FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY"

on the one part, and

The Government of Hungary, hereinafter referred to as "THE RECIPIENT"

on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of 3 September 1990 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

<table>
<thead>
<tr>
<th>Programme number:</th>
<th>HU0002 to HU0008</th>
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</thead>
<tbody>
<tr>
<td>Title:</td>
<td>2000 National Programme for Hungary</td>
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<tr>
<td>Duration:</td>
<td>Until 30 September 2002</td>
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ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 65 MEUR hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30.09.2002 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30.09.2003. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

for the COMMUNITY:

Delegation of the European Commission to Hungary
Berc U. 23
H 1016 Budapest

Telegraphic address (36-1) 209 9700
Fax (36-1) 466 4221

for THE RECIPIENT:

Dr. Imre Boros
Minister without Portfolio
Office of the Prime Minister
Poszoni ut, 56
H 1133 Budapest

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at .......... Date 12-09-2000

for THE RECIPIENT

Done at ............ Date 12th September 2000

for THE COMMUNITY

Encl.
1 Framework Agreement (Annexes A & B)
2 Special Provisions (Annex C)
3 Visibility/Publicity (Annex D)
1. Objectives, description and conditionalities

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the 2000 Phare programme will depend on the Government’s commitment as described in paragraphs “conditionalities” following the description of each sector.

1. **Objective 1. – POLITICAL CRITERIA**

**HU 0002-01 Roma Social Integration**

Phare financing will target the improvement of the social and economic conditions of the Roma via support to micro-regional development schemes, anti-discrimination activities and ensuring better information flow on Roma issues.

More specifically, support will fund:

1. **Pilot infrastructure development schemes** combining measures aimed at improving physical conditions in Roma neighbourhoods (infrastructure investment) with community-building actions (human resource development). Targeted infrastructure will include electricity, drinking water, sewage, and road development. The pilot schemes will be accompanied by an expansion of public health services as well as capacity building training courses.

2. **Anti-Discrimination Actions** – divided into two priorities: development of NGOs in the field of Roma rights and anti-discrimination training courses throughout the country. NGO development is planned in the fields of conflict prevention and conflict management, the protection of rights and interests, and the decrease of discrimination in employment, social affairs, housing, education, public administration and public safety; representation of interests. Anti-discrimination training courses are intended to address discriminatory practices in employment, social care, housing, education, public administration and public safety. This will be achieved via model training courses and programmes with the participation of Roma representatives and staff members and experts from various fields in daily contact with the Roma.

3. **Information services** – funding will support the establishment of a central information database within the Office for National and Ethnic Minorities aimed at providing continuous, up-to-date and mutual information services for Roma minority self-governments, Roma organisations, and governmental and non-governmental organisations. The database will comprise general information on minority issues, government strategies, development programmes, available funds, as well as minority self-governments and civil organisations. The database will have links to other existing databases and computer resources. The database should also provide new information for use by experts advising the government on national policy in this area. The information collected on the database will conform with existing legislation on data protection. Additionally, training is foreseen for the staff of seven regional Roma community centres enabling them to provide information services and become important focal points for the co-operation of local Roma and non-Roma organisations and citizens.

The programme is linked to the 1999 Phare programme facilitating the education of disadvantaged youth with particular emphasis on the Roma minority, and to the economic and social cohesion programmes of Phare 2000 improving the employability of multiply disadvantaged groups.

The prerequisite of the implementation of this programme has already been made with the adoption of the medium-term implementation programme for Roma which was adopted in spring 1999 and which provided the strategic framework for this project. An additional conditionality is the availability of the Hungarian co-financing.
Objective 2. – AGRICULTURE
HU 0003-01 Animal Health and Food Hygiene Control

The aim of the proposed project is to up-grade the capacity of Border Inspection Posts, animal health and food control stations and laboratories, and the herd registration systems in line with EC standards. This will be achieved through the following sub-projects:

1. **Two twinning programs** will assist the State Veterinary Services (SVS) in transposing and implementing the EC veterinary control systems in Hungary. Since the harmonisation of Hungarian regulations with relevant EC directives has already been done, the emphasis is on the preparation for the practical implementation of the directives concerned. Based on the transposition plan, the twinning experts will work together with the expert staff of the Animal Health and Food Control Department of the Ministry of Agriculture and Regional Development (MARD) on the harmonisation of the food hygiene control system and the animal welfare system.

2. **provision of laboratory equipment** to the food control laboratories of the Veterinary Service for sophisticated residue testing (measuring instruments, sample preparing equipment), and to the National Institute for Veterinary Drugs, Biological and Feeding Stuffs

3. **development of software and supply of data processing equipment for an identification and registration system for pigs.** This builds on a similar project in the area of cattle registration.

4. **infrastructure investment in the animal health control buildings** at the BIP Zahony on the Ukrainian border and the modernisation of the buildings at Budapest airport. Facilities for the examination of live animals and food products will be established in conformity with EC rules.

The implementation of the project will be conditional to the establishment of an inventory covering laboratories, tasks of the laboratories based on EC legislation, current equipment, and new equipment. The implementation of the TA component will depend on adequate justification of software needs which will be subject to a separate approval by the Commission which could eventually result in the adjustment of the budget.

