1. Basic Information

1.1. Désirée-number: HU0105-11
1.2. Title: Promotion of the Innovative Activity of Enterprises
1.3. Sector: Economic and Social Cohesion
1.4. Location: Hungary, South Great Plain Region

2. Objectives

2.1. Overall Objective
• Promoting regional economic growth through the development of the economic potential of the innovation activities

2.2. Project purpose:
• Develop new technologies and products by making use of R&D results achieved by the region’s research institutions.

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 the National Plan
According to the revised PNDP (2001) based on the regional development strategies the project reflects to priority 1 “Knowledge and innovation based economic development” and the measure 1.4 of “Promotion of the Innovative Activity of Enterprises” (PNDP 2001, Chapter 5.5.3).

2.5. Cross-border Impact
Not relevant.

3. Description

3.1. Background and Justification
The innovative activity of the companies in the whole country has declined over the nineties, the number of registered trademarks fell back to 551 in 1998 from a number of 1805 in 1990 and the number of approved patents fell back to 350 from 1479 in the same period. This tendency has contributed to the fall of competitiveness and productivity of companies. Since 1998, a gradual intensification of the R+D activity and innovation can be observed, primarily as a result of the inflow of foreign direct investment into large companies.

The South Great Plain region is lagging far behind the national average in terms of GDP (77.9% of the 1997 Hungarian average). The regional economic structure has changed basically during the 90’s. Most of the factories had to close down. Part of the manpower working in these factories has found a job in the service sector, while others could establish their own small enterprise.

Enterprises with innovative activities have already appeared. Most of them are spin-off enterprises founded by people who worked previously at state-owned companies, research or higher educational institutions. These enterprises have achieved favourable positions in some narrow, special, know-how- and technology-demanding niche markets. Beside these enterprises there is a very low number of companies developing new technologies or products. Furthermore, local enterprises have not succeeded in establishing well-organised connections with local universities and research institutions that could have promoted the development activities of the companies.
The South Great Plain region has the third highest R+D potential in Hungary after the Central Hungarian region that is including the capital city. While 60% of the researchers and engineers work in Budapest, this index is 9.2% in the South Great Plain region. From among the young people in the region 12.5% continue their studies in higher educational institutions.

The co-operation of the Hungarian Academy of Sciences with the higher education system is through the 15 academic research teams which were established at the University of Arts and Sciences in Szeged. Local universities and research institutions continuously produce high-level innovations and research results acknowledged all over the world. The strongest research fields are bio-technology, dermatology, heterocyclical chemical research, hispanic research, circulation pharmacology, talent research, laser physical research, medievistic research, prehistoric research, artificial intelligence research, microbiological research, nanostructural dispers systems research, neurohumoral research, organic catalysis research, reaction kinetic research.

All the above statements are supported by the results of a study that analysed the connection between economy and research within the region. (Study on the long-term operation of the industrial-research office, prepared by: Laser Consult Ltd. 1999, ordered by: Cereal Research Non-Profit Company, Szeged)

The general lack of own capital and credits available hinders the enterprises in utilising R+D results. The R+D gap described above could be bridged by introducing new methods for the promotion of innovative activities that could help to change the production structure towards know-how based economic activities from those based on cheap labour and producing low added value.

International experience prove that innovation and technological centres establish an optimal environment for the promotion of SMEs as well as for higher education institutions and research centres. These innovation and technological centres have a catalytic effect on innovative and technological activities in the whole region.

3.2. Linked Activities
HU9606-020137 „Strengthening the connections between economy and research“ - The project has been implemented in the region. The project has identified the tasks of the organisations involved in the process of technology transfer and innovation, the as well as the possible fields of activity of innovation centres in the region. The project also set up a database of the companies' technological needs as well as the technological offers and research results of the research institutions. The experiences gained during the realisation of the project show that members of the business sphere are not adequately informed concerning the significance of the technology transfer and its effect on business. Efficient utilisation of research results and the lack of organisations propagating intellectual products are serious problems in places of research.

HU0008-04 „Development of Human Resources at Small- and Medium-Size Enterprises“ – In the frame of the project a comprehensive training will be carried out to experts who will be able to manage the innovation centres, incubator houses and provide consultancy services for the relevant partners. The target group of training will involve managers of industrial parks, incubator houses, logistics, science and innovation centres. The training will focus on the method of specific service provision expected by the tenants, service needs assessment, improvement of service quality, methods of reinforcing inter-firm co-operation and sub-contracting activities amount tenants, legal aspects of tenancy and financial management.

