1. Basic information

1.1 Désirée Number: HU0105-04
1.2 Title: E-commerce as a tool for the development of SMEs
1.3 Sector: Economic and Social Cohesion
1.4 Location: Hungary

2. Objectives

2.1 Overall Objective:

- Enhancing the diversification of the economic structure of Hungary via the development of the SME sector

2.2 Project Purpose

- To familiarise SMEs with the advantages and functions of e-commerce in order to help them to create appropriate attitudes and ways of thinking
- To familiarise SMEs with the advantages that are reachable for them with the utilisation of existing electronic commercial models
- To create an environment that enables
  - SMEs to join the commerce of multinational companies from technical and communication point of view
  - SMEs to adopt the already developed technologies of the determinant commercial circles
  - reduction of the gap between SMEs and big companies in the use of new business communication opportunities
  - introduction of new competitive economic methods and their use in commercial circles of SMES with special regard to the reorganisation of their existing commercial processes
  - establishment of a community of SMEs from where they can easier access bigger companies

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 program also fulfils the aims defined in the Work Programme for enterprise policy 2000-2005 (chapter Ensuring Access for Goods and Service to Markets, E-commerce and Distribution). 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 PNDP2000 priorities drawn up on the basis of the sector strategy of enterprise development. The objectives of the project fit the priority of chapter II/2.1. The objectives of the fiche are also in line with the objectives detailed in the Subprogram to support the technology innovation of SMEs, the Sub-supplier Integrator Subprogram, the Development of SME Network Subprogram, and the Subprogram to support the SMEs joining the knowledge-driven economy of the Széchenyi Plan.

2.5. Cross Border Impact
Not applicable

3. Description

3.1 Background and justification

One of the characteristics of the Hungarian economic development since the 90s is the dominance of multinational companies in majority of the sectors and as a consequence of it the unbalanced structure of the economy. E-commerce gives the opportunity for smaller businesses to compete on the same playing field as larger corporations as the Internet gives them opportunity to market their products globally and to join an information base available for larger companies. The e-commerce approach does not mean throwing away all of the current methods of doing business, it is a new and highly optimised commercial tool.

Both from the viewpoint of the bigger companies and the viewpoint of SMEs the share of e-market and implementation of the necessary tools and methods for its introduction leads to the reduction of business cycle times, improving cash-flows, reducing inventories, decreasing administrative costs, and opening new markets and distribution channels. The Market Place could help to co-ordinate the formulation of sub-supplier circle and establishment of SME co-operation in clusters as well. As an additional effect to the introduction of this new technology the SMEs will develop their own administration systems and processes that are not available today.

The majority of SMEs have negative image of e-commerce as a new business tool as they do not see the value added of the system. On the other hand Hungarian SMEs are aware of the fact that in order to keep their orders from bigger companies they need to apply the system. SMEs do not possess relevant information about the background and infrastructure, basic definitions, advantages and new strategic consequences of the Internet based business.

It is a widespread view within the business community that the conditions for the development of e-commerce in Hungary are advantageous, the economic climate is good. The interest of companies in e-business solutions is high, the infrastructure for the connection to Internet has been established and large companies have already introduced ERP systems. Bigger companies are introducing their vertical and horizontal market places such as Matáv/OTP/Andersen Consulting horizontal portal and MATÁV portal for the company’s own procurement.

Responding to the current needs and trends the HFEP (Hungarian Foundation for Enterprise Promotion) decided to step forward and support the spread of electronic business tools among SMEs. A complex programme has been designed with the aim to raise the interest of SMEs in the application of the new technologies and to create a group of SMEs ready to adopt the most advanced tools, like the electronic market place. One of the main objectives is to utilise available market places, supply management solutions and procurement systems rather than to force the SMEs to create them for themselves.
The opportunity of this decision is confirmed by the results of the study about the technical and strategic feasibility of the electronic marketplace of HFEP was prepared in December 2001, written by BDO Web Consult.