Objective 3. – ENVIRONMENT
HU 0004-01 Air Quality Monitoring

In response to shortcomings identified in the latest Regular Report, the proposed project will enable the Hungarian authorities to develop an efficient institutional structure to regularly collect, process, monitor and exchange air quality data in line with EC environmental legislation. The project will build on the results of project HU 9807-01 - Master Plan for the Development of Air Quality Monitoring Networks in Hungary. It will be divided into the following sub-components:

1. **a twinning arrangement designed to assist in the development of a national Quality Assurance/Quality Control** capacity needed to ensure the comparability and accuracy of air quality data, as well as the elaboration of an air quality accreditation system.

2. **investment support for the technical upgrading of existing air quality monitoring stations**, for newly regulated ambient air components, and the enhancement of laboratory capacity for sampling analyses. The National Reference Laboratory will receive laboratory instruments needed to constantly analyse air quality data, validate instruments and eliminate the sources of erroneous measurements.

3. **support to the Ambient Air Quality Data Centre (AQDC) and three Data Sub-Centres** charged with collecting, processing, and publishing air quality information in line with EC standards, including the mandatory dissemination of information via public media including the Internet.
Phare support will be conditional upon the provision of co-financing from Hungarian sources and of the availability of the Master Plan for the Development of Air Quality Monitoring Networks funded under the project HU 9807-01.

**HU 0004-02 Waste Management Information System**

The goal of this project is to support the timely and effective application of the *acquis* in the field of environmental monitoring and implementation. The project will support, by the establishment of precise guidelines - the drawing up of detailed waste management plans on a regional basis as well as a comprehensive information system for waste management necessary for effective implementation of the soon-to-be-adopted comprehensive law on waste management. The project will also assist in designing a new institutional structure for the collection, processing and distribution of information on waste, with the goal of clarifying responsibilities, improving communication, and planning between existing institutions.

To attain these goals, a *twinning arrangement* will be implemented with a competent member state institution, resulting in the preparation of a Master Plan for the establishment of the best institutional structure for the management of waste streams, the transfer of know-how on data collection, the development of guidelines on waste management planning at the regional level, and implementation of the necessary staff training.

The Master Plan shall create the basis for the creation of a comprehensive *waste management information system*, interlinked and operated online, covering a variety of waste streams. The system will be built around a central database operating with EWC codes. The system will support the development of waste management plans for the shipment of waste, hazardous wastes, particular wastes (packaging materials, waste oils, batteries, accumulators, etc.), as well as recovery and disposal facilities. The programme shall include software and hardware development, complete with the necessary staff training. Adequate public and business access to information shall be ensured.

Phare support will be conditional upon the provision of co-financing from Hungarian sources.

**OBJECTIVE 4. – EXTERNAL BORDERS**

**HU 0005-01 Customs 2000**

The project aims at ensuring the effective adoption of the acquis in the areas of customs operations, agriculture, as well as Justice and Home Affairs. More specific objectives include the harmonisation of customs procedural rules and the resulting customs operations with the Common Agricultural Policy (CAP), the training of customs officers and the establishment of the CIS and SCENT systems in line with the European Commission requirements.

This project will be divided into three twinning activities, which all are taken care of by one PAA:

1. **Twinning – Customs Legislation and Education in Preparation for Accession**: The technical assistance will contribute to carry out a comparison of the Community Customs Code and its implementing provisions with the existing Hungarian customs rules. The PAAs are expected to advice on amending the existing Hungarian legislation and developing new legislation. This exercise includes the following areas: (1) TARIC, trade policy, customs suspensions and quota system in the EC, (2) the practice of issuing licences and licences for specific activities (3) legal remedy, (4) determination of value for customs purposes; customs procedures, passenger traffic, and transfer of goods, and (5) non-customs legislation including immigration, money laundering, security issues and the role of the Hungarian Customs and Finance Guard in the application of this legislation.

As the introduction of reformed rules will require a further intensification of customs staff training and education, PAAs should also develop a new strategy and provide the necessary training of some 30 instructors of the Customs Guard. As a priority, this includes instructions for the use of new documents and new inspection methods.
2. Twinning – Customs and the Common Agricultural Policy: The technical assistance will design and deliver about four special training courses in the field of the Common Agricultural Policy. The trainees will be customs officers who will deal with customs clearance of CAP goods. Additionally, the PAAs will also provide the staff of the agricultural unit of the HCFG Headquarters with further training in the field of CAP from operational, tactical and strategic points of view. Finally, the PAAs will also train at least two trainers of the Customs School who would then take over training after the completion of the Twinning Project.

3. Twinning - Installation and Operation of Equipment for the Customs Information System and SCENT supporting the Fight against Commercial Fraud: In order to enable Hungary to join the CIS, technical assistance will provide expert advice on specifications of the Customs Information and SCENT systems and the technical features of the equipment for the central and regional control offices. Based on these recommendations the central and regional control command offices will be equipped with central database servers, network connections, computers and printers. Thereafter, a PAA will carry out co-ordinating tasks related to the implementation of the system and the operator training.

Phare support will be conditional upon the acceleration of legal harmonisation in the customs area and upon the provision of co-financing from Hungarian sources.

HU 0005-02 Customs Border Modernisation

This project aims at the effective implementation of the customs acquis in the area of efficient border posts.

