COMMISSION DECISION

of 2004
on the financial contribution of Transition Facility for strengthening institutional capacity to HUNGARY

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Act of Accession 2003, in particular Article 34 thereof,

Whereas:

(1) Article 34 of the Act of Accession provides the possibility of granting a temporary financial assistance, the Transition Facility, to the new Member States to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

(2) The actions funded by this Decision in the areas of agriculture, environment, justice and home affairs and customs, strengthening of public administration, transport policy, which is a need identified in the Commission’s comprehensive monitoring report, and for other Institution Building actions are eligible for funding according to Article 34(2) of the Act of Accession.

(3) Pursuant to Article 34(4) of the Act of Accession, the Transition Facility is implemented in accordance with Article 53(1) (b) of Council Regulation 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities.

(4) An Implementing Agency should be designated complying with the criteria set out in Article 164 of the Financial Regulation and having adequate staff resources. The Commission has satisfied itself in the context of preparation for conferral of management of aid provided under Phare, as well as through a number of other checks, that those criteria are fulfilled by the Central Financing and Contracts Unit.

(5) The measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries in Central and Eastern Europe, rendered on 17 June 2004,

HAS ADOPTED THIS DECISION:

Article 1

The Commission approves a financial contribution of €18,400,000 as Transition Facility to the Republic of Hungary to finance projects set out in point 4 of the Annex.
Article 2

1. This Decision shall be implemented on a decentralised basis, in accordance with the Memorandum of Understanding on the Implementation of the Transition Facility, signed with the Republic of Hungary on 22/06/2004.

2. The Central Financing and Contracts Unit shall be Implementing Agency for the Programme.

Article 3

1. Contracts covered by the financial contribution shall be signed no later than 30 November 2006.

2. The deadline for execution of contracts shall be 30 November 2007.

Article 4

This Decision is addressed to the Republic of Hungary.

Done at Brussels, […]

For the Commission

[...]  
Member of the Commission
FINANCING PROPOSAL ON THE IMPLEMENTATION OF THE
TRANSITION FACILITY IN HUNGARY FOR 2004

1. IDENTIFICATION

Beneficiary: HUNGARY
Programme: Transition Facility National Programme 2004
CRIS-Number: 2004/ 016-689
Year: 2004
Cost: € 18,400,000
Implementing Authority: Central Finance and Contracts Unit (CFCU)
Expiry Date: Contracting: 30 November 2006
Execution of contracts: 30 November 2007

Objective 1: Agriculture 31110
Objective 2: Environment 41010
Objective 3: Justice and Home Affairs and Customs 15030
Objective 4: Public Government Administration and Civil Society 15040
Objective 5: Transport policy 21010
Objective 6: Other Institution Building Actions 43010

Commission Task Manager: C. Camaiani, Transition Facility Programming and Phare financial assistance follow-up Task Force, DG Enlargement

Budget Line: 22-03-01

2. SUMMARY

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to fund certain Institution Building actions in the new Member States.

The present Financing Proposal represents the 2004 Transition Facility National Programme for Hungary.
The purpose of the Transition Facility is to continue to assist the new Member States in their efforts to strengthen their administrative capacity to implement Community legislation and to foster exchange of best practice, as an extension to assistance provided until accession under Phare.

As Phare has been, in the past, providing support in almost all the areas identified in the Accession Partnership and in the Action Plan for Administrative and Judicial Capacity as the most urgent ones to address before Accession, the Transition Facility focuses on a limited number of areas where the administrative and institutional capacity in Hungary still needs to be further strengthened.

The 2004 Transition Facility National Programme for Hungary will focus on the following areas:

**Agriculture**

In this sector, support will be provided to develop and implement an integrated Agri-environmental Information and Monitoring System (AIMS) in full compliance with relevant EU legislative requirements; to implement the new regulation “Forest Focus” and to upgrade the information system of variety testing and seeds certification.

**Environment**

In this area Transition Facility funds will focus on the development of the Hungarian Nature Conservation Information System and will also provide support for strengthening the administrative capacity in order to effectively implement the Environmental Noise Directive and the Water Framework Directive.

