

# HUN-ILA Final Report (D6)

Development and Implementation of the Individual Learning Accounts in Hungary (“HUN-ILA”)

**Technical Support Instrument**

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## Acronyms

D	Deliverable
EU	European Union
DG EMPL	The Directorate-General for Employment, Social Affairs and Inclusion
DG REFORM	The Directorate-General for Structural Reform Support
HUN-ILA	Hungarian ILA scheme
ILA	Individual Learning Account
IKK	Innovative Training Support Centre / <i>Innovatív Képzéstámogató Központ</i>
KIM	Ministry of Culture and Innovation / <i>Kulturális és Innovációs Minisztérium</i>
KPI	Key performance indicators
NSZFH	National Office for Vocational Education and Training and Adult Learning / <i>Nemzeti Szakképzési és Felnőttképzési Hivatal</i>
SME	Small and Medium Size Enterprise
VET	Vocational education and training

## 1. Introduction

This report represents the final deliverable of the project, '**Development and Implementation of Individual Learning Accounts in Hungary**', funded by the European Commission (DG REFORM). The project has assisted the Hungarian Ministry of Culture and Innovation in developing an individual learning account scheme to address skills gaps and increase participation in adult learning and education. The project has resulted in an ILA scheme tailored to Hungary's challenges within the adult learning system and provided a roadmap for the scheme's nationwide rollout.

The project, which ran from January 2023 to May 2024, comprised six closely linked workstreams:

- The **Inception Phase** aimed to update the methodology proposed at the tender stage and its timeline, incorporating any feedback received from DG REFORM and the Beneficiary.
- The **Situation Analysis** provided a state-of-the-art overview of the adult training system in Hungary and the economic and labour market context in which the system operates. During this phase, international experiences were analysed and used to inform the Hungarian scheme.
- **Project Proof of Concept** developed a fully functional ILA scheme in the country.
- The **Action Plan** outlined the process of introducing the ILA system in Hungary, detailing the steps to be taken, timeline, responsibilities, and KPIs to evaluate success as part of an **Action Plan**.
- **Communication Outputs** were created to aid the dissemination of the project results and raise awareness about the project, including a **Final Conference** held in Budapest on the 14<sup>th</sup> May, 2024.
- The **Final Report** summarises all the work undertaken and all deliverables produced.

D3 and D4 provided the main deliverables which are summarised in Section 2. The information presented in the report summarises the results of the project and reflects the recommendations of the team, based on the data and analysis available at the time of the project's completion.

Throughout each stage of the project implementation, stakeholders were consulted to collect inputs and feedback and to raise awareness about the ILA scheme and the project itself.

The box below summarises the main lessons learned during the project implementation and best practices used to overcome challenges in the implementation.

### *Box 1: Main lessons learned from the project implementation.*

- **Active Support:** The project required constant and active support from the Beneficiary, including providing key information not publicly available and preferences on different options.
- **Stakeholder Involvement:** To tailor the deliverables to the national context, the active involvement of a wide range of stakeholders is key.
- **Communication Flow:** Frequent interaction to improve the deliverables caused some delays at the beginning of the project. The communication flow and approval process were fine-tuned after the first deliverable was improved.
- **Regular Meetings:** Holding regular meetings with the DG REFORM and the Beneficiary on a bi-weekly basis ensured effective communication and collaboration.
- **Phase Acceptance:** For each phase, written acceptance was sought before moving forward or substantially working on the next phase. This approach ensured clear communication and alignment with the Beneficiary and other stakeholders.
- **Report Format:** Considering that the project aims to inform practical decisions on the government's side, short and concise synthetic outputs, mainly presented through tables and graphs, were preferred over lengthy reports. This enabled better understanding and quick access to essential information for decision-makers.

## 2. Summary of the main project deliverables

### 2.1. Summary of the HUN-ILA Proof of Concept

1. The introduction of a scheme for Individual Learning Accounts in Hungary could **deliver positive benefits for the country's economy and labour markets**, helping to address skills gaps and raising the levels of participation in adult learning and education. An ILA scheme would be open to all adults but with differentiated approaches – e.g. additional credits/credit amounts, targeted marketing – for priority groups as selected and reviewed by the Hungarian government according to changing demographics and priorities. Training purchased would be from an approved register of labour market relevant courses and could range in duration from very short courses (e.g. skills 'top-ups') to courses of a longer duration, upto 2 years in some cases.
2. A **gradual build of ILA in Hungary, including some piloting actions**, should be set in the context of a longer-term vision with clear objectives and targets, as summarised in the Box 2 below and detailed in Annex 3.

