1. BASIC INFORMATION

1.1. Desire number: SL.01.09.01

1.2. Title: JOINT ECONOMIC SPACE (GRANT SCHEME)

1.3. Sector: Phare CBC, Economic and Social Cohesion

1.4. Location: Border area Slovenia (Pomurje) - Hungary (Counties Zala and Vas)

2. OBJECTIVES

2.1. Overall Objective

• Increase growth and improve competitiveness of enterprises in the cross-border region.

2.2. Project Purpose

• Stimulate cross-border economic activities (co-operation between companies, creation of networks and clusters, development of joint strategies and new products, joint marketing activities);
• Improve human resources capacities and skills;

In both cases, support may be given to both private, profit-making companies and non-profit business support organisations (chambers, associations) or municipalities having active links with the private sector.

2.3. Accession Partnership and NPAA priority

The project is in line with the short and medium-term priorities of the Accession Partnership of Slovenia:
• short-term priorities: Economic criteria (promote competitiveness, take measures to stimulate domestic and inward investment);
• medium-term objectives: Economic criteria, Economic and Social Cohesion.

The project is in conformity with the following NPAA priority fields:
1.2.2 Enterprise sector reform: Improvement of competitive abilities of the enterprise sector, higher level of growth in manufacturing, higher return on investment, increased share of enterprise sector, investments in GDP; Facilitate and stimulate new entries and growth;

2.4. Contribution to National Development Plan

The project is in conformity with the development objectives and investment priorities of the Preliminary National Development Plan 2000-2002 (Chapter 3):
3.1.1 Productive capacity of the enterprise sector;
3.1.6 Regional Development;
The project is in line with the national priorities eligible for Phare support at national level (Chapter 6), especially on the following fields:
6.1 Priority No. 1: productive capacity of the enterprise sector;

6.2 Priority No.3: Human resources development.

The project is also in line with the investment priorities of the draft National development plan (2001):
• National investment priority No. 1: Promotion of Productive Sector
• National investment priority No. 3: Human Resource Development and Employment

The project contributes to the achievement of the objectives set in the following strategic documents:

• **Strategy for Economic Development of Slovenia** (draft, February 2001):
  - strengthen the competitiveness of the state and the economy,
  - strengthen the development of the human factor and social cohesion,
  - contribute to the balanced regional development.

• **Strategy for SME development** (draft, April 2001):
  - Encourage the competitiveness and innovation skills of SMEs to be able to compete on the international markets and encourage new domestic and foreign direct investments
  - Increase the investments in technology development and innovations
  - Create dynamic and entrepreneurial spirit in the society, which will encourage the establishment and growth of enterprises

The Project is in conformity with the Hungarian governments’ industrial policy (1998), designed to create a stimulating and stable environment for the development of enterprises and encouraging of R&D. The project is also in line with the Hungarian Government’s **Strategy for supporting small and medium-sized enterprises** (December 1998) and its measures:
- improving operating conditions for SMEs;
- expanding financing opportunities;
- reinforcing innovating abilities of SMEs;
- developing business Information Systems;
- developing entrepreneurial culture;
- preparation to the EU.

2.5. Cross-border impact

The project is in line with the priorities of the **Joint Programming Document Slovenia - Hungary 2000-2002**, adopted on June 6, 2000 on the Joint Co-operation Committee meeting in Murska Sobota (Slovenia).

The project purpose **“stimulate cross-border economic activities”** (see point 2.2.) is based on the 3rd priority field of the Joint Programming Document:
Priority 3: Regional Cohesion and Economic Co-operation;
“In the context of business development, special attention must be paid to the technological potential on both sides which could create extraordinary high-quality synergies. On both sides technologically strong enterprises, as well as research and education institutions, tend to be concentrated in towns and population centres. The creation of development clusters, including business and industrial parks, as well as centres for the dissemination of information on new technologies, could help to create opportunities for the establishment of spin-off projects in underdeveloped rural areas.”

Measure 1: Creation of joint economic space.
“To prepare the border region for participation in the Single European Market, new strategies should be developed, aimed at finding the market niches, which would enable the development of the economic space. New products should be envisaged in the bilateral co-operation for strengthening the development potential of the region. In order to achieve the specific objectives of the border region, co-operation in the form of business partnerships, industrial and other networks should be stimulated. Joint marketing services are envisaged and information on the trilateral business environment spread internationally.”

The basis of the project purpose ‘improve human resources capacities and skills” (see point 2.2.) is the Priority 2 of the Joint Programming Document:

Priority 2: Human Resource Development
“This priority involves the set-up of cross-border labour market oriented networks and exchange of information, which could be a base for further development of employment and training programmes and the development of human resources…”

Measure 1: Co-operation in vocational and adult education
“…creation of cross-border networks of training courses and adult education schemes to train or re-train workers so that they are better prepared for modern high technology jobs or for re-entering the labour market, in case of long-term unemployed”

The aim to be achieved is the restructuring of the local economy, the strengthening of competitiveness and export growth.

