to represent a, from the point of view of the Hungarian administration, somewhat alien practice. For some of the MC members, effectiveness is constrained not only by limitations in resources and professional expertise, but because of political ambivalence towards the MCs' role. In the previous programming period MCs had real supervisory powers beyond those prescribed in the original 1999 Council Regulation. In an attempt to demonstrate compliance with European administrative culture the Hungarian government allocated more real powers to the Committee than in other Members states. However, there was also a strong pressure to ensure that MCs did not derail or divert too much the workings of the EU funds cycle and its production of strategic plans and accompanying Programme Complements.

A chronological review of the MCs' work suggests that in the first few meetings, it was difficult for all but the most informed and experienced of members to make contributions to complex documents produced by the MAs – themselves experiencing a steep learning curve. Later, when there had been established more contact among members and between members and the managing authorities, there was more possibility to exert influence over the detail of guidelines for project applicants or question the lack of uptake of individual program measures. Yet, whilst a certain identity and working relations emerged, there was a change in approach from the government. New legislation entering into effect for the 2007-13 period introduced more overt political control over the MCs with the creation of the Development Policy Managing Body. State Secretaries appointed to head the MCs seemed, from a number of accounts, less interested in facilitating debate and encouraging some of the more inexperienced members, and more prone to confrontation. The new legislation also significantly curbed the MCs formal powers, when, in addition to the minimum scope of powers required by European legislation it merely afforded them a consultative role in as regards the Action Plans.

It is unclear whether these developments met with the expectations of the Commission. The Council regulation offers more of a framework than a strong indication of the degree of oversight intended. Yet, the mere presence of Commission representatives in these bodies lends the MCs credibility and 'muscle' vis-à-vis the government agencies managing the SF. The Commission representatives interviewed described their role as providing

---

<sup>12</sup> As one Fidesz (the major opposition party) MP, Zoltan Nogradi put it at the 19 February 2008 session of the committee, 'a significant part of the central projects are projects that could have been suitable for selection as part of [regular] calls for project proposals, except [the government] did not want to open these projects to competition, because they would have failed. This was a protectionist way to give money to organisations that would not have had access to funds had they been subject to a competitive selection process.'

advice on regulations and procedures, but this 'soft' advisory role nonetheless translated into significant influence over the MCs work.

On the part of the civic actors, there were division between those who saw the MC as a forum for advocating broad interests and those who tried to work within narrower technical confines set by the managing authorities. For the former, the lack of encouragement for broad debate, plus the heavy workload involved in offering detailed comment on individual items was off-putting and there was a noticeable decline in attendance from some of the non-governmental actors. For the latter, the workload again was a significant issue and it was not always that clear that reports and recommendations and training courses had had the effects intended. This cost/benefit analysis of MC participation did lead some to curb their initial enthusiasm. What was related to this as well as the development of informal channels and intra MC networks was the growing number of decisions that were made in writing. Whilst this might increase the breadth of input, for some of the civic partners, it was often hard to respond within the timeframe allowed nor was it clear how final decisions had actually been reached.

Overall, given the dominant position of the MAs in the MCs work, to a large extent the attitude of the individuals delegated by the MAs determine how much influence the civil delegates have. There is consequently great variance in the extent to which the NGO representatives' requests are taken on board. As an NGO member writes about experiences in the previous programming period, 'Examples include a committee where constructiveness and willingness prevailed from the very beginning, or where the openness of the governments changed over time, from the initial rejections evolving into an atmosphere of cooperation' (Dönsz, 2005: 11). But there were also less happy outcomes: in some cases the MAs, at least in the previous programming period, aimed 'to defer conflicts and to avoid relevant answers', and in some cases the NGO delegates' comments were 'taken with reluctance or despised' (Dönsz, 2005: 11). Quite aside from the NGOs' effectiveness and influence, there are also pressing questions about how representative civil delegates are of their sector and how inclusive civil participation is overall – i.e., not only the question whether the voice of civil society is heard, but how that input is constituted.

Given these qualifications, how should the MCs be seen? In terms of the interests and the parties they brought together, there is no precedent in Hungarian administrative culture for such a body. The variety of governmental, sectoral and civic actors and the significance of at least some of the MCs' functions offered an innovative platform for open discussion and the presentation of ongoing government activity. The presence of the Commission, the contributions of some of the professional representatives and the activities of some of the civic partners exerted a real pressure on the managing authorities and some of the implementing agencies. In some of the MCs, mini-alliances were formed to push for the release of certain data or the production of alternative indicators. Some of these alliances were then able to develop formalized channels that by-passed the main plenary sessions but still offered the chance for meaningful input into items such as the guides for project applicants. Thus, regardless of the MCs' weaknesses, the fact alone that now a wide range of people, drawn from outside the government agency in charge, are consulted represents a significant development, away from a culture of secrecy to perhaps greater degrees of openness in government.

