COMMISSION DECISION

C(2005) 2913 of 02/08/2005
on the financial contribution of Transition Facility for strengthening institutional
capacity to HUNGARY
(Only the Hungarian text is authentic)

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 administrative and control structures for agriculture, justice and home affairs and strengthening public administration are eligible for funding according to Article 34(2) of the Act of Accession. In addition, several needs have been identified in the Commission’s comprehensive monitoring report, which are not covered by Structural Funds. The actions funded by this Decision in relation to those needs, in the areas of employment, social affairs and administrative capacity, are therefore also eligible for funding under 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 July 7, 2005,
HAS ADOPTED THIS DECISION:

Article 1

The Commission approves a financial contribution of € 10.768.000 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 June 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 15 December 2007.

2. The deadline for execution of contracts shall be 15 December 2008.

Article 4

This Decision is addressed to the Republic of Hungary.

Done at Brussels, […]

For the Commission

[...]  
Member of the Commission
1. IDENTIFICATION

Beneficiary: HUNGARY

Programme: Transition Facility National Programme 2005

CRIS-Number: 2005/ 17/520

Year: 2005

Cost: € 10 768 000

Implementing Authority: Central Finance and Contracts Unit (CFCU)

Expiry Date: Contracting: 15 December 2007

Execution of contracts: 15 December 2008

Objective 1: Agriculture (31110)

Objective 2: Justice and Home Affairs (15030)

Objective 3: Public Government Administration and Civil Society (15050)

Objective 4: Administrative capacity (15040)

Budget Line: 22-03-01

Commission Task Manager: C. Camaiani, Financial Assistance Follow-up Unit, DG Enlargement

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 2005 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 in Hungary 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 still needs to be further strengthened.

The 2005 Transition Facility National Programme for Hungary will focus on the main following objectives: Agriculture, Justice and Home Affairs; Public Government Administration and Civil Society and Administrative Capacity.

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 2005 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 came 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 2005 Transition Facility National Programme for Hungary will focus on the following sectors:

Objective 1  Agriculture

In this sector, support will be provided to strengthen institutional capacities in the area of Food Safety.

Project 2005/17/520.01.01 – Strengthening Institutional Capacities of Food Safety in Hungary

This project addresses a priority as regards food safety, highlighted in the Comprehensive Monitoring Report in the Chapters on Free movements of Goods and Agriculture. It aims at assisting the Hungarian Authorities in the implementation of the national food safety strategy in accordance with the EC expectations, based on the principles of the new laboratory strategy, which streamlines the present system in order to make it economically more viable, cost effective and more reliable, professionally more integrated and sustainable.

Through the proposed project, the Hungarian Food Safety Office shall be provided with reliable real time data on frequency and occurrence of hazards in food. For this purpose:

- regional and specialised laboratories will be created to reduce fragmentation, enhance utilization of measuring capacities, and improve cooperation and information transfer by the end of 2006;
- an integrated IT system will be created to link the Hungarian Food Safety Office with coordinating institutions by the end of the project;
- the staff of participating institutions will be trained on use of up-to-date instruments and apply modern measuring techniques by the end of the project.

As regards the institution building components, the Transition Facility funds will be used for the development of an information system and the related quality assurance service and for training activities. As far as the investment component is concerned, the Transition Facility will contribute to the purchase of the necessary IT and laboratory equipment. The Hungarian authorities will provide a significant co-financing to the investment components.

The Hungarian Food Safety Office will be the main beneficiary of this project. The project management and implementation will be executed through close co-operation between the Ministry of Agriculture and Regional Development and the Ministry of Health.

Objective 2  Justice and Home Affairs

In the area of Justice and Home Affairs, the 2004 Transition Facility assistance will provide support for the establishment of a sustainable training facility for the Hungarian judiciary based on the School of Judges.
Project 2005/17/520.02.01 – Establishment of a sustainable training facility for the Hungarian judiciary based on the School of Judges.

