STANDARD SUMMARY PROJECT FICHE
PROJECT NUMBER HU0008-05

1. Basic Information
1.1 Désirée Number: [for Phare country co-ordinator to complete]
1.2 Title: Strengthening the Co-operation Between Enterprises
1.3 Sector: Social and Economic Cohesion
1.4 Location: Northern Hungary, Northern Great Plain and Southern Great Plain Regions

2. Objectives

2.1 Wider Objectives:
• Increase the growth and competitiveness of the regional SME sector
• Increase the employment in the regions in the SME sector
• Increase the productivity of SMEs

2.2 Immediate Objectives:
• Strengthening the co-operation between enterprises
• Increase of the SME sub-supplier potential
• Development of the market access for SMEs

2.3 Accession Partnership and NPAA priority

The objectives of the project are in line with the short- and medium-term objectives of the Accession Partnership, 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.

2.4 Contribution to National Development Plan

The objectives of the project reflect the priorities of the PNDP, which are based on the development strategies of the target regions. SME development is a key priority in all of them. The immediate objectives of the project are in line with the particular emphasis of the regions on meeting identified deficiencies in the capital market reachable for SMEs as well as enhancing the competitiveness and export propensity. The support also takes account of the need to have a sector-targeted approach in each region in order to develop specific areas with competitive advantages. The “softer” forms of support such as advisory services financed by Hungarian sources will enhance the capability of the SME development in the regions.

3. Description

3.1 Background and justification

The private sector in Hungary is characterised by an overwhelming dominance of micro enterprises and small companies, out of a total of 750,000 enterprises 97.1% are micro and 2.3% small sized companies. Such enterprises generate nearly half of the gross domestic product and provide two-thirds of jobs on regional level. However, in contrary with large companies, they lack sufficient managerial, financial and international strengths to exploit the advantages of large-scale operation in strategically important areas.

The aim of the scheme is the formation of inter-firm co-operation among SMEs as a way of enhancing 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. To
remain competitive under the current market conditions, the independent small companies find themselves in a situation where the organisation is too small to have all the specialised functions in-house, the productivity capacity is limited and the access to financial means is often difficult. The grant scheme established under the programme can ensure a development and exploitation of mutual complementarity, the quality of sub-contracting links and better access to end-markets for co-operating SMEs. The regional impact of this type of SME development can be measured not only with the success of individual enterprises but also with a growth potential of the producing and service clusters and not least with the growing rate of the regional employment.

The need to improve resources of small companies so that they become competitive was recognised by the Government’s SME Policy, which proclaimed the promotion of inter-firm co-operation as a priority. Enhancing collaboration among SMEs in the three target regions means the introduction of a new philosophy and an educational process to change company culture from non-co-operation towards SMEs seeking networking as a natural option.

3.2 Linked activities

Previous Phare programmes:

HU9303 SME Networking Training Programme – The key element of the project was the training of LEA networking brokers to be able to form and support inter-firm co-operation to increase productivity and strategic viability in SME sector by providing access to business information, financial means and knowledge, R&D, production management.

HU9605 Supply Chain Training Programme – The project was designed to pilot a mentoring scheme for SMEs, namely to improve their capacity to innovate and supply high-quality goods or services to larger firms, improve production capacity and competitiveness.

HU9605 Business Conferences and Meetings – In the framework of the project a series of seminars was designed to familiarise the LEAs with working practices of similar organisations in the EU and Phare countries in order to further develop their services for SMEs in the areas of training, advice and information.

HU9706 Networking and Inter-Firm Co-operation – The project was designed to support the establishment of strategic partnerships through specialised counselling and training services. The project outcome will be directly utilised in the design of the service package provided by LEAs to SMEs in the framework of this fiche.

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 project is still being implemented. The amount of and good quality project proposals exceeded the available budget.

The proposed Phare 2000 SME training programme will provide follow-up training for the management and staff of co-operating enterprises.

