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New Hungary Development Plan

New Hungary Development Plan
**Simpler, faster,
more transparent!**

**Operation of the institutional and support system of the
New Hungary Development Plan
2007-2013**



I. Introduction

On the first of January 2007, coinciding with the start of the new budgetary period of the European Union, Hungary witnessed the inauguration of a new era. It is our firm belief that we can create a Hungary rejuvenated both socially and in terms of its physical infrastructure by 2013 (or by 2015, when the final investments of the current budgetary cycle are due to conclude). This, however, demands a common approach and the mutual endeavours of all concerned: the state and its citizens, tenderers and contracting authorities.

New opportunities opened for Hungary with its accession to the European Union. As a consequence of its regional policy, the EU channels around 40% of its budget into the development of undeveloped regions and on convergence programmes. Between 2004 and 2006, Hungary received a multiple of its previous development resources from this budget. Within the framework of the National Development Plan, developments and investments have been completed or are still being implemented in nearly 2000 settlements around Hungary. Development resources amounting to HUF 700 billion awarded to more than 18,000 successful tenderers have contributed to the creation of close on 50,000 new jobs around the country.

Hungarian tenderers – local governments, entrepreneurs and NGOs – have mastered the ins and outs of the tendering process over the past three years. Of course, the contracting authorities have also passed the test with flying colours: they were required to learn and apply the intricacies of the EU tendering procedure. Step by step, the system is being established: the government, fully aware of the teething troubles of the tendering system, has taken tenderers' viewpoints into account when transforming and, where possible, simplifying the administrative regulations.

The experiences of the 2004-2006 period are particularly important now, at the start of the new budgetary period in the European Union, when Hungarian tenderers have access to even greater development resources from the Brussels budget. Over the next seven years we have around HUF 7000 billion at our disposal in the framework of the New Hungary Development Plan. We have to be able to invest this vast sum in such a way that every single invested euro generates new investments, creates more jobs, and that this in turn gives added impetus to the country's development and convergence.

Regulations on regional policy have been reformed in the European Union. Here in Hungary, the growth in tasks associated with the increased resources has demanded the establishment of new institutions and made it necessary to set up a new tendering system. The government, basing its actions on the experience of the last three years, and seeking and heeding the views and proposals of both applicants and those drafting tenders, has established a transparent and simpler, faster system in the interests of the efficient and effective utilization of EU development resources. This publication presents this new tendering system, its fundamental principles of operation and its main elements.





II. From EU budget to the invitation to tender

In December 2005, the heads of state and government of the Member States of the European Union met in Brussels and agreed upon the community budget for the period between 2007 and 2013. In percentage terms the EU's seven-year budget is not excessive, barely exceeding as it does one percentage point of the total income of the Member States, and yet in absolute terms it is a huge sum: over €862 billion. This common budget is made up primarily from customs revenues generated by the Member States and a part of the income from VAT – in other words, from the taxes of the citizens of the Member States. The European Union devotes some two-fifths of the community budget to the convergence programmes and development of disadvantaged, undeveloped or problem-wracked regions in the EU. Thus the poorer Member States, among them Hungary, are beneficiaries of the EU budget: they are given back more money for development than they have to pay out in “membership fees” to the common budget.

Over the next seven years Hungary will be entitled to development resources amounting to €22.6 billion, that is, close on HUF 6000 billion, from the European Union budget via several development funds: the European Regional Development Fund, the European Social Fund and the Cohesion Fund. We have to supplement this sum by 15% from Hungarian taxpayers' contributions. Thus we arrive at the figure of approximately HUF 7000 billion, which can be directed towards developments and investments in Hungary in the coming years. (Over and above this, Hungary also receives around HUF 1000 billion in subsidies to support agricultural production and rural development between 2007 and 2013.)

