1. Basic Information

1.1 CRIS Number: 2002/000-627-02
1.2 Title: Cross-Border Economic Development (Grant Scheme)
1.3 Sector: Economic Development
1.4 Location: Hungarian-Romanian border region, in Szabolcs-Szatmár-Bereg, Hajdú-Bihar, Békés, Csongrád, Satu Mare, Bihor, Arad and Timis counties

2. Objectives

2.1 Overall Objectives:
Increase in the growth and competitiveness of the regional SME sector, utilising the potentials of cross-border co-operation.

2.2 Project Purpose:
Increase the capacity of the organisations and economic actors on both sides of the border to take advantage of the potentials of cross-border co-operation

2.3 Accession Partnership and 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, chapter on Internal Market, promotion of enterprise development and the fulfilment of the Copenhagen Criteria, development of a capacity to cope with competitive pressure). The implementation mechanism is indirectly contributing to the preparation of Hungarian central and regional authorities for the implementation of the Structural Funds. 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 National Development Plan:
The objectives of the Grant Scheme 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.). The objectives 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 (PNDP2001, chapter 5.5.3.) and also the Northern Great Plain Region, the priorities: Diversification of the region’s economy and increase of the economic activity of the population and Human Recourses Development (PNDP 2001, chapter 5.5.2).
2.5 Cross-Border Impact:

Looking at the history of cross-border co-operation, one can observe that economic relations and developing the economy through cross-border businesses are the main long term drives for co-operation.

This project is consistent with priorities defined by the Joint Programming Document (JPD) Romania-Hungary 2000-2002. It belongs to priority P2 Economic development measure M1,M2. Promotion of business service institutions in building regular co-operation systems (fairs, businessmen meetings, etc.), Promotion of cross border enterprise development, financial co-operation, SME development.

The Grant Scheme will focus on the cross-border aspects of support offered through institutions and organizations located in the border region that provide:

- Further development of co-operation between the Hungarian and Romanian border regions.
- Extension of the economic relationships due to outstanding assistance offered to Hungarian and Romanian SMEs with economic activity in the border region.
- Access to the facilities provided for people and companies on both sides of the border.
- Improvement of the information flow and development of connections between Hungarian and Romanian institutions involved in business services.
- Improvement of market information and income generating possibilities for both the Hungarian and Romanian entrepreneurs.

3. Description

3.1 Background and justification:

One of the characteristics of the Hungarian economic development since the 90s is the dominance of multinational companies in majority of the sectors and as a consequence the under-balanced structure of the economy. At the same time, the private sector is characterised by a big number of small companies.

These companies are primarily micro enterprises and are characterised by low level of investments and, as a consequence, obsolete technology and low productivity. These shortcomings are coupled with gaps in management skill base, lack of quality awareness, poor foreign market competitiveness. Additionally SMEs have to face such external factors as weak business infrastructure, varying quality of SME support services and fragmented SME support.

SME initiatives for cross-border co-operation are also to be strengthened as the SME sector is lacking of information on the possibilities and market offers existing beyond the border. Cross-border connections are still quite weak in the business sector due to the general under capitalisation and the insecure business climate in Romania. Cross-border co-operation is in its early phase in Hungarian-Romanian relations. The intensity of the co-operation is improving rapidly, and the building and strengthening of connections affects all sectors. When assessing the co-operations, it should not be forgot that the contacts could only start to develop ten years ago. The greatest problem in the way of improving the co-operation is the general poverty in the region.
It is widely recognised that with Hungary's EU Accession, without addressing the above described deficiencies, local businesses will meet major difficulties in the competitive environment. Therefore, it is vital to establish high skill levels in the SME sector on which a substantially more competitive economy can be built. Acquiring these skills are also important for individual entrepreneurs so that they will have the ability to adapt and change, to be aware of technology developments, make effective use of internal resources and combine them with external ones. SMEs have limited experience in exporting, encouraging and assisting small companies in entering cross-border trade are also key factors to the building of competitive potential.

Having recognised the important role SMEs have played in economic growth and employment creation the development of the entrepreneurial sector has become a key consideration in the planning documents of the regions. International experience has proved that innovation and technological centres, other organisations providing services for SMEs, establish an optimal environment for the promotion of SMEs.

