1. **Basic Information**

1.1 **Désirée Number:** HU01.07.01

1.2 **Title:** Makó Business and Service Centre for Strengthening Hungarian-Romanian Cross-Border Relations

1.3 **Sector:** Economic development, human resource development

1.4 **Location:**

   Csongrád county, Hungary and Timis county, Romania; especially the small areas of Makó and Sannicolau Mare. Indirect impact on Békés county.

2. **Objectives**

2.1 **General objective(s):**

   Strengthen the Hungarian-Romanian economic co-operation by supporting the SMEs in the mentioned small area and in the entire Hungarian-Romanian border region.

2.2 **Immediate objective(s):**

   The creation of the Business Centre and Incubator House will contribute to the development of cross-border co-operation between Hungary and Romania by:

   - Promoting the co-operation between institutions representing the business sector and increasing the business partnerships and contacts with Romania.
   - Encouraging the SMEs initiatives for cross border co-operation by providing them with access to the information on the possibilities and markets existing beyond the border.

2.3 **Accession Partnership (AP) and National Programme for the Adoption of the Acquis (NPAA) priority:**

   The project is in line with short and medium-term objectives of the Accession Partnership as stated in its paragraph on Economic and Social Cohesion and the paragraph on Employment and Social Affairs (chapter 4.: Priorities and Intermediate Objectives).

   The objectives of the project are strongly related to the measures formulated in the National Programme for the Adoption of the Acquis, mainly in the chapters on Sector Policies, Small and Medium Enterprises (chapter 4.6.) and Economic and Social Cohesion (chapter 5).

2.4 **Contribution to the Preliminary National Development Plan:**

   The Business and Service Centre coherently fits in the system of strategic goals and priorities formulated on national, euroregional, regional and county level, respectively follows some of the development programmes that are included in this system.

   The objectives of the project reflect the priorities of the Preliminary National Development Plan drawn up on the basis of sectoral strategies and regional measures. The project supports the priority Business Development – Small and medium sized enterprises (PNDP2001, chapter 5.2.2.) and Regional Economic Development (PNDP2001, chapter 5.2.4.).
It is also in accordance with the priority Employment and Education (PNPD2001, chapter 5.3.). The objectives of the project are also related to the development priorities of the Southern Great Plain Region, mainly the priority: Increasing business competitiveness of the economy in the region (PNPD2001, chapter 5.5.3.).

The concept of the Business and Service Centre fits into the priorities of the Strategic Programme of the South Great Plain Regional Development Plan, the Phare CBC Hungary-Romania Joint Programming Document (JPD) (priorities 2 and 4) and the Strategic Programme of the Danube-Cris-Mures-Tisa Euroregion (details in Annex no. 7).

2.5 Cross-Border Impact:

The project will focus on the cross-border aspects and will allow more specifically:

- Further development of the co-operation between Csongrád and Timis counties.
- Extension of the economic relationships due to outstanding assistance offered to Hungarian-Romanian joint-ventures. Romanian SMEs also benefit from the results of the process.
- Access of the project facilities for people and companies of the Romanian side.
- Improvement of the information flow and development of connections between Hungarian and Romanian institutions involved in business services, due to implementation of the mirror project from Timisoara, elaborated by the Chamber of Commerce, Industry and Agriculture Timis for Phare CBC RO-HU 2001 Programme. (The framework agreement between the two organisations is included in Annex 11.) Both centres will be available for conferences, seminars, workshops, business visits, counselling, provision of Hungarian and Romanian business information. Beside these, the centre in Timisoara will be suitable for regional and international fairs and the centre in Makó will organise cross-border training programmes, this way both centres will be able to promote each other’s activity.
- Sustaining the business and service centre will increase the market information and income generating possibilities for both the Hungarian and Romanian entrepreneurs.