From a governmental point of view also, the presence of so many different ministries, regional development councils and intermediate bodies offered an important avenue to

highlight omissions, to warn of operational difficulties and it is clear, at least in the case of some of the MCs, that there was a high level of professional discussion that took place within and presumably around the plenary meetings.

Assessing the impact of the MCs is however wrought with difficulties, partly because of the sheer numbers of other bodies involved in administering EU Funds. As one delegate put it:

‘The chain of transmission is so long that it is enough to give something a little push, and you won’t even recognize where it had started from’.<sup>13</sup>

In sum, anticipating how the MCs might develop during the current round of EU Funds points to several trends as being important. First is the apparent decline in formal oversight towards the annual Action Plans and the reduction of the MC to a consultative rather than a decision-making role. Such a move might entail a decline in significance both for its members and vis-à-vis the Managing Authority itself. Second, the volume of material and the feedback from various channels encourages decision making in other forums and via other channels rather than just the twice or thrice yearly plenary sessions within the MCs themselves. This enhances the importance of the sub-committees and working parties as well as suggests that more decisions might be made in writing amongst e-mail or intranet methods, but could also mean that decisions are taken entirely outside of the MCs’ framework, thereby diminishing their role. Whether the timelines, the technicalities and sheer unpaid labour involved might reduce the quantity or quality of non-governmental input is a distinct possibility.

But whatever direction the MCs evolve in the future, their main contribution, as a Commission interviewee put it, is to put public spending on the record, and force the MAs to be more transparent in their activities. This in turn may foster the development of a new administrative culture that offers greater scope for openness and participatory decision-making in Central and Eastern Europe. As an earlier study put it, ‘While it often begins as an obligation imposed from Brussels, the partnership principle as applied via the EU funds can gradually influence other sectors and become intrinsic to policy making’ (Marinov et al, 2006: 5). Further research is needed to see whether this spillover indeed takes place, and to determine how different or similar practices in Hungary are to those in other member states.

---

<sup>13</sup> Interview with delegate from a Regional Development Council on the Monitoring Committee of the Operational Program for Enhancing Economic Competitiveness (OPEEC) and Agricultural and Rural Development Operational Program (ARDOP), Budapest, 21st December 2005. Part of the DIOSCURI project *ibid*

## References

Civil Organisations for the Publicity of the National Development Plan (2008) ‘Sixth report on the publicity of the planning of national strategic documents’. Accessed at: [http://www.osszefogas.nonprofit.hu/files/1/1/3/1/1/11311\\_cnny6%20%282%29.pdf](http://www.osszefogas.nonprofit.hu/files/1/1/3/1/1/11311_cnny6%20%282%29.pdf)

Dönsz, T (ed) (2005) ‘Environmental NGOs for the efficient control of EU funds’. National Society of Conservationists.

Euractiv (2008) ‘New members in EU funds spending frenzy’, accessed at <http://www.euractiv.com/en/innovation/new-members-eu-funds-spending-frenzy/article-170251>

European Commission (2006) ‘Cohesion Policy 2007-2013 • Hungary’. Fact sheet October 2006, accessed at [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/compar/comp\\_hu.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/compar/comp_hu.pdf)

Kovács, K., K Rácz and Gy. Schwarcz (2006) ‘Monitoring Committees and Managing Authorities as Fora for East-West Cultural Encounters’. Unpublished paper for the Dioscuri project. Budapest, Central European University.

Marinov, V, H. Bahlul, and B. Slay (2006) ‘EU funds and the new member states: lessons learned’, *Development and Transition* June 2006, Issue 4.

National Audit Office (2007a) Report on the audit of the national monitoring and control system of EU funds. July 2007.

National Audit Office (2007a) Report on the audit of the use of EU funds. September 2007.

National Development Agency (2007) ‘Information about the procedure for selecting the civil members of the monitoring committees’, accessed at [http://www.nfu.hu/monitoring\\_bizottsagok](http://www.nfu.hu/monitoring_bizottsagok)

Zentai, V (2007) ‘(Very) Rough guide to EU Funds Monitoring Committee (MC) Work’. Unpublished manuscript.