Activities, services provided by the applicant organisations give the opportunity for smaller businesses to compete on the same playing field as larger corporations. The organisation that provide services to enterprises (chambers, enterprise promotion agencies, enterprise centres, training centres etc.) are important elements of the background infrastructure of the region's economy. These organisations usually operate at the county level. However, because of the lack of co-ordination, the efficiency of their operation is often low, therefore they cannot satisfy the demands of the enterprises. Establishing better co-ordination in this field is one of the primary conditions of cross-border economic co-operations. Although the services are developing dynamically, there are many disused possibilities in the sector alongside the border.

The grant scheme established under the programme can ensure strengthening these organisations and create a unified skills base.

3.2 Linked activities:

Over the past years, the key actor in the area of SME development in Hungary has been the Hungarian Enterprise Foundation (MVA). It has carried out a wide range of management training and business development activities. With relevance to this project, Phare support has been granted in the following cases:

HU9605 Incubator House Management Training – a comprehensive review of incubator house management highlighting strengths, weaknesses and areas to be developed.

In the framework of the HU9303, HU9605, HU9706 SME Phare programmes education, training and counselling has been provided by the Local Enterprise Agencies to the SMEs on local level. Training and counselling activities have focused on two main groups of SMEs. Basic services such as encouragement of use of information technology, enhancement of management capabilities, provision of advisory services in basic business planning and design of services for tenants in incubator units are designed for start-up businesses. Services designed for SMEs with growth potential contain among others services such as business counselling in areas related to business development and assistance for joint product development.

The HU9606 and HU9705 regional development Phare programmes have been built on public-private partnerships and supported investment projects selected by the Regional Development Councils in SME development.
The HU0009-01-02 Bihar Regional Enterprise Zone, phase II. The project establishes a food processing unit in order to support the economic activity of the SMEs located in the Enterprise Zone.

The HU0107-01, Makó Business and Service Centre for Strengthening Hungarian-Romanian Cross-Border Relations project strengthen the Hungarian-Romanian economic co-operation by supporting the SMEs in the mentioned small area and in the entire Hungarian-Romanian border region.

The Phare National programme:

* HU9906 'Promotion and Development of SMEs' implemented and managed by MVA (Hungarian Foundation for Enterprise Promotion) also offered in one of its components Technical Assistance to Local Enterprise Agencies (grants) in order to enable them to offer services for SMEs like start-up training, business information and counselling, business conferences and seminars etc.

* HU0008-05 'Strengthening the co-operation of enterprises' implemented by NARD has offered grants to joint ventures, consortia or sub-suppliers of min. 2 SMEs to the joint procurement of technology, machinery, know-how transfer, share of workforce and information.

* HU0008-04 'Human Resources Development of SMEs' will offer four training modules for SME owners/managers (business development, export start trainings); owners/managers/staff of incubation houses, industry parks, technology centres (business infrastructure development training); and tourism development organisations (tourism development training). Implemented by NARD.

* HU0105-11 'Promotion of the Innovative Activity of Enterprises in the South Great Plain region': the CfP was published on 30 July 2002. The project offers grants 1) for establishing minimum four Technology Centres 2) to at least 10 SMEs introducing or developing new products, technologies.

3.3 Results:

- Co-operation between institutions representing the business sector and increasing business partnerships and contacts with Romania promoted
- SMEs’ initiatives for cross-border co-operation encouraged thanks to a better access to the information on the possibilities and markets existing beyond the border.
- Improved Standards and efficiency of consulting as well as other services provided by institutions in a cross-border framework
- Implemented cross-border innovative business strategies in the targeted region by owners and managers of SMEs.

3.4 Activities:

The project will be implemented through a grant scheme corresponding to the results described under 3.3.