**Justice and Home Affairs and Customs**

In the area of Justice and Home Affairs, the 2004 Transition Facility assistance will provide support to improve measures for the integration of refugees and to develop a competence-based, integrated system of the human resources management in the Ministry of Interior. In addition, building on the results of the assistance provided during previous years, specific support will also be provided to equip special police units in the fight against new forms of organised crime and terrorism. Inter-agencies co-operation in crime prevention will also be strengthened through the assistance provided to the Special Service for National Security.

In the area of Customs, Transition Facility will support Hungarian efforts to strengthen the administrative capacity of the Hungarian Customs and Finance Guard as regards inspections and laboratory examinations.

**Public Government Administration and Civil Society**

2004 Transition Facility funds will also provide assistance to increase the economy, effectiveness and efficiency of the Hungarian Public Internal Financial Control System. The project proposed aims in particular at creating a pool of professional trainers in this area and at setting up a PIFC Methodological and Training Centre.

Support will also be provided in order to strengthen the capacity of the Hungarian civil society, with particular emphasis on the proper implementation of the anti-discrimination legislation.

**Transport policy**

In this area, support will be provided to complete the adoption and implementation of EU legislation related to digital tachographs; to improve the efficiency of infrastructure railway operation and rolling stock maintenance and to develop information system for registering the infrastructure of inland waterways, following movement of vessel’s carrying dangerous goods, inspection and registry of vessels, and qualified shipping personnel.
Other Institution Building Actions

In order to further support Hungary in the process of strengthening its administrative capacity through ad hoc Institution Building actions, an unallocated amount is included in the Transition Facility national envelope. These funds may also be used to finance less urgent but structurally important Institution Building measures.

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A bi-annual planning document indicating the priorities and outlining the strategy of the Transition Facility National Programmes 2005-2006 was prepared and presented to the Phare Management Committee in June 2004.

3. STRATEGY

Programming priorities

The 2003 Commission Comprehensive Monitoring Report for Hungary and the continuous monitoring process by the Commission of the Hungarian preparation for Accession constitute the main sources of information for identification of institutional weaknesses that the Transition Facility could assist in addressing. The 2003 Commission Comprehensive Monitoring Report highlights a number of areas where further improvements are needed in relation to the adoption, implementation and enforcement of the acquis, and calls for these to be pursued. Other findings and recommendation from the overall monitoring process (peer-reviews, Commission missions, etc.) were also taken into account when setting up this programme.

Project selection and lessons learned

On the basis of the priorities outlined in the above-mentioned documents, and in line with the principle of ownership, the Hungarian authorities submitted a number of project proposals for funding under the Transition Facility. These projects have been discussed in detail with the relevant Commission Services. The final selection of projects for this Financing Proposal was based on the overall quality of the individual proposals, taking into account inter alia the strategic framework of the projects, their expected impact, and their implementation arrangements.

In designing the 2004 Transition Facility programme, careful account has also been taken of the results of projects programmed in the context of the Phare programmes in previous years. Lessons learnt are usually drawn on a case by case basis, building upon relevant experience in the implementation of previous projects in a specific area. Provision of necessary background documentation supporting the various project proposals (sectoral strategies, feasibility studies, economic and cost-benefit analysis, etc.) has been emphasised during the programming process. Relevant information on lessons learnt and on the supporting background documentation is provided in each project fiche.

Attention was also paid to avoiding overlaps with other EU assistance instruments that will come into force in 2004, in particular the Structural and Cohesion Funds as well as the Schengen Facility. Maximum synergies between all sources of financing have been considered.

4. OBJECTIVES AND DESCRIPTION

The 2004 Transition Facility National Programme for Hungary will focus on the following areas:

Objective 1 Agriculture

In this sector, support will be provided to develop and implement an integrated Agri-environmental Information and Monitoring System (AIMS) in full compliance with relevant EU legislative
requirements; to implement the new regulation “Forest Focus” and to upgrade the information system of variety testing and seeds certification.