The cross-border effects of the current project will be:
- Improved co-operation between companies and achievement of synergies
  - Creation of business networks in the fields of chemical industry, petroleum industry, food-processing, packaging of agricultural produce, wood processing, pharmaceutical industry, mechanical industry, machinery and component manufacturing, transport and logistics and other industries, with the aim to develop common strategies and new products;
  - Development of joint service activities;
- Improved quality of human resources in the border region:
  - Decreased unemployment in the cross-border region through pre-qualification of the working force and through the creation of new jobs;
  - Managers and entrepreneurs trained to be able to manage cross-border structures and common projects;
- Joint promotion of the economy of the cross-border area: offer of attractive locations, joint marketing activities.
In 1996, representatives of municipalities of Pomurje and representatives of Vas and Zala Counties established a **Bilateral Council** to co-ordinate bilateral affairs in the cross-border region and to stimulate the bottom-up development process. In 2001, in the frame of the Slovene-Hungarian Council, four working groups were established to deal with 1. infrastructure and information technology; 2. economic development and tourism; 3. culture and human resources development and 4. nature protection. The bilateral council will play an important role in promoting joint projects.

### 3. DESCRIPTION

#### 3.1 Background and justification

**Overall context**

The aim of the scheme is to encourage inter-firm co-operation in the cross-border region, in order to enhance their competitiveness and productivity. Development of common projects will contribute to the creation of the joint economic space and will lead to synergies. By co-operating, companies get a chance to pool their competitive advantages and to overcome the competitive weaknesses of individual enterprises. The grant scheme will stimulate the development and exploitation of mutual complementarity and a better access to markets for co-operating companies. The regional impact of the project will be measured not only by the success of individual enterprises, but also by the increase of the growth potentials of service and manufacturing clusters, as well as by the increase of the number of employed in the border region.

**European Union**

The enterprise policy of the European Union focuses on entrepreneurship, creating an environment that is supportive to innovation. Its ambition is to supply the policy ideas that will foster the competitiveness of enterprises and revitalise Europe's economy, with the goal of creating a knowledge-based economy in Europe (mission statement of DG Enterprise).

Enterprises are confronted with the accelerating process of structural change, the emergence of the digital economy, intensifying competition and globalisation. In order to enable them to respond to these challenges, it is necessary to facilitate the growth of employment and support social cohesion, while protecting the environment, thus helping to meet the challenges of sustainable development (report from the Industry Council to the European Council, 11/1999).

Candidate countries have to take into consideration the aims and requirements of the European Union and need to make efforts to build their capacity to cope with competitive pressure and market forces within the Union (Copenhagen Criteria). This can be achieved by active and accelerated development of enterprises as well as of human resources being the key factor of the knowledge-based society.

**Enterprises in Slovenia**

According to the study, carried out by the Institute for Entrepreneurship and Small Business Management (Slovene Entrepreneurship Observatory 2000), the situation of the Slovene economy is as follows:
- The indicator of value added per employee shows that Slovenia is lagging behind the EU. While the average value added per employee in Europe-19 amounts to 60,000 EUR, in Slovenia it is only 18,000 EUR. The same difference appears in data on turnover per enterprise: the ration between the average European enterprise and that of Slovenia is 1,000,000 EUR to 400,000 EUR.

- Compared to the international environment, Slovene companies are less innovative. A quarter of enterprises have not introduced any new product or service in the last two years.

- The enterprises in Slovenia often face the problem of not finding appropriately qualified workforce. More than half of Slovene enterprises have often such difficulties, while in Europe less than 25% of enterprises have problems of this kind.

The main barriers to development entrepreneurs see in the difficult access to financial resources, in the lack of skilled workforce, in the lack of new technologies, lack of appropriate infrastructure, quality assurance and others.

**Hungary**
The private sector in Hungary is characterised by an overwhelming dominance of micro and small enterprises (app. 750,000), which are generating nearly half of the GDP and provide two-thirds of regional jobs. For them is also typical, that are facing lack of sufficient managerial, financial and international strengths.

The situation in Pomurje and the cross-border region
Pomurje, Zala and Vas County were one single unit until 1918. The iron curtain in the past fifty years had the greatest impact on the economic co-operation, which has restarted only on declarative level in the recent years. In the perspective of the Single European Market, there is a great need for both parts of the region to accelerate co-operation and jointly prepare for the demands of the market.

The present situation of the economy in Pomurje region is very unfavourable. According to the survey, made by the Institute for Entrepreneurship and Small Business Management (Slovene Entrepreneurship Observatory 2000), the Pomurje region is among the least prosperous regions in Slovenia – as regards the number of enterprises and the number of employees. Its economy is dominated by large companies, which have not been restructured yet (textile and oil refinery). The share of micro enterprises is also high. At the same time SMEs, who should be the motive power of the economy represent a much smaller share in the region’s economy.

The Zala County economy is dominated by the production sector. In County there is 27,042 companies. The companies are dealing with wood processing, furniture production, engineering, garments production. There is also oil pumping and refining and the machine manufacturing, which are dominant. Even with privatisation forcing major businesses to drastically downsize, one third of all county's workers are still employed by it. Approximately 1000 companies attracted foreign investors.