Although we are entitled to this vast sum, it is not transferred automatically! In order for these resources to be made available, each Member State has had to draw up its own, seven-year national development plan. The national development plan, which here in Hungary is called the New Hungary Development Plan, is in effect a national strategy for the next seven years. It is a development policy document which, after a thorough situation analysis, sets out the primary objectives and directions of development, and those strategic areas on which the country would like to concentrate EU development resources. The European Union provides assistance in putting together the national development plans: this comes in the form of the document entitled “Community Strategic Guidelines”, which outlines the main development goals and focuses of regional policy for the European Union as a whole in the coming seven years. Naturally, the national development plans of all Member States have to be adjusted to the main aims detailed in this document, with particular regard to sustainable economic growth and expansion of employment. The Hungarian government drew up the country's national development plan for 2007-2013, the New Hungary Development Plan, in the autumn of 2006. Social and civil organizations, the local government sphere, representatives from the business community and science all participated in the 18-month-long social consensus process leading up to the final document.

Whereas the national development plans cover the key strategic goals, the so-called “operational programmes” contain the development objectives and directions of the individual sectors and regions. In the coming years Hungary will have six regional and eight sectoral operational programmes, plus a separate operational programme containing sectoral development goals for the Central Hungary Region. The government finalized these programmes – also following wide-ranging social debate and integrating about 1500 opinions and proposals from partner organizations – in December 2006. Governments of the Member States have to submit both their national development plans and operational programmes to Brussels and have them approved by the European Commission.



Seven years is a long time, and for this very reason the Hungarian government decided to lay down (within the operational programmes) the specific tasks and developments of the different sectors in action plans running for two years. The two-year action plans (which, however, are reviewed on an annual basis) contain details of the major “central” developments and concrete investments to be implemented from non-tendered EU resources in the coming two years, naturally adjusted to the goals of the given operational programme. Furthermore, the action plans set down in which areas and for which specific objectives EU tenders will be published in the coming months in the framework of the given sectoral or regional operational programme. The government approves the action plans only after negotiations with professional and social partners.

The National Development Agency finalizes the invitations to tender for the various operational programmes on the basis of the approved action plans, and after consultations with and requesting the opinion and proposals of professional bodies representing potential tenderers.



III. The new institutional system

Based on the experiences of the past three years, the government has established a considerably simplified, more transparent and, in all likelihood, faster operating institutional system for the operation of the EU tendering system in the period 2007 to 2013. The further development of the former institutional system started in the summer of 2006 with the creation of the National Development Agency, the National Development Council and the Steering Committee for Development Policy.

In accordance with EU regulations, the government continues to handle strategic decisions of the greatest significance in the institutional system. Thus the government is responsible for approving the content of the national development plan and the operational programmes, and any modifications to these documents, as well as submitting them to the European Commission. The government decides on support for high-value developments and investments (typically those with a budget of over HUF 5 billion), and approval of the two-year action plans also falls within the sphere of responsibility of the government.

In reaching decisions concerning the national development plan the government is assisted by the National Development Council which, as the government's social consultative body, monitors fulfilment and harmonization of the targets set down in the national development plan. Furthermore, the Council has the authority to table proposals to the government on possible modifications to the development plan.

The Steering Committee for Development Policy, which tables proposals and opinions, prepares the groundwork for decisions and coordinates work, is responsible for drafting development policy-related government decisions. The prime minister acts as chair of the Steering Committee, the members of which are politicians with responsibility for different sectors, fields and regions. These individuals track implementation of the goals of the operational programmes and they are also chairs of the monitoring committees.

The National Development Agency is the central institution for the operation of the EU tendering system. The National Development Agency was established by the government from the National Development Office and the so-called "steering authorities", working groups of some operational programmes formerly functioning at certain ministries. The tasks of the Agency include coordination of the drafting of the national development plan, the operational programmes and the action plans, approval of the invitations to tender and the framework contracts of support, as well as setting up evaluation committees laying the groundwork for the selection of developments and investments which are deemed suitable for support. The Agency manages, monitors and assesses the work of the so-called cooperating organizations carrying out the actual work of tendering, it operates the informatics system supporting the tendering system, and it bears responsibility for communicating the entire development plan and the functioning of customer service for all the operational programmes. From 2007, the National Development Agency reports annually to the National Assembly on the progress of both the 2004-2006 national development plan, and the national development plan for 2007-2013.

The so-called "cooperating organizations" are the bodies maintaining direct contact with tenderers. Cooperating organizations can be organizations in majority state ownership, state-funded bodies, public foundations or commercial enterprises complying with strict provisions. Their primary tasks include drawing up draft invitations to tender and contracts of support, receipt and assessment of bids and project proposals, signing contracts of support, monitoring approved developments and investments, and authorizing disbursements.