Project 2004/016-689.01.01 - Agri-Environmental Information and Monitoring System (AIMS)

This project aims at designing and establishing an integrated Agri-environmental Information and Monitoring System (AIMS) fulfilling the tasks defined in the relevant acquis communautaire concerning the collection, processing and utilization of information on environmental, social and economical effects of the agri-environment measures of the Rural Development Plan (RDP). The propagation of the environmental friendly management, the principles of cross-compliance and the respect of Good farming Practice (GFP) are projects’ overall objectives.

Transition Facility funds will be used for IT-Technical development and for Training activities. The IT development will be built-up in three phases: a) preparing the software and building up the hardware; b) testing the system c) finalizing the system and preparing a manual for the software users. It will be developed at three levels: central, regional and local through the establishment of Central Monitoring Units managed by Ministry of Agriculture and Regional Development for data archiving as well as for providing precise and up-to-date national-level information for strategy planning; Regional Monitoring Units for the primary level of handling, processing and archiving data and Local Monitoring Units for the on-spot actual data recording.

For the correct operation of AIMS the relevant experts need to be trained for precise data recording and handling of software. For consistency and uniformity reasons a training manual will be produced, which will serve as a basis for all training activities.

A mutual co-operation agreement between the Ministry of Agriculture and Regional Development and the ARDA (the Paying Agency) will ensure appropriate co-ordination in the exchange of data.

The project will be implemented through technical assistance as regards the institution building component and a supply contract for purchase of the necessary equipment.

Project 2004/016-689.01.02 - Implementation of new regulation – Forest Focus

The aim of this project is to harmonise the existing Hungarian forest condition monitoring and fire statistics system with the new regulation “Forest Focus” and modernize the technical background to guarantee the standard level of data submission to the relevant EU bodies. This project could be seen as a continuation and completion of the 2001 Phare project on the specific fields defined in the new regulation.

The main activities included in the institution building component aim at defining the necessary modifications to the Hungarian national system in order to be harmonised with the new EU regulation, as they cover two major components of the regulation, air pollution monitoring and fire statistics. Technical assistance and supply of equipment will then allow to upgrade the technical background of the forest monitoring system to the level required in Forest Focus and related Commission regulation through the development and installation of an integrated database for monitoring of air pollution effects on forests and a database for forest fires, including necessary application software. Data collection, management and quality of submitted data will thus meet EU standards.

Project 2004/016-689.01.03 - Upgrading the Information System of Variety Testing and Seed Certification

Transition Facility funds allocated to this project will be used to improve the efficiency of public administration work at the National Institute for Agricultural Quality Control (NIAQC), in particular through the upgrade of the information system of variety testing and seed certification.

Technical assistance and supply of equipment will allow establishing an up-to-date IT infrastructure for variety testing, developing and installing new software on increased hardware capacity. At the same time, the software development scheme for seed certification will be finalised in order to achieve
a harmonized, comprehensive database and online link system, to all corresponding national and international authorities.

**Objective 2  Environment**

In this area Transition Facility funds will focus on the development of the Hungarian Nature Conservation Information System and will also provide support for strengthening the administrative capacity in order to effectively implement the Environmental Noise Directive and the Water Framework Directive.

**Project 2004/016-689.02.01 – Development of the Hungarian Nature Conservation Information System**

The objective of this project is the effective application of the acquis communautaire in the field of nature conservation by setting up a Conservation Information System, which will be of support for a correct implementation of the relevant Directives and could serve nature protection’s long term goals such us the better management of the proposed Natura 2000 sites.

In order to set up an operational EU conform information system for the nature conservation, Transition Facility fund will assist in: devising the information system; preparation of the System Design Plans and user applications for the Conservation Information System and its modules; acquisition of data, data processing hardware and software; procurement of field monitoring, data collection equipment, information transmission equipment and training of the staff on the use of information system.

The project will be implemented through technical assistance as regards the institution building component and a supply contract for purchase of the necessary equipment.

**Project 2004/016-689.02.02- Noise Centre establishment to noise mapping**

The aim of this project is to provide assistance for the effective implementation of the Environmental Noise Directive. A Noise Centre will also be established in order to fulfil the measuring tasks deriving from Environmental Noise Directive.

The Institution Building component of the Transition Facility funds will mainly be used for carrying out training programmes on the implementation of the harmonised community legislation, including the transfer of experience in application of the relevant EU legislation in other Member States and for defining areas along roads and railways where noise load values exceed the permitted level localised.