This Grant Scheme shall provide grants in an amount of € 50,000 – 500,000 for the procurement of services, supplies and works.
**Eligible activities are the following:**

- Economic and commercial development:
  - Organising business meetings, seminars, conferences on cross-border issues, attending fairs and exhibitions.
  - Support for Incubator Houses and Industrial Parks that host SME’s with cross-border activity.
- Consulting:
  - Cross-border legal and economic counseling, counseling and advice in business start up matters, business planning, technology transfer, patents, legal affairs, finances and marketing.
- Information services:
  - Information coming in to the border region from both countries will be spread out to the entrepreneurs from the area.
- Training courses:
  - Organising training sessions with special regard to quality management, project management, marketing and with a view to cross-border business activity.
  - Seminars, conferences on cross-border business related topics.
- Innovation:
  - Promotion of co-operation among institutions providing innovative services in the border region.

**Organisations eligible for support:**

- Non-profit organisations
- Local governments
- Municipalities, public institutions
- County Labour Centres
- Chambers of industry and commerce
- Association of counties and small regions
- Institutions, organisations for enterprise promotion
- Other institutions, organisations providing services for SMEs

Profit oriented organisations are not eligible. The applicant organisations must be registered in the border region with Romania.

*Projects for support will be selected according to the following criteria*² *(Indicative selection criteria, in accordance with the evaluation grid of the PRAG):*

**General criteria for eligibility**

- Results of the proposal are in line with the objectives of the grant scheme.
- If supplies and works components are necessary to reach the project purpose, justification must be available in the application. Works can include modernisation or construction of the closely related infrastructure such as technical training places, laboratories and presentation rooms and the re-

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¹ Organisations specified by the Act on Non-profit Organisations
² The selection criteria will be further developed with the preparation of the call for proposals.
lated public utilities. Projects including only works or supplies components will not be supported.

**Required documentation**
- Studies (feasibility study, cost-benefit analyses, environmental impact study) justifying the rationality of the infrastructural developments in case the works element exceeds 30% of the total project costs, when applicable
- Availability of the necessary permits and construction plans, when applicable.
- Training/curricula plan when applicable

**CBC criteria:**
- Applicant organisations must have at least one project partner from the other side of the border.
- Expected economic impact on both sides of the border.

**General selection criteria:**

**Relevance:**
- Relevance to the particular needs and constraints of the cross-border region (including conformity with regional development plans and the Joint Programming Document for the HU-RO CBC programme)
- Compliance with the objectives of this grant scheme. The applicants must justify that the proposed programmes are adapted to the demands of the cross-border region with special regard to the market
- Clearly defined, strategically chosen target groups
- Relevance of the project to the needs of the target group
- Coherent, appropriate and practical activities
- Added value, new, innovative approaches

**Methodology:**
- The preparedness and elaboration of the project proposal.
- Involvement of the partners in the elaboration and implementation of the project proposal.
- Realistic time-schedule for implementing the project proposal.
- Objectively verifiable indicators for the project outcomes, methodology for follow-up of the project results

**Sustainability:**
- Further utilisation and long-term sustainability of the project results.
- Beneficial social, economic impacts of the project results.
- Possible multiplier effects of the project results.
Budget and cost effectiveness:

- To what extent is the budget clear and detailed?
- To what extent are the proposed expenditures necessary for the implementation of the project?

Management capacity and expertise:

- Availability of the necessary personal, organisational and institutional capacity for the implementation of the project proposal.
- Previous experience in similar projects

3.5 Lessons learned

This programme is the first Romanian-Hungarian PHARE CBC programme to be implemented in the form of a grant scheme, nevertheless during the preparation of this project fiche, the experiences of previous PHARE CBC programmes, especially in the field of economic development (HU0009-01-02 Bihar Regional Enterprise Zone, phase I, II.; HU0107-01, Makó Business and Service Centre for Strengthening Hungarian-Romanian Cross-Border Relations; ZZ9622-04, HU9705-04 Joint Small Project Fund ) were considered.” The recommendations of the 2001 OMAS Report Final Assessment (e.g. concerning the necessity of verifiable indicators) were also taken into account during the programming phase and will be carefully watched in course of the implementation of the programme.

4. Institutional Framework

The Grant Scheme will be managed in accordance with the “Practical Guide to Phare, ISPA and SAPARD Contract Procedures”. The Call for Proposals and its annexes (Instruction to Applicants, Application form .etc) are to be prepared by the Contracting Authority and are to be approved/endorsed by the EC Delegation.

