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COMMISSION DECISION
C/2006/3335 OF 26/07/2006

on the financial contribution of Transition Facility for strengthening institutional capacity in the Republic of 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, environment and 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 the Structural Funds. The actions funded by this Decision in relation to those needs, in the areas of social policy and employment, as well as 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 pre-accession aid, as well as through a number of other checks, that those criteria are fulfilled by the Central Finance 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 3 July 2006,
HAS ADOPTED THIS DECISION:

Article 1

The Commission approves a financial contribution of €6,664,400 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 Finance and Contracts Unit shall be Implementing Agency for the Programme.

Article 3

Contracts covered by the financial contribution shall be signed no later than 15 December 2008.

3. The deadline for execution of contracts shall be 15 December 2009.

Article 4

This Decision is addressed to the Republic of Hungary.

Done at Brussels, […]

For the Commission

[...] Member of the Commission
ANNEX

FINANCING PROPOSAL ON THE IMPLEMENTATION OF THE

TRANSITION FACILITY IN HUNGARY FOR 2006

1. IDENTIFICATION

Beneficiary Republic of HUNGARY
Programme Transition Facility National Programme 2006
CRIS-Number 2006-018-176
Year 2006
Cost € 6,664,400
Implementing Authority Central Finance and Contracts Unit (CFCU), National Development Office
Expiry Date Contracting: 15 December 2008
Execution of contracts: 15 December 2009

Sector Codes

Objective 1 Administrative and control structure (31110) for Agriculture
Objective 2 Environment (41010)
Objective 3 Government Administration and Civil Society (15140)
(15150)
Objective 4 Public Administration (15120)
Objective 5 Administrative capacity (15140)

Budget Line 22-03-01

Commission Annarita Castello, Financial Assistance Post Accession Unit, DG Enlargement
Task Manager

2. SUMMARY

The Transition Facility was created by Art 34 of the Act of Accession to fund certain Institution Building actions in the new Member States for the period 2004-2006.
The present Financing Proposal represents the 2006 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 2006 Transition Facility National Programme for Hungary will focus on the main following objectives: Administrative and control structure for Agriculture, Environment, Government Administration and Civil Society, Public Administration 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 highlighted 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 were 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 2006 Transition Facility programme, careful account was 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.) was emphasised during the programming process. Relevant information on lessons learnt and on the supporting background documentation is provided in each project fiche.
Careful attention has been paid to co-ordinating with previous and ongoing assistance to build on the results achieved and to promote synergy effects with other Community financial instruments. The programme includes projects which should not overlap with any action that is financed by other financial assistance programmes such as the Schengen Facility or the Structural and Cohesion Funds, or with any actions previously financed by Phare or other donors. Actions, studies and all other types of activities eligible for support under Structural Funds technical assistance measure shall be excluded from the scope of this programme. The implementing beneficiary body retains the responsibility for the coordination of activities funded under this programme with regard to those financed through existing or planned EC or international funding, in particular Structural and Cohesion funds, Schengen Facility, etc., in order to ensure consistency, compatibility and removing the risk of double funding.

4. OBJECTIVES AND DESCRIPTION

The 2006 Transition Facility National Programme for Hungary will focus on the following sectors:

Objective 1 Administrative and control structure for agriculture

In this sector, support will be provided to strengthen institutional capacities in the area of 1) Development of e-government solutions in the CAP administration, 2) Preparation of the county offices of agriculture of the Ministry of Agriculture and Rural Development and 3) in the service capacities of veterinary and phyto-sanitary of the Border Inspection Posts.

Project 2006/018-176.01.01 – Development of e-government solutions in the CAP administration

In order to tackle the administrative tasks of the implementation of the Common Agricultural policy (CAP) the proposed project aims at further improving the Integrated Administration and Control System (IACS) system, in line with the EU targets for the creation of an information society. Further improvements to the system are important as better systems normally also provide for better and more transparent administration.

The project will be implemented through a service contract which will prepare the E-service strategy for the Agricultural and Rural Development agency and the institutional development programme. The strategy will focus on solutions which can help the effective dissemination of useful information to the citizens, support the improvement of the transparency of the CAP administration in Hungary and consequently lead to enhance the quality of public administration services.

Project 2006/018-176.01.02 – Preparation of the county offices of agriculture of the Ministry of Agriculture and rural Development for their tasks concerning the implementation of CAP and its current reforms in the field of IT

The basic requirements of the Integrated Administration and Control System (IACS) in Hungary have been implemented and this project is a priority in order to achieve a fully functional IACS system. Its main objectives are to further develop the administrative capacity of the county offices of agriculture of the Ministry of Agriculture and Rural Development (MARD), to create the technical conditions in the county office of agriculture for the direct cooperation with the Agricultural and Rural Development Agency (ARDA) and for the access
to IACS so that citizens living on agriculture can more easily claim for the area based payments.