As the so-called certifying authority, the Ministry of Finance plays an important role in the disbursements element of the institutional system. The Government Audit Office, the State Audit Office and the inspectors of the European Commission monitor the progress of developments and the operational conformity of the institutional system.

The establishment of the new institutions in themselves do not make the institutional system simpler and faster, that is, better. That also requires fundamental changes in the regulations governing the operation and cooperation of the various institutions.

From 2007, one of the most important changes for tenderers is that in the course of implementing their developments and investments – and contrary to the practice up until now – they will not have to maintain contact with two or three cooperating organizations but only one. This single organization will conduct all administrative duties related to the implementation of the winning bid.

Another important change is that in future the cooperating organizations, selected on the basis of stringent qualification criteria with the coordination of the National Development Agency, will carry out their duties on a market basis under the terms set down in a service provider contract and with performance-related financing. In this system only those cooperating organizations conducting rapid, "tenderer-friendly" work will enjoy additional revenue, thereby enhancing the salaries of their employees. Of course, performance assessment and performance-related financing have become universal across the entire institutional system. The government expects this to have a positive impact on the quality and speed of work of the whole institutional system, and by implication on the satisfaction of tenderers.





IV. Simpler, faster, more transparent tendering

Hungary proved to be one of the fastest utilizers of European Union funds for the 2004-2006 period, taking second or third place among the new Member States. The results are becoming increasingly apparent throughout the country: schools, nursery schools and roads are being built or reconstructed, several tens of thousands of people have received retraining and found new jobs thanks to grants from the EU. These investments have impacted positively on the lives of six million of our compatriots. And yet... over the recent past it has not been all plain sailing for tenderers due to the teething troubles of the tendering institutional system, in other words the complexity of EU and domestic legal regulations, the excessive bureaucracy, and the slowness with which decisions on projects were reached, contracts concluded and payments made.

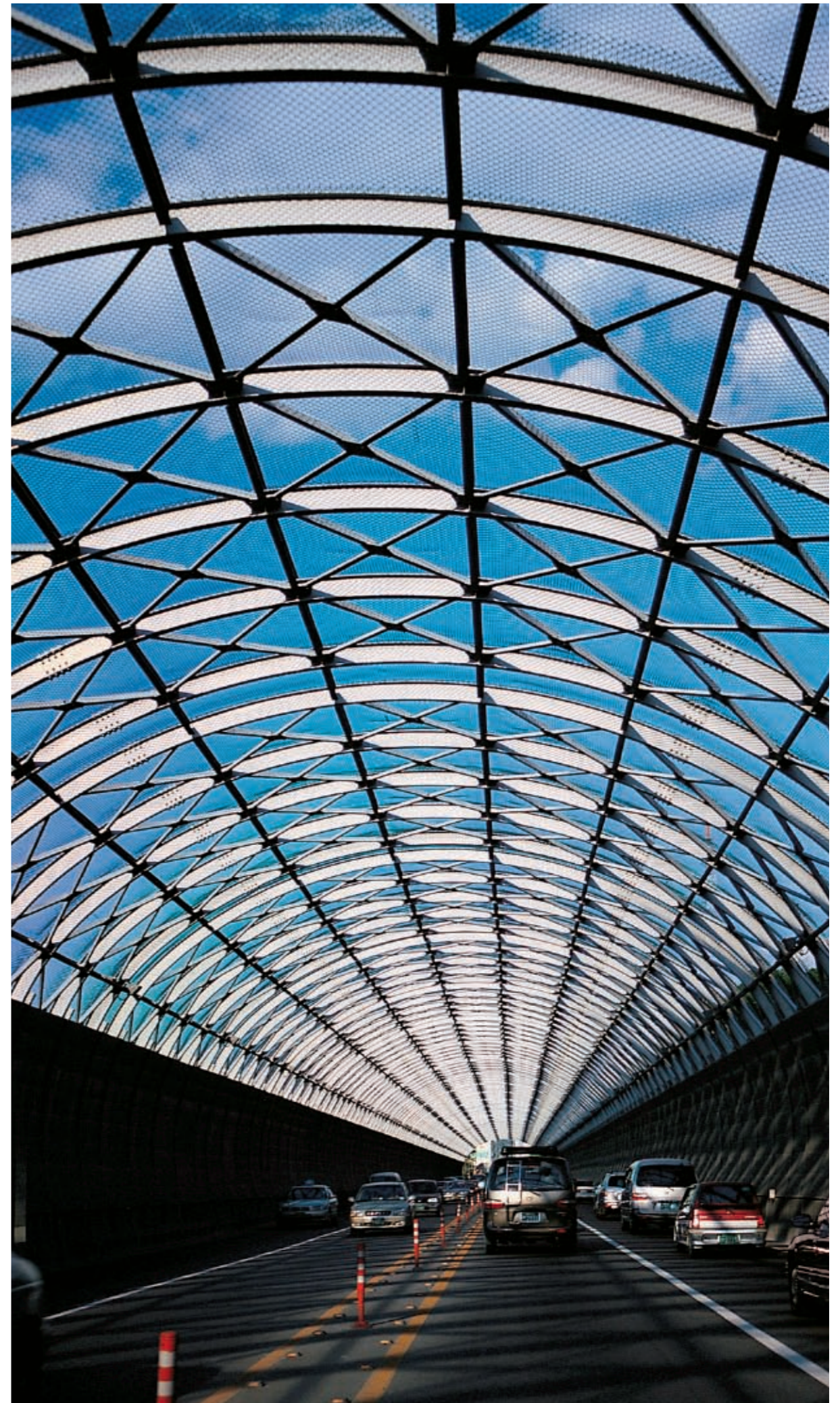
This is the reason the government instituted considerable changes in the tendering system in spring 2005. It made major advances to simplify the tendering bureaucracy and considerably reduced the administrative burden of tenderers. Important steps, hailed even in Europe as pioneering, have been taken in the interests of transparency, too: the National Development Agency's website publishes up-to-the-minute statistics on the tendering system, every fortnight it updates the full list of beneficiaries and the awarded grants. Transparency International, the international organization fighting corruption around the world, gave a basically positive assessment of the transparency of the operation of the tendering system in Hungary.

