

## Part III.8 - Supplementary Information Sheet for the notification of an evaluation plan

Member States must use this sheet for the notification of an evaluation plan pursuant to Art. 1(2)(a) of Regulation (EU) No 651/2014<sup>1</sup> and in the case of a notified aid scheme subject to an evaluation as provided in the relevant Commission guidelines.

Please refer to the Commission Staff Working Document "Common methodology for State aid evaluation"<sup>2</sup> for guidance on the drafting of an evaluation plan.

### 1. Identification of the aid scheme to be evaluated

(1) Title of the aid scheme:

SA.54838 Turisztikai célleírányzat és turisztikai fejlesztési célleírányzat a 2/2018. (XII. 28.) MK rendelet alapján

SA.54838 Earmarked budgetary appropriations for tourism and for the development of tourism on the basis of Decree No. 2/2018 (XII. 28.) of the Minister in charge of the Cabinet Office of the Prime Minister

(2) Does the evaluation plan concern:

(a)  a scheme subject to evaluation pursuant to Article 1(2)(a) of Regulation (EU) No 651/2014?

(b)  a scheme notified to the Commission pursuant to Article 108(3) TFEU?

(3) Reference of the scheme (to be completed by the Commission):

.....

(4) Please list any existing *ex-ante* evaluations or impact assessments for the aid scheme and ex-post evaluations or studies conducted in the past on predecessors of the aid scheme or on similar schemes. For each of those studies, please provide the following information: (a) a brief description of the study's objectives, methodologies used, results and conclusions, and (b) specific challenges that the evaluations and studies might have faced from a methodological point of view, for example data availability that are relevant for the assessment of the current evaluation plan. If appropriate, please identify relevant areas or topics not covered by previous evaluation plans that should be the subject of the current evaluation. Please provide the summaries of such evaluations and studies in annex and, when available, the internet links to the documents concerned:

No ex-ante evaluations have been made for the aid scheme being evaluated, and in Hungary no specific tourism-developing scheme was launched before. However, tourism development was present in other aid schemes as described below.

<sup>1</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1).

<sup>2</sup> SWD(2014)179 final of 28.5.2014.

A study<sup>3</sup> investigating the developments in tourism within the framework of the Regional Operational Programme between the years 2007 and 2011 found that complex tourism-developing schemes were not typical. Programs targeting the so-called 4As: accessibility, attraction, accommodation and attitude are considered complex tourism-developing schemes and are advised instead of programs targeting only one element (e.g.: an aid scheme supporting only the refurbishment of accommodations in the region).<sup>4</sup> The schemes evaluated typically did not target all these areas, rather only one of them. Methods used by the evaluators included document analysis, resource-allocation data analysis, interviews and surveys.

A later study<sup>5</sup> published in 2016 evaluating schemes aimed at the region of Lake Balaton – the largest lake in Central Europe and a popular tourist destination for both foreigners and Hungarians – in the period of 2007 to 2013 states that although the Balaton region is an especially active region in terms of tourism, it struggles with lack of coordination and a weak private sector outside of tourism (e.g.: agriculture is not competitive in the region, making it unfit for supplying the tourism sector). The study based its findings on document analysis and interviews.

A study<sup>6</sup> published in 2017 examined the results of tourism development programs of the Regional Development Operational Program offered between 2004 and 2006 as part of the National Development Plan. The study was produced for the Hungarian Tourism Agency (MTÜ) to support the preparation of future developments in projects of tourism. The study assessed the long-term success of the developments and their impact on their immediate tourism environment, drew conclusions about the quality of services from different professional perspectives and set up hypotheses primarily to identify factors contributing to project success. The evaluators found that merely 17.3% of supported attractions/accommodations are able to function as catalysts of the region, enhancing regional development in the vicinity. The methodology included questionnaire and in-depth interview surveys and the processing of data available online.

While the mentioned reports do not detail the specific methodological challenges, it can be assumed that the availability of a large enough number of documents and a high-enough response rate when conducting surveys and interviews were pivotal to a successful report.

For a detailed description of the studies, please see Annex 11.1.

---

<sup>3</sup> Pannon.Elemző Kft. (2013): A turizmusfejlesztés területi kohézió szempontú értékelése. [https://www.palyazat.gov.hu/a\\_turizmusfejlesztes\\_teruleti\\_kohezio\\_szempontu\\_ertekelese#](https://www.palyazat.gov.hu/a_turizmusfejlesztes_teruleti_kohezio_szempontu_ertekelese#)

<sup>4</sup> For more information about complex tourism-developing schemes, please refer to:

Pannon.Elemző Kft. (2013): A turizmusfejlesztés területi kohézió szempontú értékelése. [https://www.palyazat.gov.hu/a\\_turizmusfejlesztes\\_teruleti\\_kohezio\\_szempontu\\_ertekelese#](https://www.palyazat.gov.hu/a_turizmusfejlesztes_teruleti_kohezio_szempontu_ertekelese#)

<sup>5</sup> Századvég (2016): Balatoni fejlesztések értékelése. <https://www.palyazat.gov.hu/download.php?objectId=71203>

<sup>6</sup> Ráveztető Projekt Kft. (2017): „A Nemzeti Fejlesztési Terv keretében a 2004-06 közötti programozási időszakban támogatott turisztikai projektek fenntarthatóságának és turisztikai hatásainak elemzése” projekt keretében.