The objective of this feasibility study is to provide HFEP with the foundation required to understand e-commerce and how SMEs fits into the planned marketplace. Emphasis is placed on strategic models, business models (B2B, B2C) and the key factors required to successfully deploy an e-commerce solution.

The proposed project is also relevant to the eEurope action Plan, launched by the European Council during the first half of 2000 under the Portuguese presidency. Candidate Countries were made aware of this initiative and decided in the Warsaw Ministerial Conference (11-12 May 2000) to launch a parallel initiative called eEurope+. This project can be seen as a concrete example of how the PHARE programme can support actions relevant to the eEurope+ initiative.

3.2. Linked activities

1.) Sub-supplier programme 2000, Hungarian Foundation for Enterprise Promotion – study in order to provide a definition of the sector where the establishment of a market place for SMEs will take place and the determination of basic services for service provision in the market place. The study is of utmost importance. A well defined, narrow sector supported also by the majority of the interested companies is the turning point of the current programme.

2.) Sub-supplier programme 2000, Hungarian Foundation for Enterprise Promotion – training materials on e-commerce prepared to SMEs, they will be communicated via Internet and hard copies to interested parties

3.) Sub-supplier programme 2000, Hungarian Foundation for Enterprise Promotion – organisation of E-Commerce Forum and four regional E-Commerce Workshops in Hungary in order to measure and analyse the attitude and problems of SME related to e-commerce solutions

4.) Establishment of the Pannon Automotive Cluster in Western Transdanubia with the lead of AUDI and OPEL. This project can be closely linked to this initiative as it has the aim of common utilisation of joint marketing, communications, supply and selling channels of the joining companies. On the other hand education and training of SMEs in joint selling and supply methods belongs to the primarily aim of the Cluster. There is an intention to establish close co-operation between HFEP and the Cluster as soon as the market place strategy is elaborated in details.

3.3 Results:

• A two-level educational system for approximately 150 SMEs in order to provide theoretical and practical knowledge for them in the field of e-commerce applications

• Functioning market place at the disposal of the SMEs at HFEP, creation of e-commerce SME community

• Establishment of a grant scheme for approximately 40 SMEs to provide e-commerce reference solutions for individual companies with extranet connections to market places and to analyse and realise their possibilities for the automation of the value chain

3.4 Activities:

TA module: (service contract)

The TA module will be divided into the following two parts:
A. Training/information dissemination:

- One day basic level curriculum based training event for several SMEs in order to introduce the basic definitions, interconnections, service providers, legal background, infrastructure, international standards of e-commerce
- Four day combined workshop/in-company advanced level education to individual SMEs to inform the SME managers about the latest methods, ideas, tools and strategies that are applicable in the Internet economy. The suggested basic chapters of this training:
  1. Formulating and planning of an e-Strategy,
  2. Strategy implementation of E-business,
  3. Change management,
  4. Other Use of Internet for SMEs.

The training will be provided only for SMEs with the intention to join a market place in the shortest possible time. The in-company training will be focused on individual needs of companies where they can get advice how to start the strategic introduction of B2B (Business to Business) solutions. The workshop will be curriculum based and the in-company education advice based.

- development of training material and guidelines about the relevant information on Internet economy (list of new service providers, technologies, tools, methods, links etc.)
- communication of the training material and guidelines to the SMEs on the interactive platform on the HFEP’s home-page and via LEAs
- the communication of the training possibility towards SMEs will be undertaken through Local Enterprise Agencies (LEAs), Regional Development Agencies and national information campaign. The homepages of these institutions will give an excellent opportunity for registration.

Eligible enterprises:

- sufficient infrastructure to integrate electronic supply networks (hardware)
- clear management strategy of the firm
- stabilised circle of buyers and sellers
- basic information about ERP systems
- developed logistics.

