

JOINT EVALUATION REPORT

ON

THE JAPANESE TECHNICAL COOPERATION

FOR

THE HUNGARIAN PRODUCTIVITY DEVELOPMENT PROJECT

IN THE REPUBLIC OF HUNGARY

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

JAPAN

HUNGARIAN PRODUCTIVITY CENTER

THE REPUBLIC OF HUNGARY

OCTOBER 25, 1999

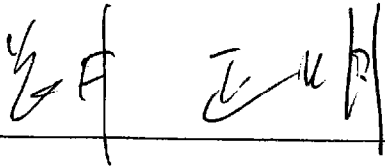
BUDAPEST, HUNGARY

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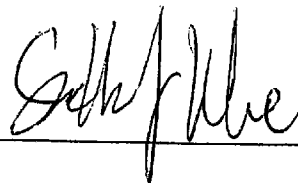
TO ALL CONCERNED

OCTOBER 25, 1999

BUDAPEST, HUNGARY



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CONTENTS

ABBREVIATIONS

I . INTRODUCTION.....	1
1. Evaluation Teams	1
2. Schedule of Joint Evaluation.....	2
3. Members of Evaluation Teams.....	3
II . Methodology of Evaluation.....	5
1. Method of Evaluation.....	5
2. Key Criteria of Evaluation	5
3. Sources of Information Used for Evaluation.....	6
III . BACKGROUND AND SUMMARY OF THE PROJECT	7
1. Brief Background of the Project.....	7
2. Chronological Review of the Project	7
3. Objectives and Outputs of the Project.....	8
4. Tentative Schedule of Implementation.....	8
5. Technical Cooperation Program.....	9
IV . RESULTS OF EVALUATION.....	10
1. Summary.....	10
2. Achievement of the Plan	12
3. Evaluation by Five Criteria	15
3.1. Efficiency.....	15
3.2. Effectiveness.....	18
3.3. Impact.....	24
3.4. Relevance.....	25
3.5. Sustainability	26
V . PERSPECTIVE, RECOMMENDATIONS, AND LESSONS LEARNED	28
1. Perspective	28
2. Recommendations.....	28
3. Lessons learned.....	30

ANNEX

ABBREVIATIONS

Institutions

AOTS	Association for Overseas Technical Scholarship
CE	Council of Europe
COMECON	Council for Mutual Economic Aid
EANPC	European Association of National Productivity Centers
HPC	Hungarian Productivity Center
ITDH	Hungarian Investment and Trade Development Agency
JICA	Japan International Cooperation Agency
JPC-SED	Japan Productivity Center for Socio-Economic Development
MITI	Ministry of International Trade and Industry
MVA	Hungarian Foundation for Enterprise Promotion
PHARE	Poland and Hungary: Action for the Restructuring of the Economy

Others

C/P	Counterpart Personnel
JPCM	Japanese Project Cycle Management
M/D	Minutes of Discussions
OJT	On-the-Job Training
PCM	Project Cycle Management
PDM	Project Design Matrix
R/D	Record of Discussions
SME	Small and Medium-sized Enterprises
TCP	Technical Cooperation Program
TSI	Tentative Schedule of Implementation

I. INTRODUCTION

1. Evaluation Teams

The Japanese Evaluation Team (hereinafter referred to as "the Japanese Team") organized by Japan International Cooperation Agency (hereinafter referred to as "JICA") visited the Republic of Hungary from October 16 to October 27, 1999 for the purpose of the joint final evaluation with the Hungarian Evaluation Team (hereinafter referred to as "the Hungarian Team") on the Japanese technical cooperation for the Hungarian Productivity Development Project (hereinafter referred to as "the Project"), which is scheduled to terminate on December 31, 1999, according to the Record of Discussions (hereinafter referred to as "R/D") signed on December 14, 1994.

Both Teams discussed and studied together the efficiency, effectiveness, impact, relevance and sustainability and future perspective of the Project in accordance with the Project Cycle Management (hereinafter referred to as "PCM") method.

Through careful studies and discussions, both Teams summarized their findings and observations as described in this document.

2. Schedule of Joint Evaluation

- | | |
|-------------|---|
| October, 10 | -Arrival of a consultant in Budapest |
| October, 11 | -Interviews with Japanese Experts |
| October 12 | -Interviews with Counterpart Personnel |
| October, 13 | -Interviews with Counterpart Personnel |
| October, 14 | -Interviews with companies |
| October, 15 | -Interviews with companies |
| October, 16 | -Analysis of the response of questionnaire
-Arrival of the main body of the Japanese Team in Budapest |
| October, 17 | -Analysis of the obtained information |
| October, 18 | -Visit to JICA Hungarian office
-Meeting with Japanese Experts |
| October, 19 | -Meeting with Japanese Experts
-Arrival in Budapest of a member in charge of technical transfer program
-Meeting with Japanese Experts |
| October, 20 | -Meeting with Japanese Experts
-Meeting with HPC
-Arrival in Budapest of a member in charge of technical cooperation program |
| October, 21 | -Courtesy call on Embassy of Japan
-Meeting with the Hungarian Team |
| October, 22 | -Ditto |
| October, 23 | -Information analysis
-Meeting with Japanese Experts |
| October, 24 | -Information analysis and documentation |
| October, 25 | -Finalizing Joint Evaluation Report and Minutes of Discussions
-Joint Coordinating Committee
-Signing of Joint Evaluation Report and Minutes of Discussions
-Reception held by the Japanese Team |
| October, 26 | - Exchange of opinion with Japanese Experts |
| October, 27 | -Departure of the Japanese Team |

3. Members of Evaluation Teams

[The Japanese Team]