Projects and programmes implemented from Hungarian resources:

- Joint project of the Hungarian Foundation for Enterprise Promotion with Italy in the Wood and Furniture Sector (establishment of service centres in selected geographical areas).
- Sub-supplier programme launched in 1998 under the direction of the Ministry of Economic Affairs mainly focusing on soft measures as matchmaking, establishment of a nation-wide supplier information network, auditing of firms, quality assurance, provision and extension of training programmes. The target sector of the programme was SMEs involved in machine and vehicle industry, electronics and electrotechnics, rubber and plastics, textile and leather industry. Based upon August 1999 figures, 1438 enterprises with a total of 110,000 on the payroll are taking part in the Subcontracting Programme. These enterprises employ about 14% of those engaged in manufacturing industry. This Phare programme builds on the developments achieved by the Subcontracting Programme by providing SMEs with necessary financial support (i.e. non-refundable grants) to join sub-supplier networks of larger companies.
- The Ministry of Economic Affairs currently operates the SME Target Fund, a support scheme which includes measures for improvement of the operating conditions of SMEs, widening the financial opportunities,
development of business information system, development of entrepreneurial culture and preparation for EU accession.

In line with Council Regulation (EC) no. 1266/1999 and the Vademecum on co-ordination of the three financial pre-accession instruments, the support of the inter-firm co-operation measures shall be supported by Phare, while investments in agricultural SMEs can receive funding from SAPARD as described in the Hungarian Rural Development Plan. Projects eligible for SAPARD are excluded from the support included in this fiche.

3.3 Results

The inter-firm co-operation programme is sector based and is intended for groups of stable companies that enter into long-term, legally binding collaboration. Inter-firm co-operation is generally established in a common area in which each of the participating firms lacks certain resources. Co-operation enables them to undertake more sustainable assignment than they could do on their own and thus gain new markets, credibility and become more competitive.

The key target group for an SME co-operation programme is limited to SMEs registered in the target regions in the manufacturing and service sector having at least two years of business experience and with a potential for further business development or growth introduced in their business plans. The co-operation is established by minimum two participating SMEs. They also should comply with the Act XCV of 1999 on SMEs and Support Measures for their Development. The law defines small and medium sized enterprises

- as employing less than 250 employees
- annual turnover less than 4 billion HUF or the balance sum less than 2.7 billion HUF
- state, local government or large enterprise ownership must not exceed 25%.

As a result of the project a comprehensive service and financial package helping the SMEs to get access to information, expertise and financial help (i.e. non-refundable grants) is set up to enable them to exploit new business opportunities and productivity improvement through co-operation. The package is comprised of the following elements:

3.3.1. Programme Preparation *(Financed by Hungary)*

In order to ensure that the programme achieves a significant impact, reaching target companies will be a key consideration in the detailed design of the co-operation programme.

For this purpose, an intensive communication campaign will be elaborated to inform the selected target groups about the potential benefits of the programme. The campaign is directed towards

1. SMEs as final beneficiaries and
2. “multiplier organisations” who are still able to influence the SMEs and can contribute to the success of the SMEs co-operations. These organisations are: chambers, banks, accountants, and business associations.

The campaign will use information materials, brochures, on-going presence in audio-visual media, advertisements in newspapers, PR articles and workshops as communication tools.

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, as well as assist in the drafting of a binding document regulating the terms and conditions of co-operation.
3.3.2. Investment in the establishment of inter-firm co-operation (*co-financed by Phare*)

The 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\(^1\), co-operatives\(^2\), sub-supplier agreements, and consortium agreements\(^3\) established by at least 2 SMEs. As a rule, the duration of co-operations shall be sustained for at least three years after the expiry of FM. The applications shall contain the binding agreement, which will come into force if the application was successful. 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 non-refundable grants for the procurement of works/supplies/services for the following purposes:

- Investment in business-related infrastructure (e.g.: connecting to public utilities, development of production sites, factory buildings, laboratories, etc.)
- Joint procurement of technology, equipment, machinery, information facilities
- Investments in SMEs joining supplier networks of larger companies
- Know-how transfer

The purchase of real estate and procurement of passenger cars is not eligible.

In order to increase concentration and better adapt the schemes to the individual needs of the beneficiary regions the Regional Development Councils, upon the results of the programme planning phase, taking into account their regional development strategies and plans, may determine priority sectors for financial support.