Number of targeted beneficiaries:

- basic level training: 50-80 SMEs with a potential to integrate electronic supply networks
- advanced level training: 50-60 SMEs with the intention to join a market place in a short term

B. Development of a market place with a function:

- to gather and provide sector specific information
- to facilitate business transactions
- to ensure the follow-up of business transactions on line
- to facilitate the co-operation of SMEs and multinational or Hungarian big companies via Internet

The following activities will be undertaken in order to achieve a functioning market place:

- building and continuous refreshing of a detailed database of the targeted SMEs (SMEs involved in the training/information dissemination part of present TA module, the SMEs involved in the activities of the Grant Scheme of the present programme and the Sub-supplier Program of the
Hungarian Foundation of Enterprise Promotion, the estimated number of SMEs to be reached is 300-350)

- analysis of the data collected in the previous period
- feasibility study of the planned Market Place from the viewpoint of finance, technical requirements and strategy
- development of the system plan of the Market Place on the bases of the database and the feasibility study
- develop the scope of a pilot implementation (segment, involved SMEs)
- building up of the potential buyer and seller side of the Market Place
- planning and building up of the technical (software and hardware, staff training) background
- test period (the Market Place is on, but the availability is limited, just for selected users)
- open pilot period (the Market Place is open for the users)
- the Market Place operates
- extension of the number of sectors the Market Place involved (automotive industry, electronic industry, chemical industry, R+D)
- generate the knowledge and resources for the maintenance of the market place.

During the period of development and operation of the Market Place the HFEP will be responsible for:

- defining the sector where the market place will be involved (piloting is one of the key elements of the programme, a well defined, narrow sector supported by the majority of the interested dominant companies would be the turning point of the programme).
- defining the strategy of future expansion of the Market Place (new sector, interested buyers and seller)
- defining the governing rules and the conditions to enter the market place to all sides
- running the developed Market Place (technical and managing background),
- developing and run the logistical services necessary to secure the long time viability of the Market Place.

During the implementation of the programme HFEP will develop the tools and services necessary to secure the continuous joining of new enterprises into the Market Place and secure that the member SMEs are able to meet the already fulfilled strict criteria of membership.

**Grant scheme for SMEs**

*Non-repayable funding will be available for the following activities:*

- elaboration of e-business strategies based on the individual needs of SMEs
- introduction of perspectives of the application of Internet: integration of the supplier chain, extranet solutions, enterprise resource and management practices
- facilitation of the introduction of e-commerce via design of an e-commerce related web-page, design of technology via through the e-commerce solution operates, solution of legal question related to Internet and e-commerce, help in organisation to build up or become part of certain electronic community

*Non-repayable funding will be available to SMEs in order to finance:*

- 50% of cost of building up and running an e-commerce related website for one year (available for the SMEs interested in the training program specified in the TA module of present programme)
- 50% of cost of preparing feasibility study, whether the SME is ready to adopt the e-commerce solutions (economic environment, company structure, market structure and situation, financial condition, is there any electronic business application, etc.)
• 50% of cost of preparing the e-commerce strategy of the SME (to find the most effective solution to its requirements)
• 50% of cost of implementing a new ERP system ready to regularly connect to the Market Place mentioned in the TA module of the present program
• 50% of cost of analysing the existing business processes and transform, integrate and implement them to new processes which will support the electronic commerce actions
• 50% of cost of modifying the existing ERP system of an SME to be ready to connect to the Market Place mentioned in the TA module and upgrade or expand it.

Eligible enterprises shall meet all the criteria indicated below:
• SMEs that have participated in the advanced level training
• SMEs with an annual turnover of around 1 billion Ft
• SMEs that employ more than 40 employees
• SMEs that produce minimum 2 homogeneous product groups
• Have stabilised circle of buyers and sellers
• Member of a supply chain
• Clear management strategy of the company
• Bank rating acceptable in the supply chain.

The grant support is not limited to 25% because the grant can be requested for TA and not investment. The minimum amount of grant requested is 50,000 EUR per project, the maximum grant amount cannot be more than 80,000 EUR.