More specifically, the project focuses on modernising the border posts at Tompa (YU), Barcs (HR) and Beregsurány (UA).

Three border stations, at Beregsurány, Tompa and Barcs, will be modernised and have been selected because of their regional importance and potential development prospects. International passenger terminals will be built at the three crossing points and in addition, a truck terminal will be built at Barcs. The project will also support the containment and eradication of illegal trade of hazardous materials. In this context, two types of vehicle with screening devices will be deployed for on-the-spot controls in the regions along the Southern and Northeast borders of Hungary. The first type will allow the rapid screening of the passengers’ luggage, and of packages carried by rail and car. The other type of vehicles will allow fast inspection of entire containers and trucks without the necessity of opening the container or truck.

Phare support will be conditional upon the availability of the feasibility studies including environmental impact assessments and the provision of co-financing from Hungarian sources.

HU 0005-03 Schengen Compatible Border Management

This project aims at the effective administration of the acquis in the field of Justice and Home Affairs, in particular for the control of the green border at future external borders. It has been prepared in the framework of the twinning project HU 97 JH 01. In this context, the Border Guards need to ensure operational mobility and use of state-of-the-art detection methods. The project will provide equipment for green border surveillance, safe transport of patrol units and illegal migrants from points of capture as well as improved document control. With the supplies foreseen, an important stage of the border guard investment programme will be completed. Modern equipment for green border management and control will be at the disposal of the Border Guard.

Phare support will be conditional upon the implementation of the twinning project HU97 JH 01 on border management and upon the provision of co-financing from Hungarian sources.

Objective 5. – SOCIAL AFFAIRS

HU 0006-01 Health and Safety
The project will provide for the effective enforcement of the framework directive on health and safety at work. More specifically, training will be provided for medical officers and public hygiene inspectors, co-ordination will be enhanced and the access of employers, employees and self-employees to health and safety related legislation would be eased.

The project will be implemented through the following components:

1. **Occupational health – training of occupational hygiene specialists**: The technical assistance will develop a special post-graduate intensive training course in occupational hygiene and implement it. Altogether 100 medical officers and public health inspectors from central, county and city institutes will participate in this course. Participants will include Hungarian and foreign universities, scientific institutes, consortia of universities and/or scientific institutes.

2. **IT development of the inspection authorities**

   (a) **Development of a safety at work information base**: Under this component the National Labour Inspectorate and its county inspectorates, as well as the headquarters of the National Mining Office (NMO) and National Labour Inspectorate (NLI), will be supplied with similar data processing systems including both hardware and software. Main activities will be planning and elaborating the list of data and data providers to be registered and of the method of data collection; refining the data storage and processing systems, preparing the necessary software for data recording and data management; selecting, procuring and installing the required hardware at 20 county offices; the creation of networks and the procurement of recording equipment to be used at local inspections.

   (b) **Enhancement of co-operation between occupational health and safety inspectorates**: The establishment of the information systems at the NLI and the NMO together with a health at work information system will be developed and the chemical safety information system will allow the review the implementation of the health and safety acquis. The development will encompass the refining of the inter-connectable registration sub-systems, the defining of methods of evaluation and analysis of data, the development of synchronised fluent information transmission and the support for organisational development related to the operation of the IT systems.

   (c) **Dissemination information to employers and employees**: In order to ensure access of employers and employees to all health and safety related information an open access information base will be established under the auspices of NLI.

   (d) **Twinning project**: The twinning project envisages providing the professional framework for the successful implementation of the whole of the second component. The PAA will be responsible for overall the co-ordination and will directly assist all Beneficiary Institutions involve in project implementation.

Phare support will be conditional upon the necessary steps taken for the proper enforcement of the framework directive on health and safety at work and upon the provision of co-financing from Hungarian sources.

**HU 0006-02 Fight Against Drugs**

Based on the EC Action Plan to Combat Drugs (2000-2004), this project seeks to support Hungary’s full adoption of the **acquis** in this area. Two main objectives have been set out: the establishment of a National Drug Information System Focal Point in conformity with the relevant European structures and the development of appropriate demand reduction models for dissemination and use among key actors in the areas of primary care and outpatient centres. The project builds on the achievements of the Phare Multi-Beneficiary Programme on the fight against Drugs.
National Drug Information System Focal Point: In order to harmonise drugs analysis in Hungary a twinning project will support the setting up of a National Drug Information System Focal Point and the development of a nation-wide system of data collection, processing and analysis. The system will operate in conformity with Council Regulation No. 302/93 and enable the Hungarian authorities to accurately assess and analyse the drug situation in the country, while providing comparable data to the European Monitoring Centre for Drugs and Drug Addiction. Attention will be paid to the appropriate dissemination of scientific information, drug epidemiological data and practical experience to specialists, including the development of the Drug Demand Reduction Resource Centre and full access to the European Virtual Drugs Library. In addition the PAA will assist in the development, piloting and evaluating of **effective demand reduction models** (early diagnosis, early intervention, treatment, rehabilitation and social reintegration) for subsequent nation-wide dissemination among actors of primary care and in outpatient drug-free treatment regimes.

Phare support will be conditional upon the Government’s commitments to continue the elaboration of a national drug strategy and upon the provision of co-financing from Hungarian sources.