#### *Box 2: Long-term vision of the HUN-ILA scheme*

The PoC included a **long-term vision for the development of ILA** which can be summarised briefly in the following points. The aim of introducing the ILA scheme in Hungary is:

- to address skills gaps and raise levels of participation in adult learning and education.
- to provide a greater degree of choice and control over training decisions to the individual through the incentives and guidance an ILA scheme can deliver.
- to make VET and reskilling in general available to all adults of working age (after the initial pilot phase) with measures to support 'hard to reach' and vulnerable groups.
- to make a positive contribution to the EU target of 60% adult training participation rates by 2030.
- to help boost competitiveness and innovation in the Hungarian economy whilst improving productivity and workforce resilience.
- to improve the level of green and digital skills in the workforce, as well as increase the acquisition of skills needed by employers
- to help improve the levels of quality in the training system by regulating the courses that can be funded through ILA, through an accreditation process.

3. Hungary does not have access to the level of **domestic budgets** of some countries where ILA has been developed or is in development. The use of national funds would require some reallocations of existing budgets, whilst contributions from businesses and individuals typically build up over time. Access to European Union (EU) funds will also be important.
4. Savings can be made and implementation timescales shortened with the adaptation of existing 'delivery infrastructure' and capacity towards ILA. This would need to be embedded in legal acts and agreed targets and budgets. An annual budget of around €24 million – including operational costs - could deliver some 50 000 plus training participants each year (assuming entitlements ranging from €300 to €500) or a more modest budget of €4.8 million could deliver some 10 000 participants. This is somewhat short of the aspiration of 60% participation rates by 2030 (around 1.6 million adults) but ILA would be just one of the tools in reaching this goal. Whilst ILA should be available to all adults, in accordance with the recommendations of the European Council, demand will need to be managed and focused on priorities that can be adjusted periodically.

5. Whilst the use of existing agencies (Innovative Training Support Centre - IKK and the National Office for Vocational Education and Training and Adult Learning - NSZFH), data collection and IT specialists, plus infrastructure (such as the Public Employment Service - NFSZ) should help save time and money the setup costs of ILA should not be ignored and has exceeded €20-25 million as an estimated one-off cost in some countries. This includes a single portal and database that brings together: information on training offers; the ILA funds; quality assurance and anti-fraud checks the accreditation of training providers and courses; advisory information to inform training choices etc.
6. In parallel to the development of ILA the base of independent training providers, that can provide training choices that can be accessed via ILA, is relatively small (less than 900) and needs expansion<sup>1</sup>.
7. The concept emphasises that ILA in Hungary should primarily focus on funding **short training programmes**. This approach is in line with the proposed funding limits, set between €300-500, which are well-suited for shorter courses, but do not represent real incentive for longer education programmes. These factors are aligned with the objective of supporting immediate, short-term training needs rather than long-term educational pursuits.
8. Whilst a focus on vocational skills is likely to be at the core of an ILA initiative in Hungary to be effective and increase participation rates attention also needs to be focused on basic literacy and numeracy (some 20% of the working age population have deficient skills), transversal and digital skills. Reflecting the recent changes in the labour market, a series of other skills and competencies are also to be included from analytical and creative thinking through technological literacy to green and digital skills.

## 2.2. Summary of the HUN-ILA 2030 Roadmap

**The roadmap** (see Annex 4) sets out the **key principles and timescales** for the development of the ILA scheme. For practical purposes, we have planned activities until 2030. We would expect the ILA scheme to continue afterwards but there are many uncertainties that make it sensible to have a time limit, including the future state of labour markets and new funding regimes. The roadmap includes the assumptions we have used to calculate the potential costs and impacts of the scheme.

The detailed **Action Plan** for delivering the ILA scheme in Hungary was also developed using the template suggested by the European Commission (DG EMPL) in the ILA Mutual Learning Programme. Actions are detailed in two phases (2024<sup>2</sup>/2025-2027, and 2028-2030) and feature:

- the **type of action** (e.g. high-level, operational).
- the **'owner' of the action** (e.g. the responsible government department or agency).

