

# Hungarian Productivity Development Project



Project Sites Budapest

## 1. Background of Project

As a consequence of the collapse of the COMECON markets, the Hungarian Government faced the need for establishing a mechanism to supply industrial products that are internationally competitive through a process of promoting the transition to a market economy and economic reform. Thus, in 1994, the Hungarian Government decided to set up the Hungary Productivity Center to improve the productivity of Hungarian industrial firms as well as the quality of their products.

At the same time, the Hungarian Government requested Project-type Technical Cooperation from Japan for the purpose of learning from Japan's experience productivity development in industries, and introducing productivity development activities nationwide from the base of the Hungary Productivity Center.

## 2. Project Overview

### (1) Period of Cooperation

1 January 1995-31 December 1999

### (2) Type of Cooperation

Project-type Technical Cooperation

### (3) Partner Country's Implementing Organization

Hungarian Productivity Center (HPC)

### (4) Narrative Summary

#### 1) Overall Goal

The concept and technology of productivity development are disseminated among Hungarian enterprises through HPC as the national productivity organization.

#### 2) Project Purpose

HPC independently promotes and develops its productivity development activities.

#### 3) Outputs

- a) Operation system for the Project in HPC is established.

- b) Managers and supervisors in Hungarian companies are capable of practicing and disseminating the concept and measures of productivity development through skills fostered at in-house seminars at HPC and in-company training programs.
- c) The number of Hungarian companies reached by productivity development activities such as short-term audits and long-term consultations increases.
- d) Public Relations and promotion of productivity development activities are implemented.
- e) Technical capability of the staff of HPC regarding productivity development is upgraded.
- f) HPC network is expanded.

#### 4) Inputs

##### Japanese Side

Long-term experts	7
Short-term experts	25
Trainees received	14
Equipment	approx. 60 million yen
Local cost	approx. 57 million forint (approx. 23 million yen)

##### Hungarian Side

Counterparts	17
Land and facilities	
Local cost	approx. 464 million forint (approx. 181 million yen)

## 3. Members of Evaluation Team

### Team Leader:

Masaaki HANAI, Development Specialist, JICA

### Technical Cooperation Program:

Shuhei FUJIWARA, Assistant Deputy Director, Technical Cooperation Division, Economic Cooperation Department, International Trade Policy Bureau, Ministry of International Trade and Industry

### Technical Transfer Program:

Yasuhiko INOUE, Executive Director, International

Department, Japan Productivity Center for Socio-Economic Development (JPC-SED)

**Human Resources Development:**

Manabu FUJII, Senior Project Officer, International Department, JPC-SED

**Evaluation Management:**

Akihiro YOSHIDA, Associate Expert, First Technical Cooperation Division, Mining & Industrial Development Cooperation Department, JICA

**Evaluation Analysis:**

Koichi HYOGO, PADECO Corporation, Ltd.

## 4. Period of Evaluation

10 October 1999-28 October 1999

## 5. Results of Evaluation

### (1) Efficiency

Dispatch of Japanese experts, counterpart training in Japan and the provision of equipment promoted achievement of most of the outputs, such as establishment of the management system of HPC, the number of companies receiving productivity development consultations, and the expansion of HPC networks. Also, the project support system on the Japanese side including the Domestic Support Committee, which provided appropriate technical guidance and reference materials, contributed to the smooth implementation of technical transfer.

### (2) Effectiveness

HPC conducted in-house seminars and in-company training courses for managers and supervisors of companies. By December 1999, a total of 136 in-house seminars were held, attended by 2,701 persons. In addition, short-term audits and long-term consultations targeting managers were held five times in 1995, 19 in 1996, 17 in 1997, 22 in 1998 and 26 in 1999. Furthermore, HPC carried out dissemination activities through public relations and study tours. Considering these accomplishments, it was expected that the project purpose mainly would be achieved.

### (3) Impact

HPC took on the role of serving as the information center for productivity organizations of the Central and Eastern European countries through holding regional training courses and providing information by JICA experts, thus contributing to the promotion of productivity development activities in the region. Also, the project disseminated the concept and technologies of productivity in business and industries, as well as in educational institutes.

### (4) Relevance

In the transition from a planned to a market-oriented economy, the overall goal of the project was consistent with the industrial policy of the Ministry of Economic Affairs, which was to improve the competitiveness of Hungarian industries in world markets. The project purpose, as well, corresponded with the 1998 national policy regarding small- and medium-scale enterprise (SME) promotion prepared by the Ministry of Economic Affairs since SMEs accounted for 30 percent of the companies which took part in HPC's training courses and seminars.

### (5) Sustainability

Under the strong leadership of the new Chairman of the Board of Trustees inaugurated in February 1999 and the appointment of new members of the Board, the restructuring of the management system of HPC based on a clear business policy was steadily under way. On the other hand, some counterparts had left their jobs to study abroad or start their own business, and only nine out of 17 remained at HPC, which would hinder the smooth continuation of productivity development activities.

Regarding financial aspects, HPC was undertaking measures to improve its financial situation by cutting operational costs under the direction of the new Chairman of the Board. Also, as the formal agreement regarding HPC's cooperation with the Hungarian Foundation for Enterprise Promotion (MVA) had been signed in October 1999, it was expected that MVA would support a certain part of the revenue of HPC, which would be actively involved in the SME promotion policy.

## 6. Lessons Learned and Recommendations

### (1) Recommendations

As the project was judged to achieve its purpose by the end of the cooperation period, it was not necessary to extend the cooperation period. On the other hand, in order to continue managing and utilizing HPC after project completion, and also as part of its policy support to SME promotion in Hungary, it was recommended to continue JICA's cooperation by dispatching a long-term expert to the Ministry of Economic Affairs and another to HPC, thereby coordinating policy and business aspects of productivity development.

### 7. Follow-up Situation

Following the above-mentioned recommendation, two experts, one in "The small and medium sized enterprises development in Hungary"(October 2000-October 2002) and the other in "Small and Medium-sized Enterprise Development through Management Consulting and Training" (February 2001-February 2003) were dispatched to the Ministry of Economic Affairs and HPC, respectively.