Number of target beneficiaries: 40 SMEs. The estimation is based on the data gathered from 6-7 multinational companies settled in Hungary and large size Hungarian companies about the number of their first stage (integrator) supplier SMEs.

4. Institutional Framework

The institutional framework to be followed during the implementation will be in accordance with annex 7 of this fiche, with the following specific characteristics:

• **IA (Implementing Agency):** (See 6.1) Retains full responsibility for programme implementation.

• **Intermediary:** Hungarian Foundation and Enterprise Promotion; to be contracted by the IA. Undertakes the task of day-to-day technical management of implementation of projects and monitoring activities under the authority of the IA. The relationship between the IA and the Intermediary shall be defined in a Cooperation Agreement which will reflect the institutional framework given in this fiche.

• **Relevant experience**

Sub-supplier programme 2000, Hungarian Foundation for Enterprise Promotion – training materials on e-commerce prepared to SMEs, they will be communicated via Internet and hard copies to interested parties

Sub-supplier programme 2000, Hungarian Foundation for Enterprise Promotion – organisation of E-Commerce Forum and four regional E-Commerce Workshops in Hungary in order to measure and analyse the attitude and problems of SME related to e-commerce solutions

Establishment of the Pannon Automotive Cluster in Western Transdanubia with the lead of AUDI and OPEL. This project can be closely linked to this initiative as it has the aim of common utilisation
of joint marketing, communications, supply and selling channels of the joining companies. On the other hand education and training of SMEs in joint selling and supply methods belongs to the primarily aim of the Cluster. There is an intention to establish close co-operation between HFEP and the Cluster as soon as the market place strategy is elaborated in details.

- **Rules, procedures and formats:** The grant section of the Commission Practical Guide will be strictly followed.

5. **Budget (in Euro)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Investment (I)</th>
<th>Institution Building (IB)</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>Total 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Tender (training and market place development)</td>
<td>1.0</td>
<td></td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Grant Scheme</td>
<td>1.0</td>
<td></td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.0</strong></td>
<td></td>
<td><strong>2.0</strong></td>
<td><strong>2.0</strong></td>
<td><strong>4.0</strong></td>
</tr>
</tbody>
</table>

The Ministry of Economic Affairs, Department for the Development of Small- and Medium Sized Enterprises, SME Target Fund will co-finance the programme. The project will be jointly co-financed between Phare and Government resources. The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and the national amount is also binding and has to be applied to the final contract price.

6. **Implementation Arrangements**

6.1. *Implementing Agency (IA)*

The project will be implemented under the overall co-ordination and supervision of the Ministry of Agricultural and Regional Development (MARD), whose representative, Mr. Péter Szaló, deputy secretary of state is the PAO of the program. The PAO will be responsible for contracting and payments of the programme.

**Address:** Ministry for Agriculture and Regional Development  
National Agency for Regional Development  
1016 Budapest, Gellértthegy u. 30-32.  
Phone: 488-7171  
Fax: 488-7165

The Hungarian Foundation for Enterprise promotion will be responsible for the technical part of the project in terms of design, evaluation follow up and monitoring. The following person within official will act as Senior Programme Officer. His contacts are:

**Address:** Hungarian Foundation for Enterprise Promotion,  
1062 Budapest, Bajza u. 31  
Name: Mr Zoltán Felföldi  
Position: Phare and International Director  
Phone: 0036 1 461 60 84  
Fax: 0036 1 322 38 46  
e-mail: felfoldi@mva.hu
6.2 Twinning
N/a

6.3. Non-standard aspects

The rules of the Practical Guide for Phare, ISPA and SAPARD Contract procedures will be strictly followed during the implementation of the service tender and grant schemes.

6.4. Contracts

One service contract (estimated value 2 M€, including Government Contribution) and about 40 grant contracts (estimated average value 50,000 € including Government Contribution) with beneficiaries under the grant scheme will be signed.