HU0008-05 “Strengthening the Co-operation Between Enterprises” – The project focuses on strengthening the inter-firm co-operation 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.

Hungarian state support programmes as well as the Vth R+D Framework Programme of the EU only provide financial sources for research and development institutions. As regards the innovation activities of enterprises, these programmes support the preparation of studies, counselling, financing of running expenses and the purchase of patents, but do not support the purchase of assets. Thus, the measures carried out in these programmes will be complementary to the results of the present project.
Co-ordination between the above programmes and this project will be ensured by the IA in co-operation with the Research and Development Deputy State Secretariat of the Ministry of Education responsible for the domestic programmes.

Connecting to the objectives of the project and ensuring the sufficient implementation of the regional development plan further developments and technical assistant activities will be carried out in the region, which depends on the financial opportunities for the next years of the partners interested in the regional development.

3.3. Results

3.3.1. Establishment of Innovation and Technological Centres
At least 4 innovation and technology centres will be established. Each of the centres will represent different professional expertise. The innovation and technology centres will provide the following services for small- and medium-size enterprises which develop new technologies or products:

- Well equipped office, workshop and, where required, laboratory rooms as hard infrastructure enabling the skilled management to provide the following services:
  - High-level communication and information infrastructure including broad band-width internet access;
  - Broker function: translation between the technology/innovation needs and the problem research facilities of HE and research centres;
  - Intermediary function: between HE and research centres and the SME base to facilitate the exploitation of the commercial potential of research
  - Facilitating networking and information flow among research and development institutions, enterprises and the innovation centres of the region by organising information forums, setting up data bases, issuing newsletters as well as promoting successful methods and practices.

The targeted number of the centres would host is at least 30 enterprises in the first year of the operation.

3.3.2. Support to enterprises developing new technologies or products
The support will enable at least 10 enterprises to develop new products and technologies preferably by utilising the research and development results of institutions operating in the region.

3.4. Activities
The project will be implemented through a grant scheme with two windows corresponding to the results described under 3.3.1 and 3.3.2.

Technical assistance to the preparation of applications will be provided for the applicants.

3.4.1. Establishment of innovation and technology centres
The non-refundable grant is limited to a maximum of 600,000 EUR per project. The minimum amount of the non-refundable grant is 200,000 EUR. The maximum level of the non-refundable grant is 60% of the total project costs in the case of non-profit organisations.

The following activities will be financed:

- Building or modernisation of buildings (offices, workshop, presentation rooms and, where required, laboratories) and the related public utilities.
- Purchase of equipment for the office, presentation rooms. Establishment of high quality IT infrastructure for the whole building including intranet and broad band-width internet access.

Organisations eligible for support will be consortia of

- A non-profit organisation that will manage an innovation centre having a business plan and a budget for the middle-term (3-5 years) operation of the centre, as leader of the consortium.
- At least one university, college or institution pursuing continuous research and development activities.
Priority will be given to those applicants who provides letter of intents from potential partners or/and tenants.
The applicant organisations must be registered in the South Great Plain.

Projects for support will be selected according to the following criteria:

- The quality level of services to be provided by the centre;
  - The minimal level of services should include:
    - Support to access for offices, workshops, presentation rooms and IT infrastructure.
    - Innovation/technology research consultancy
      - Managing the innovation process: focusing on the management and resource needs of small businesses involved in innovation.
      - Professional services and support for the research, planning and development of new or products and services.
      - Support for identification and evaluation opportunities through licensing products or technologies.
      - Support for the exploitation of technology and business co-operation opportunities
  - Information allocation
    - Support to access for R&D programmes, funding sources and the regional science base.
    - The co-operation with regional organisations is a preferable condition (i.e. RDA, Euroinfo centres)
  - Additional services
    - Legal and financial consultancy on the intellectual property
    - HRD development for SMEs in innovation management

- The contents and feasibility of the middle-term business plan and budget;
- Economic impacts of the implementation of the project;
- Long-term sustainability of the centre's operation (the beneficiary have to be capable finance the operational costs and provide management capacity);
- The competence of the applying consortium for the implementation of the project;
- Justification of the budget planned;
- Readiness for implementation and tendering procedures;
- Professional and management competency

Priority will be given to applications that prove the support of the following types of organisations:

- Large companies who co-operate or intend to co-operate in product or technology development with SMEs.
- Public enterprises and other professional organisations whose primary field of activity is to promote R+D activities;
- The relevant Chamber of Economy in the area;
- The local enterprise agency;
- A company running an industrial park;
- A company operating an incubator house.