Mr. Masaaki Hanai (Leader)	Industrial Development Specialist, Institute for International Cooperation, Japan International Cooperation Agency (JICA)
Mr. Shuhei Fujiwara (Technical Cooperation Program)	Assistant Deputy Director, Technical Cooperation Division, Economic Cooperation Department, International Trade Policy Bureau, Ministry of International Trade and Industry (MITI)
Mr. Yasuhiko Inoue (Technical Transfer Program)	Director, International Department, Japan Productivity Center for Socio-Economic Development (JPC-SED)
Mr. Manabu Fujii (Human Resource Development)	Officer, International Department, Japan Productivity Center for Socio-Economic Development (JPC-SED)
Mr. Akihiro Yoshida (Evaluation Management)	Associate Expert, First Technical Cooperation Division, Mining & Industrial Development Cooperation Department, Japan International Cooperation Agency (JICA)
Mr. Koichi Hyogo (Evaluation Analysis)	Consultant, PADECO Corporation, Limited

42

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[The Hungarian Team]

Mr. Levente Szekely

Leader
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Dr. Laszlo Csermenszky

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Ms. Zsuzsa Udvarhelyi

Deputy Director,
Environment Protection Department,
Ministry of Economic Affairs

Mr. Laszlo Soos

Interim Managing Director,
Hungarian Productivity Center



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II. Methodology of Evaluation

1. Method of Evaluation

The evaluation was conducted based on the PCM method, and the Project was evaluated jointly by the Hungarian and Japanese Teams.

- Both Teams examined the Project Design Matrix (PDM). A PDM is a summary table of overall description of the Project, its objectives and environments.
- Both Teams confirmed the achievements of the Project in terms of objectives, outputs, activities and inputs stated in the PDM.
- Both Teams conducted evaluation on the five (5) criteria, namely Efficiency, Effectiveness, Impact, Relevance and Sustainability, the content of which is stated below.

2. Key Criteria of Evaluation

The evaluation was conducted based on the following five(5) criteria, which are the major points of consideration when assessing development projects.

- 1) Efficiency: Efficiency is a major of productivity of the implementation process: how efficiently the various inputs are converted into outputs.
- 2) Effectiveness: Effectiveness concerns the extent to which the Project purpose has been achieved, or is expected to be achieved, in relation to the outputs produced by the Projects.
- 3) Impact: Impact is intended and unintended, direct and indirect, positive and negative changes as a result of the Project.
- 4) Relevance: Relevance determines whether the outputs, project purpose and overall goal are still in keeping with the priority needs and concerns at the time of evaluation.
- 5) Sustainability: Sustainability of the development project determines whether the Project benefits are likely to continue after the external aid comes to an end.

3. Sources of Information Used for Evaluation

Following sources of information are used for this evaluation study.

- 1) Documents agreed by both sides prior to and/or in the course of the Project implementation :
 - R/D
 - Minutes of Discussions (M/D)
 - Tentative Schedule of Implementation (TSI)
 - Technical Cooperation Program (TCP) and others
- 2) PDM
- 3) Record of Inputs from both sides and activities of the Project
- 4) Statistics
- 5) Results of a series of Interviews and Questionnaires



III. BACKGROUND AND SUMMARY OF THE PROJECT

1. Brief Background of the Project

As a consequence of the collapse of the COMECON markets, the establishment of a structure to supply industrial products with international competitiveness was needed. The Hungarian industry is focused to reorient its market policy. In order to become sound competitors in international markets, the productivity of the Hungarian industrial companies has to be sufficiently raised and the quality of the products has to be improved.

In response to the request, the government of Japan, through JICA, dispatched the preliminary Study Team followed by the Expert Survey Team and Implementation Study Team to discuss and agree with the Hungarian side authorities concerning the framework of the Project implementation. The Record of Discussions (R/D) was then signed in December 1994.

In accordance with the R/D, a five-year technical cooperation has started from January 1995.

2. Chronological Review of the Project

The chronological review of the Project is as shown in Annex 2.

3. Objectives and Outputs of the Project

The original objectives and outputs of the Project stated in the R/D were reviewed by the Hungarian Team and Japanese Team using the PCM approach, and rephrased as follows:

- Overall Goal: The concept and technology of productivity development will be disseminated among Hungarian enterprises through HPC as the national productivity organization.
- Project Purpose: HPC will uniquely promote and develop its productivity development activities in Hungary.
- Outputs:
- 0) Operation system of the Project in HPC will be established.
 - 1) Facilitators in Hungarian companies will be fostered for productivity development through in-house seminars and in-company training.
 - 2) The cases of productivity development activities such as short-term audit and long-term consultation for Hungarian companies will be accumulated.
 - 3) Public Relations and promotion for productivity development will be implemented.
 - 4) Technical capability of the counterpart personnel (C/P) will be upgraded.
 - 5) HPC network will be expanded

The rephrased objectives, outputs and activities of the Project are described in Detailed Contents of Narrative Summary of PDM for Evaluation shown in Annex I.

4. Tentative Schedule of Implementation

The Tentative Schedule of Implementation (TSI) is as shown in Annex 3.

5. Technical Cooperation Program

The Technical Cooperation Program (TCP) is as shown in Annex 4.