The project will provide technical assistance to develop a central database in the MARD to improve the information flow for agricultural producers, a telecommunication system and a base for the electronic client service. Technical assistance will also be contracted to train the employees of the county offices. The project will encompass the purchase of technical IT infrastructure development.

**Project 2006/018-176.01.03 – Strengthening service capacities of veterinary and phyto-sanitary BIPs, and development of veterinary IT systems at country level**

The accession of Hungary to the EU has involved changes in the external border of the enlarged EU. The Border Inspection Posts (BIPs) were modernised through the construction of new parts for buildings, the building of storage places with freezing equipment, and the purchase of new laboratory equipment etc. In spite of these measures, the last on the spot mission performed by the Food and Veterinary Office revealed more pending insufficiencies. Hungary has to further develop animal welfare, and assure the quality and safety of animal origin products.

The purpose of this project is to further develop the informatics infrastructure and to strengthen the administrative and official activities of BIP control in the veterinary and phyto-sanitary areas to serve EU requirements more effectively. The project will: develop a Web portal to provide the farmers, consumers, transports and producers with actual information; it will also help to establish a new central information database and secure network links between the new and existing database systems. Finally it will provide training to staff at the laboratory of county station.

**Objective 2 Environment**

In the area of Environment, the 2006 Transition Facility assistance will provide support for the further steps in the implementation legislation in the field of nature protection concerning the Birds and the Habitats Directives and for the Institutional development of the Hydromorphological Monitoring in Hungary

**Project 2006/018-176.02.01 – Steps towards the Monitoring and Management in line with the Birds (79/409/EEC) and the Habitats (92/43/EEC) Directives**

The legal transposition of the nature protection part of the *acquis* into the Hungarian legislation has been updated. The proposed project aims to provide a contribution to meet the implementation of further requirements of the Birds and Habitats directives, primarily to the monitoring and reporting obligations as well as the development of management plans.

The proposed project will contribute in creating a monitoring system with a uniform methodology for certain selected species and habitats. It will also help to prepare management plans for at least 15 selected Natura 2000 sites as model areas. These managements plans will be developed in different sites which allows the project to provide not just the management plans for the model areas but also provides examples and methods for management plans to be elaborated in the future. Local people and farmers will become familiar with the advantages of the Nature 2000 network due to the brochures and forums made available during the project framework.
The project will be implemented through technical assistance and will also encompass the purchase of technical equipment.

**Project 2006/018-176.02.02 – Institutional Development of the Hydromorphological Monitoring, Hungary**

The hydro-morphological monitoring network already exists in Hungary, but it needs to be adapted to the Water Framework Directive (WFD). In Hungary there is an important hydrological and morphological knowledge. However, the task originating from the WFD requirements set new challenges for the existing institutions and therefore methodology, data and basis for its publication need to be further developed.

This project aims at establishing the institutional background for the new hydro-morphological monitoring system on surface waters in Hungary and to make the Hungarian Hydrographical survey adapted to the new tasks and data management.

The technical assistance will contribute to establishing a functioning centralised monitoring system, to measure and analyse waters in a more efficient way using the new equipment and to improving database and data management tools. Small scale equipment will also be purchased.

**Objective 3 Government administration and civil society**

2006 Transition Facility funds will provide support to strengthen the capacity of the Hungarian civil society, with particular emphasis on the proper implementation of the anti-discrimination legislation and to strengthen the institutional capacity of higher education.

**Project 2006/018-176.03.01 – 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 a three-year period, 2004, 2005 & 2006.

The first Institution Building activities were included in the 2004 Transition Facility project and was 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.

The 2006 Transition Facility is a continuation of the 2004 and 2005 projects, with the aim to support activities of NGOs 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.

**Project 2006/018-176.03.02 – HU/2006/IB/SO/01 TWL - Higher Education institutional capacity building in connection with the Bologna requirements**
The project focuses on capacity-building and reform in the Hungarian higher education sector through the development of a Higher Education (EH) Competence Centre and a central information system for the provision of information services. It seeks to facilitate structured information exchange in the sector (namely through a dedicated website – the Hungarian Bologna Portal) and to introduce modern applications for the generation of the diploma supplement, the registration and transfer of credits, modules and qualifications. It will also increase the administrative and institutional capacity in the Hungarian HE sector and strengthen quality-assurance mechanisms in the Hungarian higher education system.

One of the most important aspects of the proposed project is the validation of non-regular and informal education through the extension of current diploma supplement system, which will further facilitate recognition of qualifications and mobility of Hungarian students and professionals within other parts of the EU.

The project will be implemented through a twinning light with the scope to support the creation of the Competence Centre in the Hungarian Ministry of Education and to develop the Hungarian Bologna Portal. This will help the quality assurance and assessment in the Higher Education in accordance with the EU requirements. In addition, the TWL will provide training for the staff. The project will also provide technical assistance to develop executive information system and include the purchase of technical equipment.