3.4.2. Support to enterprises developing new technologies or products

At least 10 SMEs will be provided a non-refundable grant which can vary between 60,000 EUR and 100,000 EUR per project. The maximum rate of non-refundable grant to SMEs should be 25 %. Non-refundable grants will be given to companies – primarily SMEs – for the procurement of equipment and services.

The following activities will be financed:
- Purchase of equipment necessary to develop new products and technologies.
- The following services:
  - innovation/technology research consultancy
  - strategic planning and life-cycle management of innovative products
Organisations eligible for support:

- Enterprises intending to develop new products and technologies and can submit the following documents
  1. Middle-term (3-year) business plan and budget;
  2. Middle-term (3-year) R+D plan focusing on the innovative and technology-intensive character of the activities and its justifiability;
  3. Investment schedule with budget
- Beneficiary enterprises must be registered in the South Great Plain.

Projects for support will be selected according to the following criteria:

- Technology-intensive character of the project;
- The expectable economic benefit of the technological or product development the project intends to achieve;
- Professional justification, feasibility of the project;
- The ability of the applicant to finance the long-term operation and maintenance of the purchased equipment;
- Readiness for implementation;
- The competence of the applying enterprise for the implementation of the project;
- Justification of the budget planned.

Priority will be given to small and medium-size enterprises and other applicants applying for the implementation of an innovation based on:

- the applicant’s own intellectual product
- a partnership with R+D institutions in the development of the product or technology.
- A positive decision from a commercial Bank on a loan application providing capital to finance totally or partially the 75% of the project not supported by the scheme.

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:** The Southern Great Plain Regional Development Agency; 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.

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

---

1 SMEs should comply with the Act XCV of 1999 on SMEs
The project will be implemented under the overall coordination and supervision of the Ministry of Agriculture and Regional Development, with the involvement of the Regional Development Agency.

5. Detailed Budget (MEUR)

<table>
<thead>
<tr>
<th>Component</th>
<th>Phare Support</th>
<th>National 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>
<td>Public</td>
</tr>
<tr>
<td>3.4.1. Establishment of innovation and technology centres</td>
<td>2.4</td>
<td>-</td>
<td>2.4</td>
<td>0.8</td>
</tr>
<tr>
<td>3.4.2. Support to enterprises developing new technologies or products</td>
<td>0.6</td>
<td>-</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.00</strong></td>
<td>-</td>
<td><strong>3.00</strong></td>
<td><strong>1.0</strong></td>
</tr>
</tbody>
</table>

The project will be jointly co-financed between Phare and government resources (Ministry of Agriculture and Regional Development). 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.

Up to 10% of the Grant Scheme budget can be used to recruit independent expertise for evaluations and support project supervision and monitoring.

6. Implementation Arrangements

6.1. Implementing Agency

The Ministry for Agriculture and Regional Development, through its Phare Regional Development IA, will be responsible for all aspects of tendering and contracting as well as administrative and financial matters of the implementation. The PAO will be Mr. Peter Szalo Deputy Secretary of State of the Ministry of agriculture and Regional Development.

Address:
Ministry for Agriculture and Regional Development
Phare Regional Development Implementing Agency
H-1016 Budapest, Gellérthegy u. 30-32.
Phone: +36-1-488-7171
Fax: +36-1-488-7188

6.2. Twinning
Not applicable
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 project.

For grants **below € 300,000** (Phare contribution), procurement must follow DIS rules. The PAO is responsible for ensuring the rules are properly followed. There will be no ex ante control by the Delegation of the tendering and contracting procedures followed for the procurement.

For grants between **€ 300,000 and € 2 mio** (Phare contribution), the Delegation will exercise the usual ex ante controls on tendering and contracting procedures for the procurement.

The two components of the grant scheme will be operated on the basis of a Co-operation Agreement between the IA and the RDCs, regulating the role of the parties in the project identification and the monitoring of the implementation of projects.

6.4 Contracts

The grant scheme with two windows will be operated on the basis of PRAG. Beneficiaries will sign Grant Contracts with the PAO laying down the rules of the project implementation based on the list of supported projects approved by the IA and endorsed by the EC Delegation in case of the Phare co-financed projects.

It is anticipated that the estimated number of Grants will be 4 under window 1 and 10 under window 2.