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IV. RESULTS OF EVALUATION

1. Summary

(1)Efficiency	<ol style="list-style-type: none">1.Both Japanese and Hungarian inputs were planned and implemented adequately in terms of quality, quantity and timing.2.Supporting system including the Domestic Supporting Committee in Japan, and the Joint Coordinating Committee have contributed to the attainment of outputs.3.Linkage with EANPC and CE has been helpful for HPC to expand its business opportunities.4.Technology transfer would have been more efficient without the following factors: intermittent assignment of a long-term expert, absence of short-term experts in 1997, frequent job-hopping of C/P, and few field experiences of C/P before entering HPC.
(2)Effectiveness	<ol style="list-style-type: none">1.The following six outputs were attained. Management and operation system of HPC is established; Facilitators in Hungarian companies are fostered for productivity development; Cases of audit and consultation were accumulated; Public relations and promotion were implemented; Technological capability of C/P is upgraded; and HPC network is expanded.2.Project Purpose "HPC will uniquely promote and develop its productivity development activities in Hungary" was mostly achieved.
(3)Impact	<ol style="list-style-type: none">1.Hungarian entrepreneurs have started to recognize significance of the productivity development, whose concept and technology has been disseminated through HPC.2.Japanese-style management techniques have been introduced for the top and middle management.3.Nurture of in-company facilitators have produced many supporters for productivity development in companies.4.The concept and technologies of productivity have been introduced among business, industrial and educational world.
(4)Relevance	<ol style="list-style-type: none">1. The Overall Goal of the Project is consistent with the industrial policy of the Ministry of Economic Affairs, which has been focused on since the period of conversion from planned economy to market economy to improve the competitiveness of Hungarian industry in world markets.2. The Project Purpose is along with one of the recent crucial national policies implementing the act on SME promotion, which is going to be approved by the Parliament in 1999. Since 30% of the companies which have taken part in training / seminars held by HPC are SME, it can be said that HPC has capability to implement its productivity development activities regardless of company size in terms of asset.3. Selection of fields of technology transfer was adequate in consideration of the Hungarian economy and the industrial status.4. The introduction of on-the-job training at the early stage of technological transfer was an appropriate and effective means of providing training courses while obtaining actual revenues.

(5)Sustainability	<p>1. As a result of the inauguration of the new Chairman of the Board of Trustees in February 1999 with strong leadership, as well as the appointment of new members of the Board, the reconstruction of sound management system of HPC are under way at the moment.</p> <p>The decision on the replacement of the Managing Director in September 1999 reflected the new Chairman's strong recognition of the importance of HPC's management.</p> <p>As it is difficult to say that nine C/P are sufficient to develop activities, it is essential to increase the number of external human resource.</p> <p>By promoting the formation of the framework of HPC's cooperation with MVA, the Ministry of Economic Affairs gives support to HPC in the area of SME promotion.</p> <p>2. HPC has improved its financial situation by expanding its operational income these five years. And under the command of the new Chairman of the Board, HPC has been making efforts to improve the financial situation by cutting the operational costs in order to overcome its financial issues.</p> <p>In October 1999, as a result of the agreement on HPC's cooperation with MVA, HPC is expected to generate revenue sources through joint effort with MVA.</p> <p>The Ministry of Economic Affairs intends to continue its support as it has done before.</p> <p>3. The technological transfer level of C/P has already reached the level at which HPC's activities are expected to be sustained and further developed.</p> <p>Transferred technology should be kept as institutional property. For that purpose, transferred technology as well as the additional expertise is to be documented and prepared as manual.</p> <p>HPC should further promote its effort to organize external human resource.</p>
(6)Future prospects	<p>The Project in general has been successfully implemented as it was originally planned, and it is expected to achieve the objectives, which were set at the beginning, by the end of the cooperation period.</p> <p>The Ministry of Economic Affairs intends to continue its support in the future. In order to secure a continuity of it, it is necessary for HPC to clearly define its business plan and implement it strategically.</p>

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2. Achievement of the Plan

Detailed Contents of Narrative Summary	Verifiable Indicators	Results
<p><Overall Goal> The concept and technology of productivity development will be disseminated among Hungarian enterprises through HPC as the national productivity organization.</p>	<ol style="list-style-type: none"> 1. The expansion of productivity development activities of HPC and its networks 2. The increase in number and type of beneficiaries of HPC and its networks 3. Trend of customer satisfaction of the activities of HPC and its networks 4. In-company performance of facilitators' activities nurtured by HPC 	<ol style="list-style-type: none"> 1. Productivity development activities of HPC have been accepted by wide range of industry. 2. Not only manufacturing companies but also service companies make use of HPC services (Annex 14,15). The type and number of beneficiaries have been increased steadily from the beginning of HPC. 3. All companies interviewed were fully satisfied with the activities of HPC and its networks. 4. All companies interviewed recognized the importance of their facilitators
<p><Project Purpose> HPC will uniquely promote and develop its productivity development activities in Hungary.</p>	<ol style="list-style-type: none"> 1 The increase in terms of productivity development activities of HPC 2 Number and type of beneficiaries of services of HPC 3 Customer satisfaction of services of HPC 	<ol style="list-style-type: none"> 1 HPC has increased items of productivity development activities such as in-house seminar, in-company training, consultation, conference, moral surveys, study tour, etc. (Annex 16) 2 See Annex 13, Annex 14 3 All the customers interviewed by the evaluation team are highly satisfied with the services of HPC.
<p><Outputs> 0 Operation system of the Project in HPC will be established.</p> <p>1 Facilitators in Hungarian companies will be fostered for productivity development through in-house seminars and in-company training.</p> <p>2 The cases of productivity development activities such as short-term audit and long-term consultation for Hungarian companies will be accumulated.</p> <p>3 Public Relations and promotion for productivity development will be implemented.</p>	<ol style="list-style-type: none"> 0-1. Organization, staff allocation 0-2. Balance of budget 0-3. Business plans and their performance 0-4. The number of board of trustees meetings 0-5. The number of project internal meetings 0-6. Operational conditions of AV equipment and others obtained 1-1. The number and target of in-house seminars 1-2. The number and target of in-company training 2-1. The number and target of short-term audit and long-term consultation 2-2. Report of respective case 3-1. The number of promotional activities for productivity development 3-2. The number of publications issued 	<ol style="list-style-type: none"> 0-1 Organizational set-up and staff allocation necessary for project management have been implemented appropriately. (Annex 5,7) 0-2 See Annex 32 0-3 Business Plan has been worked out at the beginning of every fiscal year and have been implemented with the authorization of the Board of Trustees. 0-4 The Board of Trustees have been held 3 up to 5 meetings every year (Annex 2) 0-5 See Annex 10 0-6 All the machinery has been maintained in good conditions (Annex 29) 1-1 See Annex 14 1-2 See Annex 15 2-1 See Annex 16 2-2 Reports (17) have been prepared 3-1 See Annex 18 3-2 See Annex 22