## 2. Objectives of the aid scheme to be evaluated<sup>7</sup>

**2.1.** Please provide a description of the aid scheme specifying the needs and problems the scheme intends to address and the intended categories of beneficiaries, for example size, sectors, location, indicative number:

The Kisfaludy Tourism Development Program, launched in 2017, is the largest-ever umbrella scheme with the goal of making Hungary the centre of tourism within the CEE region. The budget of the program is provided by the Earmarked budgetary appropriations for Touristic appropriations for tourism and for the development of tourism (hereinafter: the scheme). The scheme contains a wide variety of sub-schemes that have the goal of tourism development, such as: accommodation development, the development of open water beach fronts, the support of tour guides, the development of tourist attractions (e.g.: an e-port on the Lake Balaton, adventure parks).

Under the scheme, regional investment aid is provided in the form of direct grants. The scheme provides investment support in the tourism sector in the less developed regions of Hungary.

One objective of the aid scheme is to support the development of significant, already-existing touristic destinations, products and attractions in order to attract even more people to these destinations. Also, the scheme aims at reducing the high level of concentration within the Hungarian tourism sector over both time and space, i.e. its goal is to support the creation of new touristic destinations outside of the frequently visited Budapest and Balaton areas and to attract more tourists outside the popular period between May and September.

The Kisfaludy Program follows a different logic than that of the developments realised through EU grants: while in the latter the level of development of the region was determinant of the amount of resources allocated to a given area – i.e. supports were mainly streamed towards less developed regions –, in the case of the Kisfaludy Program, a different set of principles prevail. This way, the Kisfaludy Program aims to be a complementary to the development carried out through EU support.

With the Kisfaludy Program, the destination-based approach came to the forefront: support grants were streamlined to areas with already-existing tourist attractions, where developments could therefore be carried out in an efficient manner and by creating sustainable investments. This covered 10 regions, where approximately 85% of the performance of the Hungarian tourism sector is realized. The aspect of targeted support is also applied, taking into account the need to implement different types of development at each location, adapting to the needs of the target group or geographical conditions, for example. Finally, the aim to provide complex schemes was also important while designing the Kisfaludy Program, in other words, the aim to not only support the development of a given tourist attraction but also its surroundings.

---

<sup>7</sup>

Beyond providing a general description of the objectives and eligibility rules of the scheme, the aim of this section is to assess how the eligibility and exclusion rules of the scheme may be used to identify the effect of aid. In some cases, the precise eligibility rules may not be known in advance. In those cases the best available expectations should be provided.

A total of 300 billion Hungarian Forints (HUF) – approximately EUR 838 million - will be spent on the overarching development programme by 2030, HUF 80 billion (EUR 223.5 million) of which was to be granted to beneficiaries within the first phase of the programme, by August 2020 a decision was made about almost two-thirds of the sum, HUF 59 billion (EUR 164,4 million), subject to this evaluation. With the support from schemes announced in the first phase, two-thirds of the guesthouses in the countryside (about 603 guesthouses) and 33 hotels are able to carry out refurbishments. In addition, more than 41 new accommodations will be built<sup>8</sup>. The supported projects are being realized all over Hungary, typically in bigger towns and cities, their geographical distribution being quite proportionate.

In the second phase of the programme, started in May 2020, it was announced<sup>9</sup> that a further amount of HUF 150 billion (EUR 420 million) will be allocated to beneficiaries with the goal of total modernization of accommodations.

The eligible beneficiaries of the aid scheme are those with a registered office, branch, establishment or subsidiary in Hungary. They can either be SMEs or large enterprises active in the tourism sector.

The aid scheme to be evaluated is one of the main pillars of Hungary's National Tourism Development Strategy<sup>10</sup> 2030, adopted in 2017.

**2.2.** Please indicate the objectives of the scheme and the expected impact, both at the level of the intended beneficiaries and as far as the objective of common interest is concerned:

On a country level, the objective of the programme is a) to enhance the destination-based approach within the Hungarian tourism sector, b) to reduce the concentration of the sector both over space and time, c) to create a supply of high-quality experiences that are able to attract new target groups, d) to improve accessibility and e) to disseminate innovative practices within the industry. These goals are fully in line with the overarching National Tourism Development Strategy – also emphasizing the importance of destination-based approach - and, consequently, contribute to making Hungary one of the most popular tourist destination in the CEE region. Furthermore, the scheme contributes to common objectives of the EU: it promotes sustainability, energy efficiency and it supports SMEs.

With regards to the beneficiaries, raising the quality of the services supplied by them is expected, along with introducing new services and carrying out the necessary investments in infrastructure and capacity enhancements. It is predicted that the development efforts will result in an increase of 20% of sales revenue and the creation of 5,000 new workplaces.

---

<sup>8</sup> <https://mtu.gov.hu/cikkek/eredmenyhirdetes-a-kisfaludy-programban-767>

<sup>9</sup> <https://mtu.gov.hu/cikkek/uj-szakaszaba-lep-a-kisfaludy-program-1645>

<sup>10</sup> The National Tourism Development Strategy is a core document defining the state's short, medium and long-term tasks in the tourism sector by identifying key intervention points and designating strategic goals as well as recognizing the strategic tools, resources and institutional framework necessary to reach the set targets. The tools for state tourism management introduced in the Strategy are the novel destination-based approach, the state-supported attraction development programs, as well as the state-supported development of basic infrastructure.