The business potential of the proposed co-operation, the product composition of participating companies, the situation of the market concerned, the detailed analysis of investment needs, and the long term co-operation, as well as catalytic effects shall be key decision factors for the allocation of grants, and shall be enshrined in the selection criteria. Co-operations among more than 2 SMEs will be preferred during the project selection.

3.3.3 Programme Follow-up (*Financed by Hungary*)

The LEAs’ accredited experts with comprehensive knowledge about running a company and strategic skills regarding company development shall provide technical assistance to co-operating enterprises received financial contribution, with the aim of solving occurring legal, fiscal and marketing problems and ensuring that the enterprises are “on track” in the inter-firm co-operation process.

3.4. Activities

Phare shall contribute to the objectives of the programme by co-financing the above mentioned grant scheme. Non-refundable grants provided by the scheme shall be co-financed by national contribution and own resources of the

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\(^1\) The establishment of joint ventures is regulated by the Act 1997/CXIV on Business Associations

\(^2\) The establishment of co-operatives is regulated by Act 1992/I on Co-operatives

\(^3\) Sub-supplier and consortium agreements shall set the following fundamental rules and conditions of co-operation:
- registration of the co-operating SMEs (must be registered in the target region)
- proof of at least two years of operation
- subject of the co-operation among the partners (i.e. provision of services, procurement of supplies, usage of the procured equipment etc.)
- decision-making procedures (responsibilities, role of partners)
- arbitration procedures (set according to the Hungarian law)
- defining ownership related issues (copyright, ownership of procured goods etc.)
- duration of the contract (at least 3 years after the expiry of the period of FM)
beneficiary SMEs. The combined value of the non-refundable grant should be 25% of the total project costs. Successful applications shall be granted a min. 25,000 and max. 200,000 euros. Beneficiary SMEs should comply with the Act XCV of 1999 on SMEs and Support Measures for their development (detailed under 3.3.) and must be registered in the target regions. Each application shall be based on complete business and financial plans for the co-operation of at least two SMEs, establishing joint ventures, co-operatives, sub-supplier agreements, and consortium agreements. The co-operating SMEs must state that the co-operation will be sustained for at least three years after the expiry of the FM. An intensive communication campaign and technical assistance to SMEs as well as programme follow up activities (TA) shall be financed by Hungarian resources and managed by Local Enterprise Agencies of the Hungarian Foundation for Enterprise Promotion in the target regions.

4. Institutional Framework

The below described institutional framework will be applied for the Grant Scheme for the investment in inter-firm co-operation (component 3.3.2) co-financed by Phare

**DEFINITIONS:**

- **RDCs (Regional Development Council):** Composition of the RDC is determined by the amended Act on Regional Development
- **RDAs (Regional Development Agency):** Executive and management organisation of the RDCs
- **DPC (Decision Preparation Committee):** Drafts selection criteria and project selection. The DPC is to be limited to 10 voting members comprising:
  - representatives of co-financing bodies (one representative of the PAO and one representative of the Ministry of Economic Affairs)
  - 1 representative of Local Enterprise Agencies
  - 1 representative of Regional Development Company
  - 2 representatives of county or major town self-governments
  - 1 representative of chambers of commerce and industry
  - 2 representatives of the EC Delegation
The DPC will include a chair from the RDC and a non-voting secretary from the RDA. The list of the Committee members (with CVs attached) is subject to the ex-ante approval of the PAO and the EC Delegation.

- **NMCP (National Monitoring Committee for PNDP measures) co-chaired by the National Aid Co-ordinator and the Ministry of Agriculture and Regional Development comprising:**
  - 1 representative of the Ministry of Social and Family Affairs
  - 1 representative of the Ministry of Education
  - 1 representative of the Ministry of Economic Affairs
  - 1 representative of each RDC of the target regions
  - 1 representative of the EC Delegation
- **IA (Implementing Agency):** Retains final responsibility for programme implementation

1. **PREPARATION OF THE PACKAGE OF CALL FOR PROPOSAL, EVALUATION CRITERIA, AND APPLICATION FORM BASED ON THE PROVISIONS OF THE ‘VADEMECUM ON GRANT MANAGEMENT’**

