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**Establishing technology transfer consulting services for SMEs,  
based on multimedia e-learning system**

## **Project planning**

**E-LEARNING MATERIAL**  
(revised version)

**Author:**  
**György Kocziszký**  
**Zoltán Nagy**  
**Ildikó Györffy**  
**Zsolt Pál**  
**Judit Roncz**  
**Éva G. Fekete**  
**Katalin Lipták**

**Translator: Ildikó Györffy**



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## Introduction

To eliminate the disparities between regions with different development level is a key priority of the European Union, who provides significant sources for supporting that goal.

However, drawdowning these funds does not go automatically: the growth of the available budget depends on the efficiency of the applicants, the preparatory level of the project, and also on the socio-economic substantiation.

Our e-learning material is dedicated to project writers, small and medium-sized enterprises and project managers; the concerned knowledge wish to help raise funds and supervise the projects.

Our material consists of five modules, each of them requires appr. 120-150 minutes.

**Module 1:** Programs and projects in the European Union, process of the project cycle.

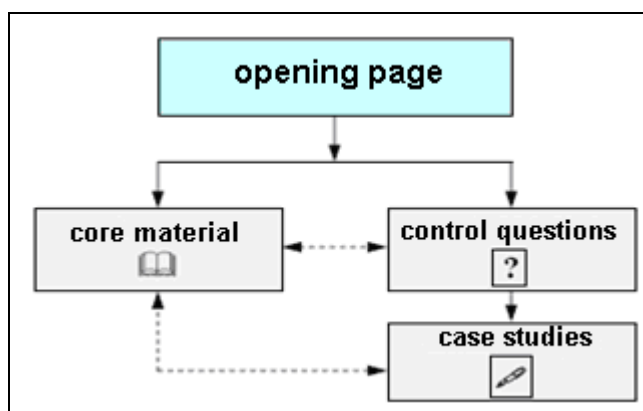
**Module 2:** Clarifying project aims and identification.

**Module 3:** Project development and proposal writing.

**Module 4:** Presentation, preliminary evaluation, project-related discussions and decisions.

**Module 5:** Project execution, closure and evaluation.

Each module consists of two parts. In the first part the core material, in the second block the related explanations, additions, and examples are summarized. It is recommended to start learning with the first module. This can be followed by the additional information, the Annex and other additions relating to the module, than the reflection/questions. If you have problems regarding the test, it is recommended to review the core material and attachments. You can step further to learn and solve the exercises.



**Logical process of studying the material**

If any part is not totally understandable, it is always recommended to step back to the core material module and read the relevant parts again before doing the exercises.

## Module 1: Programs and projects in the European Union, the process of the project cycle

### 1.1. Programs in the EU

In order to achieve common objectives defined in the treaty, the EU member states have developed and implemented common policies, programs and projects.

<b>Policy:</b>	Clearly defined strategic objectives and their priorities assigned with human and financial resources. Policy needs political decisions, ruled within a legal framework.
<b>Program:</b>	Development plan for multi-sectoral or regional goals, realized by several related projects, within a coordinated organizational system.
<b>Project:</b>	Lines of activities designed and carried out within the framework of a certain program.

*EU policies* represent common interests of the member states, follow and form the economic and social conditions of the EU, seeking a uniform European-wide planning. Based on the depth of cooperation and joint decision-making between the member states, there is community-, common policy or community collaboration. **Annex 1.**

Certain policies include specific aims and priorities related to the given topics, common funds and institutions support the common objectives.

Under the program the policies and funds are assigned to each other. More than one program can belong to a policy, while the programs assigned to policies and funds are unambiguous in the history of the EU. The institutional background of the programs depends on the nature of politics. E.g. the strongest common policy, the common agricultural and rural policy instruments have higher relevance than e.g. the softer policy of equal opportunities.

In the EU, there are three types of programs:

- (1) The whole Community Action Programs are series of integrated measures adopted by the European Commission aimed at strengthening the cooperation among the member states in various areas of common policies and multi-year period. The Community Programs are funded by the general budget of the European Union. Almost all of the EU policies can be connected to a Community Program. It is dedicated at community level, what kind of programs will be phased in, in which areas, with how big budget and for how long period of time. The European Council defines the program's budget for a cycle in any case (usually for 4-5-6-7 years). The responsible institutions of the programs are the Directorate General (DG) of the European Commission. The amount specified in the given framework can be applied freely, there are

no national quotas. To ask for support any legal entity (in some cases, individuals as well) can apply. The administration, contracting, accounting, processes, etc. go primarily in English. However, there is a program office established in each country (in the Ministries related to the field of program, or in a separated organization) that is responsible for the provision of information and broadcasting.