3. Description

3.1 Background and justification:

The description of the target region and the details on the cross-border co-operation are included in annex no. 8.
Based on the previous experience in the field of co-operation with Romania and in the Hungarian region itself, the following weaknesses have been identified:

- The entrepreneurs from the target region are lacking capital. They face difficulties in providing adequate facilities to run their business.
- The fluctuation among the actors of the economy in the region is quite high. There are many entrant enterprises, but only a few are able to survive on the market in the long run.
- Both Hungarian and Romanian entrepreneurs are not in the possession of proper information regarding the economic potential across the border.
- The existing functions of the Industrial Park and Enterprise Zone would be complemented by the activities of an incubator house and business centre. If the functions of the latter two are provided, the target region becomes fully equipped with all the necessary means of economic assistance programmes.
- The co-ordination between the information suppliers is rather poor. The existing data are scattered, rising difficulties in supplying the necessary information for the local enterprises.
- Most of the local entrepreneurs have no access to Internet, utilisation of informatics is at a low rate. The business centre can improve this situation.
- Entrepreneurs and managers can not afford to attend professional training courses longer than 1-2 days. 99% of the local companies are SMEs, their managers can not leave for more than 2-3 days, local professional training programmes are required.
- The region lacks a modern conference centre where business meetings can be organised and hosted.

The establishment of the Business and Service Centre and the construction of the Incubator House are stages of a regional development strategy already established and implemented for several years. Two of its emphasised aspects are the economic development and the strengthening of cross-border relations.

Already completed stages of the development strategy:

- 1996: Formation of the Association of Local Governments for Regional Development in Makó small area with 18 founding members.
- 1996: the Chamber of Commerce and Industry and the Local Enterprise Agency (LEA, Progress Foundation) of Csongrád County open their local offices in Makó Town Hall
- 1997-98: Elaboration of the overall regional development plan for Makó small area
- 1998: Attainment of the approval for establishing an Industrial Park in Makó, preparation of the necessary infrastructure financed by national funds.
- 1996: Co-operation with Sannicolau Mare and the surrounding settlements gained momentum and increased continually since then
- 2000: The Association of Local Governments for Regional Development in Makó small area signed a co-operation agreement with the Association of Timis County Border Settlements for Regional Development and together formed the Joint Cross-Border Partnership Committee, (commonly elaborated Work Programmes, regular meetings)
− 2000: Opening of the secretariat of Joint Cross-Border Partnership Committee, office equipment provided by Phare CBC funding.

Next stages of the strategy:
- Establishment of the Business and Service Centre and construction of the Incubator house
- Initiation of training programmes promoting the start of economic development and cross-border co-operation programmes in the Business and Service Centre

3.2 Linked activities:

Related EU-funded projects:
The project is in strong connection with projects financed by the Phare CBC Hu-Ro 1996, 1997 and 1999 Programmes and the 1996 Pilot Project in the South Great Plain Region. These projects have implemented activities in order to strengthen cross-border co-operation in the fields of economic development, human resource development and infrastructure.

Related projects financed from national funds:
− Makó Industrial Park communal works, phase I.
− Economy Development Plan of Makó Small Area
− Korona building phase I, in progress
− Csongrád County Regional Development Concept
− Makó Small Area Human Resource Development Programme
− Makó International Onion Festival
− Enterprise development conference and business meeting

See detailed description of linked EU projects in annex no. 9.

3.3. Results:

- The newly created infrastructures, their services and training activities will make possible a better leverage of the opportunities offered by the Makó Entrepreneurial Zone and Industrial Park.
- Advantageous business services and training programmes for both Hungarian and Romanian SMEs will be available
- Creation of a micro-regional information centre, where all business services and data from other regional institutions interested in cross-border co-operation are available for the local entrepreneurs.
- Propagation of the experience gained during the cross-border co-operation to the entire Hungarian-Romanian border region.

3.4. Activities:
I. The project includes two works components:

1st component: Establishment of a Business and Service Centre by partial reconstruction of the Korona building (located in the centre of Makó).

Base construction surface (1730 m²), paving and topping of the interior court (509 m²), top floor net construction surface (1210 m²), paving of outdoor surrounding surface, including the reconstruction of the underlying communal works, and parking lot (10,336 m²).

The reconstruction of the Korona building is carried out in two phases:

Phase I: (not included in the present project). Reconstruction of the eastern wing, containing a kitchen and annex rooms, cafeteria, restaurant, bar, hall and reception (262+502=764m²). There exists a valid contract for carrying out of this work. Implementation of phase I will be strictly separated - technically and financially - from phase II (part of the present project).

Phase 2: Renovation of the ground floor and the top floor (2240m²) will be renovated for the purpose of the services described below. (Details can be found in Annex no. 10.)