Detailed Contents of Narrative Summary	Verifiable Indicators	Results
4 Technical capability of the counterpart personnel (C/P) will be upgraded.	4-1. History of allocation of the C/P	4-1 C/P (17) have been allocated and among them C/P (8) have quitted job and 9 C/P remain. (Annex 8)
	4-2. Progress and evaluation of technical transfer.	4-2 Technology transfer will be completed by the end of the Project period. (Annex 20)
	4-3. The number of technical books and references obtained	4-3 Technical books and references (46) are provided to HPC. (Annex 23)
	4-4. The ratio of C/P contributions to the activities of HPC.	4-4 See Annex 21.
5 HPC network will be expanded.	5-1. The number of organizations supportive to HPC	5-1 Supportive organizations with HPC (4) (Annex 25)
	5-2. The number of collaborative external consultants and trainers	5-2 External consultants (1) and external trainers (15) (Annex 25)

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<Activities>	<inputs>	
	R/D	Results
0-1. Allocate staff as planned. 0-2. Formulate and monitor plans of activities. 0-3. Make budget plan with appropriate expenditures. 0-4. Establish and operate management system. 0-5. Install, operate and maintain properly equipment obtained for the Project. 1-1. Make company visit when necessary. 1-2. Make curricula of seminars and courses. 1-3. Prepare and compile necessary materials. 1-4. Implement audit or consultation. 1-5. Evaluate activities. 2-1. Make company visit. 2-2. Make plans of activities. 2-3. Prepare and compile necessary materials. 2-4. Implement audit or consultation. 2-5. Evaluate activities. 3-1. Make plans of activities. 3-2. Implement promotional activities. 3-3. Implement marketing activities for HPC. 3-4. Evaluate activities. 4-1. Assess the technical capabilities of C/P through on-the-job training (OJT). 4-2. Make a technical cooperation program 4-3. Prepare and compile teaching materials for C/P 4-4. Implement technical transfer to C/P. 4-5. Evaluate the results of technical transfer to C/P. 5-1. Identify potential partners. 5-2. Implement promotional activities. 5-3. Coordinate and make plans to involve supportive bodies into HPC activities.	The Japanese side (1)Dispatch of experts a Long-term experts · Chief advisor · Coordinator · Personnel management and labor management relations · Productivity and quality improvement in plant · Promotion and development of the productivity movement b Appropriate number of short-term experts will be dispatched as necessity arises. (2) C/P training in Japan (3)Supporting local cost (4)Provision of machinery and equipment The Hungarian side (1)Land, building, facilities and space for the Project (2)Allocation of the C/P Managing Director C/P Administrative staff (3)Local Cost Necessary budget for the implementation of the Project	The Japanese side (1)Dispatch of experts a Long-term experts(9)were assigned (Annex26) · Chief advisor · Coordinator · Personnel management and labor management relations · Productivity and quality improvement in plant · Promotion and development of the productivity movement b Total 25 short-term experts were dispatched.(Annex27) (2)Total 14 C/P were trained in Japan (Annex28) (3)Provision of machinery and equipment (Annex29) - 60 million yen The Hungarian side (1)Land, building, facilities and space for the Project (2)Allocation of the C/P 17 C/P were allocated Managing Director C/P Administrative staff (Annex 7) (3)Local cost 464 million HUF. (Annex32)

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3. Evaluation by Five Criteria

3.1. Efficiency

	Results	Reference
<p>Timing, Quality and Quantity of Inputs</p>	<p>(Japanese side)</p> <p>(1) Dispatch of Experts</p> <ul style="list-style-type: none"> • Dispatch of five long-term experts (chief advisor, coordinator, long-term experts in personnel and labor management, promotion and development, productivity and quality improvement) and total 25 short-term experts were implemented as mostly scheduled. Number of experts, their professional field, and period were in accordance with the plan. • Technology transfer was conducted on schedule except in 1997. In 1997, short-term experts could not be dispatched contrary to the expectation, according to the change of Hungarian law concerned. This situation resulted in a delay of guidance on productivity measurement especially. Despite that, transfer of the technology was completed by the efforts of efficient guidance followed later. • Technology transfer in the field of Promotion and Development of the Productivity Movement was intermittent due to two times of personnel change of experts and subsequent vacancy period. Nevertheless, the expected outputs will be achieved within the term designed due to the active effort of the present expert. • Timing of the Project implementation was appropriate, since the transition to the market economy was successful in Hungary. <p>(2) Equipment</p> <ul style="list-style-type: none"> • Most of the equipment provided by the Japanese side were computer system including multimedia items used for making AV teaching materials, and vehicles. Their quality and quantity were appropriate. Total amount of this equipment was more than 100 million HUF. <p>(3) Training in Japan</p> <ul style="list-style-type: none"> • Fourteen C/P were dispatched to Japan to study management technology, production control, human resource development, and project management. The training programs were quite appropriate. 	<p>Annex 26 Annex 27</p> <p>Annex 29</p> <p>Annex 28</p>