Technical assistance and supply of the necessary equipment will provide the Noise Centre with a system, which enables to create the noise maps and the noise protection database required by EU legislation and elaborating EU-compatible methods and procedures for the preparation of noise maps.

**Project 2004/016-689.02.03-Implementation of the Water Framework Directive (WFD) – Phase II**

Transition Facility funds allocated to this project will be used to provide assistance for the implementation of the Water Framework Directive in Hungary. The project has been built up on the results of previous assistance in this field.

The project aims at developing a system and a methodology for the economic analysis of the most cost-efficient programs of measures necessary to achieve, in the Hungarian part of the Danube River Basin, the main objectives of the EU Water Framework Directive, like “good status” for surface and groundwaters. The results of the economic analysis finally will be tested in a small pilot River Basin Management Plan in the Hungarian part of the Danube catchments area, with the objective also to test how the realization of the tasks of publishing the WFD at the national level is going on. Furthermore it is proposed to promote public participation by the implementation of Water Information Centres regularly providing up to date and relevant information for the stakeholders. The Water Information Centres will be equipped with modern hardware and software to be capable to give the necessary information to the public.
The project will be implemented through technical assistance as regards the institution building component and a supply contract for purchase of the necessary equipment.

**Objective 3 Justice and Home Affairs and Customs**

In the area of Justice and Home Affairs, the 2004 Transition Facility assistance will provide support to improve measures for the integration of refugees and to develop a competence-based, integrated system of the human resources management in the Ministry of Interior. In addition, building on the results of the assistance provided during previous years, specific support will also be provided to equip special police units in the fight against new forms of organised crime and terrorism. Inter-agencies cooperation in crime prevention will also be strengthened through the assistance provided to the Special Service for National Security.

In the area of Customs, Transition Facility will support Hungarian efforts to strengthen the administrative capacity of the Hungarian Customs and Finance Guard as regards inspections and laboratory examinations.

**Project 2004/016-689.03.01 – Facilitating refugee integration in Hungary**

This aim of this project is to define an executable integration policy and to train selected officials and workers for the implementation of this policy and of integration programs.

This project will be implemented through a Twinning. Exchange of best practice with other Member will be used for drafting a “white paper” on integration policy; preparing a survey on the Hungarian institutional capacity, and ability to coordinate, implement and conduct refugees/long-term residing migrant integration policy and training selected staff members of Labour Offices, Municipalities and Family Support Centre. The administrative capacity of the Hungarian Office of Immigration and Nationality as well as of the relevant targeted institutional actors will thus be strengthened.

**Project 2004/016-689.03.02 – Competence-based, integrated system of human resources’ management at the Ministry of Interior**

The main objective of this project is to promote an effective and EU-conform public administration, introducing a Human Resources’ management system in the Ministry of Interior contributing to accelerate the change in the organisational structure and promoting the establishment of a motivated, client-oriented staff. The project is especially focused on life long learning.

This project will be implemented through a Twinning and supply of the necessary equipment. The main activities foreseen in the project will include: job analysis; development of the standard selection system and the system of selection of the leaders on the basis of defined competences; transformation of the training system - both traditional and non-traditional – operated by the Ministry of Interior to a universal, competence-based and development-oriented system; development and introduction of methods ensuring the control of the competence-based, integrated Human Resources’ management system and appropriate career planning.

**Project 2004/016-689.03.03 – Developments in the fields of public security and fight against organised crime**

Transition facility funds allocated to this project will provide support to further improve the efficiency of the Ministry of the Interior and in particular of the Hungarian National Police in the fight against new forms of organised crime and terrorism.

Indeed, the Institution Building activities as well the supplies of special equipment foreseen in this project fiche will strengthen both the technical conditions of the security system of Ferihegy international airport and the special police units responsible for countering terrorism, promoting cross-border measures, fighting corruption, high-tech crime and drug-related crime, the proliferation of new forms of organised crime.
This project fiche has been designed on the basis of the results of the assistance provided during previous years and in particular is complementary to the Institution Building activities included in the 2003 Phare National Programme.