IA (Implementing Agency): Retains full responsibility for programme implementation

PAO (Programme Authorising Officer) is a professional leader of the Implementing Agency, responsible for the programme implementation.

The selection of projects within Grant Schemes will strictly follow the Grant Section of the Commission Practical Guide and will be approved by the EC Delegation, as detailed in Annex 6. Formal decisions related to the projects are made by the Joint Evaluation Committee composed of regional experts as well as representatives of the IA.

5. Detailed Budget (MEUR)

<table>
<thead>
<tr>
<th>Component</th>
<th>Phare Support</th>
<th>Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
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<tr>
<td>Investment</td>
<td>IB</td>
<td>National Co-financing</td>
<td>Co-financing from beneficiaries</td>
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<tr>
<td>Total</td>
<td>2,385</td>
<td>0.795</td>
<td>0.353</td>
<td>3.533</td>
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</table>
National co-financing:
The grant scheme will be jointly co-financed between Phare and government resources to be provided by the Prime Minister’s Office and the Ministry of Economy and Transport. The rate of Phare support within the total support will be 75%, while the Hungarian government will contribute 25%. The ratio between the Phare and the national amount is binding and has to be applied to the “final contract price”. The rate of the generally available maximum support (Phare and national co-financing) is 90% of the total cost of the projects to be supported, and at least 10% has to be provided as own resources by the beneficiaries in cash. The co-financing included in the above budget table indicates the governmental co-financing amount of the project and the 10% provided by the beneficiary. The total amount of the Call for proposal to be launched will be of 3.18 MEUR.

6. Implementation Arrangements

6.1 Implementing Agency:
The National Agency for Regional Development of the Prime Minister’s Office will be the Implementing Agency of the grant scheme. It will have the overall responsibility for all aspects of tendering and contracting as well as administrative and financial matters of the implementation.

Implementing Agency: National Agency for Regional Development of the Prime Minister’s Office
PAO: Tamás Lunk
Address: 1016 Budapest, Gellértthegy u. 30-32.
Phone: +36 1 4887171
Fax: +36 1 4887188

6.2 Twinning:
Not applicable.

6.3 Non-standard aspects:
The relevant Commission standards for the management of Grant Schemes described in the Practical Guide to Phare, ISPA & SAPARD contract procedures (PRAG) will be strictly followed during the implementation of the Grant Scheme.

6.4 Contracts:
The Grant Scheme will be implemented through an open call for project proposals according to the stipulations of the PRAG on Grant Schemes. Beneficiaries will sign Grant Contracts with the PAO laying down the rules of the project implementation based on the list of supported projects approved by the IA and endorsed by the EC Delegation in case of the Phare co-financed projects. Tendering and contracting of the required services and supplies will follow the PRAG manual.
7. Implementation Schedule

<table>
<thead>
<tr>
<th>Financing Memorandum</th>
<th>Publication of Call for Proposals</th>
<th>Start of project activity</th>
<th>Project Completion</th>
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<tbody>
<tr>
<td>December 2002</td>
<td>March 2003</td>
<td>September 2003</td>
<td>November 2005</td>
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8. Equal Opportunity

No discrimination between sexes or minority groups will be applied during the project selection and implementation.

9. Environment

Only projects complying with the environmental regulations of the EU will be eligible. Projects supporting activities in the fields of environment protection, using or developing environmentally friendly technologies or products will be preferred during the whole selection process.

In the case of investments projects where an environmental impact assessment is to be carried out, the provisions of Government Decree no. 20/2001 (II.14.) on Environmental Impact Assessment should be taken into account. In the field of environmental impact assessment the Hungarian legislation is in full conformity with related EC legislation (Council Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment as amended by Council Directive 97/11/EC). Only investment projects already having all necessary permits and authorisations are eligible for support under the grant scheme.

10. Rates of return

The individual business plans submitted by the applicants shall determine the rate of return of individual investments, which will be a selection criterion during the evaluation in case of infrastructure projects.