44

	<p>(Hungarian side) (1)C/P and administrative staff allocation Number of C/P allocated in HPC was 17 in total. Since eight C/P have already left HPC due to the occupational change, study abroad and independence, the present C/P consists of nine members, which are not sufficient for the present volume of HPC activities.</p> <p>- In general C/P were serious and competent enough to learn technology concerned, although most of the C/P had no field experiences. Thus technology transfer will be successfully completed within the term.</p> <p>-Number of the administrative staff has been kept constant, so no hindrance occurred.</p> <p>(2)Local Cost Total amount of the local cost will be around 464 million HUF. at the end of 1999. Of which, the government subsidies amount to 112 million HUF. and the operational revenue 80 million HUF. The budget for running the Project has been covered by that.</p>	<p>Annex 8</p> <p>Annex 7</p> <p>Annex32</p>
<p>Level of Outputs compared with Timing, Quality and Quantity of Inputs</p>	<ul style="list-style-type: none"> •Due to the above input, the Project has achieved outputs such as Management and operation system of HPC is established; Facilitators in Hungarian companies are fostered for productivity development; Cases of audit and consultation were accumulated; Public relations and promotion were implemented; Technological capability of C/P is upgraded; and HPC network is expanded. Output of the Project, therefore, can be almost attained as mentioned in the item "Level of Achievement of Outputs". •It is noted that in the Project HPC has conducted in-house seminars (136 courses and 1,863 participants in total), in-company training (72 cases and 1,415 participants in total), guidance and consulting (89 projects), and contract research (6 reports). 	<p>Annex 13</p>
<p>Supporting System for the Project</p>	<ul style="list-style-type: none"> •The Domestic Supporting Committee in Japan has contributed to the attainment of outputs, providing with appropriate technological assistance and necessary information. •The Joint Coordinating Committee was held in accordance with visits of Japanese Consultation Study Teams and Advisory Study Teams to review performance of the Project and to confirm the action program in the following fiscal year. •Timely advice has sometimes been provided by the Embassy of Japan in Hungary. •MVA sponsored SME seminar jointly with HPC and provided a hall for HPC training courses. 	

<p>Linkage with Other Cooperation Projects</p>	<ul style="list-style-type: none"> •The linkage between HPC and EANPC is strong. HPC attends the general assembly of EANPC held twice a year, and actively exchanged information with the institutes of other countries •By the request of AOTS, JPC-SED has conducted company diagnosis by sending consulting missions to HPC and has accepted Hungarian entrepreneurs and managers to study in Japan. Linkage between AOTS and HPC became stronger since the consulting mission by JPC-SED made HPC start consultation service. •JICA and CE have jointly sponsored the regional training for Central and East European Countries, which was organized by HPC. •Three C/P participated in the Third Country Training Program on Management Consulting held in Singapore. 	<p>Annex 28</p>
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3.2. Effectiveness

	Results	Reference
Output Level	<p>The level of achievement of outputs described in the Detailed Contents of Narrative Summary of PDM will be described as follows:</p> <p>(0) Operation system of the Project in HPC will be established</p> <ul style="list-style-type: none"> • Personnel placement of HPC, such as C/P and administrative staff, has been implemented as scheduled with the establishment of HPC. They are mostly effective with the purpose achieved. However, vacancy of C/P in the field of Personnel Management and Labor Management Relations should have been filled immediately. It is desirable to increase the actual number of C/P for the smooth management of the Project. • From the beginning stage of the Project, in order to increase the revenue, the Project has conducted technology transfer on-the-job training providing knowledge and practical ability to the C/P. However, HPC's annual expenditure has surpassed its income in spite of increasing revenue and the subsidy from the Ministry of Economic Affairs. HPC is now seriously tackling the financial problem by increasing income for the expansion of services and by reducing expenditure such as the rent of HPC office, which moved into new address in June 1999. • Frequency of the Board meetings by February 1999 was not sufficient because of change of chairmanship and some members of the Board. However, after the appointment of the present Chairman of the Board (February in 1999), new members, such as a director of HPC's important client company as well as a director of MVA were nominated as member of the Board with the objective of activating the Board, which is expected to improve management system of HPC, by working out HPC's future plan and promoting HPC's participation in the governmental policy of the SME promotion. • The daily decision necessary for HPC's management system has not been made properly because of the lack of leadership (e.g. top-sales and appropriate decision making) in its system. It is expected that the management system will be restructured under the leadership of the new Chairman of the Board. 	<p>Annex 7 Annex 11</p> <p>Annex 30 Annex 32</p> <p>Annex 12</p>