The steps that have already been taken are significant, but the work does not stop there. This is precisely why the government (taking into consideration the experiences and proposals of tenderers and tendering organizations) has introduced several further changes - in parallel with the publication of the first tenders of the New Hungary Development Plan and the formation of the new institutional system - designed to simplify and speed up the tendering system and make it even more transparent.

These moves are essential in order for Hungary to be able to use and invest profitably and efficiently the around HUF 7000 billion development resource, the majority of which comes from the European Union, available for the 2007 to 2013 period, to the increased satisfaction of tenderers and the benefit of the country as a whole.

In this new, "lean administration" system, bid submissions require fewer certifications. What's more, the contracting authorities only demand most of these from successful tenderers when the contract is ready to be concluded. Furthermore, in future only a limited category of tenderers will be asked to draw up feasibility studies. Ongoing IT developments are also aimed at taking over from the tenderer the burden of obtaining those official certifications the essential data of which already appear in the IT systems of other state bodies e.g. the Tax and Financial Control Administration (APEH) or Customs and Excise.

The establishment of the right conditions for total electronic administration also helps make the business of submitting a bid easier. In 2006, there was an opportunity to submit applications and requests for payment on the Internet, and for tenderers to keep track of their application in the institutional system online. From 2007, however, the National Development Agency is expanding this to all invitations to tender where the number of applications is expected to exceed 200. This means that not only can bids and requests for payment be submitted electronically, but, for example, letters asking for supplementary information can also be sent via e-mail. This is expected both to simplify and, in several respects, speed up the functioning of the tendering system.



The standardization, simplification and clarification of tender datasheets and framework contracts of support also go a long way to easing difficulties experienced in administration (not to mention helping speed up the process of concluding contracts). Among the new procedural methods there are several which will save tenderers time, money, energy and unnecessary paperwork.

Since enterprises, local governments, NGOs and churches can channel European Union – including Hungarian – taxpayers' money into developments it is essential that professional and fully transparent decisions are reached about the distribution of these funds. In the interests of achieving this the entire project selection procedure, from the method of submitting an application to the decision of the evaluation committee, will be clearly and unambiguously regulated. External members of the evaluation committees, which will operate with fewer members than at present and be backed up by non-governmental experts, will be drawn at random. In the spirit of full transparency, tenderers will be able to read online the reasoning behind decisions on specific tenders once the ruling has been reached.