11. Investment criteria

11.1 Catalytic effect:

The project will finance service and counselling activities that are high priorities in the target regions. Since funds for the development and pilot testing of the foreseen training programme are very limited or not available at all, without Phare support, the training activities could only take place with a very considerable delay. Support to innovative and pilot projects in the field of services for SMEs will raise the awareness of common concerns and chances across the border region. It will also strengthen the positive attitude towards co-operation in solving common concerns, establishing common structures in economic development, and thereby increasing competitiveness of the whole cross-border region. For increasing the concrete actions and ongoing co-operation in the area of services for SMEs in both side of the region is the only way for establishing an integrated, flexible and European-level competitiveness market with a strong information network in the cross-border region.
11.2 Co-financing:

The grant scheme will be jointly co-financed between Phare and government resources to be provided by the Prime Minister's Office and the Ministry of Economy and Transport. The rate of Phare support within the total support will be 75%, while the Hungarian government will contribute with 25%.

The rate of the generally available maximum support (Phare and national co-financing) is 90% of the total cost of the projects to be supported, and at least 10% has to be provided as own resources by the beneficiaries in cash.

11.3 Additionality:

The grants awarded under this grant scheme will not displace any other financial sources.

11.4 Project readiness and size:

A draft of the Co-operation Agreement, Call for Proposal, Application form, Guidelines for applicants and Grant Contracts will be elaborated by all concerned organisations by the time of signing the Financing Memorandum. All documents shall be prepared according to the PRAG template and submitted to the Delegation for endorsement prior to the launch of the Call for proposals. Only projects ready for tendering can be supported. The Fund will provide grants to projects in an amount of €50,000-500,000.

11.5 Sustainability:

The beneficiaries will be responsible for the sustainability of the project and will provide the administrative staff and the necessary funds for the operational costs. The ability of the applicant to finance the long-term operation and maintenance of the establishments or programmes shall be proved in the application and checked at the project selection phase.

11.6 Compliance with state aids provisions:

All actions financed by Phare will respect the state aid and competition provisions of the European Agreement.

11.7 Contribution to National Development Plan:

The objectives of the Grant Scheme are fully in line with the relevant section of the PNPD. It will reflect the regional strategies of the target regions.