**2.3.** Please indicate possible negative effects, on the aid beneficiaries or on the wider economy, that might be directly or indirectly associated with the aid scheme<sup>11</sup>:

The possible negative effects that could be associated with the scheme are primarily: 1) a potential crowding out effect on private investment from the Hungarian tourism sector, 2) a deadweight loss resulting from the fact that some investments might have been fully or partially realized without the support scheme, and 3) possible competition distortions in the Hungarian tourism sector by allowing the group of beneficiaries to carry out investments worth more than their competitors with no subsidies are able to carry out, thus putting the group of beneficiaries at an advantage.

**2.4.** Please indicate (a) the annual budget planned under the scheme, (b) the intended duration of the scheme<sup>12</sup>, (c) the aid instrument or instruments and (d) the eligible costs:

The initial annual average budget of the scheme was intended to be HUF 66 billion (EUR 213 million<sup>13</sup>).

It has to be noted that Earmarked scheme for Tourism is a complex scheme from a State aid perspective as it contains measures both within and outside the scope of State aid rules. Moreover, even a (sub)measure falling under the State aid rules can be executed under different aid categories, for example regional aid, cultural aid, aid for local infrastructure or de minimis aid. It also important to emphasize that several aid categories under the scheme are not subject to evaluation requirement. At the time when the scheme was being launched the assumption was that the budget related to aid categories subject to evaluation would be below the annual EUR 150 million limit. That is the reason why no evaluation plan was submitted to the Commission earlier.

The actual awards under the scheme for regional investment aid can be broken down as follows on the basis of annual reporting (SARI) data and data from the aid grantor, provided in 2020:

Year	Actual awarded amount in HUF million	HUF/EUR average rate	Actual awarded amount in EUR million	Total awarded amount from 2018 in EUR million
2018	16,562.1	318.87	52.1	52.1
2019	21,261	325.35	65.4	117.5

As confirmed by representatives of the State Aid Monitoring Office, the sum of support granted in 2020 was higher than planned, the scheme thus exceeded the EUR 150 million limit on September 11, 2020, the total amount of support granted being at HUF 75,7 billion (EUR 212 million<sup>14</sup>). Accordingly, an evaluation became necessary.

<sup>11</sup> Examples of negative effects are regional and sectorial biases or crowding out of private investments induced by the aid scheme.

<sup>12</sup> Aid schemes defined in Article 1(2)(a) of Regulation (EU) No 651/2014 are excluded from the scope of the Regulation six months after their entry into force. After having assessed the evaluation plan, the Commission may decide to extend the application of the Regulation to such schemes for a longer period. Member States are invited to precisely indicate the intended duration of the scheme.

<sup>13</sup> calculated at the middle exchange rate of when the scheme was launched - in 2017 - at 309.2 HUF/EUR.

<sup>14</sup> calculated at the middle exchange rate of September 2020 - at 355 HUF/EUR

The evaluation plan covers the first half of the scheme, i.e.: the period from 28 December 2018 to 30 June 2021.

The aid takes the form of direct grants.

The aid scheme provided beneficiaries support for costs related to the purchase of tangible and intangible assets. Beneficiaries are granted support for costs such as the costs of refurbishment, reconstruction and expansion, and assets necessary for capacity enhancements of the accommodation. Eligible costs also include the costs of improving the energy efficiency of an accommodation and/or the reconstruction necessary to ensure accessibility for the disabled.

**2.5.** Please provide a summary of the eligibility criteria and the methods for selecting the aid beneficiaries. In particular, please describe the following: (a) the methods used for selecting beneficiaries (e.g. such as scoring), (b) the indicative budget available for each group of beneficiaries, (c) the likelihood of the budget being exhausted for certain groups of beneficiaries, (d) the scoring rules, if they are used in the scheme, (e) the aid intensity thresholds and (f) the criteria the authority granting the aid will take into account when assessing applications:

Within the framework of the Kiszfaludy Tourism Development Program, a selection process including a preliminary qualification is used. The preliminary qualification of projects from both a professional as well as a technical standpoint and a prior validation of development needs serve to guarantee that the projects supported are in line with the logic of the destination-based approach and are cost-efficient, while also assisting applicants throughout the steps of application submission and project development and implementation. This process determines the eligibility of the applicant. The preliminary qualification process evaluates the projects inter alia along the following aspects: whether the grant application is in line with the scheme's goals and objectives, whether the planned investment is justifiable given its expected/planned results, whether the project timeline is realistic, thought-through, feasible and is in accordance with the scheme guidelines. A further aspect is whether the planned development meets the demand needs of the given touristic region.

The indicative budget of the individual support schemes evaluated ranges from HUF 500 million to HUF 20 billion with the majority being set at HUF 4-5 billion, except for the Kiszfaludy Accommodation Development Program, which has a budget of HUF 43 billion.

It is highly likely that the planned budget will be exhausted fully in all cases of beneficiary groups.

The grant decision was based on a scoring process. Using scoring, the managing authority ranks the projects, based on the points scored. The key criteria are feasibility and viability of the project, potential risks, sustainability, description of planned investment, indicative amount of the applied grant and data related to eligible costs.

For accommodation development, the maximum amount of support a beneficiary is eligible for varies according to the size of the accommodation (either based on floor area or number of rooms), while for attraction-based developments such as the building of an e-port at Lake Balaton, there are limits to the support specified in advance. Similarly, the aid intensity thresholds vary by scheme and even within

certain schemes ranging from 25% to 70% but are typically above 50%. Beside the subject of the aid scheme, the aid intensity was mainly influenced by the grade of economic development of the region the project would be implemented in.