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<sup>1</sup> In 2023 there were 845 licensed adult training providers (20 higher education institutions, 10 VET schools, 55 VET centres, 57 public education institutions, 53 social organisations and 650 private adult training providers). Adult vocational training leading to state-recognized qualification for an occupation not listed in the Register of Vocational Occupations can be provided by VET schools and licenced adult training institutions (providers). One vocational training is free of charge if VET institutions provide it. Licenced adult training providers offer self-financed vocational training. Training loan can be applied to the training fee. According to the adult training act there are four types of adult training: (1) Vocational training (It leads to state-recognised VET qualification) (Szakmai képzés) (2) Partial VET qualification (Részszakma) (3) Training based on legal obligation/requirement (Jogszabály alapján szervezett oktatás és képzés) (4) Other adult training (improving competences) (Egyéb képzés). It is not common for VET schools to offer short courses. They are mainly concerned with a longer vocational training leading to a vocational qualification. Private adult training providers predominantly offer short training courses.

<sup>2</sup> Preparatory actions ahead of Phase 1.



- the **timeframe** of the action.
- **success criteria** for each action, which also defines the scope of key data to be collected for monitoring.

**Flexibility is required** given that at the time of writing the report, some key decisions on budgets, sources of finance and responsibilities, were yet to be determined by the governance body.

To successfully deliver ILA, a **stable governance structure** is needed with an ILA governing board, including government ministries, agencies, and key stakeholders as appropriate. It will oversee the work of an executive body.

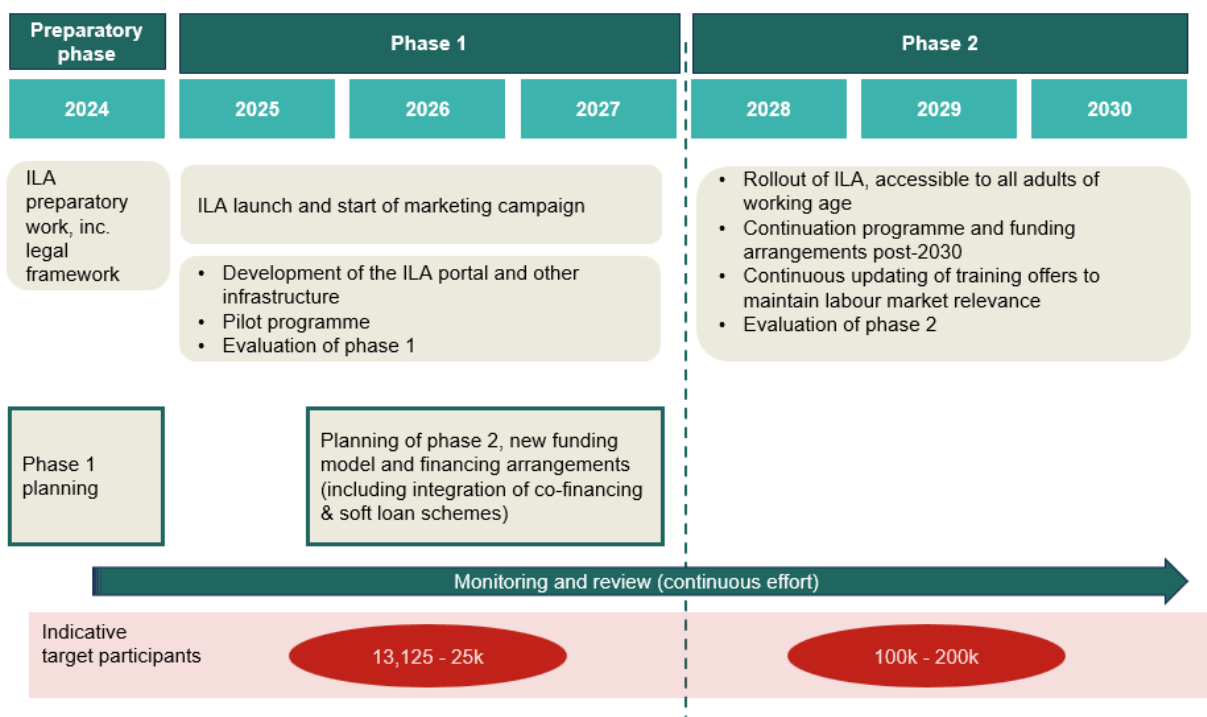
Key organisations including **training providers, public agencies and SME representative organisations will need to be convinced** of the positive impacts that change can deliver. As such, it needs time to develop and evolve backed by a guaranteed budget for at least five years, especially given the need to justify relatively high start-up costs.