Objective 6. – JUDICIAL SECTOR INSTITUTION BUILDING

**HU 0007-01 Data Processing System for the Organisation of Public Prosecutions**

This project aim at the effective administration of the acquis in the fields of Justice and Home Affairs, especially in the fields of combating organised crime, corruption, and judicial co-operation. The project is in fact a follow-up of twinning project HU 98 JH 01 on the fight against organised crime. The Organisation of Public Prosecutors (OPP) is an independent organ of justice, subordinated only to Parliament. It is responsible for supervising criminal investigations by the police, customs and tax authorities, acting before court, and controlling the execution of sentences and has exclusive competence in mutual assistance matters until cases are brought before a court.

To fulfil these functions effectively, the OPP needs to upgrade its technical facilities. In the context, the project will provide for the necessary infrastructure development at 134 offices of the OPP, i.e. nation-wide. Data processing and communication systems will be installed that will have to encompass links to other relevant systems both national and international. The IT system to be installed will be compatible with those of the EC, all Hungarian law enforcement bodies and the Hungarian courts.

Phare support will be conditional upon the implementation of the twinning project HU 98 JH 01 and upon the provision of co-financing from Hungarian sources.

**HU 0007-02 JUSTICIA net – Court Information System and Network Development**

This project aims at the timely and competent application of the acquis by the Hungarian courts of law. More specifically, the project focuses at (1) a fast and reliable data flow and communication between the Supreme Court, County Courts and local Courts as well as the Office of the National Council of Justice; (2) the improved communication/date exchange between partner institutions; (3) the improved communication/date exchange between the Courts and established European Judicial information systems; and (4) the improved distance learning and self-training facilities for judges in the interpretation of EC legislation. The project has been prepared in the framework of twinning project HU 97 JH 02.

In 1998, the first phase of JUSTICIA.NET was launched with the aim of providing improved data processing facilities to the Supreme Court, the 19 county courts, the Metropolitan Court of Budapest and to ONCJ. Local area networks were established at each institution. The second phase will be built on the above project and will be extended to all 131 networks of local, district and labour courts. Furthermore, system integration with other databases will be an important part of the project. This will remove some major remaining weaknesses of the operations of the courts.
Phare support will be conditional upon the implementation of project HU 97 JH 02 and upon the provision of co-financing from Hungarian sources.

**OBJECTIVE 7 – Structural Policy and Investment into Economic and Social Cohesion**

Under this objective three target regions have been selected, namely North Hungary, Northern Great Plain and Southern Great Plain. These regions rank among the poorest with regard to the gross domestic product and inward investment. Approximately 30% of the total 773,000 micro, small and medium-sized enterprises operate in these regions. These companies are primarily micro enterprises and are characterised by low levels 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. In general, the achievement of sustainable competitiveness requires the improvement of access to business infrastructure and, in particular, to related services. Therefore under this component action is needed to support the SME sector and to improve local infrastructure.

In all three target regions, the rate of employment is below the national average of 47.7 percent. Two of the three regions, namely Northern Hungary and Northern Great Plain, have the highest unemployment rate in Hungary including the highest long-term unemployment combined with Youth unemployment. The ratio of people between 15-29 years, who do not continue their education, is the highest in the target regions. The increase in the number of young people at risk is also above the national average in the three target regions. This trend if not stopped will lead to even higher unemployment and long-term unemployment. The high share of Roma in the three target regions compounds the problem. Some 9 percent of the regional population are Roma, and in some micro-regions, the ratio of the Roma population can reach 30-40 percent of the entire population. To address these issues targeted projects for human resources development are proposed.

The Hungarian Government will provide the same type of support from its own budget for those regions, which have not been retained for Phare support.

**HU 0008-01 Regional Preparatory Programme (RPP) for the Structural Funds (RPP)**

The project will provide twinning links between NUTS II regions in Hungary and the Member States’ regions so that practitioners can directly work together to develop appropriate institutional structures and procedures, improve management capacity and financial functions following EC best practices and to develop a sustainable training capacity.

All activities of the project will be regulated by one Twinning Covenant comprising 4 Pre-Accession Advisers who will work in close co-operation with the Regional Development Agencies (RDA). Three PAAs will be placed in the three target regions selected for Phare assistance under Social and Economic Cohesion Chapter of the preliminary National Development Plan: one in each RDA. These PAAs will be responsible for assisting the preparation of “their” regions, and, additionally, will have to work also with one of the “non-selected” regions from the western part of Hungary. This work will encompass the dissemination of experiences and delivering best practice that will be developed in the target regions. The fourth PAA will act as team leader and co-ordinator of the project. Being located in Budapest, he also will be responsible for helping the development of the Central Hungary region, which, being a dominantly metropolitan area, requires specific expertise.

The PAAs will concentrate on two main fields of activities.

1. **Development of capacity building in the regions:** The technical assistance will contribute to develop programme management capacity at the level of regional administration and to establish procedures of regional development programming that are in compliance with EC Structural Funds regulations and criteria. In the framework of this activity short-term experts will be invited to strengthen the capacities of each Hungarian region in the practical aspects of programme design and development; Study visits

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1 These regions are: Northern Hungary, Northern Great Plain, Southern Great Plain.
2 These regions are: Western Hungary, Southern Hungary and Central Transdanubia
and ‘stages’ to the regions of member and applicant states will be carried out to review the practical management of regional programmes implemented using Structural Funds or pre-accession procedures. Finally, specialist seminars, workshops, information dissemination on the practical aspects of developing and managing regional development plans and operational programmes, particularly relating to the Structural Funds procedures and systems.