- IA initiatives and the RDA drafts the call for proposal, the evaluation criteria and the application form in consultation with the Local Enterprise Agencies and the Regional Development Companies as the entities concerned in that field at regional level
- IA must liaise with the RDC and the co-financing Ministry of Economic Affairs, then submits the final version of the documents to the EC Delegation for approval. The consultation shall also involve the representatives of chambers of commerce and industry, county and major town self-governments as members of the DPC.
- EC Delegation endorses the documents

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4 The percentage of the Phare contribution could be reviewed if the schemes – after one year – faced difficulties in its implementation because of lack of interested SMEs.
2. **Publication of the Call for Proposal**
   The IA takes all appropriate measures to ensure that the regionally publicised call for proposal reaches the target groups.

3. **Project Selection Process**
   - RDA collects and registers incoming project proposals. RDA checks the proposals for conformity with the formal requirements and basic eligibility criteria determined in the call for proposal. RDA administers the process, forwards its report and a copy of the proposals to the members of the DPC.
   - DPC discusses the report and compiles a package of projects proposed for support within the available budget. A reserve list – not exceeding 15% of the value of the package – may be proposed within the package. The DPC meetings are to be minuted and the minutes annexed to the proposed project list.
   - RDC discusses the project list and makes a final project selection from within the list(s) drafted by the DPC, then forwards the final list to the IA.
   - IA in liaison with the co-financing Ministry of Economic Affairs approves the selection process and the project list proposed for support.
   - EU Delegation endorses the selection process and the project list.

4. **Contracting (PAO Designated in the Ministry of Agriculture and Regional Development)**
   Grant contracts will be drafted according to a format approved by the Commission using the model of the SCR grant contract format. A copy of the signed grant contract is to be sent to the EC Delegation for ex-post control. The duration of the grant contract shall not exceed the disbursement period of the FM, and shall not exceed 18 months.
   - PAO signs the Grant Contracts with the beneficiaries based on the project list approved by the IA and the EC Delegation.

5. **Implementation of the Selected Projects by the Beneficiaries**
   - Beneficiaries subcontract suppliers of goods and services or works, in line with Phare procurement regulations annexed to the Grant Contract.
   - The decentralised system established for CBC is to be applied to the entire programme, i.e. no ex ante control of the procedure is undertaken by the EC Delegation for projects under 300000 Euro (or any increased threshold decided by the Commission in the meantime for small projects funds under CBC programmes). Tenders and contracts above 300000 Euro (or any increased threshold) must be sent to the EC Delegation for ex-ante approval following normal DIS procedures.
   - All projects must be implemented and disbursed by the end of the disbursement period at the latest. Financial control will be executed by the RDAs under the authority and the responsibility of the IA.

6. **Financial Management of the Selected Projects**
   - The supplier invoices the beneficiary who checks it.
   - The invoice is submitted to the RDA which checks it and submits it to the IA.
   - IA prepares the Payment Order and submits it to the National Fund.
   - The National Fund makes the transfer to the supplier.

7. **Monitoring of the Projects Implemented by the Beneficiaries**
   Project monitoring is undertaken by the RDA with the involvement of the Regional Development Companies as relevant regional institution. The RDA prepares regular reports to the IA and the Ministry of Economic Affairs. The reports will be discussed by the DPC and approved by the RDCs. IA is responsible for discussion of reports with the EC Delegation. Any new action requires the approval of the EC Delegation and the co-financing Ministry of Economic Affairs.

8. **Monitoring of PNDP Measures Financed by Phare**
IA is responsible for elaboration of regular monitoring reports on the measures implemented under its responsibility in all target regions based on the regional monitoring reports. The reports will be discussed and approved by a National Monitoring Committee for PNDP. In order to ensure an integrated approach to planning and implementation, this committee shall be responsible for the monitoring of all Phare measures 2000 for Economic and Social Cohesion, as well as the proposed Phare 2000 Regional Preparatory Programme for the Structural funds. It will be chaired by the Ministry of Agriculture and Regional Development, co-chaired by the Minister for Phare, and include representatives of the line ministries concerned (Economic Affairs, Education, Social and Family Affairs) as well as the target regions. The results of monitoring will be discussed with the Commission (Delegation, Joint Monitoring Committee).