	<ul style="list-style-type: none"> •The Project plans of each field of technology transfer, which were prepared at the beginning of each fiscal year, have been discussed and confirmed at regular weekly meetings in the Project. This helps to solve the problems regarding the operation of the Project. •The machinery and equipment necessary for the Project management have been adequately installed and maintained. C/P have acquired enough knowledge to make use of them with HPC's maintenance system well developed. However it is essential to point out that equipment allocated in HPC is easy to become obsolete because of technological progress in these days. <p>(1) Facilitators in Hungarian companies will be fostered for productivity development through in-house seminars and in-company training</p> <ul style="list-style-type: none"> •HPC has implemented in-company training courses and in-house seminars targeting manager class in companies in order to nurture facilitators, who are defined as supervisors and managers taking initiative in their work places to promote the notion and implement measures of productivity development: 136 in-house seminars have been held in total for 2,701 places in these five years(as of Dec.1999 estimated). In-company training courses have been held for 3,492 places in these five years, especially in-company training course has become one of the HPC's most popular training courses. According to Japanese experts, 40% of attendants of in-house seminars are repeaters of the same companies, the importance of nurture of facilitator is now widely recognized among Hungarian companies. •Facilitators have been also brought up in various counties, because training / seminars have been conducted widely in local cities. Attendants* have come from not only manufacturing industry but also service industry. Thus facilitators, 30% of which are from SME, have been nurtured among industrial communities in counties. <p>(2) The cases of productivity development activities such as short-term audit* and long-term consultation* for Hungarian companies will be accumulated</p> <ul style="list-style-type: none"> •Short-term audit and long-term consultation have been targeting manager class in companies. The achievements are as follows: 5 cases in 1995, 19 cases in 1996, 17 cases in 1997, 22 cases in 1998, 26 cases in 1999(estimated). The cases of audit and consultation 	<p>Annex 29</p> <p>Annex 13 Annex 14 Annex 15</p> <p>Annex 16</p>
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	<p>have been accumulated covering many items of technological transfer related to consultation. Especially, long-term consultation has been very meaningful for C/P to acquire the basis of consultation and will be used as reference cases for similar cases in the future.</p> <p>*Short-term audit Diagnosis of enterprise performance/productivity of business unit for improvement.</p> <p>*Long-term consultation Diagnosis of enterprise performance/productivity of business unit for improvement. Implementation of counter measures for identified problems and application of appropriate management techniques to enterprise/business unit.</p> <p>(3) Public relations and promotion for productivity development will be implemented</p> <ul style="list-style-type: none"> •The concept of productivity and management techniques have been widely promoted with the activities / promotion kits listed below: <ul style="list-style-type: none"> – Fifteen printed media, such as publication of Newsletters and reference books – Electronic media, such as installation of homepage and preparation of teaching materials in CD-ROM •In addition to public relations activities, study tours (five), moral surveys (seven), seminars cosponsored by MVA, and conferences (seven) have been implemented for the targeted candidates. <p>(4) Technological capability of C/P will be upgraded</p> <ul style="list-style-type: none"> •Personnel Management and Labor Management Relations Four C/P were competent enough to master the required skill through training courses and short-term audit activities. However, their technological transfer could not be completed as scheduled, since three of them left HPC during the period. Thus the goal of technological transfer in this field has been adjusted in the middle of technological transfer period. The present C/P has been trained under the revised goal, that is “to bring C/P up to a trainer who can manage audit activities to a certain level” and currently she has met this required level as a trainer. Since she has no company work experience before becoming C/P, more practical experience is needed. 	<p>Annex 18</p> <p>Annex 18</p> <p>Annex 8 Annex 20 Annex 21</p>
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	<p>•Productivity and Quality Improvement in Plant Two C/P out of three in the beginning stage have been taught eight subjects on productivity development method. In addition to that, more practical methods, such as in-company training, short-term audit, and long-term consultation, have been applied to teach them the methods of on-site consultation. They have almost reached the level at which they are allowed to implement their own consultation / training regarding the all technological transferred items. Having different experience of on-the-job training, they are expected to exchange techniques and information between them to develop their own abilities.</p> <p>•Promotion and Development of the Productivity Movement Technology transfer for each item has been implemented to the level at which C/P can use them as tools. The level has been attained by allocating each item to respective C/P in charge. However, since there is no C/P who can cover all technological transfer items by himself/herself, enough taking-over period should be prepared to raise new C/P when his/her predecessor leaves HPC.</p> <p>•Productivity Measurement Short-term experts have been dispatched for four times to implement technological transfer to one C/P, who is now competent in handling productivity measurement both in micro and macro levels. During technological transfer period, three contract researches have been performed. Both productivity measurement system and simplified productivity measurement system have been developed by collaboration between the expert and C/P. Simplified productivity measurement system can be applied to the other field of activities such as Productivity and Quality Improvement in Plant and Personnel Management and Labor Management Relations. Therefore the future collaboration with C/P in such fields to develop the measurement system as their business tool is on agenda.</p> <p>•Marketing and strategic management Marketing and strategic management have been taught by short-term experts to all C/P, which has been considered as basic knowledge necessary for them to pursue their career.</p>	<p>Annex 8 Annex 20 Annex 21</p> <p>Annex 8 Annex 20 Annex 21</p> <p>Annex 8 Annex 20 Annex 21</p> <p>Annex 20 Annex 27</p>
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	<ul style="list-style-type: none"> •As for the above-mentioned fields, all necessary information is available to C/P to enhance their ability by referring to reports/data of hard copies or electronic files prepared by themselves or in collaboration with the experts. Materials and data prepared during their training period have been reserved in the form of electric files and have been used effectively: the volume of these materials and data amounts to 470 MB, which is equivalent to 325 FD's in digital forms. <p>(5) HPC network will be expanded</p> <ul style="list-style-type: none"> •The records of in-house seminars were databased. The database has been used to promote marketing activities, such as for securing of important clients. The registered number of companies is 615 (as of Aug.1999). The database marketing method has been applied to this database, and the result has been made up to practical manuals. The manual is expected to be used as a tool for periodical analysis as well as business plan preparation. From this database analysis, HPC is now able to expand its clients' network, detaining positively important clients. •HPC plays an important role to diffuse information as to productivity development in Hungary by conducting following joint activities: <ul style="list-style-type: none"> – Seminar cosponsored by MVA – Information exchange / business cooperation (i.e., dispatch of lecturers) with Hungarian Quality Development Center for Industry and Trade, Logistic Promotion Center and Hungarian Investment and Trade Development Agency. •HPC makes use of external resources as collaborative external consultant (one) and trainers (15) who play important role in its services. However, from now on, the number of associates should be further increased in order to expand HPC activities. 	<p>Annex 20 Annex 27</p> <p>Annex 24</p> <p>Annex 25</p>
<p>Project Purpose Level</p> <p>Effectiveness of Project Purpose</p>	<p>The Project Purpose, which is defined in the Detailed Contents of Narrative Summary, is expected to be mostly achieved by the end of cooperation period, considering the performance of the following verifiable indicators:</p> <ul style="list-style-type: none"> – The increase in number and type of beneficiaries of HPC is remarkable during these five years – The number of items of productivity development activities of HPC has increased on yearly basis – Trend of customer satisfaction of the activities of HPC is 	<p>Annex 13</p>