2nd Component: Incubator House (location: Makó Industrial Park, Királyhegyesi street)

Construction of a new building of 527 m²

At the ground floor of the main building offices, meeting rooms and other service offices for rent will be constructed. At the top floor a conference room, smaller meeting rooms and annexes will be built. The outbuilding will provide room for incubator operation of starting SMEs storage facilities for seeds and chemicals. Details of the buildings in annex no. 10.

The business incubator is located in the Industrial Park. Communal works (water supply, drainage and sewage systems) had been completed by self- and national-financing. Energy and natural gas supply, telephone line and connecting road are under construction.

II. Thanks to the two constructions, the following services will be available:

1) Business and Service Center:

a) A location for the following institutions and organisations:
   − Joint Cross-Border Partnership Committee secretariat
   − Local office of the Csongrád County Chamber of Commerce and Industry
   − Local Enterprise Agency (LEA, Progress Foundation) Makó

b) Services:
   − Business meeting rooms with multi – media presentation tools
   − Conference room equipped with simultaneous translation system and fair centre
   − Information Office that gives location to:
− Linking agency with the Business Centre from Timisoara
− Local office of the Central and Eastern European Business Information Centre
− Contact office of the Szeged Euro Info Centre (Framework co-operation agreement in annex no. 11.)
− Favourable Internet and e-mail access for entrepreneurs

− Profit-oriented companies offering services:
  − Rendering and translation agency
  − Counselling and advice in business start up matters, business planning, technology transfer, patents, legal affairs, finances and marketing.
  − Accounting, book-keeping, taxation consulting office

c) The following activities will be undertaken:

− Information services:
  Information coming in to the small area information office will be spread out to the entrepreneurs from the area.

− Economic and commercial development:
  Organising business meetings, seminars, conferences in Makó, Timisoara, Sannicolau Mare, attending reciprocally the fairs and exhibitions organised by each other.

− Training courses:
  Organising of 2-3 day training sessions on topics of: foreign trade, EU integration, quality management, e-business, environmental requirements of the production process

− Consulting:
  Legal and economic advising in Makó for Romanian and in Timisoara for Hungarian entrepreneurs. Different chambers, development agencies, external specialists can be involved.

− Promotion of the DKMT Euroregion and Makó- Sannicolau Mare micro-euroregion
  Editing of informative publications to present the co-operation programme and opportunities offered by the Euroregion, micro-euroregion and the two Business Centres (Makó and Timisoara)

A part of the services offered by the business centre (information, basic consulting) will be free of charge. The rest of the services will be offered at 60% of the market-price, for both the Hungarian and Romanian entrepreneurs.

2) **Incubator House**:

The aim of the incubator house is to facilitate the start of new SMEs. The filling up of the incubator house with entrant enterprises (10 starting SMEs with at least 4 employees each in the first 3 years) will lead to the diminishing of the employment difficulties in the area and strengthening of the entrepreneurial activity in the region. The dominant economy branch in the target area is agriculture and most of the resulted products are sold unprocessed or on a low degree of processing. The Incubator House aims to improve this situation by favouring the SMEs involved in processing agricultural products and food industry.
In the activity of the Incubator House, Hungarian – Romanian joint venture companies would receive special attention. In order to strengthen the cross-border co-operation between Hungary and Romania on small area/county/euroregional level, the Hungarian – Romanian joint ventures will be selected as priorities compared to other potential tenants of the Incubator House.

The Incubator House is able to receive starting SMEs by offering space for their working units at advantageous terms (low rental fees, complete infrastructure necessary for the production process: energy supply, running water, sewage system, logistics, telecommunication links), while basic business services needed for the running of businesses (marketing activities and market information, accounting and financial consulting, identification of potential business partners) will be provided by the Business and Service Centre, this way, the activities of the Incubator House and the Business centre complete each other. In the same time, the Business Centre provides information, business services and training possibilities for the Romanian entrepreneurs interested in the Hungarian economic potential, assist them in finding market or partners in Hungary.