9. **SUPPLEMENTARY LEGAL DOCUMENT TO BE PREPARED**

A Co-operation Agreement is to be signed between the IA, the co-financing Ministry of Economic Affairs and the RDC regulating the role and the responsibilities of RDC/RDA and the parties involved in the project selection, tendering, implementation and contracting process, according to the processes defined in the present project fiche. The Co-operation Agreement is to be endorsed by the EC Delegation.

For the implementation of components Programme Preparation and Programme Follow-up, a financing agreement shall be signed between the Ministry of Economic Affairs as financing institution and the Hungarian Foundation for Enterprise Promotion about the terms, conditions and financing mechanisms.

In order to ensure continuous information exchange and additionality among programme components regular consultations will be held between the Hungarian Foundation for Enterprise Promotion and the IA at the MoARD at national level and between the LEAs and RDAs at regional level.

5. **Detailed Budget (MEUR)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Phare Support</th>
<th>Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment I</td>
<td>Institution Building IB</td>
<td>Total Phare (=I+IB)</td>
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<td>0.000</td>
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Co-financing includes:
• **Grant scheme for non-refundable grants** for “Investment in the establishment of inter-firm co-operation”: **2 MEUR** from the **SME Target Fund**, operated by the Ministry of Economic Affairs, and **19 MEUR** (68% of the total project cost) of **own resources from the beneficiaries**.

• **Monitoring and evaluation**: TA for preparation of reports will be financed by the decentralised section of the SME Target Fund, operated by the Ministry of Economic Affairs.

Distribution of funds among the regions in the Grant Scheme (component 3.3.2.) has been defined based on the planning principles of the Hungarian Global Development Plan. The national sources allocated for components Programme Preparation and Programme Follow-up shall be distributed equally among the regions.

6. **Implementation Arrangements**

6.1 **Implementing Agency:**

The project will be implemented under the overall co-ordination and supervision of the Ministry of Agriculture and Regional Development., whose representative, Mr. Peter Szaló, deputy secretary of state, will be designated as PAO. The PAO nominates Mr László Bús, deputy general director of the Hungarian Foundation for Enterprise Promotion as DPAO. The Ministry for Agriculture and Regional Development, through its Phare Regional Development IA (Hungary, 1016 Budapest Gellérthegy u. 30-32.), will be responsible for administrative and financial aspects of the Phare co-financed component of the project (3.3.2.).

With respect to the nationally financed components, the Hungarian Foundation for Enterprise Promotion will be responsible for administrative and financial aspects of programme management, while the Local Enterprise Agencies shall assume technical responsibility.

6.2 **Non-standard aspects**

The rules of the DIS Manual and the Vademecum on Grant Management will be strictly followed during the implementation of the Phare co-financed component.

The Phare co-financed grant scheme will be operated on the basis of one single Co-operation Agreement between the IA, the Ministry of Economic Affairs and the RDCs approved by the EC Delegation regulating the role and the responsibilities of the parties in the project selection, tendering, implementation and contracting process. The grant scheme shall have three windows for the three target-regions. Beneficiaries will sign Grant Contracts with the PAO laying down the rules of project implementation based on the list of supported projects approved by the IA and endorsed by the EC Delegation. The duration of the grant contracts shall not exceed the disbursement period of the FM, and shall not exceed 18 months.

7. **Implementation Schedule**

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of tendering/call for proposals</th>
<th>Start of project activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3.1. Programme Preparation</td>
<td>09/2000</td>
<td>01/2001</td>
<td>06/2001</td>
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<td>3.3.2. Investment in the establishment of inter-firm co-operation – Grant Scheme</td>
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<td>03/2001</td>
<td>10/2002</td>
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<td>3.3.3. Programme Follow-up</td>
<td>04/2002</td>
<td>05/2002</td>
<td>10/2002</td>
</tr>
</tbody>
</table>

8. **Equal Opportunity**

As the number of women is increasing especially in the ownership structure or number of top-managers of small sized enterprises in Hungary, the participation of SMEs submitting a proposal can correspond to this tendency. The criteria for project selection will be composed in order to encourage the participation of enterprises represented by women in the grant scheme. Women’s participation will be measured by the number of enterprises or co-operations represented by women and by number of enterprises employing women workers.
9. Environment

Only co-operation promoting an environmental friendly production and using an environmental friendly technology will be taken into consideration by the RDA checking the eligibility criteria.