7. Implementation Schedule

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering/ Call for Proposals</th>
<th>Start of Project Activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA Module (one international service contract)</td>
<td>2001 November</td>
<td>2002 July</td>
<td>2004 February</td>
</tr>
<tr>
<td>Training/information dissemination</td>
<td>2001 November</td>
<td>2002 July</td>
<td>2003 September</td>
</tr>
<tr>
<td>Development of marketplace</td>
<td>2001 November</td>
<td>2002 July</td>
<td>2004 February</td>
</tr>
<tr>
<td>Grant scheme for SMEs</td>
<td>2001 November</td>
<td>2002 October</td>
<td>2004 June</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

Equal participation between women and men during the implementation and the operation of projects will be ensured. Women’s participation will be proved by statistical data and reports provided by the operating organisations and collected by the HFEP.

9. Environment

Only environmentally friendly technologies and products will be eligible for support.

10. Rates of Return

The individual application forms submitted to the HFEP for the grant scheme shall determine the rate of return.

11. Investment Criteria

**Catalytic Effect** SMEs are facing difficulties while they try to respond the challenge of new commercial tools. The catalytic effect of the project is in the spread of new and most up-to-date technologies and know-how among SMEs. Also the marketplace elaborated by the Foundation can be utilised by other sectors and target groups.
Co-finance: The Hungarian Government will contribute 50% of the total project cost. Additional co-financing will be provided by SMEs participating in training events, using the grant scheme and the market place. Salaries, office space and professional staff for project management will be provided by HFEP. The HFEP counts on the contribution of the multinational and bigger Hungarian firms joining the market place at a later stage.

Additionality The Programme will not generate competition with any private service providers, and no other financiers will be displaced by the Phare intervention.

Readiness Main manuals and teaching materials are available and will be developed continuously. A new strategy of the HFEP will specify further adjustments. A study on the technical and strategic feasibility of the electronic marketplace of HFEP is finalised.

Sustainability HFEP is responsible for the operation of the market place. SMEs will be charged a small fee in order to use the MP. This can generate income that enables the Foundation to run the place for the longer term and to introduce new services. As for the services such as banking, insurance, logistics etc for SMEs, service providers will pay a certain percentage of the revenue generated from the MP transactions.

Competition Phare funded equipment and services will be procured in line with the regulations of the Practical Guide.

12. Conditionality and Sequencing

- The Hungarian Government will ensure that adequate human and financial resources are provided to the Implementing Agency and the relevant technically responsible institution (HFEP) so as to ensure the smooth implementation of the programme.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. List of Relevant Laws and Regulations - Government resolution 2073/1999 (IV.21)
5. Reference to feasibility studies
6. Reference to relevant Government Strategic plans and studies
7. Template for the institutional framework/implementation arrangements in case of grant schemes.
## LOGFRAME PLANNING MATRIX for Promotion and development of SMEs

<table>
<thead>
<tr>
<th>Programme Number:</th>
<th>HU</th>
<th>E-Commerce as Tool for Development of SMEs</th>
<th>Contracting period expires: June 2003</th>
<th>Disbursement period expires: November 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Budget:</td>
<td>4.0 M EUR</td>
<td>Phare contribution: 2.0 M EUR</td>
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</tbody>
</table>

### Overall Objectives
- Enhancing the diversification of the economic structure of Hungary via the development of the micro and SME sector

### Project Purpose
- To familiarise the SMEs with the advantages and functions of e-commerce in order to help them to create appropriate attitude and way of thinking
- To familiarise the SMEs with the advantages that are reachable for them with the utilisation of existing electronic commercial models
- To create an environment that enables that the SMEs join the commerce of multinational companies from technical and communication point of view, that the SMEs adopt the already developed technologies of the determinant commercial circles, reduction of a gap between SMEs and big companies in the use of new business communication opportunities