In order to ensure the creation of a fully compliant and transparent system, another important change is that from 2007 tenderers are entitled to submit a complaint against a negative decision taken by the evaluation committee within five working days of receipt of the notification, inasmuch as an infringement of the law or a procedure running contrary to the conditions given in the invitation to tender is observed. In the first instance, tenderers may pursue their claim at the National Development Agency. Inasmuch as the tenderer refuses to accept the findings of the investigation conducted by the Agency, the complaint can be forwarded to the minister responsible for development policy.

Besides the introduction of the abovementioned "single-point-of-contact system" – that is, that a single cooperating organization handles tender matters in each specialist area – the standardization of procedural guidelines will also help orientation in the tendering system.

V. Simplified tendering channels, new procedures

In an effort to simplify the European Union tendering system, perhaps the single most important (and perhaps most obvious) change is the standardization of the approximately 30 different procedural guidelines. The government intends to define – in a transparent, plain and precisely regulated manner – those channels through which selected development concepts can finally become winning applications and investments implemented with European Union funding. Standardization is, naturally, accompanied by a degree of simplification: previous experience suggests that in many cases local governments, enterprises and NGOs wishing to implement developments from EU funds will be able to save time, money, energy and unnecessary paperwork from 2007.

The government has set down five main tendering channels, so-called "procedural guidelines", for the coming seven years of the New Hungary Development Plan. "Traditional", single-round, open tenders will continue to exist, albeit with considerable simplifications. New features of the tendering system include two-round tenders, primarily for local governments, and indirect support forms primarily serving the programmes of the civil sphere and micro-, small- and medium-size enterprises. From 2007, the system handles one-off developments and investments supported in the non-tender system but defined in the national development plan, sectoral or regional operational programmes, or in the two-year action plans, as premium projects or major projects, depending on the value of the scheme.

Single-round, open tender

The evaluation of bids in the case of traditional single-round tenders is made significantly simpler, in particular those bids making grant application for not more than HUF 50 million. This measure alone can impact favourably on as many as four-fifths of tenderers. The experience of the past three years shows that nearly four-fifths of the more than 18,000 applications winning EU funding requested and received grants of less than HUF 50 million.



In future, evaluation committee decisions will not be taken in the case of a considerable proportion of these entrepreneurial, civil and smaller local government bids. Contracting authorities will only monitor the applications and investigate the entitlement of the tenderer. If the tenderer and the bid are found to be in compliance with the conditions given in the invitation to tender, then EU funding will proceed on a “normative basis”. Thus in the standard case the cooperating organization is authorized to reach a decision on funding.

In the case of tenders of under HUF 50 million where “normative” support cannot be applied, it is within the competence of the National Development Agency to come to a decision on funding, or refusing, the application, working on the basis of the professional judgement of the cooperating organization. It is expected that with the abolition of evaluation committees for bids under HUF 50 million, the evaluation period can be cut by an average minimum 20 days, thus giving a maximum 50 days from submission of the application until notification of a decision, assuming supplementary information is not required.

In the case of open tenders of above HUF 50 million, here too the evaluation committee will take part in preparing the way for decision-making, while the final decision on bids (up to HUF 1 billion) is taken by the so-called Managing Authorities, organizational units responsible for the given operational programme and operating within the National Development Agency, again on the basis of the proposal of the evaluation committee. Besides the National Development Agency, the relevant cooperating organization, the minister responsible for the given sector, and in the case of regional operational programmes the regional development council and, at the request of the chair of the committee, the competent professional organization can delegate members to the maximum five-member evaluation committees. A memorandum on the decision of the evaluation committee containing a detailed reasoning for the approval or refusal of aid is drafted and made accessible to the tenderer on the Internet. The deadline for a decision on bids in this case is a maximum 75 days from the date of submission to the notification of the decision of the panel (assuming supplementary information is not required).

Turning to the case of applications for grants exceeding HUF 1 billion but less than HUF 5 billion, here the decision process is similar, that is the competent organizational unit within the National Development Agency reaches a decision based on the proposal of the evaluation committee, although the decision also requires the approval of the minister responsible for the given sector. Ministers have 20 days in which to come to a decision. If the minister does not agree with the proposal of the evaluation committee, then the case is turned over to the government for a final decision on the provision of funding.