10. Rates of return

The individual business plans submitted to the RDA for grants shall determine the rate of return of individual investments in the form of indicators, i.e. total revenues per employee.

11. Investment criteria

11.1 Catalytic effect:

Based on the experience of the projects awarded in the frame of grant scheme the model can be extended to other sectors and regions at a later stage. There has been no similar programme supported from Hungarian resources focusing on co-operation of SMEs. The Hungarian Subcontracting Programme was mainly focusing on matchmaking, auditing of firms and quality assurance, but the companies participating in the sub-supplier chain have not had a wide range of opportunity for investments. The programme shall contribute to higher capital supply.

11.2 Co-financing:

The Ministry of Economic Affairs has committed itself in the SME Target Fund to contribute with 4,1 MEUR co-financing to the whole project:

- Programme Preparation: 80% of the total technical assistance costs (1,25 MEUR)
- Investment in the establishment of inter-firm co-operation – Grant Scheme: 2 MEUR
- Programme Follow-up: 66% of the total technical assistance costs (0,85 MEUR)

The beneficiary SMEs shall provide at component

- Programme Preparation: 20% of the total technical assistance costs (0,313 MEUR)
- Investment in the establishment of inter-firm co-operation – Grant Scheme: at least 68% of the total project costs (19 MEUR), 25% of the own resources shall be provided in cash
- Programme Follow-up: 33% of the total technical assistance costs (0,425 MEUR)

11.3 Additionality:

The grant scheme for the investment in inter-firm co-operation providing non-refundable grants instead of loans will not displace any other financiers.

There is no advantageous financial package prepared for SMEs that can help to overcome the lack of capital in their operation except for the micro-credit scheme and regional venture capital fund. The micro-credit scheme gives loans in a maximum amount of 5,000 EUR, which is less than the minimum eligible amount of non-refundable grants in this grant scheme. The commercial banks are usually less willing to offer a loan to micro and small enterprises as it means increased administrative burden and higher repayment risk for them. In addition, commercial banks are in a worse position to reach SMEs in the target regions than RDAs. There are no special financial or loan schemes elaborated especially for the purpose of financing SMEs striving for co-operation.

11.4 Project readiness and size:

A draft of the Co-operation Agreement, Call for Proposals and Grant Contracts in case of each sub-project will be elaborated by all respected institutions by the time of signing the Financing Memorandum. The Phare contribution to the Grant Scheme exceeds 2 MEUR per region.

11.5 Sustainability:

The equipment, technology etc. purchased through the grant scheme will be operated by for-profit legal entities established by co-operating SMEs. The maintenance and operating cost of the equipment will be paid by the co-operating SMEs. The question of sustainability in a longer term shall be described in the business plans of the beneficiaries and the co-operation shall sustain for at least three years. This precondition will form one of the selection criteria.

11.6 Compliance with state aid provisions

All actions financed by Phare will respect the state aid and competition provisions of the Europe Agreement.
11.7 Contribution to National Development Plan

The objectives of the Scheme correspond to the strategy of the PNDP, they directly contribute to the increase of growth and competitiveness of the regional SME sector and increase of employment in SME sector. Furthermore, the co-operation of SMEs is one of the highlighted priorities of the Regional Development Plans of the target regions.