Figure 1 provides a high-level overview of the ILA timeline with a distinct **Phase 1 (2024/2025-2027)** and **Phase 2 (2028-2030)**. To maintain the HUN-ILA's momentum and build upon the successes of Phase 1, it is crucial to plan for Phase 2 as a parallel process. This ensures that the transition is seamless, maintaining the reliability and predictability that are essential for the planning of adult learners and training providers.

Monitoring is an ongoing but distinct function in implementing Phase 1 and Phase 2. Data on the actual status – number of registrations, courses accessed, undertaken and completed, certificates and qualifications issued etc. - should be available in the IT system.

**Evaluation includes any further research or data collection** needed to support the actions set out earlier in this action plan. Evaluation includes programme evaluation according to ESF regulation. The monitoring and evaluation should conclude in a **systemic review** that sums up all relevant experiences of the introduction period. By summarizing the results and lessons learnt during the planning and introductory phases, the Review concludes in an updated vision and concept.

*Figure 1: Overview of the ILA timeline*



## 3. Post-project recommendations

### 1) Overall recommendations

- introduce ILA as a **component of the evolving lifelong learning eco-system** in Hungary;
- adopt a **detailed roadmap with realistic deadlines, clear milestones and undisputed responsibilities** – this should cover programme administration, quality assurance, fraud prevention, and stakeholder engagement. A small **dedicated team should oversee the development of ILA** during the preparatory phase, replicating the practice adopted in other Member States.
- adopt a **phased or gradual approach to implementation**, keeping in mind that development work and capacity building for the implementation requires time. We have proposed two distinct phases that coincide with the EU programming periods (upto/including and post-2027). Phase 1 takes into account the need for a pilot to test demand, systems and build up publicity and ‘political’ commitment, prior to a full scale ‘roll out’ in Phase 2;
- **adaptive strategy update**: establish a dynamic strategic planning process that allows for adjustments based on evolving circumstances and feedback throughout the implementation phase. The **monitoring and evaluation framework** is critical in this respect;
- **scenario planning**: conduct scenario planning exercises to anticipate potential changes in the political, economic, and social environment that could impact ILA deployment and sustainability.
- **secure initial funding** that covers the costs of setting up the system as well as the first phase of the implementation of ILA (including operational and training costs. Phase 1 provides the opportunity to secure longer term funding.;
- throughout the initial planning and the pilot phase, **actively engage with stakeholders, including target groups, training providers, and industry representatives**, to gather feedback and insights.
- Invest in ILA with a **medium and long-term approach perspective**. A positive economic return will not be immediate given the significant upfront investment in the early period (Phase 1 2025-2027 as set out in the D4 report).

### 2) Maintaining Political Commitment

- **strategic positioning of ILA Governing Body (ETSZ IT)**: Carefully form ETSZ IT comprising senior government officials, policymakers, and influential stakeholders from various sectors. This committee should be anchored in the legislative documents and tasked with overseeing the implementation of the ILA and ensuring it aligns with national policy objectives.
- **regular policy briefings and updates**: Provide regular briefings and detailed updates on the progress, challenges, and successes of the ILA to all levels of government and political stakeholders. These updates should highlight the economic and social impacts derived from the programme and demonstrate its alignment with broader government priorities. Exploit the impact assessment model included in D4. Roadmap and Action Plan.
- **strategic communication plan**: Develop a strategic communication plan that includes targeted messaging to maintain and deepen political support.
- **evidence-based advocacy**: Regularly collect and disseminate evidence of the ILA’s effectiveness through impact studies, success stories, and economic analyses. Use this evidence to reinforce the value of the ILA to policymakers and the public, ensuring continued political support.
- **stakeholder alliances**: Build alliances with a wide range of stakeholders, including the VET Innovation Council and skills councils, the Hungarian Chamber of Commerce, and civil society organisations, who can collectively advocate for sustained political commitment to the ILA. These alliances can amplify the importance of lifelong learning across various sectors of society.

### 3) Ensuring Sustainable Funding and Financial Management

- In terms of **financing**, we suggest to **determine initial budget allocations and corresponding KPIs**.

- **sustainability planning:** Develop long-term sustainability plans that include exploring new funding sources and financial models to support ILA beyond the initial funding phases.