### Results
- A two-level educational system for approximately 150 SMEs in order to provide theoretical and practical knowledge for them in the field of e-commerce applications
- Functioning market place at the disposal of the SMEs at HFEP, creation of e-commerce SME community
- Establishment of a grant scheme for approximately 40-50 SMEs to provide e-commerce reference solutions for

### Objectively verifiable indicators
- improved awareness for e-commerce mechanism
- number of SMEs utilising the market place and e-commerce as an instrument
- increased use of e-commerce facilities and practices
- increased competitiveness of SMEs, increased sales and profitability through market place sales
- entry to new markets

### Sources of Verification
- Performance reports
- Government reports on SME development
- EDI reports on Hungary
- favourable legal environment in e-commerce environment and regional conditions for the SMEs
- successful implementation of the e-commerce program
- successful transformation and adoption of HFEP programs already exist
- number of innovative ideas from the SME sector

### Assumptions
- adequate provision from state budget and the beneficiaries
- effective cooperation with the multinational companies defining demand in the target sector
- output relevant to industry needs
individual companies with extranet connections to market places and to analyse and realise their possibilities for the automatisation of the value chain

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• TA module</td>
<td>○ Technical assistance contract</td>
<td>○ the study prepared on target sector and target groups completed</td>
<td>○ effective co-operation with the target SMEs and SME service providers on local level</td>
</tr>
<tr>
<td>• Grant Scheme</td>
<td>○ Grant contracts for provision of TA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 2 MEUR of Phare funding, 2 MEUR of national co-financing, 1.4 MEUR of SME financing | Good quality tender documents ready and accepted by all parties by August 2001 |
### DETAILED IMPLEMENTATION CHART

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tr>
<td>Month</td>
<td>J</td>
<td>F</td>
<td>M</td>
<td>A</td>
</tr>
<tr>
<td>1. TA Module</td>
<td></td>
<td></td>
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<tr>
<td>2. Grant Scheme</td>
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</tbody>
</table>

- **Design (20% shadowing)**: 20%
- **Tendering and contracting (50%)**: 50%
- **Contract Implementation and Payments (100%)**: 100%
## CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEUR)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Commitment</td>
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</tr>
<tr>
<td>Disbursement</td>
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<td>0,5</td>
<td>0,9</td>
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<td>1,5</td>
<td>2</td>
<td></td>
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</tbody>
</table>
REFERENCE TO FEASIBILITY/PRE-FEASIBILITY STUDIES

Feasibility study about the technical and strategic feasibility of the electronic marketplace of HFEP, December 2001, written by BDO Web Consult
Annex 5

LIST OF RELEVANT LAWS AND REGULATIONS


- Act IV of 1959. Hungarian Civil Code
- Act CLV of 1997 on Customer Security
- Act LVIII of 1997 on Business Advertising Activity
- Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices
- Act LXXIV of 1992 on Value Added Tax and Schedule No. 1 for that Act, Sphere of Products and Services Under 12 Percent Rate of Tax Charged
- Act LXIII of 1992 on Security of Personal Data and Publication of Publicly Useful Data
- Act LIII of 1995 on Environment protection
- Government Regulation 117/1991 (IX 10)
- Government regulation 4/1997 (I 22)
- Government Regulation 17/1999 (II 5)
- Government Regulation 18/1999 (II 5)
- Regulation of Ministry for Industry and Trading 43/1997 (VIII 14)
- Decree of Ministry of Trading about User Manual 1984 (III 10)
- Decree of Ministry of Trading about quality features 1984 (KÉ5) BKM-IPM-MÉM
- Decree of Ministry of Trading about quality features 1984 (KÉ19) BKM/IPM
- Decree of Ministry of Trading 15/1989 (IX 7)
- Civil Code GK NR. 731995 (II 13)
Annex 6