2. Development and testing of a regional training programme for Structural Funds: PAAs and short term experts will assist the regions to develop a sustainable training programme based on national curricula and standards, delivered and developed by selected training institutions in each of the seven regions. The development of the training programme will be achieved by actions such as a training needs assessment, the development of a long-term training strategy and operational programme, training materials, the implementation of pilot training activities and, finally, the development of the final strategy and implementation of the training plan. The participants of the training programme will be selected from the representatives of all key players of Structural Funds programmes at the regional level, with a specific emphasis on Regional Development Agencies and associated staff.

Phare support will be conditional upon further progress in the institutional set-up of Regional Development structures, notably the setting up of Regional Development Agencies in the target regions and upon the provision of co-financing from Hungarian sources.

**HU 0008-02 Vocational Education**

Within the target regions, this project focuses on groups of students and young adults most exposed to unemployment. It is designed to target both the secondary and higher education levels and present a complex approach to the main weaknesses of the system of vocational schooling. Specifically the project aims to: develop human resources, training policies, methods and institutional structures in accordance with EC standards; improve chances of disadvantaged and lower-achieving students in training and on the labour market; adjust the system of secondary and higher vocational education to labour market needs; promote regional partnerships of vocational educational institutions and enterprises; and establish/improve (regional) career guidance and orientation system for young adults and career starters.

More specifically, the project will provide new training and multi-perspective evaluation methods. It will also improve the system of career guidance and help to reduce the rate of unemployment among young school leavers. This will be attained by providing better knowledge about the labour market and enabling students to base career choices on personal abilities and labour market needs rather than on social background and the offer of locally available training institutions. In addition, support will be provided to the development and introduction of competency-based vocational training courses at secondary and higher levels, better responding to labour market needs. These activities, financed through a special grant scheme, shall be accompanied by measures of an institution-building type financed exclusively by Hungarian funds.

Phare support will be conditional upon the provision of Hungarian co-financing.

**HU 0008-03 Employment**

The project will provide innovative assistance to those disadvantaged groups, which face most serious difficulties in entering the labour market and finding stable employment. It aims at improving employability and the reduction of the long-term unemployment amongst disadvantaged, but also to provide Hungarian institutions with practical experience in ESF type projects.

The project will implemented through three different components:

1. **Fostering the social and labour market (re)integration of (multiply) disadvantaged youth**: this project addresses (multiply) disadvantaged people between 16 and 24 years of age, and will support their labour market (re) integration. The project will offer training and transit-employment
programmes that will be practice oriented including career development modules. The participants will obtain a qualification recognised by the National Training Register (OKJ). Graduates of the training programme will be offered stable employment to practice the skills learnt and to stabilise and strengthen their “work ethic” in the private, public or non-profit sector. It is expected that in total some 470-500 young people will benefit from the project.

2. **Fostering labour market (re)integration of people belonging to the Roma minority**: this project concerns a programme to improve employability and to foster long-term employment of the Roma, especially those with very low educational level and young ones. The project will offer training for those without qualification. The participants will be able to obtain one recognised by the National Training Register (OKJ). Graduates of the training programme will be offered stable employment in the private, public or non-profit sector.

3. **Retraining and employment to foster labour market (re)integration of people living with disabilities**: this project concerns a retraining and employment programme to foster labour market integration of people living with disabilities. The target group is comprised of people with slight or medium degrees of disabilities will be targeted. The programme will include training / retraining, and mental training and may contain elements supporting keeping up employment like medical services and transfer service to work place. Organisations employing disabled person that are trained within the programme will also receive support. This will include training of the personnel, development or adjustment of working tools and working environment to the type of disability of the future employees. The programme will provide support for establishing the basic conditions for integrated employment of disabled, which is a grass-root initiative and is based on urgent needs of the target group and also required by the law on equal opportunities for disabled people. Establishing conditions for becoming self-employed will also be encouraged.

Phare support will be conditional upon the availability of possibilities for integrated employment for disabled, and the availability of specific measures foreseen to transfer the graduates of the training programmes to stable employment in the private, public or non-profit sector. Another conditionality will be the provision of co-financing from Hungarian sources.

**HU 0008-04 SME Training**

Given the important role SME have to play in economic growth and employment creation, the development of entrepreneurial skills through appropriate training measures is one of the key elements for improving the competitive environment. Correspondingly, the current project aims at improving management practices, business strategies and marketing activities.

The project will be implemented through four training components:

1. **Business development**: The training programme will provide participants with a sound understanding of and thorough grounding for improved management practices. A special emphasis will be placed on quality issues, European standards and norms as these have a growing and direct impact on the competitiveness of Hungarian SMEs. Entrepreneurs will also receive guidance in regard to the use of advance IT technology and they will fully explore the importance and potential of the Internet and E-business.