The privatisation process in Vas County has been completed without significant alteration of the economic structure. Processing industries are still dominant within which machine manufacturing represents half of the counties total industrial output. Important is also chemical industry, wood processing, textile, metal production and transport equipment. New products and approaches to production were assimilated to such as computers.
monitors, cars and cable coils. Among 20,000 registered companies about 700 attracted foreign investors.

From the description above it is obvious, that the companies in Zala and Vas are much more developed in terms of capabilities to attract foreign investors. Furthermore, there is evidence of established clusters within the Industrial Parks (e.g. Sárvár Industrial Park, Szentgotthárd Ipari Park, Szombathely Claudius Industrial and Innovative Park). This we cannot state for Pomurje region. The good practices of the Hungarian part of the bilateral border region could be benchmarked to the Slovenian part. The existing branches of the cross-border region offers opportunities in joint development mainly on the following fields: chemical industry, petroleum industry, food-processing, packaging of agricultural produce, wood processing, pharmaceutical industry, mechanical industry, machinery and component manufacturing. As regards the development of transport and logistics related services, the region has important comparative advantages arising from its geographical position and the large infrastructure projects being implemented:

- the motorway, being part of the European Corridor V (Venice – Trieste – Koper – Ljubljana – Budapest – Uzgorod – Lvov), to be build by 2008
- the new railway line Zalalövo – Hodoš – Murska Sobota, opened in May 2000, providing connection between Hungary (Vas County) and Slovenia and improving the accessibility of the region
- the airports in the vicinity of the cross-border region - Rakican (SLO, grass runway), Maribor (SLO, 60 km), Ljubljana (SLO, 200km), Sármellek (HU, 100 km), Budapest (HU, 280 km), Zagreb (CRO, 120km), Graz (A, 80 km), Vienna (A, 230km)

Mutual transfer of knowledge and experiences, joint training activities, co-ordinated development incentives and elaboration of common innovative projects will enhance of the competitiveness of the cross-border region and contribute to reducing regional imbalances, strengthening economic and social cohesion in both countries.

3.2 Linked activities

- The Guarantee Fund for Pomurje with the principal capital of EUR 650,000 acting in the frame of RDA Mura since 1998.

- A Micro Credits Scheme operated by RDA Mura, providing financial support for the creation of new jobs.

- Strategy for the development of the Tri-D region (ZZ9524) – The project provided a development strategy for the trilateral border region between Austria, Hungary and Slovenia, with the identification of common problems and possible solutions. On the basis of this strategy, an action programme was also elaborated, with 26 project proposals for possible trilateral (or bilateral) co-operation.

- “Cross-border co-operation between entrepreneurs” – The project was co-financed by the EU Credo Programme in 1998 (project No. 98-SI/HU-33-S-10). The project comprises the preparation of a common database of the entrepreneurs on both sides of the border (Lendava and Lenti). The results of the project are a common database on a web-site, CD and in a printed catalogue (www.lendava.com). At the present, a Chamber of Crafts in Lendava is maintaining the database.
• Training Centre Rakican (ZZ - 9621) – The vocational training centre is providing training mainly for adults in the fields of agriculture, rural development and entrepreneurship. The institution operates as a separate unit (in financial terms) within the Regional Development Agency Mura. The start of activities was March 2001. In first four months, more than 40 seminars and workshops were held in the Centre with close to 1000 participants in total. The contents of the seminars and workshops as well as the target groups are very widespread. There were seminars for municipalities (use of different software, developing communications skills for mayors), training for the needs of companies from the wider region, workshops on different topics related to the development of the region (use of geothermal energy, future of agriculture in the region, technological development, transport infrastructure, marketing in agriculture), seminars for entrepreneurs (establishment and management of companies, tax regulations), as well as a number of other events in the fields of education, agriculture, entrepreneurship and others. A detailed list of previous and future training programmes can be obtained at the Training Centre Rakican.

• Business Incubators Network in Pomurje (Phare 2000 Social and Economic Cohesion – SI0004.01 and SI2000/IB/SPP-01) – A network of business incubators will be established with four units, namely in Murska Sobota, Ljutomer, Lendava and Odranci. The main activities in the framework of the project will be: elaboration of the Management Plan, training activities, elaboration of the management structure, promotion activities (to be covered by the Twinning Covenant). The establishment of an industrial information database and of a Co-operation Facility Fund is also foreseen. The business incubators network will support start-ups in the Pomurje region and is not designed to support the cross-border co-operation. The proposed Grant Scheme will stimulate cross-border actions especially for existing companies, which were operating for at least two years especially in the field of chemistry, wood-processing, pharmacy and other existing branches of the cross-border region. Due to the reason, that the PAA will be in the region during the execution of the current Grant Scheme, his assistance will assure the benchmarking of the good practice from the comparative developed region Cantabria (phasing out of Objective 1).

3.3 Results

Overall results of the project
An established and fully operational Grants Scheme to support the implementation of measures identified in the Joint Programming Document Slovenia – Hungary 2000-2002. The Grant Scheme will offer support to co-operation projects in order to increase the strengthening of competitiveness, export growth and productivity of the enterprise sector, to support the development of human resources, to protect the environment in connection with the economic activities.