The target area is characterised by lack of capital, therefore the process of attracting capital should be accelerated. The preferential investment conditions offered by the existing Industrial Park and Enterprise Zone can contribute to the strengthening of the enterprises from the area. The business incubator would like to attract the settling of productive companies by its advantageous facilities and services. Entrant firms will be charged preferential rental fees. Preferential conditions will be gradually reduced and completely void after 5 years according to the following diagram (bottom line: percentage of rent that is charged):

<table>
<thead>
<tr>
<th>1st year</th>
<th>2nd year</th>
<th>3rd year</th>
<th>4th year</th>
<th>5th year</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%</td>
<td>80%</td>
<td>85%</td>
<td>90%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In case of completion, the companies must move out from the business incubator after 4 years. Provided there are no applicants, the enterprises can remain and be charged the entire rent.

4. Institutional Framework

The Business Incubator and Business Centre are and will remain property of the Local Government of Makó, beneficiary and employer in the framework of the project. The independent Engineer will be appointed by the Employer at his own resources. The City of Mako will be responsible for the maintenance and the development of the infrastructures and activities through the creation of the Makó and Small Area Public Benefit Company (PBC) on a non-profit basis. It is the responsibility of the PBC to organise the activities mentioned before and to find economic actors interested in the facilities and services offered by the business centre and incubator house. To achieve this, the PBC will be assisted by the Joint Cross-Border Partnership Committee, LEA (Progress Foundation), and the local Chambers.

The incomes of the PBC are rental fees from the incubator house, rent payed by profit-oriented firms that operate offices in the business centre, rents for conference rooms, tendering operation, financing from the Local Government (see details under point 10).
5. Detailed Budget (EUR)

<table>
<thead>
<tr>
<th>Phare support</th>
<th>Definition</th>
<th>Investment support (I)</th>
<th>Inst. build (IB)</th>
<th>Total Phare (I+IB)</th>
<th>National co-financing</th>
<th>IFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works contract:</td>
<td>2,175,000</td>
<td>2,175,000</td>
<td>725,000</td>
<td>2,900,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply contract:</td>
<td>225,000</td>
<td>225,000</td>
<td>75,000</td>
<td>300,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,400,000</td>
<td>2,400,000</td>
<td>800,000</td>
<td>3,200,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Euro = 280 HUF

The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national amount is also binding and has to be applied to the final contract price. The national co-financing commitment indicated in the budget is a tax excluded net amount.

6. Implementation Arrangements

6.1. Implementing Agency

The project will be implemented under the overall co-ordination and supervision of the Ministry of Agriculture and Regional Development, whose representative, Dr. Péter Szaló, Deputy Secretary of State, will be designated as PAO.

The Ministry for Agriculture and Regional Development, through its Phare Regional Development Implementing Agency (H- 1016 Budapest, Gellérthegy u. 30-32), will be responsible for all aspects of tendering and contracting as well as administrative and financial matters of the implementation.

Address:
Ministry for Agriculture and Regional Development
Phare Regional Development IA
1016 Budapest, Gellérthegy u. 30-32.
Phone: 488-7171
Fax: 488-7188

6.2. Twinning

Not relevant

6.3. Non-standard aspects
Preparation of the tender as well as the tendering process will be implemented in accordance with standard Phare procedures and by strictly following the rules of the new Practical Guide for Phare, Ispa, and Sapard contract procedures. There is no twinning component in the project.

6.4. Contracts

The construction components of the project will be implemented within the framework of one local construction contract with 2 lots, signed after a local open tendering procedure complying with the Practical Guide for Phare, Ispa, and Sapard contract procedures.

The supply components of the project will be implemented within the framework of one international supply contract with 3 lots, signed after an international open tendering procedure complying with the Practical Guide for Phare, Ispa, and Sapard contract procedures:

- **Lot I**: 80,000 EUR: office furniture and equipment
  - Desks (20), modular conference tables (70), office chairs (20), modular seats and chairs for the conference and meeting rooms (400), file cabinets (20), safe cabinet, coat stands (20), cornices (150 meters), draperies, courtains (3000 sq.meters), carpets, runners, built-in projector screen in the large conference room, portable projector screens (5), podium and lectern in the large conference room.
- **Lot II**: 120,000 EUR: electronic and multimedia equipment (Built-in and portable amplification system, translation equipment, projectors, copiers,)
- **Lot III**: 100,000 EUR: accessories for organising fairs and exhibitions (marquee for fairs, portable viewing area)

7. Implementation Schedule

<table>
<thead>
<tr>
<th>Components</th>
<th>Start of tendering</th>
<th>Start of project activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works contract</td>
<td>January 2002</td>
<td>October 2002</td>
<td>September 2004</td>
</tr>
<tr>
<td>Supply contract</td>
<td>August 2003</td>
<td>March 2004</td>
<td>September 2004</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

No discrimination between the sexes will be made during the preparation and implementation of the project or the selection of beneficiaries. No discrimination between the sexes will be made in connection with the use of the objectives created by the project.