In the case of all single-round, open tenders exceeding HUF 5 billion, the decision is solely within the competence of the government, which bases its assessment on the proposal of the evaluation committee submitted to the National Development Agency.

Two-round tender

The introduction of the two-round tendering process can significantly reduce administrative burdens and unnecessary paperwork, primarily for local government investments. This process represents a form of “pre-screening” of development concepts, so that tenderers draw up the (considerable) tender documentation only if they have a genuinely viable project reasonably likely to win funding. One important change is that documents such as the feasibility study, the cost-benefit analysis, the environmental impact study, technical plans, official authorization and the provisional declaration of the National Office of Cultural Heritage only have to be attached to the application in the second round, even for investments where the grant application exceeds HUF 1 billion. Thus contrary to the practice so far, local governments intending to submit bids can save themselves the administrative burden and often considerable costs associated with procuring these documents if their application is rejected in the first round.

The government sets out in the two-year action plans exactly when, in what areas and for whom two-round tenders will be published. These are open tenders, meaning that the National Development Agency publishes the invitation to tender not only on its own website but through the national press, and indeed for tenders belonging to the regional programmes in the county media, too. If it is known exactly who the potential tenderers are, and their number does not exceed 25, then the cooperating organization writes to them about the opportunity to submit a bid.

In the first round of a two-round tender, the tenderer – most usually a local government – submits electronically a datasheet containing the development concept. The administrative burden is reduced



because a printed application is only required if the electronic version cannot be authenticated due to the lack of an electronic signature. The cooperating organization examines the datasheet from the aspect of compliance with formal tender requirements, and then one expert evaluates and marks the application for grant applications under HUF 50 million, whereas two experts conduct this work for applications above HUF 50 million. A decision on accepting or rejecting the grant application, again at the recommendation of an evaluation committee with a composition identical to that for open tenders, is taken by the National Development Agency for grants up to HUF 1 billion, by the Agency and the minister responsible for the given sector for grants between HUF 1-5 billion, and by the government where the latter is referred or the grant is for a sum exceeding HUF 5 billion. All decisions on open tenders must be taken within the given deadline.

If the development concepts passes the first round, then the applicant must submit a detailed bid application in the second round within the deadline given in the invitation to tender but at latest within one or two years. An actual statement of support can only be reached on the basis of this bid application; success in the first round of the tender is not a guarantee that the development concept will receive funding. In other words, the second round has its risks, too!

The cooperating organization can decide on the detailed grant application (up to a value of HUF 50 million) complete with all necessary attachments, certifications and statements – and to which it is not necessary to attach all those documents already handed in – submitted in the second round. For applications seeking grants of over HUF 50 million, the decision is taken by the National Development Agency on the basis of the proposal of a 3-member simplified evaluation committee.

Indirect support forms

Similarly to the two-round tender, indirect support forms in EU tenders of the national development plan are also a new feature: small project funds primarily supporting NGOs, and microcredit, capital and guarantee funds backing SME developments. The government sets down the basic principles for selection of fund managers in the two-year action plans, and the final choice of these intermediaries is taken by the National Development Agency.

Small project funds are designed to serve primarily smaller programmes of the civil sphere requiring funding of less than HUF 10 million. For these projects, “fund managers” e.g. foundations, NGOs selected by the National Development Agency, publish tenders or provide – indirectly – European Union funding as part of the New Hungary Development Plan.

Indirect grants, the various financial funds, play a role in supporting the developments and investments of small- and medium-size enterprises. On the whole, commercial enterprises are charged with handling these funds or mediating the refundable grants. The National Development Agency selects banks or fund managers to conduct these activities.

The microcredit system is vital for micro- and small-size enterprises rated as either “non-bankable” or of “restricted negotiability” by the commercial banks. As part of the New Hungary Development Plan, microcredit programmes operating over the past 15 years with Phare backing can continue to support smaller enterprises with low interest development or equipment loans. Within the framework of this construction, micro-financing bodies – that is financial enterprises, guarantee cooperatives or local entrepreneurial centres – selected in all the regions except Central Hungary provide small businesses with preferential refinancing backed by the EU.