Criteria during application assessment include whether the proposed project will successfully contribute to the economy of the region, if the services planned meet specific needs of a given target group (e.g.: family-friendly services) and accessibility.

**2.6.** Please mention specific constraints or risks that might affect the implementation of the scheme, its expected impacts and the achievement of its objectives:

Much like in other countries of the world, the global pandemic of COVID-19 took its toll on the Hungarian tourism industry. In May 2020, the Hungarian Central Statistical Office measured a year-on-year fall of 93% in the sector. The implementation of the planned investments and also the expected positive impacts of the schemes already implemented are currently at considerable risk.

### 3. Evaluation questions

**3.1.** Please indicate the specific questions that the evaluation should address by providing quantitative evidence of the impact of aid. Please distinguish between (a) questions related to the direct impact of the aid on the beneficiaries, (b) questions related to the indirect impacts and (c) questions related to the proportionality and appropriateness of the aid. Please explain how the evaluation questions relate to the objectives of the scheme:

The planned evaluation questions are structured as follows:

- (a) Questions related to the direct (intended) impacts of the aid on the beneficiaries:
  - *(a1) What are the direct impacts of the aid on the financial and employment indicators of the beneficiary enterprises (e.g.: net sales, tangible and intangible assets, operating profit, number of employees)?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** the main objective of the aid is to foster the development of tourism and tourism-related companies in the less developed regions of Hungary. Through analysis of the financial and employment indicators, the impacts of the aid on the change of the economic indicators of the beneficiary enterprises can be evaluated.

**Relating evaluation hypothesis:** regional aid contributes to the investments (tangible and intangible assets) of the assisted enterprises. Increased investments contribute to the growth (net sales), profitability (operating profits) and employment (number of employees) after the completion of the supported project.

**Relating methodologies:**

Bearing in mind that it will take at least one year for the impacts to materialize, we can take into account projects that have been completed by 31 December 2022 for the beneficiary-level evaluation and examine the impacts for 31 December 2023.

In the first round, we set up the intervention logic of different types of subsidies. Special calls with a small number of beneficiaries are analyzed on an individual basis, mainly with the help of descriptive statistical methods, document analysis, and other qualitative methods presenting the characteristics of the supported and similar companies.

For call types with at least 30 beneficiaries, counterfactual impact evaluation (CIE) is used to assess the impact of the aid on the economic indicators of the treated companies. The treated group is companies receiving support from the examined calls. The control group is selected from a multitude of companies operating in the field of tourism using the Propensity Score Matching (PSM) procedure, which takes into account observable characteristics relevant to the selection (e.g. company size, age, previous growth trajectory, and geographical location). When setting up the control group, we strive to have a multiplicity of at least three times that of the treated group. The impacts are measured as the differences in growth (DD) between the treated and control group profit variables (e.g., number of employees, tangible and intangible assets, sales, gross value added).

- *(a2) How does the level of economic development of the microregion the beneficiary operates in influence the impacts of the aid on the direct beneficiaries?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** the main objective of the aid is to foster the development of tourism and tourism-related companies in the less developed regions of Hungary. Through analysis of the financial and employment indicators, the impacts of the aid on the change of the economic indicators of the beneficiary enterprises can be evaluated.

**Relating evaluation hypothesis:** regional aid contributes to the investments (tangible and intangible assets) of the assisted enterprises. Increased investments contribute to the growth (net sales), profitability (operating profits) and employment (number of employees) after the completion of the supported project. The territorial developmental level of the settlement of implementation affects the impacts: territorial units with lower developmental level may achieve higher impacts.

#### **Relating methodologies:**

Bearing in mind that it takes at least one year for the impacts to materialize, we can take into account projects that have been completed by 31 December 2022 for the beneficiary-level evaluation and examine the impacts that will occur by 31 December 2023.

There are two approaches to answering the evaluation question. According to one approach, we include territorial development indicators as explanatory variables in the model presented for evaluation question (a1), with the help of which we make an estimate of how the level of development of the micro-region influences the effects of the support scheme.

According to the other applied approach, we examine with spatial econometric analysis the impact of the paid support on the change of indicators measuring territorial development at the level of microregions (e.g. LAU1).



- (a3) *What are the direct impacts of the aid on the probability of survival of the newly established enterprises in the third year after starting the operation?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** as a result of the development of the tourism sector, the scheme may increase the survival rate of the newly established enterprises in the less developed regions of Hungary.

**Relating evaluation hypothesis:** the survival rate of the newly established enterprises is higher, if they receive regional aid, while financing the initial costs is easier for them.

**Relating methodologies:**

Bearing in mind that it takes at least one year for the impacts on survival to materialize, we can consider projects that have been completed by 31 December 2022 for the beneficiary-level evaluation and examine the effects until 31 December 2023.

To assess the impacts of the aid, we use a counterfactual impact evaluation, in which we examine the effect of the aid on the chances of survival of the treated companies.

The treated group consists of the beneficiary companies receiving support from the calls under evaluation. The control group is selected from the multitude of companies operating in the field of tourism using the Propensity Score Matching (PSM) procedure, during which we take into account the observable characteristics relevant to the selection. When setting up the control group, we aim to have a multiplicity of at least three times that of the support group. The comparison of survival chances is then performed on the resulting data set.

- (a4) *How does the support contribute to the development of tourism on a territorial level?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** the main objective of the aid is to foster the development of tourism and tourism-related enterprises in the less developed regions of Hungary. Through a comparative analysis of development and tourism-related indicators, the different impacts of the aid can be evaluated on the level of territorial units (i.e. NUTS 2, NUTS 3, LAU 1, LAU 2).