Objective 4 Public administration

Regarding this area the Transition Facility will provide assistance to improve the efficiency of risk-based selection of taxpayers for audit and to develop the Audit documentation IT system

Project 2006/018-176.04.01 – HU/2006/IB/FI/01 TWL- Improvement of the efficiency of risk-based selection of taxpayers for audit

The system of random selection of taxpayers for audit was introduced in Hungary in 2001. In addition, a pre-fund selection system was put in place in order to check whether the VAT refund claims are justified. This project, however, examines only the risk factors implied in that particular refund claim.

The purpose of this project is to improve the administrative capacity of the tax administration in order to prevent tax evasion, especially by fighting against VAT fraud. Therefore twinning light will contribute in improving the selection procedures of VAT-payers of the tax authority's audit and also to continue the development of the selection of IT systems. In addition the project will help, through technical assistance, to establish a software product facilitating the use of data for deeper analysis with the purpose of enhancing the efficiency of domestic modelling designed to determine risk factors in auditing taxpayers.

Project 2006/018-176.04.02 – Development of Audit Documentation IT system

The State Audit Office is the supreme body of external audit in Hungary. In the past few years, the State Audit Office has taken a number of actions to develop the quality and efficiency of auditing. An internal regulatory system relying on international Standards (INTOSAI, IFAC) has been elaborated in addition to the supervision and review of procedures ensuring the high quality of audit reports.

The proposed project aims at establishing a documentation system and a document repository with IT support which will ensure the standardisation of the processes of audit documentation
and consequently will create a framework of modern knowledge-management. The system will extend the range of tools available for management control and quality management and will provide an efficient facility to use and share knowledge accumulated in the course of audits. The repository made up from the documents gathered and elaborated during the audit activity will improve the efficiency of preparing for and performing audits and ensures continuous quality improvement of auditing.

The project will provide the technical assistance to develop the software application for the documentation system and training the staff to update their theoretical and practical knowledge of the software. The project will also have a small component of supply to purchase the IT system.

**Objective 5**  
**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 2006/018-176.05.01 – 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 forms of technical assistance to specific urgent and unforeseen needs. In particular this facility may help in: assisting and 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 a continuation of this type of IB allocation is foreseen, with the same main objectives.

### 5. **BUDGET (€)**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Transition Facility Funding</th>
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<tbody>
<tr>
<td></td>
<td>Institution Building (IB)</td>
</tr>
<tr>
<td><strong>Objective 1: Administrative and control structure for Agriculture</strong></td>
<td>1.868.900</td>
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<tr>
<td>Project 2006/018-176.01.01 – Development of e-government solutions in the CAP administration</td>
<td>160.0000</td>
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<tr>
<td>Project 2006/018-176.01.02 – Preparation of the county offices of agriculture of the Ministry of Agriculture and rural Development for their tasks concerning the implementation of CAP and its current reforms in the field of IT</td>
<td>913.000</td>
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<tr>
<td>Project 2006/018-176.01.03</td>
<td></td>
</tr>
<tr>
<td>Strengthening service capacities of veterinary and phyto-sanitary BIPs, and development of veterinary IT systems at country level</td>
<td>795.900</td>
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<td><strong>Objective 2: Environment</strong></td>
<td>1.008.000</td>
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<td>Project 2006/018-176.02.01 – Steps towards the Monitoring and Management in line with the Birds (79/409/EEC) and the Habitats (92/43//EEC) Directives</td>
<td>723.000</td>
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<td>Project 2006/018-176.02.02 – Institutional Development of the Hydromorphological Monitoring, Hungary</td>
<td>285.000</td>
</tr>
<tr>
<td><strong>Objective 3: Government administration and Civil Society</strong></td>
<td>1.800.000</td>
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<tr>
<td>Project 2006/018-176.03.01 – Civil society organisations and the implementation of the anti-discrimination law</td>
<td>1.300.000</td>
</tr>
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<td>Project 2006/018-176.03.02 – Higher Education institutional capacity building in connection with the Bologna requirements</td>
<td>500.000</td>
</tr>
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<td><strong>Objective 4: Public Administration</strong></td>
<td>589.000</td>
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<td>Project 2006/018-176.04.01 – Improvement of the efficiency of risk-based selection of taxpayers for audit</td>
<td>349.000</td>
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<tr>
<td>Project 2006/018-176.04.02 – Development of Audit Documentation IT system</td>
<td>240.000</td>
</tr>
<tr>
<td><strong>Objective 5: Administrative Capacity</strong></td>
<td>1.000.000</td>
</tr>
<tr>
<td>Project 2006/018-176.05.01 – Unallocated IB Envelope</td>
<td>1.000.000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>6.265.900</td>
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</tbody>
</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.

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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.