2. **Export Start**: The training programme will provide entrepreneurs with the necessary tools to look at export business opportunities. Additionally, the training will guide trainees through the key issues of setting up export operations. As part of the training the participating SMEs shall be provided for a limited time (6 months) with access to an export coaching expert or company providing on-spot assistance. Main topics will include strategic marketing, market research, Internet management, international trade conditions and practices, managing across cultures, export sales and introduction to the EC internal market rules.
3. **Business Infrastructure:** The training shall focus on the method of specific service provision expected by the tenants of industrial parks, incubator houses, logistics, science and innovation centers. Subject to be trained shall cover service needs assessment, improvement of service quality, methods of reinforcing inter-firm co-operation and sub-contracting activities among tenants, legal aspects of tenancy and financial management.

4. **Tourism Development:** The training programme will increase awareness of the institutional framework of the regional tourism administration, planning of tourism initiatives and operation, marketing of tourism products, the process and techniques of product development in the tourism sector, financial management and control mechanisms, relevant EC policies, tourism information systems, the importance of environmental, natural, cultural heritage and quality control issues in tourism development and the need for efficient communication and cooperation as well as the significance of customer relations in the tourism sector. Participants will use the knowledge acquired to develop and implement touristic projects, to organise common promotional activities as well as to give advisory and information services to other actors of the tourism sector (i.e. SMEs, local governments, NGOs).

Participants to the above training modules shall be selected on competitive basis.

Phare support will be conditional upon the strict respect of eligibility criteria for the selection of trainees and upon the provision of co-financing from Hungarian sources.

**HU 0008-05 SME Co-operation**

Co-operation among SMEs will be enhanced as a way of increasing competitiveness and productivity of the SMEs in the target regions. By co-operating, SMEs get a chance to pool their competitive advantages and thereby overcome the competitive weakness of each of the individual firms. Such co-operation of SMEs will be facilitated by the establishment of a grant scheme co-financed by Phare. Eligible forms of co-operation are joint ventures co-operatives sub-supplier agreements, and consortium agreements established by at least two SMEs. Applicants shall submit business plans for co-operative undertakings serving at least two of the following strategic criteria: Production or development of new products or existing products in a new design, getting access to new markets (both Hungarian and foreign), getting access to shared work place, technology and services to improve productivity and quality, increasing the employment capacities of SMEs. On the basis of joint business plans justifying the contribution to the above strategic criteria beneficiary SMEs shall be able to use their grant finance investment in business-related infrastructure procurement of technology, equipment, machinery, information facilities, investments in SMEs joining supplier networks of larger companies, know-how transfer. In order to ensure that the programme achieves a significant impact, an intensive communication campaign will be launched financed by Hungarian sources to inform the selected target groups about the potential benefits of the programme. In preparing their applications potential beneficiary SMEs are going to be supported by accredited experts of the Local Enterprise Agencies (LEAs), who will provide advice on compiling business plans, financial plans, collaboration plans for the organisation of the co-operation, legal and fiscal issues.

The launching of the communication campaign will be conditional on the implementation of the project.

Phare support will be conditional upon the respect of the minimum number of SMEs per proposal, the launching of the communication campaign financed by Hungarian sources prior to the start of the project and the provision of co-financing from Hungarian sources.

**HU 0008-06 Development of Local Business Infrastructure**

This project addresses the insufficient development of transport infrastructure. The lack of easily-accessible industrial sites well connected to public utilities is a major hindrance to economic development. It will therefore finance local infrastructure projects in transport and environment that directly benefit productive sectoral activity and the local business environment (e.g. access to key
sites for industrial and commercial development and to sites or local centres of tourism activity, connections to main roads, municipal waste and waste water treatment, access to public utilities, etc.).

Phare support will be conditional upon the existence of pre-feasibility studies including environmental impact assessments for the selected investment projects as well as upon the provision of co-financing from Hungarian sources.

2. BUDGET

<table>
<thead>
<tr>
<th>Programme/Project</th>
<th>Phare budget in MEUR</th>
<th>TOTAL PHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INV</td>
<td>IB (twinning)</td>
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<tr>
<td>HU0002 POLITICAL CRITERIA</td>
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<tr>
<td>01 – Roma integration</td>
<td>1.175</td>
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<td>HU0003 AGRICULTURE</td>
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<td>01 – Animal Health</td>
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<tr>
<td>02 – Waste Management</td>
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<td>2.70</td>
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<tr>
<td>HU0004 ENVIRONMENT</td>
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<td>01 – Air Quality</td>
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<td>1.107</td>
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<td>02 – Waste Management</td>
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<tr>
<td>HU0005 EXTERNAL BORDERS</td>
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<tr>
<td>01 – Customs 2000</td>
<td>12.21</td>
<td>0.79</td>
</tr>
<tr>
<td>02 – Border Crossings</td>
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<td>(0.79)</td>
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<tr>
<td>03 – Schengen Acquis</td>
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<tr>
<td>HU0006 SOCIAL AFFAIRS</td>
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<tr>
<td>01 – Health and Safety</td>
<td>1.65</td>
<td>1.85</td>
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<td>02 – Fight Against Drugs</td>
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<td>HU0007 JUDICIAL SECTOR INSTITUTION BUILD.</td>
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<td>01 – Prosecutors IT Development</td>
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<tr>
<td>02 – Justitia.Net</td>
<td></td>
<td></td>
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<tr>
<td>HU0008 Structural Policy IB and Investment into Economic and Social Cohesion</td>
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<td></td>
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<tr>
<td>01 – Regional Preparatory Programme</td>
<td>23.00</td>
<td>4.00</td>
</tr>
<tr>
<td>02 – Vocational Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03 – Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>04 – SME Training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>05 – SME co-operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>06 – Local access infrastructure development</td>
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<tr>
<td>TOTAL</td>
<td>53,228</td>
<td>11,772</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(8.24)</td>
</tr>
</tbody>
</table>

3. IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Coordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the Hungarian State Treasury headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme.
The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Hungary on 17th December 1998. Funds will be transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Four Replenishments will be made of up to 20% of the funds to be managed locally or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.
IAs will be responsible for sub-programmes as follows:

<table>
<thead>
<tr>
<th>Subprg. No.</th>
<th>Title</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>HU0002</td>
<td>Roma integration</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0003</td>
<td>Animal Health</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0004.01</td>
<td>Air Quality</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0004.02</td>
<td>Waste Management</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0005.01</td>
<td>Customs 2000</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0005.02</td>
<td>Border Crossings</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0005.03</td>
<td>Schengen Acquis</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0006.01</td>
<td>Health and Safety</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0006.02</td>
<td>Fight Against Drugs</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0007.01</td>
<td>Prosecutors IT Development</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0007.02</td>
<td>Justitia.Net</td>
<td>CFCU</td>
</tr>
<tr>
<td>HU0008.01</td>
<td>Regional Preparatory Programme</td>
<td>Ministry of Agriculture and Reg. Dev. IA for Regional Development, CFCU</td>
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<tr>
<td>HU0008.02</td>
<td>PNDP – Vocational Education</td>
<td>IA for ESF programmes*</td>
</tr>
<tr>
<td>HU0008.03</td>
<td>PNDP – Employment</td>
<td>IA for ESF programmes*</td>
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<td>HU0008.04</td>
<td>PNDP – SME Training</td>
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<td>HU0008.05</td>
<td>PNDP – SME co-operation</td>
<td>Ministry of Agriculture and Reg. Dev. IA for Regional Development</td>
</tr>
<tr>
<td>HU0008.06</td>
<td>PNDP – Local access infrastructure development</td>
<td>Ministry of Agriculture and Reg. Dev. IA for Regional Development</td>
</tr>
</tbody>
</table>

* Provided that the ESF new implementing Agency is assessed to be operational at the date of signature of the present financing memorandum. If this is not the case, the competent IA will be the Ministry of Agriculture and Reg. Dev. IA for Regional Development.

The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

A separate bank account, denominated in € will be opened and managed by the NF in a separate accounting system in the Central Bank. In principle, all bank accounts will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are be prepared in accordance with the procedures set out in the DIS Manual. For grant schemes whose procedures and formats are not covered by the current DIS manual, the precise implementations arrangements will be designed in the project fiches along the following principles:

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3 The grant schemes to be financed under this financing proposal are the following ones: HU0004.01 Roma integration; HU0005.02 Vocational Education; HU0005.03 Employment; HU0005.04 SME Co-operation.
the procedures and formats to be used in the implementation of the schemes and award of the grants will be based on the current Commission’s vade-mecum on grant management and RELEX standard Grant contract, or any other appropriate formats and procedures for decentralised external aid grants schemes to be developed in the meantime by the Commission. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.

The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to approve formally the call of proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

The ex ante approval of the Commission (Delegation in Budapest) will be required for the call of proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject to the ex post control of the EC Delegation.

The implementation of the selected projects through the provision of works, supplies and services sub-contracted by the final beneficiaries of the individual grants shall be subject to the procurement regulations annexed to the RELEX standard Grant Contract. The decentralised system established for CBC small projects is to be applied to all such contracts below 300 000 EUR (or any increased threshold to be fixed by EC Headquarters for small project funds under CBC programmes). Tenders and contracts above this threshold will be presented to the EC Delegation for ex ante approval. The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the present financial memorandum.

All contracts will be greater than € 2 million, except those in the following areas (for grant schemes, the € 2 million limit doesn’t apply to the individual beneficiary projects to be granted (grant contracts), but to each grant scheme itself under the following programmes: HU0002.01 Roma integration; HU0008.02 Vocational Education; HU0007.03 Employment; HU0008.05SME Co-operation.

• Institution Building and twinning contracts where justified by the specificity of the sub-programme in question.
• Supplies or works related to Institution Building, where justified by the limited nature of the IB-needs to be covered, especially: HU0003.01 Animal Health; HU0004.02 Waste Management; HU0005.01 Customs 2000; HU0006.01 Health and Safety.
• Separated works tenders for HU0005.02 Customs Border Modernisation, which – for technical reasons - can not be tendered together.

All contracts must be concluded by 30th September 2002. All disbursements must be made by 30th September 2003. The Commission will recover any funds not used by the expiry date of the programme.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to
make payments related to the retention clauses. The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

4. MONITORING AND ASSESSMENT

The Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NDC and the Commission. It should meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds.

The JMC is assisted by Monitoring Sub-Committees (MSC) and includes the NAC, the PAO of each IA (and of the CFCU where applicable) and the Commission Services. The MSC reviews in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the DIS Manual) and puts forward recommendations on aspects of management and design, ensuring these are effected. The MSC reports to the JMC, to which it submits overall detailed reports on all Phare, financed programmes on a quarterly basis.