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	<p>positive, considering the fact of companies' repeated request to provide in-company training / long-term consultation. The results of questionnaires which have been returned from the attendants of in-house seminar have been favorable for HPC: according to the companies interviewed, most of the companies which made use of services of HPC expressed their satisfaction with the following;</p> <ul style="list-style-type: none"> >Japanese management techniques are effective. >Materials used in courses are easy to understand. <p>There are many requests of holding in-company training course from the companies which already attended in-house seminars.</p>	
<p>Factors Affected to Achievement of Project Purpose on the Basis of Outputs</p>	<p>It took plenty of time for HPC to make people understand the positive / market-oriented meaning of the word, because the word "productivity" implied negative meanings under the planned economy in Hungary.</p>	

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3.3. Impact

	Results	Reference
Direct Impact (Project Purpose Level)	<p>HPC has been contributing to introduce the importance of the productivity development activities into the surrounding Central and Eastern European countries through implementation of regional training and provision of information provided by JICA experts. As a result, HPC is expected to become an information center for similar productivity centers in the region.</p> <p>Some of ex-C/P who left HPC work as an external consultant, a personnel manager, and a head of factory in private companies. They have chances to make the best use of their techniques learned in HPC. They are expected to play an important role as external trainers for conducting in-house seminars at HPC.</p>	
Indirect Impact (Overall Goal Level)	<p>Overall Goal defined in Detailed Contents of Narrative Summary is "The concept and technology of productivity development will be disseminated among Hungarian enterprises through HPC as the national productivity organization." Its achievement level is as follows:</p> <ul style="list-style-type: none"> •Positive connotation of the term "Productivity" used to be negative among Hungarian entrepreneurs at the starting point of the Project, but HPC's activities have gradually changed the situation. At present, the term "Productivity" is attaining more significant meaning than before. •HPC activities are functioning as lubricant between foreign affiliated firms and Hungarian employees. In foreign affiliated firms which received guidance from HPC, (Japanese-style) management techniques have been introduced by the request of the top management who are mostly foreign, and it was very effective that Hungarian employees have been guided by C/P who are Hungarian. •Companies that received HPC's seminars, training courses and consultations, are satisfied with the production management technique and often convey the effectiveness of the techniques to other companies. As a result, it brings the expansion of business opportunities of HPC. •Nurture of in-company facilitators through HPC training can be a significant contribution to the productivity development in many companies, because their existence is considered as a driving force in enhancing the Hungarian industrial competitiveness in the future. According to the companies interviewed, under the instruction of facilitators, workers are willing to propose the activities regarding productivity development in their work places by themselves. •Not only entrepreneurs but also university-lecturers and other private consultants participated in HPC seminars. Through their educational institutions, private consulting firms and so on, the concept and technologies of productivity have been introduced among business and industrial world, and also educational institutes. 	

3.4. Relevance

	Results	Reference
Relevance of Overall Goal	The Overall Goal of the Project is consistent with the industrial policy of the Ministry of Economic Affairs, which has been focused on since the period of conversion from planned economy to market economy to improve the competitiveness of Hungarian industry in world markets.	
Relevance of Project Purpose	The Project Purpose is along with one of the recent crucial national policies regarding SME promotion prepared by the Ministry of Economic Affairs inaugurated in 1998. Since 30% of the companies which have taken part in training / seminars held by HPC are SME, it can be said that HPC is capable to implement its productivity development activities successfully regardless of company size in terms of asset.	Annex 13
Appropriateness of Project Design	<p>Selection of fields of technology transfer was adequate in consideration of the Hungarian economy and the industrial status.</p> <p>The introduction of on-the-job training at the early stage of technological transfer was an appropriate and effective means of educating the C/P as well as obtaining actual revenues for HPC. Through the implementation of on-the-job training, at the same time, companies which have benefited from the actual HPC services can gain the improvement of their productivity. Since the activities are interactive between the client and the C/P, it is very effective to enhance C/P's ability through such practical exercises.</p>	

3.5. Sustainability

	Results	Reference
Institutional aspects	<p>(1) HPC's management system Under the strong leadership of the new Chairman of the Board of Trustees who was inaugurated in February 1999, as well as the appointment of new members of the Board, the restructuring of the management system for HPC under clear business policy has been steadily under way.</p> <p>The decision on the replacement of the Managing Director in September 1999 reflects the new Chairman's strong recognition of the importance of HPC's institutional management and it was appropriate.</p> <p>(2) Personnel As it is difficult to say that nine C/P are sufficient for HPC to promote and develop the productivity development activities, it is essential to increase the number of external consultant and external trainer and to structure the management system with ability to expand the volume of business little by little.</p> <p>(3) Government support for HPC By promoting the formulation of the framework of HPC's cooperation with MVA, the Ministry of Economic Affairs gives support to HPC in the area of SME promotion.</p>	
Financial aspects	<p>(1) Future budget and financial resources</p> <ul style="list-style-type: none"> •HPC has improved its financial situation by expanding its operational income these five years with the effort made by long-term experts. And under the directions of the new Chairman of the Board, HPC has been making effort to improve the financial situation by cutting the operational costs, such as the office rent, which was one of the highest expenditures for the last four and a half years. •In October 1999, as a result of that the agreement on HPC's cooperation with MVA was signed between HPC and MVA, through HPC's active involvement in the SME promotion policy, HPC can be supported by MVA with certain amount of revenue. <p>(2) Future economic support from the government</p> <ul style="list-style-type: none"> •The Ministry of Economic Affairs intends to continue its support as it has done before. 	Annex 32
Technological aspects	<ul style="list-style-type: none"> •The technological transfer level of C/P has already reached the level at which HPC's activities are expected to be maintained and to further develop. However, higher level can be reached with the continuous efforts. 	