The following quantifiable results will be achieved:

• Sustainable co-operation projects in the field of different industries and long-term co-operation between companies established across the border;
• Bilateral training schemes and co-operation in the re-training of the workforce in place.
The key target group for cooperation are companies registered in the border regions in the manufacturing and service sector, having at least two years of business experience and with a potential for further business development or growth, introduced in their business plan.

**Experience to be gained**
The scheme should provide relevant experience for the future operation of the structural funds for National Agency for Regional Development as also to the partners in the region (e.g. Regional Development Agency) as also to prepare the beneficiaries to be able to apply for the structural funds.

**Scope for learning**
Further experiences on structural funds conditions will be gained from the following:
- *project assessment* – what should be the basis of selection
- *independent appraisal* of projects - (to be sought in the application stage) from appropriate experts
- *monitoring and evaluation* – monitoring and management committees will be formed and will provide valuable insights into the future work of such groups under the structural funds. This is to be part of NARD structure.
- *financial management* – experience to be gained of operating a system of co-financing in association with EU and local interests.

**3.4 Activities**
The foreseen results will be achieved through the establishment of a grant scheme, supported by Phare and national funds.

**Activities to be implemented** in the framework of the present project are:
1. Preparation of the package of call for proposals, evaluation criteria and application form based on the provisions of the PRACTICAL GUIDE TO PHARE, ISPA AND SAPARD CONTRACT PROCEDURE and the Vademecum on Grant Management;
2. Publication of the call for proposals;
3. Project selection process;
4. Contracting;
5. Implementation of the selected projects by the beneficiaries;
6. Monitoring of the projects implemented by the beneficiaries.

There are 2 fields of eligible activities under the Grant Scheme »Creation of Joint Economic Space and Development of Human Resources in the border region«

a) Improvement of co-operation between companies in the cross-border region

- Establishment of Slovene-Hungarian joint-ventures, co-operatives, supply chains or consortium.

Co-operation between companies, based in Pomurje, Vas or Zala County will be subject of the co-operation among the partners (provision of services, procurement of supplies, usage of the procured equipment; decision-making procedures defining the responsibilities and role of partners; defining ownership related issues such as copyright,
ownership of procured goods etc.). The duration of contracts between companies, taking part in the Grant scheme, have to have a minimum duration of three years after the expiry of Financing Memorandum.

- Preparation of joint business and marketing plans of companies in the joint-venture, supply-chains, consortium or co-operatives;

Under the grant scheme the business and marketing plans for joint co-operation will be prepared and will be pre-condition to purchase the equipment, design or re-design of new products.

- development of new products or existing products in a new design as a result of joint co-operation;

Special emphasis will be given to the products, which will find the market niches and so strengthen the competitiveness of the border region.

- development of joint marketing services, emphasising the use of IT, with the aim to attract direct domestic and foreign investors into the border region;

Special emphasis will be given to the already existing industrial sites and companies, which lack the direct investments.

The co-operation of companies under the Grant Scheme will not lead to the unfair competition in terms of increased competitiveness of the company but it will lead to the creation of new sustainable jobs and the joint economic space. Thus the grants to the companies can be given only upon the condition that the regional or national authorities responsible for economic development (e.g. Chambers of Industry, Chamber of Crafts, Technology Centres, Business Support Centres, Development Initiatives) will be involved in the preparation and implementation of the project (e.g. the public-private partnership will be encouraged).

b) Development of human resources

- setting up of cross-border labour market oriented networks and exchange of information with the aim to develop employment and training programmes;

A joint databases (employment structure; employment needs) on the both sides of the border will be funded. Special emphasis will be given also to the joint employment and training programmes with the aim to achieve the mobility of the working force in the cross-border region.

- co-operation of training institutions to improve the quality of human resources in the border area;

A pre-condition for the regional development on the both sides of the border is to link the vocational training institution. The co-operation shall be understood in terms of preparation of joint curriculum and vocational training programmes, share of facilities, exchange of students and teachers etc.

- creation of cross-border networks of training courses and adult education schemes to train or re-train workers;

To train or re-train workers of the existing companies in the cross-border region is a pre-condition for introduction of new technologies, development of new products and also for attraction direct domestic and foreign investors.

- Custom made training for entrepreneurs (managers and other executives) with the aim of increasing co-operation and developing industries jointly.

Indicators of achievement will be:

- at least 5 joint projects implemented;
• at least three joint training schemes elaborated and implemented;
• at least 20 new jobs created within the projects;
• at least 20 managers trained.

3.4.2 Methodology

All procedures relating to the implementation of the grant scheme will be implemented according to the provisions of the Practical Guide to Phare, Ispa and Sapard contract procedure and the Vademecum on Grant Management.

The National Agency for Regional Development will be responsible for the appropriate implementation of the scheme, including awareness-rising, issuing the Call for Proposals, receiving proposals, chairing evaluation sessions, deciding on the results of Calls for Proposals, monitoring of the implementation of selected projects and final evaluation of results.