The proposed project aims at supporting the establishment of a sound institutional basis for the regular training and further education of Hungarian judges, trainee judges and court staff in EU and Hungarian law. Through the TF funds, the National School of Judges will be established and ready to function and a tailor made e-learning software will be at disposal for the Hungarian judiciary.

This project addresses a priority highlighted in the Comprehensive Monitoring Report, where it was mentioned that: “Although Hungary has a fairly efficient training system, its capacity and level of financial support are not sufficient to develop necessary training programmes in management skills. The long-planned setting up of a Training Institute for Judges, which would improve the situation, has still not taken place, due to lack of financial means.”

The project will be implemented through a Twinning exchange of best practice in this field with other Member States, aiming at defining coherent e-learning curricula and updating the training strategy of the School. The related service component will be based on the e-learning curricula elaborated by the Resident Twinning Advisor and aims at the development of e-learning software for the Hungarian judiciary. The project will also contribute to the furnishing and equipping of the School. The Hungarian authorities will provide a significant co-financing for this investment component.

Objective 3 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 2005/17/520.03.01 – 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 has been addressed through the first component of this project aiming at creating a pool of well trained trainers. This component was included in the 2004 Financing Proposal.

In the present 2005 Financing Proposal, it is foreseen the continuation of this project with the implementation of the other components of the project, which are necessary for the setting up of a PIFC Methodological and Training Centre within Hungarian Institute of Public Administration. The other components include some institution building activities, as the elaboration of a new e-learning facility for training activities; the development of an IT application for public sector auditing and a Twinning Light for providing support to the quality assessment activities of the Central Harmonisation Unit. An investment component is
also foreseen to co-finance the necessary IT infrastructure for the technical development of this institution.

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. Finally, it should be noted that 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 2005/17/520.03.02 – 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. This project is a multi-annual project to be implemented in the course of the three years period, 2004, 2005 & 2006.

The first Institution Building activities were included in the 2004 Transition Facility project and mainly aimed 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. Co-financing grants will be awarded to support macro-projects and a networking facility for NGOs/NPOs. The Transition Facility contribution will cover up to 80% of total macro-project costs. Project promoters will therefore have to secure a matching contribution covering at least 20% of the total project cost.

**Objective 4  Administrative Capacity**

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 2005/17/520.04.01 – 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*. The use of these funds is subject to prior approval of the European Commission.
In the 2006 Transition Facility it is foreseen a continuation of this type of IB allocation, with the same main objectives.

5. **BUDGET (€)**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Institution Building (IB)</th>
<th>Investment (I)</th>
<th>Transition Facility Total (IB+I)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective 1: Agriculture</strong></td>
<td>2 118 000</td>
<td>2 200 000</td>
<td>4 318 000</td>
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<tr>
<td>Project 2005/17/520.01.01 – Strengthening Institutional Capacities of Food Safety in Hungary</td>
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<tr>
<td><strong>Objective 2: Justice and Home Affairs</strong></td>
<td>850 000</td>
<td>930 000</td>
<td>1 780 000</td>
</tr>
<tr>
<td>Project 2005/17/520.02.01 – Establishment of a sustainable training facility for the Hungarian judiciary based on the School of Judges</td>
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<tr>
<td><strong>Objective 3: Public Government Administration and Civil Society</strong></td>
<td>2 570 000</td>
<td>600 000</td>
<td>3 170 000</td>
</tr>
<tr>
<td>Project 2005/17/520.03.01 – Improving Public Internal Financial Control System (PIFC), Audit Mechanisms</td>
<td>1 600 000</td>
<td>600 000</td>
<td>2 200 000</td>
</tr>
<tr>
<td>Project 2005/17/520.03.02 – Civil society organisations and the implementation of the anti-discrimination law</td>
<td>970 000</td>
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<td>970 000</td>
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<td><strong>Objective 4: Administrative Capacity</strong></td>
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</tr>
<tr>
<td>Project 2005/17/520.04.01 – Unallocated IB Envelope</td>
<td>1 500 000</td>
<td>0</td>
<td>1 500 000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>7 038 000</td>
<td>3 730 000</td>
<td>10 768 000</td>
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</table>

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\(^1\) 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.