5. AUDIT AND EVALUATION

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

6. VISIBILITY/PUBLICITY

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are at the Annex 'Visibility/Publicity.'

7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of Hungary, in particular those related to lack of adequate management capacities, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.
Annex D

INFORMATION AND PUBLICITY FOR THE PHARE PROGRAMME OF THE EUROPEAN COMMUNITIES

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall
ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare:

- measures to make potential beneficiaries and the general public aware of Phare assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.

- measures targeting applicants for public aids part-financed by Phare through an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.

4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.
Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare Programme, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Phare Programme. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare Programme shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.

Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.
5. Special arrangements concerning billboards, commemorative plaques and posters

In order to ensure the visibility of measures part-financed by the Phare Programme, applicant countries shall ensure that the following information and publicity measures are complied with:

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part-financing together with a mention of the Phare Programme.

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.
ANNEX 2 - Cumulative Quarterly Contracting and Disbursement Schedules.

Provided in separate file.

ANNEX 4 – Budget Overall Allocations and per components;

PROVIDED IN SEPARATE FILE.
During the course of 1999, Hungary made considerable progress regarding the implementation of earlier Phare programmes. The total annual absorption of Phare funds (contracting) increased by 70 percent against the two previous years to around 120 MEUR. Financial losses due to late contracting could not be avoided, but were kept at low levels for the 1997 Phare programme thanks to extensions of the contracting period for the Regional Development, CBC and SME programmes. All sub-programmes having ended their contracting period in ’99 reached their main targets. The total value of contracts concluded within one calendar year was the highest in the entire history of the Phare programme in Hungary.

These results were reached in a particularly difficult period, when – due to the late knock-on effect of the introduction of the New Orientations for Phare, namely the shortening of the implementation period for Phare programmes from 3+1 to 2+1 years – two entire Country Operational Programmes and several CBC programmes had to be contracted within the course of one year. This meant that the number of individual contracting operations to be implemented was around twice the “normal” rate. The situation was further complicated by a considerable contracting backlog accumulated in earlier years.

Despite the major increase in contracting performance the implementation period for a sizeable part of the 1997 Regional Development programme had to be extended. With the foreseen extensions, all funds are expected to be contracted as planned.

The very significant increase in procurement operations put the staff of the Implementing Agencies and the EC Delegation responsible for checking and approving project documentation under severe pressure. Good quality co-operation between the two sides was indispensable for the positive outcome of 1999. The simplification of the approval procedure – a result of the “deconcentration” of the implementation of Phare from Headquarters to the Delegations – was another important factor.

For both the 1998 and 1999 programmes, the number of contracts to be concluded is significantly lower than in previous years as project sizes have increased. The absence of Strategic Plans and Work Programmes is also a major step towards shorter implementation times. Nevertheless, due to the necessity to focus on the implementation of the 1996 and 1997 programmes, the start of the 1998 Phare Programme has been delayed. The 1998 programme also suffered delays because it took until June 1999 to reach a final agreement on the exact modalities of “Phasing out Phare PMUs”, which had been made a pre-condition to the start of Phare 1998. Finally, the first round of twinning operations was hampered by unexpected problems due to the “pilot” nature of this new type of contracts. Yet, the 1998 programme is now on track. All twinning components have been contracted and all other contracting operations are expected to be successfully concluded before the end of the commitment period.

The Financing Memorandum for the 1999 Phare Programme was signed only at the end of 1999 and projects are still in their initial implementation stages. Despite this, the selection of partners for the 1999 twinning arrangements was completed. According to current forecasts, the majority of funds for the 1999 programme will be contracted before the end of the year. All components directly related to programmes in 2000 are on track for completion in time for the new interventions proposed under the current Financing Proposal.

The Hungarian Government has undertaken further efforts to improve the quality of management, and strengthen the institutional capacities of its programme implementing institutions. The staff of Programme Management Units was increased by over 25 percent in the first half of last year. A number of major training operations were carried out for IA staff and beneficiary institutions. From 1999, Phare IAs are obliged to assemble annual contracting plans at the beginning of the calendar year, against which the progress of each project is regularly measured. The monitoring system provides an early warning when a project component is falling behind schedule. A further development of this project information regime into an on-line computerised system is planned to be completed before the end of 2000.

In summary, the positive developments of 1999 will be consolidated in 2000, and institutional developments and improvements in management quality will continue. For details, please refer to the individual project fiches.
## ANNEX 6 – OVERVIEW OF THE TWINNING PROJECTS

<table>
<thead>
<tr>
<th>Fiche project no.</th>
<th>Twinning project no.</th>
<th>Project name</th>
<th>Twinning budget</th>
</tr>
</thead>
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<td>HU0003</td>
<td>HU/2000/IB/AG/01</td>
<td>Food Hygiene Control</td>
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<td>HU0003</td>
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<td>Animal Welfare</td>
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<td>HU0004-01</td>
<td>HU/2000/IB/EN/01</td>
<td>Air Quality Network</td>
<td>0.50 Meuro</td>
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<tr>
<td>HU0004-02</td>
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<td>Waste Management Planning</td>
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