The NARD will submit Call for Proposal notices, Guidelines for Applicants and grant award notices to the European Commission for approval after receiving the documentation from the Contracting Authorities.

Implementation of the scheme

- **Publication of the forecast of the Grant Scheme** will take place immediately after the approval of the Grant Scheme by the PHARE Management Committee, so that the preparation of proposals can proceed in advance of the formal Call for proposals.
- **Local Call for Proposals** will be published by the National Agency for Regional Development of Slovenia. The deadline for the submission of proposals will be 60 days.
- In the interest of **transparency and equal opportunity** the documents relevant to this Grant Scheme will be published on NARD's Internet site (http://www.sigov.si/arr/index.html), which will provide a contact point to which questions may be addressed. The Internet site will be managed by NARD.
- NARD will nominate members of the **Steering Committee** and of the **Evaluation Committee** on a personal basis and authorise possible observers individually.
- **Assessors** will also be nominated by the NARD. Assessors will examine the technical quality, administrative compliance and financial quality of each proposal in detail and present their assessment to the Evaluation Committee. Assessors will not be members of the Evaluation Committee.
- **The Evaluation Report** will consist of recommendations for grants to be awarded and will be submitted to the NARD for its acceptance. Project List of the grants proposed by the Evaluation Committee should be approved by the NARD.
- **The Contracting Authority** will (1) notify the successful applicants in writing that their applications have been selected, (2) prepare grant contracts, (3) prepare background dossier, (4) prepare a dossier for each grant contract, and (5) sign all copies of the contract and send them to the applicants.
- **Contracts** will be signed between the Contracting Authority and successful applicant and endorsed by NARD.
- NARD will prepare a **grant contract award notice** for the Grant Scheme and send it to the European Commission.
• **Project List** together with signed Contracts will be sent to the European Commission for approval.

**Monitoring and Evaluation**

• **On-going monitoring** of the projects selected for founding will be executed by the Contracting Authorities and Implementing Agency. For works, site-visits will be organised and the results will be reported to the Steering Committee.

• **Three regular meetings of the Steering Committee:** first, the approval of the Guidelines for Applicants and other documents needed for successful tendering, second, the selection process execution, and third, the approval of the Final Report.

• **Two on-going evaluation meetings by the Steering Committee:** first, 6 months from the time of signing the contracts with successful applicants, second, one month before time of last grant contract expires.

• Monitoring and Evaluation Reports will be prepared by the Contracting Authorities two weeks before the meetings of the Steering Committee and delivered to the NARD. One week before the Steering Committee’s meetings NARD will distribute Monitoring and Evaluation Reports to the members of the Committee, to the Government Office for European Affairs and to the European Commission for information.

• Contracting Authorities will prepare Final Report to the Grant Scheme and submit it to the NARD. NARD will send it to the Government Office for European Affairs and to the European Commission. The final Report will be prepared at least two months before the expiry date of the programme.

3.4.3 Eligibility and selection criteria

The eligibility and selection criteria will be specified in detail in the Guidelines for applicants according to the standard templates given in Annexes E7 and E10 of Practical Guide to Phare, Ispa and Sapard contract procedures. As the templates are standard, only the specific criteria for this grant scheme are listed below and will be incorporated in standard template.

**ELIGIBILITY CRITERIA**

<table>
<thead>
<tr>
<th>ELIGIBILITY OF AREA, APPLICANTS AND PARTNERS</th>
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<tbody>
<tr>
<td>1. The Grant Scheme is applicable for the Pomurje region.</td>
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<td>2. Who can apply:</td>
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<tr>
<td>- at least two partners from the following: companies, municipalities or local communities within the defined border region; local and regional level organisations, chambers, local and regional development agencies, training institutions, foundations, associations based in Pomurje region, acting in a role of promoting, supporting and co-ordinating activities of private sector enterprises;</td>
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The project partners can be profit or non-profit, governmental or non-governmental institutions eligible for Phare support. Such Phare support can only be paid to partners based in Pomurje.

At least one partner should be based either in Zala or Vas County.
In order to avoid overlapping, the project proposals, submitted in the framework of this project cannot be submitted in the frame of the Joint Small Projects Grant Scheme (although some of the eligible organisations (municipalities, chambers, etc.) are eligible for support in both grant schemes, it is necessary to bear in mind that eligible fields are different in the two grant schemes, thus, it is not possible to receive funding for the same project proposals from 2 sources)