**Relating evaluation hypothesis:** the impacts of regional aid on tourism related activities are higher in the less developed micro regions, while the enterprises' access to external funding for their investments is lower in those regions.

**Relating methodologies:**

Counterfactual impact evaluation (CIE) will be used to measure the impacts of the aid on the tourism-related development of territorial units. The matching of the treated and the control units will be based on territorial development indicators. The impacts will be measured as the difference in the tourism-related indicators between the treated and the control groups in the relevant period.

The treated group will be the territorial units receiving regional aid from schemes under examination in the first three years of their operation.

The potential control group will be the territorial unit not receiving any assistance from EU funds. The impact of the amount of support given to territorial units will also be examined.

The evaluation has to have a cut-off date of 31 December 2022 to ensure data availability.

(b) Question related to the indirect (or non-intended) impacts:

- *(b1) Is there a situation where a subsidised project would have been fully or partly realized without the aid (deadweight-loss effect)?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** the main objective of the aid is to foster the development of tourism and tourism-related enterprises in the less developed regions of Hungary. The effectiveness of the aid will be significantly lower, if the deadweight-loss effect is large. The deadweight-loss effect will be evaluated only at the level of investments.

**Relating evaluation hypothesis:** part of the investments financed from the regional aid would have been realized without the aid.

**Relating methodologies:**

*Counterfactual impact evaluation (CIE)* will be used to measure the impacts of the aid on the treated companies' investments (tangible and non-tangible assets) using the method presented for evaluation question (a1). The deadweight-loss effect will be measured as the difference in the growth difference in the investments between the treated and the control groups.

The evaluation has to have a cut-off date of 31 December 2022 regarding the payments to beneficiaries.

(c) Questions related to the proportionality and appropriateness of the aid:

- *(c1) Were the objectives, the eligible activities and the co-financing rates in line with the needs of the target group?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** the schemes intended to target the tourism-related companies. Through expert interviews, the evaluation will examine if the objective, the eligible activities and the co-financing rates were and are still applicable.

**Relating evaluation hypothesis:** the objectives, the eligible activities and the co-financing rates were in line with the needs of the target group.

**Relating methodology:** Desk research.

- *(c2) To what extent does the aid scheme distort market competition?*

**Explanation of how the evaluation question relates to the objectives of the scheme:** the schemes intended to target the tourism-related companies, they thus could potentially distort market competition. Through questions (a1) – (c1), we examine this problem.

**Relating evaluation hypothesis:** the scheme under evaluation does not significantly distort market competition.

**Relating methodology:** See evaluation questions (a1)-(c1)

#### 4. Result indicators

**4.1.** Please use the following table to describe which indicators will be built to measure outcomes of the scheme, as well as the relevant control variables, including the sources of data, and how each result indicator corresponds to the evaluation questions. In particular, please mention (a) the relevant evaluation question, (b) the indicator, (c) the source of data, (d) the frequency of collection of data (for example, annual, monthly, etc.), (e) the level at which the data is collected (for example, firm level, establishment level, regional level, etc.), (f) the population covered in the data source (for example, aid beneficiaries, non-beneficiaries, all firms, etc.):

Evaluation question(s)	Indicator	Source	Frequency	Level	Population
(a1), (a2), (c2)	net sales	annual financial reports	annual	enterprise	all enterprises submitting at least a simplified financial report
(a1), (a2), (b1)	tangible assets	annual financial reports	annual	enterprise	all enterprises submitting at least a simplified financial report
(a1), (a2), (b1)	intangible assets	annual financial reports	annual	enterprise	all enterprises submitting at least a simplified financial report
(a1), (a2), (b1), (c2)	operating profits	annual financial reports	annual	enterprise	all enterprises submitting at least a simplified financial report
(a1), (a2), (b1)	number of employees	monthly declarations of enterprises under VAT	monthly	enterprise	all enterprises under VAT rule
(a2)	annual per capita electricity consumption at	annual report of the Hungarian Central Statistical	annual	settlement	all settlements in Hungary

Evaluation question(s)	Indicator	Source	Frequency	Level	Population
	settlement level	Office (CSO) on electricity consumption			
(a2)	Current year corporate tax liability	National Spatial Development and Spatial Planning Information System (TeIR)	annual	NUTS 2	all NUTS 2 units in Hungary
(a2)	Guest nights in commercial accommodation	National Spatial Development and Spatial Planning Information System (TeIR)	annual	NUTS 2	all NUTS 2 units in Hungary
(a2)	Number of employees, Commercial and catering occupations (FEOR-08)	National Spatial Development and Spatial Planning Information System (TeIR)	annual	settlement	all settlements in Hungary
(a3)	Survival rate in the third year	annual financial reports	annual	enterprise	all enterprises, submitting at least a simplified financial report

**Please explain why the chosen indicators are the most relevant for measuring the expected impact of the scheme:**

The chosen indicators describe the development of the subsidised enterprises (treatment group) and the non-subsidised enterprises (control group) as well as territorial units. Through the analysis of these indicators in the treated and the control groups, the impacts of the aid can be identified.

## 5. Envisaged methods to conduct the evaluation

**5.1.** In light of the evaluation questions, please describe the envisaged methods to be used in the evaluation to identify the causal impact of the aid on the beneficiaries and to assess other indirect impacts. In particular, please explain the reasons for choosing those methods and for rejecting other methods (for example, reasons related to the design of the scheme)<sup>15</sup>:

The main methods to be used in the evaluation are:

<sup>15</sup>

Please make reference to SWD(2014)179 final of 28.5.2014.