12. Conditionality and sequencing

The National Agency for Regional Development will ensure the necessary human resources for the technical management of the Grant Scheme. The Agency will ensure that the project staff is fully conversant with the target group requirements and with the operation of the Phare Programme. The Agency will make certain that the recipients make their financial contributions as planned.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. List of relevant Laws and Regulations
5. Reference to relevant Government Strategic plans and studies
6. Template for the institutional framework/implementation arrangements in case of grant schemes
<table>
<thead>
<tr>
<th>Programme Number</th>
<th>2002/000-627-02</th>
<th>Project Title: Economic development through promotion of institutions providing economic services</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td><strong>Overall objective</strong></td>
<td><strong>Objectively verifiable indicators</strong></td>
<td><strong>Sources of Verification</strong></td>
<td><strong>Assumptions</strong></td>
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<tr>
<td>Increase in the growth and competitiveness of the regional SME sector by utilising the potentials of cross-border co-operation.</td>
<td>Increased activities of Hungarian / Romanian SME's in the cross-border market</td>
<td>SME and public institution surveys&lt;br&gt;SME and public institutions statistics&lt;br&gt;Regional reports</td>
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<tr>
<td><strong>Project purpose</strong></td>
<td><strong>Objectively verifiable indicators</strong></td>
<td><strong>Sources of Verification</strong></td>
<td><strong>Assumptions</strong></td>
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<td>Increase the capacity of the organisations and economic actors on both sides of the border to take advantage of the potentials of cross-border co-operation</td>
<td>Number of formally constituted partnerships and other long-term co-operation arrangements across the border. Increased with 20% in 2 years after implementation.</td>
<td>SME Surveys&lt;br&gt;SME Statistics&lt;br&gt;Regional reports&lt;br&gt;Reports prepared by Chambers</td>
<td>Continued positive economic development in SME target markets&lt;br&gt;Government policies conducive to SME development and other interested parties support the project</td>
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<tr>
<td><strong>Results</strong></td>
<td><strong>Objectively verifiable indicators</strong></td>
<td><strong>Sources of Verification</strong></td>
<td><strong>Assumptions</strong></td>
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<tr>
<td>Co-operation between institutions representing the business sector and increasing business partnerships and contacts with Romania promoted&lt;br&gt;SMEs' initiatives for cross-border co-operation encouraged, providing them with access to the information on the possibilities and markets existing beyond the border.&lt;br&gt;Standards and efficiency of consulting as well as other services provided by institutions improved in a cross-border framework.&lt;br&gt;Implemented cross-border innovative business strategies in the targeted regions by owners and managers of SMEs.</td>
<td>Number and type of projects carried out&lt;br&gt;Number of cross-border events (workshops, training courses)&lt;br&gt;Number of Hungarian and Romanian participants in the trainings&lt;br&gt;Number of cross-border conferences and meetings in the border region&lt;br&gt;The increased proportion will depend on the projects received after the Call for proposals.</td>
<td>Analysis of Phare evaluation reports&lt;br&gt;Reports prepared by the Chambers&lt;br&gt;Central Statistical Office&lt;br&gt;Chambers of commerce and industry&lt;br&gt;County Labour Centres</td>
<td>Sufficient project management skills on behalf of the beneficiaries&lt;br&gt;SME owners and managers willing to take part in cross-border activities&lt;br&gt;Complimentary business resources (labour, finance) available for the application of improved business know-how&lt;br&gt;Government regulations conducive to innovative SME operations</td>
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<td>Activities</td>
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<tr>
<td>• Economic and commercial development:</td>
<td>2,385 MEUR Phare CBC contribution for projects complemented by at least 0,795 MEUR from the Ministry</td>
<td>• Sufficient number of project proposals</td>
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<td>- Organising business meetings, seminars, conferences on cross-border</td>
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<td>• Sufficient project management skills on behalf of the IA</td>
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<td>issues, attending fairs and exhibitions</td>
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<td>• Own financial resources available at project beneficiaries</td>
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<td>• Support for Incubator Houses and Industrial Parks that host SME’s with</td>
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<td>• Time schedule respected during the programme and project implementation</td>
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<td>cross-border activity.</td>
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<td>• Consulting:</td>
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<td>- Legal and economic counseling, counseling and advice in business</td>
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<td>start up matters, business planning, technology transfer, patents,</td>
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<td>legal affairs, finances and marketing in relation to cross-border</td>
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<td>business activities.</td>
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<td>• Information services:</td>
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<td>- Information coming in to the border region from both countries will</td>
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<td>be spread out to the entrepreneurs from the area.</td>
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<td>• Training courses:</td>
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<td>management, project management, marketing and with a view to cross-</td>
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<td>border business activity.</td>
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<td>- Seminars, conferences on cross-border business related topics.</td>
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<td>• Innovation:</td>
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<td>- Promotion of co-operation among institutions providing innovative</td>
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<td>services in the border region.</td>
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**Preconditions**
- Financing Memorandum approved in time
ANNEX 2

PHARE cbc Hu-Ro 2002 – DETAILED IMPLEMENTATION CHART

<table>
<thead>
<tr>
<th>Grant Scheme</th>
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<tbody>
<tr>
<td>Call for Proposals</td>
</tr>
<tr>
<td>Project evaluation and selection</td>
</tr>
<tr>
<td>Contracting (Grant contracts)</td>
</tr>
<tr>
<td>Implementation and disbursement</td>
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<table>
<thead>
<tr>
<th>2002</th>
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<th>2004</th>
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ANNEX 4

List of relevant Laws and Regulations

1. Act XCV. Of 1999 on Small and Medium Enterprises and the support of Their Development;
2. Promoting Enterprises’ Preparation for EU Accession – Széchenyi Plan;
3. Act XXI of 1996 and Government Decree 81/1997 (V. 16.) on the detailed rules of using the targeted allocation for regional development;
4. Ten year Development Program for Industrial Parks;
5. Act XXI/1996 on Regional Development and Physical Planning;
ANNEX 5

Reference to relevant Government Strategic plans and studies

3. Regional Development Plan of Southern Great Plain
4. Regional Development Plan of Northern Great Plain
5. Regional Concept and Development Plan for the Hungarian-Romanian Border Region
ANNEX 6: Template for the institutional framework / implementation arrangements in case of grant schemes

1. **PREPARATION OF THE PACKAGE OF CALL FOR PROPOSAL, GUIDELINES FOR APPLICANTS AND APPLICATION FORM ACCORDING TO THE PRACTICAL GUIDE**
   - IA drafts the call for proposal, the guidelines, the guidelines for applicants and the application form in consultation with the entities concerned in the given field (at national – e.g. Ministries – and regional level).
   - IA submits the final version of the documents to EC for approval.
   - EC Delegation endorses the documents.