	<ul style="list-style-type: none">• Software technology, which has been transferred in the Project, should be retained as institutional property. For that purpose, various materials and textbooks have been produced in the Project by its own efforts of documentation of acquired knowledge and know-how.• HPC should further promote its effort to organize external consultants and external trainers as its associates who help HPC's sustainability.	
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V. PERSPECTIVE, RECOMMENDATIONS, AND LESSONS LEARNED

1. Perspective

The Project in general has been successfully implemented, and it is expected to achieve the objectives, which were set at the beginning, by the end of the cooperation period. Some problems encountered during the implementation of the Project were skillfully dealt with by both the Hungarian and Japanese sides. Changes of the composition of the Board including the Chairman of the Board and Managing Director of HPC took place a few months before the Project ends, however, they may indicate a strong concern and effort of the Hungarian Government over the continuity of HPC. Through The Project HPC has been acquiring the capability to sustain its activities by the well-fostered counterpart personnel and the network among external experts.

Judging from the above, HPC is expected to further develop under a continuous financial support and guidance from the Hungarian Government after the completion of the Project.

2. Recommendations

In order to better utilize and secure continuous support from the Ministry, it is necessary for HPC to clearly define its business policies and implement it in line with government strategy. Then, it is important for HPC to maintain and develop the productivity improvement technology transferred to HPC as well as to strengthen its own unique function identified in the Project. Furthermore, HPC should aim to become a close agent which is responsible to realize the policy of the Hungarian government. The following recommendations are made to the Hungarian side from such viewpoint:

To the Board of Trustees and HPC

In order to maintain and further develop the activities which have been initiated and developed during the implementation period of the Project, and get HPC ready for the new activities (activities for developing SMEs) which are in accordance with the Ministry's industrial policy, it is essential for HPC to establish an effective management system, to strengthen its technical capability, and to make progress in its cooperation with MVA

1) Management system of HPC

- In order to adapt itself to SME promotion policy, HPC should restructure management system, taking into account balance of both the current activities and new activities and specifying some of activities as strength as mentioned in 2) below.
- Preparing and implementing a strategic manpower plan (reviewing and improving the current ratio between the direct personnel cost and indirect personnel cost, if necessary) for realizing the action plan
- Ministry of Economic Affairs will clarify the function of HPC and the modified (new) expectations over HCP, and help establish the decision-making process between Ministry of Economic Affairs, the Board of trustees and Managing director so that the expectations can be well reflected in HPC's activities.

2) Strengthening of Technical capability

- Improving HPC's operational capability through exchanging transferred technology among the staff
- Organizing and effectively using the external human resources (capable external consultants and trainers) for strengthening and expanding HPC's activities.
- HPC should identify the area of strength that will contribute to productivity improvement of SME and should urgently formulate its concrete action plan.
- Developing new businesses by further cooperating between the operational groups such as Production Control and quality improvement, Human Resources Management and Development, and Productivity Measurement.

3) Establishment of cooperation with MVA

- HPC should be urgently required to promote the construction of the framework of cooperation with MVA, by examining and preparing a concrete plan together with MVA as to what HPC can provide in the area of strengths (management training, introduction of improvement activities into the companies, and development of productivity facilitators).

3. Lessons learned

Following lessons are derived from the experiences through the Project.

Specific Issues on a productivity project

- When a project regarding productivity development is implemented in the environment which is not really conducive to the dissemination of the technology in question (e.g. image of "productivity" is rather negative, or image itself does not exist), it is necessary to design a project in phases, for example by starting with a preparatory phase.
- When software technology such as productivity is to be transferred, it is not easy for people in the host nation to identify the immediate effectiveness of a project and understand the objectives, simply because the results of a project cannot be seen. In such a case, a project needs to be designed considering how it can be made more visible, and establish an adequate set of indicators to monitor and evaluate the progress of a project.

General Issues

- In the planning stage for a project, it is essential to design a project based on the survey on actual situation of institutional system, and the needs and target group in industry. An approach of designing a project phase by phase should also be introduced taking into consideration the real situation.
- Mutual understanding as for the contents of technological cooperation should be formulated between host country side and the Japanese side in the planning stage by using the Japanese project Cycle Management ("JPCM") method. Once a project is implemented, Japanese experts and counterparts should monitor the progress and the results of a project regularly. The flexible attitude is needed to revise the contents of PDM as well as the planning and management formats of a project according to needs.
- In order to secure a strong management system of the implementation agency, it may be necessary to monitor the status of a project (i.e., management style, personnel, and financial affairs) regularly and, if necessary, to give the person who is responsible for the implementation of a project appropriate instructions to help establish more efficient way of fulfilling a project. Consequently the items of organizational set up for a project management should be clearly defined as one of the outputs to be achieved in the stage of designing a project.

- When a project starts immediately after the implementation agency is established, it is difficult for the implementation agency to manage a project the way it wants and consequently secure self-reliance. Therefore, it is more realistic to design a project in phases so that the emphasis of technical transfer can be on the consolidation of the management system and capability of the implementing.