RELEVANT GOVERNMENT STRATEGIC PLANS AND STUDIES

Preliminary National Development Plan (chapter II/1.2.1)
Széchenyi Plan (chapter 3.1.2 and 3.2.1)
Work Programme for Enterprise Policy 2000-2005
ANNEX 7

TEMPLATE FOR THE INSTITUTIONAL FRAMEWORK/IMPLEMENTATION ARRANGEMENTS IN CASE OF GRANT SCHEMES

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

- **Intermediary:** shall be identified either as a Regional Development Agency (RDA) or any Technical Assistance Organisation (TAO) to be contracted by the IA. Undertakes the task of day-to-day technical management of implementation of projects and monitoring activities under the authority of the IA. The relationship between the IA and the Intermediary shall be defined either in a Cooperation Agreement (RDA) or in a service contract (TAO) which will reflect the institutional framework given in this fiche.

- **Rules, procedures and formats:** The grant section of the Commission Practical Guide will be strictly followed.

1. **PREPARATION OF THE PACKAGE OF CALL FOR PROPOSAL, GUIDELINES FOR APPLICANTS AND APPLICATION FORM ACCORDING TO THE PRACTICAL GUIDE**

   - IA drafts the call for proposal, the guidelines for applicants and the application form in consultation with the entities concerned in the given field (at national – e.g. Ministries - and regional level)

   - IA submits the final version of the documents to EC for approval

   - EC Delegation endorses the documents

2. **PUBLICATION OF THE CALL FOR PROPOSAL**

   *The IA takes all appropriate measures to ensure that the nationally and regionally publicised call for proposal reaches the target groups in line with the requirements of the Practical Guide.*

3. **PROJECT SELECTION PROCESS**

   - RDA (or TAO) collects and registers incoming project proposals

   - The IA selects (in agreement with the co-financing ministry/ies involved, if relevant) and approves the assessor team for the assessment of administrative compliance, eligibility and assessment of technical and financial quality of proposals

   - The IA (PAO) nominates the evaluation committee (non-voting chairman and secretary, and voting members) with the co-financing ministry/ies involved, if relevant

   - The IA nominates the members of the assessment team and evaluation committee exclusively on the basis of technical and professional expertise in the relevant area
• The Delegation endorses the team of assessors and the composition of the evaluation committee. The Delegation nominates an observer to follow all or part of the proceedings of the Evaluation Committee. Prior approval is needed from the Delegation for the participation of other observers.

• The evaluation committee draws up its recommendations and decisions according to the assessor team's written assessment of each proposal on the basis of the published evaluation grid.

• The PAO approves the evaluation report prepared by the evaluation committee and forwards the evaluation report and any award proposals to the Delegation.

• The Delegation endorses (ex-ante) the evaluation report on the selection process and the final list of grants to be awarded.

• The IA notifies each applicant in writing of the result of the selection process.

4. **Contracting (PAO Designated in the Responsible Implementing Agency)**

• *The format of the grant contract is drafted according to the Practical Guide using the standard grant contract format and its annexes.*

• *The format of the grant contract is to be approved by the Delegation (in cases where the call for proposals results in the award of a large number of grants which all have the same grant contract conditions).*

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

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

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

5. **Implementation of the Selected Projects by the Beneficiaries**

• Beneficiaries subcontract suppliers of goods, services or works, in line with Phare procurement regulations annexed to the Grant Contract and under the Practical Guide.
• Projects under 300,000 Euro (Phare contribution) will be subject to ex-post control by the EC Delegation pursuant to the Practical Guide

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

6. **FINANCIAL MANAGEMENT OF THE SELECTED PROJECTS**

• The IA with the technical assistance of the RDA / TAO receives and verifies the invoices and requests payment by the National Fund

7. **MONITORING OF THE PROJECTS IMPLEMENTED BY THE BENEFICIARIES**

   Standard Phare monitoring instruments will be used for monitoring purposes. Attention is drawn to the special duty of the RDA / TAO with regard to the day-to-day monitoring of the selected projects.