- (a) Counterfactual impact evaluation<sup>16</sup>: this type of evaluation is designed to capture the impacts of public policies, effecting only a proportion of the total population (i.e. the target group of the aid). The planned methods are propensity score matching (PSM) and double difference (DD). This method will be used when measuring the impact on different enterprise units (including potential market distortion) as well as different territorial units.
- (b) Econometric duration analysis<sup>17</sup>: for calculating the differences in the probability of the survival of the treated and control enterprises (e.g. with Kaplan–Meier estimator).
- (c) Expert interviews: conducted in order to examine the intervention logic and to analyse how the support scheme met the needs of the target group, and whether there has been any market distortion.

**5.2.** Please describe precisely the identification strategy for the evaluation of the causal impact of the aid and the assumptions on which the strategy relies. Please describe in detail the composition and the significance of the control group:

The intervention logic will be identified using qualitative analysis of the relevant documents and through 6-8 interviews of stakeholders and experts. The identification strategy of the treatment and control groups will be based on the intervention logic uncovered.

Regarding the beneficiary-level evaluation, the treated group will consist of the enterprises receiving aid from support schemes under examination. The control group will be made up of enterprises active in tourism sector (based on the NACE code of their main economic activity), which are similar to the supported companies but were not receiving any assistance from any EU or national funds in the relevant time period. The exact number of beneficiary and control units will be determined at a later point, but we aim for a control group of at least threefold of the treated group. The matching of the treated and the control enterprises will be based on their size (net sales), their relative intensity of the factors of production (tangible and intangible assets per employee), their sector (based on the NACE codes), their duration of operation, previous growth trajectory and geographical location (NUTS 2 region) in the year before finishing the supported project. The impacts will be expressed as the growth differences between the treated and the control groups (difference-in-differences).

**5.3.** Please explain how the envisaged methods address potential selection bias. Can it be claimed with sufficient certainty that observed differences in the outcomes for the aid beneficiaries are due to the aid?

---

<sup>16</sup> For the description of counterfactual impact evaluation see: Shahidur R. Khandker, Gayatri B. Koolwal and Hussain A. Samad (2010): Handbook on Impact Evaluation, <https://openknowledge.worldbank.org/bitstream/handle/10986/2693/520990PUB0EPI1101Official0Use0Only1.pdf>

<sup>17</sup> For the theory of econometric duration analysis, see: James J. Heckman, Burton Singer (1984): Econometric Duration Analysis, *Journal of Econometrics* 24 (1984), p. 63-132. and Kaplan, E. L.; Meier, P. (1958). Nonparametric estimation from incomplete observations. *J. Amer. Statist. Assoc.* 53 (282): 457–481.

Propensity score matching will be used to handle the selection bias based on the observable variables while the method of double difference will be used to handle the selection bias based on the non-observable variables, which effect either all the population or have a constant effect through the observed time period. Non-observable, time variant variables will be handled with qualitative methods. The selected evaluation mix of quantitative and qualitative methods ensures the robustness of the results.

- 5.4.** If relevant, please explain how the envisaged methods intend to address specific challenges related to complex schemes, for example schemes that are implemented in a differentiated manner at regional level and schemes that use several aid instruments:

The evaluators are planning a three-level approach:

First, the similar aid schemes will be grouped based on their objectives, target group, geographical location and eligible activities.

Secondly, the clustered groups of aid schemes will be evaluated separately.

Thirdly, the evaluators will construct a multi regime evaluation to measure the impacts of the schemes on those enterprises, which received assistance from more than one scheme.

## 6. Data collection

- 6.1.** Please provide information on the mechanisms and sources for collecting and processing data about the aid beneficiaries and about the envisaged counterfactual.<sup>18</sup> Please provide a description of all the relevant information that relates to the selection phase: data collected on aid applicants, data submitted by applicants and selection outcomes. Please also explain any potential issue as regards data availability:

The evaluation will be based on the following data sources:

- the annual financial reports of the Hungarian enterprises;
- the monthly VAT reports of the enterprises under the VAT rule;
- the daily updated monitoring database of the implementation of EU funds in Hungary;
- the list of the less developed settlements (based on the government decree 27/2013)
- National Spatial Development and Spatial Planning Information System (TeIR);

No primary data collection is envisaged as part of the evaluation.

- 6.2.** Please provide information on the frequency of the data collection relevant for the evaluation. Are observations available on a sufficiently disaggregated level, that is to say at the level of individual undertakings?

Please refer to sections 4.1 and 6.1 on the availability of the data for the evaluation.

<sup>18</sup>

Please note that the evaluation might require sourcing of both historical data and data that will become progressively available during the deployment of the aid scheme. Please identify the sources for both types of information. Both types of data should preferably be collected from the same source as to guarantee consistency across time.

- 6.3.** Please indicate whether the access to the necessary data for conducting the evaluation might be hindered by laws and regulations governing confidentiality of data and how those issues would be addressed. Please mention other possible challenges related to data collection and how they would be overcome:

The data on the Hungarian enterprises' financial and employment data will be available until 2023 in the time horizon of the evaluation (2025). Keeping in mind that the impacts will need at least one year to materialize, the beneficiary-level evaluation will have a cut-off date of 31 December 2022 regarding the aid and 31 December 2023 regarding the impacts.