**ELIGIBILITY OF PROJECTS**

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<tbody>
<tr>
<td><strong>1. Size of project:</strong></td>
<td>Phare contribution of the project will be 50,000 – 300,000 EUR.</td>
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<td><strong>2. Duration of the project:</strong></td>
<td>The expiry date of the project should be at least two months before the expiry date of the programme as indicated in the Financing Memorandum.</td>
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<td><strong>3. The same project proposal must not receive more than one EC-funded grant.</strong></td>
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<td><strong>4. Project proposals in the following fields are eligible for Phare support:</strong></td>
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<tr>
<td>a) Improvement of co-operation between companies in the cross-border region</td>
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<tr>
<td>• Establishment of Slovene-Hungarian joint-ventures, co-operatives, supply chains or consortium.</td>
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<td>• Preparation of joint business and marketing plans of companies;</td>
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<td>• Development of new products or existing products in a new design as a result of joint co-operation;</td>
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<td>• Development of joint marketing services, emphasising the use of IT, with the aim to attract direct domestic and foreign investors into the border region;</td>
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<td>b) Development of human resources</td>
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<tr>
<td>• setting up of cross-border labour market oriented networks and exchange of information with the aim to develop employment and training programmes;</td>
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<tr>
<td>• co-operation of training institutions to improve the quality of human resources in the border area;</td>
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<tr>
<td>• creation of cross-border networks of training courses and adult education schemes to train or re-train workers;</td>
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<tr>
<td>• Custom made training for entrepreneurs</td>
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**ELIGIBILITY OF COSTS:** Direct and indirect costs.
**SELECTION CRITERIA**

Following standard template for selection of the projects, the criteria will be set according to the sections: Relevance, Methodology, Sustainability, Budget and Cost-effectiveness, Management Capacity and Expertise.

The overall criteria for the selection of the project proposals under this Grant Scheme is that each project proposal should have a clear cross-border impact.

**Relevance**

| 1. Coherence with the Joint Programming Document |
| 2. Relevance of the project from the point of view of Government Strategic plans and studies |
| 3. Relevance of the proposal according to the needs of the proposed target groups |
| 4. Coherence and appropriateness of activities proposed in the project |
| 5. To what extent does the proposal contain specific elements, such as innovative approaches, models for good practice, promotion of gender equality and equal opportunities? |
| 6. Impact on employment situation (number of new jobs to be created) |
| 7. Relevance of the foreseen partnership |
| 8. How strong is the planned cross-border impact? |

*Project without direct CBC impact will not be eligible for funding.* Only the project, which will have real cross-border impact will be eligible for funding under the Grant scheme. The cross-border impact will be understood in terms of:

- joint development of project idea or
- joint preparation of project application or
- joint implementation of project or
- joint co-financing of project activities

**Methodology**

| 9. Coherence of the overall project design |
| 10. How clear and feasible is the action plan? |

**Sustainability**

| 11. In what relation is the project with other programmes and projects (complementing, overlapping or conflict with other Phare activities or other assistance programmes)? |
| 12. To what extent is the project likely to have a tangible impact on its target groups? |
| 13. To what extent does the proposal contain potential multiplier effects? (Including possibilities for replication and extension of project outcomes, dissemination of information.) |
| 14. To what extent are the results of the proposed project sustainable: |
| - financially (how will the activities be financed after the EC funding ends?) |
| - institutionally (will structures allowing the activities to continue be in place at the end of the present project?) |
| - at the policy level (where applicable), what will be the structural impact of the project – e.g. will it lead to improved strategic papers, methods…? |

**Budget and Cost-effectiveness**

| 15. Financial proposal and financial efficiency (sufficiently detailed budget, reasonable and realistic for what will be done) |
### Management Capacity and Expertise

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<tr>
<td>16.</td>
<td>How satisfactory is the current management capacity of the applicant (including staff, partners, equipment and its ability to handle the project budget)?</td>
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<td>17.</td>
<td>How satisfactory is the previous project management experience of the applicant?</td>
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<td>18.</td>
<td>How satisfactory is the technical expertise of the applicant and partners?</td>
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<tr>
<td>19.</td>
<td>CVs of the Project Manager and co-operating experts</td>
</tr>
</tbody>
</table>

### 4. INSTITUTIONAL FRAMEWORK

**National level:** The ministries involved in the project are: the Ministry of Economy and the Ministry of Family, Labour and Social Affairs.

The below described institutional framework will be applied for the Grant Scheme for strengthening the regional development and intensifying cross-border co-operation. Central management and co-ordination will be provided by NARD.

**Regional level:** The project co-ordinator at regional level will be the Regional Development Agency Mura.

A **Steering Committee** responsible for the monitoring of the Grant Scheme will be established and chaired by NARD. The members of the Steering Committee will be:

- 1 chairman
- 1 secretary

**VOTING MEMBERS:**
- 1 representative of the Ministry of Economy
- 1 representative of the Ministry of Labour, Family and Social Affairs
- 1 representative of the RDA Mura
- 1 representative of Hungarian Implementing Agency

**OBSEVERS:**
- 1 representative of the ECD

An **Evaluation Committee** and a group of **assessors** will also be nominated by NARD, to carry out the project evaluation process.

The **final beneficiaries** of the project will be the enterprises / networks of enterprises in the border region, the employees and managers of companies (for training activities).
5. DETAILED BUDGET

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Investme nt Support INV</th>
<th>Institution Building IB</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing*</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme preparation and follow-up</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.1</td>
<td>0</td>
<td>0.1</td>
</tr>
<tr>
<td>Establishment of the Grant Scheme</td>
<td>0</td>
<td>1.3</td>
<td>1.3</td>
<td>0.45</td>
<td>0</td>
<td>1.75</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>1.3</td>
<td>1.3</td>
<td>0.55</td>
<td>0</td>
<td>1.85</td>
</tr>
</tbody>
</table>

The Phare contribution will be used as follows:

50% for activities under 3.4.a and 50% for activities under 3.4.b.

6. IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency
Ministry of Finance - CFCU
Mr. Peter Škofic, PAO
Address: Beethovenova 11, 1502 Ljubljana, Slovenia
Tel: +386.1.478.63.05
Fax: +386.1.478.62.04

Implementing Authority
National Agency for Regional Development
Mr Ivo Piry, Director
Address: Kotnikova 28, 1000 Ljubljana, Slovenia
Tel: +386.1.478.36.70
Fax: +386.1.431.33.60

Contracting Authorities
Ministry of Economy
Ms. Tea Petrin, the Minister
Address: Kotnikova 28, 1000 Ljubljana, Slovenia
Tel: +386.1.478.36.70
Fax: +386.1.431.33.60

Ministry of Labour, Family and Social Affairs
Mr. Vlado Dimovski, the Minister
Address: Kotnikova 5, 1000 Ljubljana, Slovenia
Tel: +386.1.478.34.50
Fax: +386.1.478.34.56
6.2 Twinning
Not applicable.

6.3 Non-standard aspects
Not applicable.

6.4 Contracts:
Grant scheme: 1.75 MEUR

7. IMPLEMENTATION SCHEDULE

7.1 Start of tendering/call for proposals
The call for proposals will be published 2 months after signature of the FM.

7.2 Start of project activity
Activities will start (implementation of projects by beneficiaries) 5 months after the signature of the FM.

7.3 Project Completion
At latest two months before the expiry date of the programme as indicated in the Financing Memorandum.

8. EQUAL OPPORTUNITY
The project will stimulate the process building the partnership between the national, regional and local partners in terms of responsibilities taken, decision making and priorities setting and will be in no way discriminatory in terms of gender, life-style, religion or politics.

9. ENVIRONMENT
Only projects complying with the environmental regulations of the EU will be eligible.

10. RATES OF RETURNS
Not applicable

11. INVESTMENT CRITERIA

11.1 Catalytic effect
The Phare contribution will promote the development of the economy in the Pomurje Region and contribute to the restructuring of the companies. Without Phare support this development would take place much later and not in such a comprehensive form as is proposed in this Project.
The following catalytic effects are foreseen:

- Improvement of economic competitiveness of the region;
- Inflow of know-how through project co-operations;
- Strengthening of the existing industries;
- Stimulating growth of production oriented activities;
- Increased investment activities in the area;
- Strengthening cross-border links between companies and institutions of their business Environment;
- Creation of job opportunities;
- Improving social and cultural welfare.

The implementation of projects will stimulate and create a positive environment for further innovation, development and new job creation in the region based primary on endogenous investments and resources.

11.2 Co-financing

Beside the Phare funds the following national co-financing will be provided: National Agency for Regional Development will co-finance the programme preparation and the follow-up of the project in the amount of 0.1 M EUR. In particular this will include also the workshops for applicants, information and dissemination campaign, which will be crucial for preparation of ready to go projects.

The Ministry of Economy will contribute 0.15 M EUR for the actions mentioned under the point 3.4.a.

The Trade and Investment Promotion Office will contribute 0.1 M EUR to the actions mentioned under the point 3.4 a.

The Ministry of Labour, Family and Social Affairs will contribute 0.2 M EUR for the actions mentioned under the point 3.4 b of the current Project Fiche.

The project applicants have to contribute at least 25% of the total budget included VAT.

11.3 Additionality

The Phare funds will contribute and stimulate joint actions in the cross-border region and will provide additionally funds to the existing national instruments in order to achieve greater transparency and prepare the target cross-border region on Structural Funds.

11.4 Project readiness and size

For works and supply the projects are considered to be ready if the Tender Dossier is prepared and in line with PRACTICAL GUIDE TO PHARE, ISPA AND SAPARD CONTRACT PROCEDURE and national legislation (location permit, building permit). The minimum size of the Phare contribution for the project funded under this Grant scheme is EUR 50.000 and the maximum amount is EUR 300.000.

11.5 Sustainability

Long-term sustainability will be one of the selection criteria for projects. Only organisations being able to provide the sustainability of projects proposed will be supported.
11.6 Compliance with state aids provisions
Each state grant allocated by Slovenia, as stipulated in Article 65(4) of the European Treaty, is to be taken into account in the first four years of the treaty validity that Slovenia is to be considered as an area which is equal to Community areas, described in item 92(3)a of the Treaty on the European Union (TEU). All actions financed by Phare will be carried out in line with the Practical guide for Ispa, Sapard and Phare and will respect the state aid and competition provisions of the Europe Agreement.

11.7 Contribution to National Development Plan
The proposed project, its objectives and activities foreseen are in line with the general streamlines of the Preliminary National Development Plan for the period 2000-2002 and with the draft investment priorities of the National Development Plan.