#### 4) Targeted memes and Policy Integration

- As far as **target groups and entitlements** are concerned, we suggest a **multidisciplinary approach** in determining the priority target groups and types of training, as well as developing a flexible framework for ILA entitlements that can cater to the diverse needs of the target groups, including considerations for enhanced support for underrepresented or disadvantaged groups.
- **tailored learning pathways:** Create tailored learning pathways within ILA that address the specific needs of different target groups, including disadvantaged populations, mid-career professionals, and sectors undergoing rapid technological changes.
- **dedicated ILA schemes for high-need groups:** Implement special programmes targeting groups with significant barriers to learning, such as older workers, people in rural areas, and those in transitioning industries, to ensure they benefit from ILA initiatives.
- **green and digital transformation:** Directly link ILA entitlements with national strategies for green and digital transitions by prioritizing training programmes that equip the workforce with necessary green and digital skills.
- **public-private partnerships for microcredentials:** Establish partnerships with technology and environmental sectors to develop microcredentials that are directly relevant to market needs, ensuring that ILA participants are equipped for future job markets.

#### 5) Good Governance and Coordination

- In the field of **governance and coordination** we stress the importance of establishing an effective **framework for stakeholder engagement, as** ILA intersects with multiple policy areas, engaging a broad spectrum of stakeholders from government sectors, training providers and civic associations is paramount.
- **strengthen training for staff:** Provide continuous training opportunities for ILA administrators and professional staff to enhance their capabilities.

#### 6) Training and Quality Assurance

- Concerning the availability of training capacities, we suggest to carry out an initial capacity assessment to measure the capacities of the implementing agencies, training organisations and service providers in line with the KPIs.
- In terms of quality assurance, we consider it essential to develop and publish a comprehensive quality framework that outline the standards and requirements for training providers and training programmes under the HUN-ILA scheme. This should be complemented with participant satisfaction surveys and a user rating system.
- In order to ensure the integrity of the ILA scheme, we suggest to implement a detailed anti-fraud strategy in line with international best practices and based on Hungarian experience in the use of cohesion funds.
- develop partnerships with training providers: Foster partnerships with universities, vocational schools, and other non-formal training providers to enhance the quality of training programs and ensure they are aligned with labour market needs.

#### 7) Technology and Infrastructure

- When it comes to the **IT systems and the single digital portal**, we suggest analysing the possibility of integrating existing and well-functioning systems and using open application programming interface (APIs).
- **Enhanced data security measures:** Implement state-of-the-art data security measures to protect personal information and prevent unauthorised access to the ILA system.

- **Technology upgrade plan:** Establish a technology upgrade plan to ensure the ILA platform remains up-to-date with the latest digital innovations and security practices.

## 8) Enabling framework

- Based on the low participation rates in adult learning in Hungary, we emphasize the importance of carefully designing effective **outreach and awareness-raising** activities.
- **Promoting a lifelong learning culture:** Launch national campaigns to promote the concept of lifelong learning as a continual process that enhances personal growth and societal well-being. Highlight success stories and case studies that demonstrate the transformative power of continuous learning.
- **Incentive programmes:** Develop incentive programs that encourage individuals and employers to invest in lifelong learning, aligning incentives.
- In addition to awareness raising, the **effective provision of information and guidance services** by **public employment services, government offices, municipalities, training providers, community centres, and online platforms** is also of crucial importance.

## 9) Programme Evaluation and Continuous Improvement

- In the longer term, the success of ILA is massively influenced by the quality of **the monitoring system and programme evaluation**, as well as a continuous **skills forecast** to determine key areas of training and skills development.
- As with all complex systems, ILA also needs to be **regularly reviewed; a comprehensive review or evaluation. ETSZ IT should be consistent with the D4 Road Map and Action Plan and carry out the suggested evaluation when reaching major milestones**, identifying strengths and areas for improvement. The review should cover the implementation process, governance and coordination, financing, **IT system and infrastructure**, stakeholder feedback, participant satisfaction, **training provider performance, fraud detection and prevention**, etc

## Annex: Final Deliverables

### Annex 1: Inception report

Included as a separate file.

### Annex 2: Situation analysis report

Included as a separate file.

### Annex 3: Proof of concept

Included as a separate file.

### Annex 4: Roadmap and action plan

Included as a separate file.

### Annex 5: Follow-up report

Included as a separate file.

### Annex 6: Communication materials

Included as a separate file.

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