- 6.4.** Please indicate whether surveys of aid beneficiaries or of other undertakings are foreseen and whether complementary sources of information are intended to be used:

The quantitative analysis will be preceded by desk research.

## **7. Proposed timeline of the evaluation**

- 7.1.** Please indicate the proposed timeline of the evaluation, including milestones for data collection, interim reports and involvement of stakeholders. If relevant, please provide an annex detailing the proposed timeline:

A methodological report is to be submitted by the end of 2021. The methodological report will contain descriptive statistics (if available) as well as a detailed description of the data and the methodologies that will be used for the evaluation. This methodological document is to serve as the basis for the Evaluation Plan of the eventual subsequent scheme.

An interim evaluation will be produced in the course of 2022 covering the initial years of implementation of the scheme. In 2023 and 2024, the Commission will receive yearly short updates concerning the developments of the scheme, progress with data collection and updates on the evaluation design.

The evaluation is set to commence on 2 January 2025 at the latest, since that is the point by which a project portfolio of large enough size for analysis will be available. Please note however that the below-presented timeline might be subject to change, depending on data availability.

The evaluation is set to be completed and accepted by 31 December 2025. The interim evaluation report will be submitted by the 30 June 2025 and the final document by 31 October 2025.

- 7.2.** Please indicate the date by which the final evaluation report will be submitted to the Commission:

The final evaluation report will be submitted to the Commission by 31 October 2025.

- 7.3.** Please mention factors that might affect the envisaged timeline:

The evaluation can only be carried out if a sufficiently high number of projects have already been implemented, making the impact of the schemes quantifiable. The evaluators

expect this data to be available by the beginning of 2025. Please note however that the above-presented timeline might be subject to change, depending on data availability.

## **8. The body conducting the evaluation**

**8.1.** Please provide specific information on the body conducting the evaluation or, if not yet selected, on the timeline, procedure and criteria for its selection:

The evaluation will be conducted by Ernst & Young Advisory Ltd (Hungary).

**8.2.** Please provide information on the independence of the body conducting the evaluation and on how possible conflict of interest will be excluded during the selection process:

Ernst & Young Advisory Ltd. is independent from the aid grantor, the Hungarian Tourism Agency and was selected to conduct the evaluation through a public procurement procedure.

**8.3.** Please indicate the relevant experience and skills of the body conducting the evaluation or how those skills will be ensured during the selection process:

Ernst & Young Advisory Ltd. has a team of professionals specialised in policy evaluations and impact assessment services who have successfully carried out similar projects in the past.

**8.4.** Please indicate which arrangements the granting authority will make to manage and monitor the conduct of the evaluation:

During the process of the evaluation, the granting authority - the Hungarian Tourism Agency - involving its competent staff will organise regular meetings with the body conducting the evaluation to monitor and support the evaluation work.

**8.5.** Please provide information, even if only of an indicative nature, on the necessary human and financial resources that will be made available for carrying out the evaluation:

Throughout the evaluation process, regular meetings will be held by evaluators to ensure that the evaluation is progressing in a timely manner.

## **9. Publicity of the evaluation**

**9.1.** Please provide information on the way the evaluation will be made public, that is to say, through the publication of the evaluation plan and the final evaluation report on a website:

The Hungarian authorities confirm that the evaluation plan and the final evaluation report will be published through the Hungarian Tourism Agency's website, on [www.mtu.gov.hu](http://www.mtu.gov.hu).

**9.2.** Please indicate how the involvement of stakeholders will be ensured. Please indicate whether the organisation of public consultations or events related to the evaluation is envisaged:

To date there are no public consultations or events planned by the Hungarian Tourism Agency.



**9.3.** Please specify how the evaluation results are intended to be used by the granting authority and other bodies, for example for the design of successors of the scheme or for similar schemes:

The Hungarian Tourism Agency will utilize the findings of the evaluation during the design phase of future support schemes.

**9.4.** Please indicate whether and under which conditions data collected for the purpose or used for the evaluation will be made accessible for further studies and analysis:

The Hungarian Tourism Agency does not plan on making the data collected accessible, those are for internal use only.

**9.5.** Please indicate whether the evaluation plan contains confidential information that should not be disclosed by the Commission:

As confirmed by the Hungarian Tourism Agency, the evaluation plan does not contain confidential information.

## **10. Other information**

**10.1.** Please indicate here any other information you consider relevant for the assessment of the evaluation plan:

The evaluation plan contains all information needed for its assessment.

**10.2.** Please list all documents attached to the notification and provide paper copies or direct internet links to the documents concerned:

No further documents are needed to be attached to the evaluation plan.

## 11. Annex

### 11.1 Description of ex-post evaluations or studies conducted in the past on predecessors of the aid scheme or on similar schemes

#### Assessment of Tourism Development in Relation to Territorial Cohesion (2013)<sup>19</sup>:

The study, investigating the developments in tourism within the framework of the Regional Operational Programme between the years 2007 and 2011, found that complex tourism-developing schemes were not typical. Programs targeting the so-called 4As: accessibility, attraction, accommodation and attitude are considered complex tourism-developing schemes and are advised instead of programs targeting only one element – for example, an aid scheme only supporting the refurbishment of accommodations in the region. The schemes evaluated typically did not target all these areas, rather only one of them. Methods used by the evaluators included document analysis, resource-allocation data analysis, interviews and surveys.