12. Conditionality and sequencing
The pre-condition for the project’s start is that necessary documentation (Guidelines, Application Forms, Contract forms, etc.) be available by the signature of the FM.

Main milestones in the implementation of the project:
- Call for Proposals
- Selection of projects
- Contracting
- Implementation of projects by beneficiaries
- Monitoring of the implementation by the IA
ANNEXES TO THE PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programmes
4. List of relevant Laws and Regulations
5. Reference to relevant Government Strategic plans and studies
## LOGFRAME PLANNING MATRIX FOR CREATION OF JOINT ECONOMIC SPACE (GRANT SCHEME)

<table>
<thead>
<tr>
<th>Overall</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase growth and improve competitiveness of enterprises in the cross-border region</td>
<td>- growth in regional GDP per capita</td>
<td>• Statistical data</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- increased rate of employment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improve human resources capacities and skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Stimulate cross-border economic activities (co-operation between companies, creation of networks and clusters, development of joint strategies and new products, joint marketing activities)</td>
<td>- at least 20 new jobs created and 20 managers participating in training schemes</td>
<td>• Final Reports on the implementation of projects</td>
<td>• actors from both sides must work in line with the joint strategy to achieve synergies and avoid direct competition</td>
</tr>
<tr>
<td></td>
<td>- sustainable co-operation between companies established</td>
<td>• Final Report approved by NARD on the implementation of the Grant Scheme</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sustainable bilateral projects in the field of different industries, long-term co-operation between companies established</td>
<td>• at least 5 common projects implemented,</td>
<td>• Reports on the implementation of projects</td>
<td>• financing from national sources provided in time</td>
</tr>
<tr>
<td>• Bilateral training schemes and co-operation in the re-training of the workforce in place</td>
<td>• at least 3 training schemes elaborated and implemented</td>
<td>• Reports of CAs and NARD to the SC</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Pre-conditions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Publication of the call for proposals</td>
<td>Grant scheme: 1.75 MEUR (1.3 MEUR Phare + 0.45 MEUR national co-financing)</td>
<td>• The documentation, necessary for the implementation of the grant scheme prepared by the signing of the FM</td>
</tr>
</tbody>
</table>
## ANNEX 2

Detailed Implementation Chart  
Phare Funds 1.3 MEUR

<table>
<thead>
<tr>
<th>Activities</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Scheme</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Preparation of Grant Scheme</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Guidelines for Applicants and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>document drafted and approved by ECD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Scheme forecast published</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of the Grant Scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call for proposals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project selection process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site visits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular Steering Committee Meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-going Steering Committee Meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### ANNEX 3
Cumulative contracting and disbursement schedule (Phare funds only)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitment</strong></td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Disbursement</strong></td>
<td>0</td>
<td>1.04</td>
<td>1.04</td>
<td>1.04</td>
<td>1.04</td>
<td>1.3</td>
</tr>
</tbody>
</table>
ANNEX 4
List of relevant Laws and Regulations

1. Law on Copyright (Official Journal of the Republic of Slovenia, No. 21/95)
2. Law on economic zones (Official Journal of the Republic of Slovenia, 45/98)
3. Law on business (Official Journal of the Republic of Slovenia, 30/93)
4. Law on industrial ownership (Official Journal of the Republic of Slovenia, 13/92)
5. Law on supporting companies in the development of new technologies and the establishment and functioning of development units in the period 2000-2003 (Official Journal of the Republic of Slovenia, 99/99)
6. Law on preventing the limitation of the competition (Official Journal of the Republic of Slovenia, 56/99)
7. Law on research activities (Official Journal of the Republic of Slovenia, 8/91)
8. Law on small business development (Official Journal of the Republic of Slovenia, 18/91)
9. Law on the protection of the competition (Official Journal of the Republic of Slovenia, 18/93)
10. Law on foreign trade procedures (Official Journal of the Republic of Slovenia, 13/93)
11. Balanced Regional Development Act (Official Journal of the Republic of Slovenia, 60/99)
12. Spatial Planning Act (OJ SRS, No 18/84, 15/89; OJ RS, No 71/93)
13. Act on Urban Planning and Other Forms of Land Use (OJ SRS, No 18/84, 37/85, 29/86; OJ SFRJ, No 83/89; OJ SRS, No 43/89, 05/90; OJ RS-I, No 26/90, 03/91, 10/91, 17/91; OJ RS, No 55/92, 13/93, 18/93, 47/93, 71/93, 29/95 and 44/97)
ANNEX 5
Reference to relevant Government Strategic plans and studies

1. Regional Development Strategy for Pomurje (Prekmurje and Prlekija), Ljubljana, 1998
2. Development Programme of Municipalities Lendava, Crenšovci, Kobilje, Odranci and Turnišče, Development Centre Lendava, 1998
3. Review of local development initiatives and proposals for the promotion of the industrial development in Pomurje region, Regional Development Agency Mura, 1999
9. Strategy of increasing the competitiveness of Slovene industry, Ministry of Economic Affairs, Ljubljana, 1996
11. National Development Plan (draft, February 2001)