Guarantee funds set up for those SMEs only able to access credit on the commercial market with great difficulty or at high interest rates due to a lack of sufficient collateral represent an opportunity to acquire the resources necessary for developments. According to plans, large-scale guarantees for credits not exceeding HUF 50 million and offered with EU support will be available in all the regions of Hungary except the Central Hungary Region. Credit institutions i.e. commercial banks and savings cooperatives selected on a competitive basis by the National Development Agency, will offer these services to small- and medium-size enterprises. These guarantee provision institutions will make EU-backed one-off guarantees to an expected maximum HUF 300 million in the six regions. The maximum HUF 100 million EU-backed factoring guarantee is also a new construction this year, available in every region of Hungary with the exception of Central Hungary.

Of course, there are innovative, starter enterprises with considerable growth potential in need of capital or seed capital. They are likely to find the capital funds making up a part of the New Hungary Development Plan, developed in cooperation with institutions in the financial market and

established with European Union co-financing, the kind of assistance they need to get started. Risk capital funds to be set up jointly with the capital market institutions and co-financed capital investments provide reimbursable loans to start-up enterprises.

Premium, central projects

The government does not reach decisions on development and investment concepts of strategic importance through the tendering system but rather on a case-by-case basis after weighing the relative importance of the given development and its integration into the main development objectives. Above HUF 13 billion, or HUF 6.5 billion for environmental protection investments, the European Commission decides on the basis of the recommendation of the government. Given the significance and size of these premium investments, they are specified in the two-year action plans of the operational programmes.

Since these, typically, state investments receive considerable EU funding via a non-tendered channel, it is all the more important to precisely regulate their method of selection in order to ensure complete transparency. Who can put forward proposals for such huge investments? When, on what level, on what basis and who decides on their support?

Only the regional development councils, the portfolios with the approval of the respective minister and, in exceptional cases, the National Development Agency are competent to table proposals on supporting premium investments. The National Development Agency directs other investment ideas and development demands arriving through any other channels to the competent ministry or regional development council. These advisory bodies are the guarantee that with a one-off procedure only those development concepts of truly primary importance requiring a central decision receive backing.

The private sphere is also eligible for funding on the basis of the decision of the government and via the above channels. The private sphere may participate on condition that the project is public in nature and it contributes to the primary objectives of the New Hungary Development Plan.

Developments launched on a non-tender basis may be implemented as premium projects or in major project form. The so-called “project channel” procedural guideline serves to enhance efficiency and transparency. There is no possibility of following an alternative procedure, irrespective of the sectoral nature of the tenders. This fully transparent system allows every project to be individually trackable. Every initiative must be launched in exactly the same way and at exactly the same organizational unit of the National Development Agency, irrespective of the nature and content of the project. All individual projects must proceed along the project channel, irrespective of the origin of the project proposal. Not one single stage of the procedure may be skipped.

Development concepts enter the system on an information datasheet. Once these applications have been examined for compliance and entitlement – for instance, their eligibility for a grant under the rules of the European Union – by the National Development Agency, they are entered into a database. Individual committees (juries) then carry out preliminary assessments of the development concepts by development category. These committees include delegates from the National Development Agency, the ministries, the regions and outside experts in specific fields. During the preliminary assessment experts consider first and foremost the justification for the development idea and its eligibility for EU funding, as well as whether the given development complies with the primary objectives of the national development plan and the operational programmes. The committee can come to one of three possible decisions: support for the concept and a proposal that a detailed plan be worked out; a recommendation that the project be supported through other channels e.g. in the framework of a single- or two-round tender; or rejection of the scheme.

The government reaches decisions on the list of developments rated as premium projects once a year, as part of the action plans, on the basis of the proposal of the government commissioner with responsibility for development policy.

Project managers may receive support not only for the investment itself but also for the preparatory work involved in establishing the project, for example, in compiling the plans and drafting the planning permission documentation. Of course, in itself this does not mean that the finalized programme is guaranteed to receive funding!

The detailed development concepts and ideas are once again reviewed by experts (for instance, from the aspects of the financial and professional viability of the scheme, its sustainability and efficiency). In the second round the National Development Agency reaches the final decision on funding.