Analysing the development goals articulated within national-level documents and programmes and in the ROP, the study identified an adequate level of goals overlapping, except in the case of the Balaton Resort Area (BKÜ). The national level tourism development goals regarding the BKÜ were not contained coherently in the ROPs due to the fact that the BKÜ was divided into multiple development regions. Regarding the cohesion of tourism developments, the study found that the development of attractions received the largest share of funds (approximately 70-75%), followed by the improvement of accommodations, while the development of Touristic Destination Management organizations<sup>20</sup> received the least amount of funds (below 5%). Analysing the beneficiaries and their legal status the study notes that although more than half of the winning tenders belong to businesses with a legal entity, only one-third of the funding is channelled their way. The reason for this is the fact that central budgetary bodies and municipalities generally participated in tourism development call for tenders with a larger pool of funds. The study has also found that stakeholders in tourism development rarely cooperated; this is an aspect to be strengthened in the future. The study points out that tourism development in the case of the BKÜ was fragmented, and that despite the region's significant role in tourism, the average funding per applicant in the region was below the national average. Furthermore, given health tourism's significance, the study emphasizes the necessity for a close cooperation between tourism and healthcare, a form of cooperation generally absent in the past.

---

<sup>19</sup> Pannon.Elemző Kft. (2013): A turizmusfejlesztés területi kohézió szempontú értékelése. [https://www.palyazat.gov.hu/a\\_turizmusfejlesztes\\_teruleti\\_kohezio\\_szemponu\\_ertekelese#](https://www.palyazat.gov.hu/a_turizmusfejlesztes_teruleti_kohezio_szemponu_ertekelese#)

<sup>20</sup> TDM organizations are organizations managing the whole of a tourist destination. The organisation is made up of entrepreneurs from the sector, civil organisations and municipalities.

## **Evaluation of Development Programs around Lake Balaton (2016)<sup>21</sup>:**

The study published in 2016 evaluates schemes aimed at the region of Lake Balaton – the largest lake in Central Europe and a popular tourist destination for both foreigners and Hungarians - in the period of 2007 to 2013. It concludes that although the Balaton region is an especially active region in terms of tourism, it struggles with lack of coordination and a weak private sector outside of tourism (e.g.: agriculture is not competitive in the region, making it unfit for supplying the tourism sector). The study based its findings on document analysis and interviews.

This second study found significant discrepancies when analysing the allocation of EU funds between 2007 and 2013, as the majority (approximately 60%) were channelled into three districts (Balatonfüred, Siófok and Keszthely). This discrepancy is present on the municipality level as well, with the three major cities obtaining HUF 20 billion each, amounting to almost one-third of all funds. As for the 2014-2020 period, the study identified the most pressing issues facing the region: 1) The lack of coordination and a weak private sector pose challenges to the tourism sector. A central investment incentivization scheme could facilitate the involvement of private capital, tapping into the reserves of economic activity in the region; 2) In order for the region to become a competitive destination on the international scale, the quality of service must be increased, the operational environment must be improved, while brand building activity in the region is essential; 3) The labor market situation (migration and the drain effect of nearby Austria) is to be balanced out, the region's transport and accessibility areas are to be improved.

## **Rávezető (2017): Evaluation of Tourism Development Programs Carried Out Within the Frames of the National Development Plan between 2004 and 2006:**

A study<sup>22</sup> published in 2017 examined the results of tourism development programs of the Regional Development Operational Program offered between 2004 and 2006 as part of the National Development Plan. The study was produced for the Hungarian Tourism Agency to support the preparation of future developments in projects of tourism. The study assessed the long-term success of the developments and their impact on their immediate tourism environment, drew conclusions about the quality of services from different professional perspectives and set up hypotheses primarily to identify factors contributing to project success. The methodology included questionnaire and in-depth interview surveys and the processing of data available online.

Of the 142 applications supported by the ROP, 130 projects were examined. Based on the evaluation, the applications were categorized in the following ways:

1. non-functioning, discontinued or unavailable developments;
2. profile-changing developments, although operating but not for tourism purposes;
3. developments with maintenance difficulties, which are currently operating for tourism, but not in a financially sustainable, efficient way;
4. operational developments that continue to serve tourism purposes in a sustainable, efficient way, but do not have a regional impact;

---

<sup>21</sup> Századvég (2016): Balatoni fejlesztések értékelése. <https://www.palyazat.gov.hu/download.php?objectId=71203>

<sup>22</sup> Rávezető Projekt Kft. (2017): „A Nemzeti Fejlesztési Terv keretében a 2004-06 közötti programozási időszakban támogatott turisztikai projektek fenntarthatóságának és turisztikai hatásainak elemzése” projekt keretében.

5. catalytic developments that have a positive impact on their environment, generating further development of tourism activities in the settlement and the region.

The study came to the following results: Only 17.3% of the applicants receiving support in the given period can act as a catalyst in a wider cooperation, with a local impact. It is also clear that a higher percentage of projects implemented in important tourist areas (72%), are more operational than those outside these areas (51%). It is important to add that catalyst-type projects represent a similar proportion in both groups. Of the 127 attractions/accommodations developed under the 130 projects examined, 35.4% are considered unsuccessful, 47.2% operate for tourism, but do not have an impact beyond their territory, while only 17.3% are able to cooperate more widely, locally to work effectively. In a region with tourism potential, the right geographical location is not enough: a strategic, efficient management of tourism in the region is also needed in order to exploit the synergistic effects resulting from territorial concentration. A significant part of the projects supported during this period remained an island-like development project, without a significant impact on tourism. Only 17.3% of the developments in tourism are able to generate a serious positive impact in their surroundings.