**Project 2004/016-689.03.04 – Strengthening the capacity of the Special Service for National Security of Hungary**

Inter-agencies co-operation among the various relevant law-enforcement agencies will also be strengthened through the assistance provided with this project to the Special Service for National Security, which has a nation-wide authority to carry out specific activities in the field of crime prevention.

The Institution Building activities and the supplies of special equipment foreseen in this project fiche aim in particular at strengthening the capacity of the Service’s laboratories to analyse and assess documents and explosives.

**Project 2004/016-689.03.05 – Strengthening the administrative capacity of the HCFG as regards post-inspections and laboratory examinations**

In the area of Customs, Transition Facility will support Hungarian efforts to strengthen the administrative capacity of the Hungarian Customs and Finance Guard as regards inspections and laboratory examinations.

In particular, the project aims at improving, according to EU requirements, the operational capacity of the Hungarian Customs and Finance Guard (HCFG) in the fight against commercial fraud and at preparing the Chemical Institute of the HCFG for the proper classifications of goods by introducing a system of fully harmonized controls and classification.

As regards the first component of the project, concerning the fight against commercial fraud, professional expertise of other Member States will be employed in order to enhance the effectiveness of the present post company control tasks of the HCFG, and to introduce special inspection methods. For the reinforcement of the Chemical Institute of the HCFG specific seminars will be organized to give the opportunity to the experts of the Chemical Institute to be introduced into the practice of the Customs Laboratories of Member States. In addition support will be provided, by means of equipment supplied to the Customs laboratory, to facilitate the EU-standard examination of goods.

**Objective 4 Public Government Administration and Civil Society**

2004 Transition Facility funds will also provide assistance to increase the economy, effectiveness and efficiency of the Hungarian Public Internal Financial Control System (PIFC). The project proposed aims in particular at creating a pool of professional trainers in this area and at setting up a PIFC Methodological and Training Centre.

Support will also be provided in order to strengthen the capacity of the Hungarian civil society, with particular emphasis on the proper implementation of the anti-discrimination legislation.

**Project 2004/016-68.04.01 – Improving Public Internal Financial Control System (PIFC), Audit Mechanisms**

This project is addressing a problematic area identified in the Comprehensive Monitoring Report, in which it is highlighted the need to further strengthen administrative capacity in public internal financial control and to devote particular attention to provide adequate training to the internal auditors.

The lack of skilled trainers in the area of PIFC and of appropriate educational programmes or trainings in this field will be addressed through the first component of this project aiming at creating a pool of well trained trainers. This component is included in the present 2004 Financing Proposal.

In the 2005 Transition Facility it is foreseen a continuation of this project with the implementation of the second component of the project, namely the setting up of a PIFC Methodological and Training
Centre within Hungarian Institute of Public Administration. This Centre shall not only organise trainings, but also function as a methodological research and development centre in order to continuously review and ensure the unified interpretation, adaptation of the guidelines and concepts.

A co-operation agreement between the Central Harmonisation Unit in the Ministry of Finance and the Hungarian Institute of Public Administration will ensure the institutional framework and thus the sustainability of the foreseen training centre.

This project fiche has been designed on the basis of the results of the assistance provided during previous years in this field and is complementary to all previous and ongoing assistance.

Project 2004/016-689.04.02 – Civil society organisations and the implementation of the anti-discrimination law

Transition Facility support provided in this project will focus on strengthening the capacity of the Hungarian civil society, paying particular attention to the proper implementation of the anti-discrimination legislation.

The main Institution Building activities included in this 2004 Transition Facility project aim at strengthening the institutional capacity of civil organisations and social partners at all levels; at helping civil society actors to apply the anti-discrimination law adequately and at strengthening the operational capacity of organisations, through transfer of know-how, training, seminars, study visits, etc.

In the 2005 and 2006 Transition Facility it is foreseen a continuation of this project, in particular to support activities of NGOs/NPOs in sectors where governmental activities are weak and not-covered, such as socio-economic development and education and training.

Objective 5  Transport Policy

In this area, support will be provided to complete the adoption and implementation of EU legislation related to digital tachographs; to improve the efficiency of infrastructure railway operation and rolling stock maintenance and to develop an information system for registering the infrastructure of inland waterways, following movement of vessel’s carrying dangerous goods, inspection and registry of vessels, and qualified shipping personnel.