The selection, preparation and approval of major projects is a lengthy process indeed. Government approval of so-called “major projects”, investments where the grant application exceeds HUF 13 billion (HUF 6.5 billion in the case of environmental protection schemes) are automatically submitted to the European Commission. Above this level the consent of the European Commission is mandatory.



VI. Simplified financial settlement, faster disbursements

However, it requires more than simplified tendering procedures and a transparent institutional system to ensure that tenderers remain satisfied. Recent experience proves that it is at least as important to provide a simplified settlement and speeded up payments system for winning applications.

The administrative burden of tenderers implementing programmes winning grants of less than HUF 10 million is considerably reduced by the fact that, inasmuch as the duration needed to implement the tender does not exceed 1 year, the winning tenderer has to submit only one progress report – the so-called closing report – to the cooperating organization. Another form of administrative relief is the reduction in the number of necessary contractual modifications, which, for instance, means that cost reassignment necessary for the implementation of the investment is made more flexible.

Disbursement-related administration has also been considerably simplified and thus, in all likelihood, also speeded up. Under the provisions of the decree regulating the new system of tendering the number of documents required to be submitted for payment of grants has been cut right back. Certain tenderers will find that general costs of the investment, for instance management expenses, can be accounted without the need to supply itemized invoices up to a percentage of the total cost of the investment as specified in the invitation to tender.

Another important change (also requiring IT development) aims at making the processing of incorrect accounts more flexible. The guiding principle of the new system here is that an error in one invoice should not hold up payment of the other invoices submitted for settlement.

Where an incomplete or incorrect application for settlement is submitted, the cooperating organization notifies the winning tenderer of the need to supply supplementary information within 15 days. The tenderer then has another maximum 15 days in which to meet this demand. If the cooperating organization then finds that everything is in order, payment is made within 60 days of receipt of the application for settlement, and within 30 days where payment is being made directly to suppliers.

The introduction of electronic, Internet-based, interactive communication simplifies and can speed up every stage of the tendering system, particularly the settlement phase.

In the interests of promoting transparency, for the past year beneficiaries have been able to keep track of their application – via the password-protected tender information pages on the website of the National Development Agency – as well as the progress of related documents and settlement in the system. The online system allowing successful tenderers to submit interim settlements and reports through the Internet has been fully operational since November 2006. What is more, the application of the Internet offers considerable assistance in carrying out routine administrative tasks: after entering the password-protected system, the user is guided through the process of completing datasheets by a program written specifically for the tender, in effect eliminating the possibility of making an administrative error. Disbursements can also be accelerated because payment applications containing the very latest data appear in the computer system of the cooperating organization the day after being uploaded, therefore allowing the payments process to be initiated even before receipt of the printed invoices.





VII. New communications, active and interactive customer services

As the saying goes, information is money. One of the keys to the success of the New Hungary Development Plan is ensuring that all potential tenderers receive the essential information about European Union tendering opportunities at the right time and in the right place, that they receive rapid and effective assistance in making their bid application and even when making settlement claims. The formation of a tenderer-friendly institutional system offering appropriate service provision demands important developments in the areas of communications and customer services.

The National Development Agency is launching its new, interactive, service-oriented EU tendering portal in the first half of 2007. Here, a developed version of the already operational intelligent tender search program provides up-to-date and practical information on all the available tender opportunities by region, sector, tender field and eligible tenderer category. This allows everyone to find the tender opportunities matching their needs.

The National Development Agency also assists the work of tenderers in the bid application and implementation phases with printed and electronic publications written in a clear, understandable way offering practical advice.

The National Development Agency has also been a pioneer in presenting the achievements of the programme: the website continues to provide up-to-date statistics on the European Union tendering system and, in compliance with EU directives, the regularly updated complete list of beneficiaries. Aside from this, telephone and online customer service activities have also been reinforced and expanded both at the National Development Agency and at the cooperating organizations maintaining direct contact with tenderers.

However, it is not enough simply to publish information; it must also be delivered to the target audience. This is achieved by consultancy staff working in the small regions, and the National Development Agency's information programmes staged around the country from 2007 similarly serve this aim. Besides being an information source, an important objective of these events is training and preparing potential tenderers in making grant applications and all associated management and administrative tasks.