9. Environment
According to Hungarian legislation regarding environment protection - Government Regulation 152/1995(XII.12.), completed with Government Regulation 20/2001. (II.14.), the construction of an Incubator House does not require an Environment Impact Assessment. The EIA is required to be elaborated only by companies starting their activity in the Incubator House which perform activities specified in the regulation.

10. Rates of return

According to the financial plan (see annex 10) the net present value (NPV) of the incubator house and the business and service centre investment will be positive from the second year of full operation (2006) so the conditions of non-profit operation are provided. As this is a non profit investment the Internal Rate of Return is not relevant, but taking the financial background of the operation in the centre of IRR investigation one can find that the IRR is 4.5%.

<table>
<thead>
<tr>
<th>year</th>
<th>net present value (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>0</td>
</tr>
<tr>
<td>2003</td>
<td>0</td>
</tr>
<tr>
<td>2004</td>
<td>-1166</td>
</tr>
<tr>
<td>2005</td>
<td>70</td>
</tr>
<tr>
<td>2006</td>
<td>2167</td>
</tr>
<tr>
<td>2007</td>
<td>2086</td>
</tr>
<tr>
<td>2008</td>
<td>2004</td>
</tr>
<tr>
<td>2009</td>
<td>1012</td>
</tr>
<tr>
<td>2010</td>
<td>838</td>
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<tr>
<td>2011</td>
<td>794</td>
</tr>
<tr>
<td>2012</td>
<td>882</td>
</tr>
<tr>
<td>2013</td>
<td>1104</td>
</tr>
<tr>
<td>2014</td>
<td>1459</td>
</tr>
</tbody>
</table>

11. Investment criteria

11.1 Catalytic effect:

Phare support has a catalytic effect on the actions connected to the accession and considered as priorities. Without Phare support, development of the interregional connections of the region would be slower and effective co-operation with the regions across the border would take place at a considerably later date.

11.2 Co-financing:

The beneficiary will cover 25% of the total budget of the project.

11.3 Additionality:

Phare grants shall not displace any other financial resources.

11.4 Project readiness and Size:

All the necessary construction plan documents are available for the establishment of the project (See Annex 4.). The applicant is in possession of all the documents and licences that make the immediate preparation of the tender documentation possible. The size of the project complies with the minimum project size requirements of 2 million EURO stipulated by the Phare regulations.

11.5 Sustainability:

The beneficiary and at the same time owner of the developments to be implemented (the Local Government of Makó) undertakes the operation of the functions and services of the business centre, maintenance of the buildings and subsidise the activities with positive impact on economic relations. The co-operation between the two centres will take place based on a work programme including harmonised multi-annual action plans. As beneficiary of the programme, The Local Government of Makó initiates the preparation of a study regarding the most efficient way of operation of the Makó centre, that should also include the ways of co-operation with the Timisoara centre. The funding for this will
be provided from the budget of the Makó Local Government. This task can also be carried out in common, both parties supplying each other with the necessary data.

11.6 Compliance with regulations of state aids:
During the implementation, the contractors of the project will respect the common Hungarian and EU agreement regarding state subsidies.

12. Conditionality and Sequencing

According to the detailed implementation chart (Annex no. 2.):

- Planning related to the construction works of the project (tender documentation completed) will end in December 2001.
- The tendering and contracting are planned to be carried out between January – September 2002.
- Construction works are planned to start in October 2002 and being completed in September 2004.
- In the case of the supply contract, planning will take place from February to July 2003;
- Tendering and contracting between August 2003 – May 2004;
- Implementation and disbursement from April to September 2004.

The City of Mako will undertake the operating cost for the management of the Business and Service Centre and the Incubator House.