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>3.4.1. Establishment of innovation and technology centres</td>
<td>2001 November</td>
<td>2002 July</td>
<td>2004 September</td>
</tr>
<tr>
<td>3.4.2. Support to enterprises developing new technologies or products</td>
<td>2001 November</td>
<td>2002 July</td>
<td>2004 September</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 RDA.

9. Environment

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

10. Rates of return

The individual business plans submitted to the RDA for both windows of the grant scheme shall determine the rate of return.

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. In the long run an innovation policy, which is based on a regional diffused institution system, will increase the competitiveness of the whole region. This could help less developed regions to start to catch up, while in case of more developed regions it
makes possible more active connection to the main streams of R+D and technology development. Furthermore the project is

11.2. Co-financing
The Ministry of Agriculture and Regional Development will contribute to the Promotion of the Innovative Activity of Enterprises with 1 MEUR co-financing to the whole project.

11.3. Additionality
The Phare intervention will not displace any other financiers.

11.4. Project readiness and size
All plans necessary for the applications to the grant scheme (i.e. business and R+D professional plans) will be completed not later than February 2002. The call for proposals can be launched as planned in 2001 November. A draft of the Co-operation Agreement, Call for Proposal, Application form, Guidelines for applicants and Grant Contracts will be elaborated by all concerned organisations by the time of signing the Financing Memorandum. The Phare contribution to the Grant Scheme is 3 MEUR and meets the minimum project size requirements.

11.5 Sustainability
The equipment, technology etc. purchased through the grant scheme will be operated by the beneficiaries. The beneficiaries will be responsible for the sustainability of the project and will provide the administrative staff and the necessary funds for the operational costs. The ability of the applicant to finance the long-term operation and maintenance of the centres and the purchased equipment will be ensured at the project selection phase.

11.6. Compliance with state aid provisions
All components financed by Phare will be carried out in line with the PRAG and will respect the state aid and competition provisions of the Europe Agreement.

12. Conditionality and sequencing

No conditionalities apply to this project.
ANNEXES TO PROJECT FICHE
1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
4. Reference to feasibility /pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)
5. List of relevant Laws and Regulations (optional)
6. Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc) (optional)
7. Institutional framework/Implementation arrangement
<table>
<thead>
<tr>
<th><strong>LOGFRAME PLANNING MATRIX FOR</strong></th>
<th><strong>Programme Name and Number</strong></th>
<th>HU0105-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project:</strong></td>
<td><strong>Contracting period expires:</strong></td>
<td>June 2003</td>
</tr>
<tr>
<td><strong>Promotion of Innovative Activity of Enterprises</strong></td>
<td><strong>Disbursement period expires:</strong></td>
<td>November 2004</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td><strong>Phare Budget</strong></td>
<td>4.0 MEUR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Overall Objectives</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Source of verification</strong></th>
<th><strong>Assumption</strong></th>
</tr>
</thead>
</table>
| • Increase the economic and social cohesion of Hungary by promoting sustainable economic growth in the South Great Plain region based on promoting innovation activities within the regional economy. | • Regional GDP/capita and rate of employment grows faster than national average  
• Increasing role of the business sphere in financing R+D activity  
• Number of enterprises participating in international R+D activities (participation in EU applications) | • Regional and national economic statistics | • Steady market demand for products of enterprises benefiting from infrastructure projects  
• Substantial share of income generated by new investments reinvested in the target region (positive capital balance) |