Project 2004/016-689.05.01 – Implementation of EU legislation related to digital tachographs

The main project objective is to prepare the Hungarian traffic control institutions in order to be able to comply with the new legislation related to introduction and implementation of digital tachographs and thus to carry out road traffic control including digital tachographs at frequencies and quality standards in full accordance with the relevant EU legislation.

The Institution Building activities foreseen in this project fiche are expected to give as main results: improvement of road traffic safety, especially in the field of accidents caused by tired, fallen asleep drivers; improvement of social conditions - rules regulating driving and resting times of professional drivers - relating to road transport and training of trainers and of road traffic controllers. Supplies of special technical equipment, required for the correct implementation of the measures originating from the new legislation, are also included in the project proposed.

Project 2004/016-689.05.02 – Improvement of efficiency of infrastructure railway operation and of rolling stock maintenance operation

In the restructuring programme of the state railway company MÁV, efficiency improvement and rationalization of the main activities were determined as high priority tasks, including: efficiency improvement of infrastructure operation and efficiency improvement of rolling stock maintenance. Transition Facility funds will be used for assisting the MÁV in achieving the above-mentioned objectives included in their restructuring programme.

In particular, as regard the optimization of infrastructure operation, professional expertise of other Member States will be employed for the maintenance and traffic organization according to the best
practices, modification of railway operation technology, decrease operational times, rationalization of station operation, development of traffic control systems, rationalization of staff, and organization of workshops and internship programs in connection with the above mentioned topics. Concerning the improvement of rolling stock maintenance operation, it is foreseen to employ professional expertise of other Member States in order to improve vehicle maintenance processes by concentrating maintenance activities; to optimize vehicle repair and maintenance stations, and to develop and install maintenance norm system for proper planning and reaching lower stock costs.

**Project 2004/016-689.05.03 – Developing information system (IT) for registering the infrastructure of inland waterways**

This project aims at the effective support of inland waterway transport through the development of an electronic information system allowing for harmonised and internationally compatible river information services.

More specifically, the main Institution Building activities included in this project will assist the Transport Inspectorate in the development of an information system allowing the establishment of electronic navigational charts, the tracking and tracing of vessels, in particular of those vessels carrying dangerous goods, in order to facilitate their inclusion in the logistic chain.

The system can also assist in the establishment of an inventory of vessels, in keeping track of their inspections as well as in the registration of qualified shipping personnel.

**Objective 6 Other Institution Building Actions**

In order to further support Hungary in the process of strengthening its administrative capacity for the full application of the acquis communautaire through ad hoc Institution Building actions, an unallocated amount is included in the Transition Facility national envelope. These funds may also be used to finance less urgent but structurally important Institution Building measures.

**Project 2004/016-689.06.01 – Unallocated Institution Building Envelope**

The project consists of an envelope for yet unspecified Institution Building projects to provide assistance through twinning, twinning light and other form of technical assistance to specific urgent and unforeseen needs. In particular this facility may help to: assisting in completing the adoption and implementation of acquis in particular areas where assistance is still necessary; strengthening the institutional and operational capacity of public administration bodies in view of the role in the implementation of the EU acquis and developing human resources of public administration institutions relevant for the implementation of the EU acquis. In the 2005 and 2006 Transition Facility it is foreseen a continuation of this type of IB allocation, with the same main objectives.

5. **BUDGET**

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<td>Objective 2: Environment</td>
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<td>Project 2004/016-689.02.01 – Hungarian Nature Conservation Information System</td>
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<td>Project 2004/016-689.04.01 – Improving Public Internal Financial Control System (PIFC), Audit Mechanisms</td>
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<td>Project 2004/016-689.06.01 – Unallocated IB Envelope</td>
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| TOTAL | 11 194 700 | 7 205 300 | 18 400 000 |
Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of Transition Facility assistance.

Investments in small equipment must receive co-financing from national public funds. The Community contribution may amount to up to 75% of the total eligible public expenditure.

6. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of Hungary, the Commission may review the programme with a view, at the Commission's discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Transition Facility.

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