12. Conditionality and sequencing

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.
### ANNEX 1

**Logframe Planning Matrix for Programme**

<table>
<thead>
<tr>
<th>Programme Number: HU0008-05</th>
<th>Strengthening the Co-operation Between Enterprises</th>
<th>PHARE Funds</th>
<th>Phare Funds 7.0 M EURO</th>
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<td>Date of Drafting 26/01/00</td>
<td>Planning Period 01/09/2000-01/09/2003</td>
<td>Total budget 30,828 Meuro</td>
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#### Wider Objectives

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<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the growth and competitiveness of the regional SME sector</td>
<td>Surveys and statistics</td>
<td></td>
</tr>
<tr>
<td>Increase the employment in the regions in the SME sector</td>
<td>Regional reports</td>
<td></td>
</tr>
<tr>
<td>Increase the productivity of SMEs</td>
<td>PMU records</td>
<td></td>
</tr>
<tr>
<td>Increased SME performance further to more efficient operations in purchases, production and sales, leading to SME increased turn over, profit and investment, contribution to export and GDP</td>
<td>Analysis of PHARE evaluation records</td>
<td></td>
</tr>
</tbody>
</table>

#### Immediate Objectives

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting the sharing of information and experience between enterprises</td>
<td>Reports from the implementing agencies</td>
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</tr>
<tr>
<td>Strengthening the co-operation between enterprises</td>
<td>Feed-back from direct beneficiaries</td>
<td></td>
</tr>
<tr>
<td>Increasing the SME potential as sub-contractors of larger domestic or foreign enterprises</td>
<td>Analysis of files, observations, surveys</td>
<td></td>
</tr>
<tr>
<td>Facilitating SME in the identification of new markets and products</td>
<td>PMU records</td>
<td></td>
</tr>
</tbody>
</table>

#### Results of Projects

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>100−160 SMEs helped in establishing inter-firm co-operation agreements or improvement of regional sub-supplier network</td>
<td>Reports</td>
<td></td>
</tr>
<tr>
<td>Common purchase of equipment and technology according the PHARE rules</td>
<td>questionnaires</td>
<td></td>
</tr>
<tr>
<td>50 information and exchange sessions through workshops, meetings, seminars, company visits, multimedia instruments, web sites implemented in the regions</td>
<td>PMU records</td>
<td></td>
</tr>
<tr>
<td>30 of commercial/export consortia established as a follow-up to the programme</td>
<td>Analysis of PHARE evaluation reports</td>
<td></td>
</tr>
</tbody>
</table>

### Inputs

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs interested and willing to establish Internet connections</td>
<td></td>
<td></td>
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<tr>
<td>Commitment by regional developers to implementation of the programme by the established deadlines</td>
<td></td>
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</tbody>
</table>

**contracting period: 30/09/02**

**disbursement period: 30/09/03**
Total of 7.0 MEUR Phare support and 23,838 MEUR Hungarian financing for
- One competitive grant scheme for support of SMEs.
- Programme preparation and follow-up implemented on the basis of an agreement between the Ministry of Economic Affairs and the Hungarian Foundation for Enterprise Promotion financed from Hungarian SME Target Fund
## HU0008-05 – Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>J</td>
<td>J</td>
<td>A</td>
</tr>
<tr>
<td>3.3.1. Programme Preparation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3.2. Investment in the establishment of inter-firm co-operation – Grant Scheme</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3.3.3. Programme Follow-up</td>
<td></td>
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</tr>
</tbody>
</table>

### Breakdown:
- **Design (20% shadowing):** 20%
- **Call for proposals and signature of Grant Contracts (50%):** 50%
- **Contract Implementation and Payments (100%):** 100%
The contracting period finishes by 30/09/2002
The disbursement period finishes by 30/09/2003
REFERENCE TO FEASIBILITY STUDIES

Feasibility Study on SME Networking Programme in Hungary, Prepared by The Danish Technological Institute, Denmark, COWIconsult, HFEP
ANNEX 5

LIST OF RELEVANT LAWS AND REGULATIONS

Act XCV of 1999 on SME’s and Support Measures for their Development

Government Decree No. 205/1999 (XII.26.) on providing data on subsidies, loans and public procurement granted to SMEs

MEA Decree No. 79/1999 (XII: 26.) on the detailed ruling of the allocation, management, monitoring and functioning of the Earmarked Scheme for SMEs

Government Resolution No. 1161/1998 (XII. 17.)