<table>
<thead>
<tr>
<th><strong>Project purpose</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Source of verification</strong></th>
<th>---</th>
</tr>
</thead>
</table>
| • Develop new technologies and products developed by making use of R&D results achieved by the regions research institutions | • Number of orders from research places  
• Number of new technologies used by enterprises  
• Number of products with an innovative character developed | • Regional economic statistics  
• Project reports  
• Case studies | --- |
<table>
<thead>
<tr>
<th><strong>Results</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Source of verification</strong></th>
<th><strong>Assumptions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of Innovation and Technological Centres. At least 4 innovation and technology centres will be established.</td>
<td>Number of SMEs using the services of the Centres</td>
<td>Publications on research and development results</td>
<td>Favourable economic environment</td>
</tr>
<tr>
<td>Support to enterprises developing new technologies or products. The support will enable at least 10 enterprises to develop new products and technologies preferably by utilising the research and development results of institutions operating in the region.</td>
<td>Level of satisfaction of the SMEs</td>
<td>Project reports</td>
<td>Availability of skilled human resource</td>
</tr>
<tr>
<td></td>
<td>Number of Research results from HE institution/research Centres used commercially by SMEs</td>
<td>Case studies of successful technology transfer, innovation models</td>
<td>Availability of capital investment resources for businesses</td>
</tr>
<tr>
<td></td>
<td>Number of innovative technologies developed and applied</td>
<td>Customers survey on the services rendered by the Centres</td>
<td>Skilled managers for running the innovation centres</td>
</tr>
<tr>
<td></td>
<td>Number of publications on research and development results</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of enterprises assisted (technology/innovation consulting)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Activities</strong></th>
<th><strong>Means</strong></th>
<th><strong>Source of verification</strong></th>
<th><strong>Assumptions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Building or modernisation of buildings (offices, workshop, presentation rooms and, where required, laboratories) and the related public utilities.</td>
<td>A grant scheme with two windows</td>
<td>Phare reports</td>
<td>Good quality of the proposed projects regarding their readiness for tendering</td>
</tr>
<tr>
<td>Purchase of equipment for the office, presentation rooms and amenities. Establishment of high quality IT infrastructure for the whole building including intranet and broad band-width internet access.</td>
<td>3MEUR of Phare funding, 4,68 MEUR Hungarian financing</td>
<td></td>
<td>National resources are available in the planned time</td>
</tr>
<tr>
<td>Support to equipment purchase of SMEs willing to develop new products and technologies</td>
<td></td>
<td></td>
<td>Unchanged regulations for the project implementation</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td></td>
<td></td>
<td>Unchanged institutional structure under the implementation period</td>
</tr>
</tbody>
</table>

| **Preconditions** | |
| --- | |
| Good quality of call for proposal, guidelines ready and accepted by all parties by November 2001 | |
### DETAILED IMPLEMENTATION CHART

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establishment of innovation and technology centres</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Promotion of enterprises pursuing technology-intensive activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Design (20% shadowing)</th>
<th>Tendering and contracting (50%)</th>
<th>Contract Implementation and Payments (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 3

- CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEUR)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.2</td>
<td>0.8</td>
<td>2.2</td>
<td>2.6</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Disbursement</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.2</td>
<td>0.5</td>
<td>0.9</td>
<td>1.5</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
</tr>
</tbody>
</table>
Reference to Feasibility/Pre-feasibility Studies

Summary of the project: No: HU96-06-02-01-37; Project title: Strengthening the links between business and R&D activities with special consideration to technology transfer, venture capital investments and contract research opportunities (Prepared study: Study on the long-term operation of the industrial-research office, prepared by: Laser Consult Ltd. 1999, Beneficiary: Cereal Research Non-Profit Company, Szeged)

Regional Strategic Programme(prepared by: Dr. Albel Andor, Dr. Buzás Norbert, Dávid János, Dr. Galbács Zoltán, Kristóf Gabriella, Dr. Kulcsár László, Laky Ildikó, Dr. Lengyel Imre, Róka László, Szoboszlai Zsolt; 1999, ordered by: South Great Plain Regional Development Council)
Annex 5

List of relevant Laws and Regulations

143/1994 (XI.10.) decree: Innovation and Technical Development Policy
31/1998. (II.25.) decree: Innovation Centre
30/1982 (VII.19.) MIT decree: National registration of the R&D activities
84/1999 (VI.11.) decree: Research and Development
Annex 6

Relevant Government Strategic Plans and Studies

Preliminary National Development Plan

The objectives of the project reflect the PNDP priorities drawn up on the basis of the sectoral strategies and the development strategies of the target regions supported by the Phare programme. The objectives of the project fit to the priority of the development of the local economy (PNDP, chapter II./2.1.).

Szechenyi Plan

Background Situation

In the field of R+D a decreasing trend can be observed in Hungary. The rate of R+D expenditures compared to GDP decreased from 1.6% to 0.7% between 1990 and 1998, which is far behind the common rate of 1.5-2.0% in the EU member states.

The units of present national innovation system – universities, research institutes, enterprises, intermediate members- are not able to guarantee the success of innovation processes alone. Besides enlarging the institutional frames, the innovation program aims to improve human resource basis of knowledge transfer.

First of all, the technology transfer centres, innovation centres, industrial parks and the networks, leaning on the intellectual base of higher education, can speed up the information transfer between R+D and the business sphere. In addition to this, it is also important to reach those groups that promote the economical usage of scientific results, breaking into some narrow segments of the world market and establishing regional scientific centres.
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.