2. **PUBLICATION OF THE CALL FOR PROPOSAL**
The IA takes all appropriate measures to ensure that the nationally and regionally publicised Call for Proposal reaches the target groups in line with the requirements of the Practical Guide.

3. **PROJECT SELECTION PROCESS**
   - The IA collects and registers incoming project proposals
   - The IA (PAO) selects (in agreement with the co-financing ministry/ies involved, if relevant) and approves the assessor team for the assessment of administrative compliance, eligibility and assessment of technical and financial quality of proposals.
   - The IA (PAO) nominates the Evaluation Committee (non-voting chairman and secretary, and voting members) with the co-financing ministry/ies involved, if relevant.
   - The IA (PAO) nominates the members of the assessment team and Evaluation Committee exclusively on the basis of technical and professional competence in the relevant area of development. In addition to technical and professional expertise a clear balance between regional-specific, local knowledge and independent non-targeted region expertise shall be ensured in the selection of the assessors and the members of the Evaluation Committee in order to guarantee the objectivity of the process.
   - The EC Delegation endorses the team of assessors and the composition of the Evaluation Committee. The Delegation nominates an observer to follow all or part of the proceedings of the Evaluation Committee. Prior approval is needed from the Delegation for the participation of other observers.
   - The Evaluation Committee draws up its recommendations and decisions according to the assessor team’s written assessment of each proposal on the basis of the published evaluation grid.
   - The PAO approves the evaluation report prepared by the Evaluation Committee and forwards the evaluation report and any award proposals to the Delegation.
   - The Delegation endorses (ex-ante) the evaluation report on the selection process and the final list of grants to be awarded.
   - The IA notifies each applicant in writing of the result of the selection process.

4. **CONTRACTING (PAO DESIGNATED IN THE RESPONSIBLE IMPLEMENTING AGENCY)**
   - The format of the grant contract is drafted according to the Practical Guide using the standard grant contract format and its annexes.
• The format of the grant contract is to be approved by the Delegation (in cases where the call for proposals results in the award of a large number of grants which all have the same grant contract conditions).

• The PAO signs the grant contracts with the selected beneficiaries based on the final list of grants approved by the Delegation. The language of the grant contract is English and the official Hungarian translation of the contract is attached to the signed English language contract.

• In case of a scheme which results in a small number of larger grant contracts (defined as those with a Phare contribution of over 300,000) the Delegation endorses the individual contracts (after its signature by the PAO and the beneficiary).

• Copy of the signed grant contract is sent to the Delegation.

5. IMPLEMENTATION OF THE SELECTED PROJECTS BY THE BENEFICIARIES

• Beneficiaries subcontract suppliers of goods, services or works, in line with Phare procurement regulations annexed to the Grant Contract and under the Practical Guide.

• Tender documents and contracts above 300,000 Euro (Phare contribution) will be subject to the ex-ante endorsement of the EC Delegation pursuant to the Practical Guide.

6. FINANCIAL MANAGEMENT OF THE SELECTED PROJECTS

The IA receives and verifies the invoices and requests payment by the National Fund.

7. MONITORING OF THE PROJECTS IMPLEMENTED BY THE BENEFICIARIES

Standard Phare monitoring instruments will be used for monitoring purposes.

In case the conditions of Article 12 of the Council Regulation (EC) No. 1266/99 of 21 June 1999 on co-ordinating aid to the applicant countries in the framework of the pre-accession strategy concerning the co-ordination of the pre-accession instruments are met, new procedures may be introduced in due time, providing for a delegation of the selection of projects and approval of funding for PHARE-CBC in agreement with the Commission.