**Table 1.1. Community programs**

<b>Mosaic</b>	<b>Full name</b>	<b>Website</b>	<b>Responsible/ coordinator</b>
LIFE+	L'Instrument Financier pour l'Environnement	<a href="http://ec.europa.eu/environment/life/index.htm">http://ec.europa.eu/environment/life/index.htm</a>	Energia Központ Nonprofit Kft
CIP	Competitiveness and Innovation Framework Programme	<a href="http://ec.europa.eu/cip/">http://ec.europa.eu/cip/</a>	Enterprise Europe Network
FP7	Seventh Framework Programme for Research	<a href="http://ec.europa.eu/research/fp7/index_en.cfm">http://ec.europa.eu/research/fp7/index_en.cfm</a>	National Development Agency
Média 2007	Media Programme	<a href="http://europa.eu/legislation_summaries/audiovisual_and_media/l24224a_en.htm">http://europa.eu/legislation_summaries/audiovisual_and_media/l24224a_en.htm</a>	
LLP	Lifelong Learning Programme	<a href="http://eacea.ec.europa.eu/llp/">http://eacea.ec.europa.eu/llp/</a>	Tempus Learning Foundation
Kultúra 2007-2013.	Culture Programme 2007-2013.	<a href="http://eacea.ec.europa.eu/culture/">eacea.ec.europa.eu/culture/</a>	Kultúrpoint Office
Cselekvő Ifjúság	Youth in Action 2007-2013.	<a href="http://europa.eu/legislation_summaries/education_training_youth/youth/c11080_en.htm">http://europa.eu/legislation_summaries/education_training_youth/youth/c11080_en.htm</a>	Education, Audiovisual and Culture Executive Agency

*Source: own compilation*

- (2) External co-operation programs with countries outside the European Union. For the period of 2007-2013 ten actions were available for the implementation of external assistance programs: IPA (Instrument for Pre-Accession Fund), ENPI (European Neighbourhood Policy), DCI (Development), EDF (10th European Development Fund), ICI (industrialized countries), EIDHR (human rights) IfS (stability), INSC (nuclear safety), Humanitarian aid and Macro-Financial Assistance.
- (3) Structural and Cohesion Policy: The basis of the structural policy comes from the definite purpose for strengthening the regional cohesion between the EU Member States, reducing the inequalities, closing up the disadvantaged, slow-

growing or in crisis regions and creating balance. This can be supported by the regional socio-economic interventions or the regional closing-up!

The structural policy is based on six principles defined by the EU members:

- a) Principle of concentration: supports have to be delivered through few channels and purposes for those who are entitled.
- b) The principle of programming: programs have to be defined in the national development strategies, projects can be founded only within its framework.
- c) The principle of partnership: cooperation of actors affected by regional development for effective development.
- d) Principle of additionality: the financing of development projects is only partly (different, pre-defined in %) provided by the EU funds. The remaining funds (own contribution) have to be added by the region or with the help of the state.
- e) Principle of subsidiarity: decisions and implementation for development should be given to the territorial level where the problem occurred, or where the best feasible solution is, where the most information is available.
- f) The principle of decentralization: devolution of a broad range of territorial development decisions to territorial bodies of lower levels (i.e. decisions must be made at lower level).

These principles were completed with some further general expectations in the new programming period:

- a) Principle of achievement orientation: a shift towards the goals has to be achieved, that is provided by the selected indicators, the simplification of the project, the laid down criteria of terms of efficiency.
- b) Principle of area-based approach: the projects should fit the needs of a particular region, the improvements implemented in the same region should relate to each other.

The objectives and priorities of the structural policy are changing through the programming periods. These can be found in the Community Guidelines. **ANNEX 2**

During the programming the member states and the regions formulate their regional development plans, frame the development plans of the eligible regions, taking into account EU's common objectives (Common Strategic Framework) and national development plans (National Development 2020 = NDP + NRDC). Beyond the administrative actors, with participation of the social and economic players of the regions, the planning process results in the Development and Investment Partnership Contract (prior to 2014 in the National Strategic Reference Framework) that contains the national government and the EU co-development ideas.



Comprehensive national development strategies	National development 2020  National Spatial Development Concept	Partnership Agreement 2014-2020  Operative Programme	EU 2020 Strategy 2010-2020
Growth Plan	Comprehensive concept of development policy function (NDC function)		Common Strategic Framework 2014-2020  Thematic objectives of EU Cohesion Policy  The objectives of rural development policy  The objectives of fisheries policy
National Rural Development Strategy 2012-2020		Allocation of EU funds, EU cohesion policy, thematic objectives	
Energy Strategy		Planning EU funds for rural development and fisheries	
Semmelweis Plan	Regional development policy concept function (NRDC function)		
Wekerle Plan			
National Social Inclusion Strategy			
National Environmental Program			
Sustainable Development Strategy			
Policy Programs			

**Figure 1.1. Connection of the EU and national programming**

Source: National Development in 2020 (draft version). Nemzeti Nemzetgazdasági Tervezési Hivatal, 2012.

This contains also the outline of the Operative Program that is going to be divided into action plans and tenders by the member states and managing authorities after the adoption of the Commission. The details of the programs are determined by the national and regional authorities. **ANNEX 3**

The tools of the Structural Policy are the ESF, ERDF, Cohesion Fund, Pre-Accession, European Investment Bank, JASPERS, JEREMIE, JESSICA, the European Agricultural Fund for Rural Development, the European Fisheries Fund, the European Solidarity Fund, the European Globalization Adjustment Fund, EEA, and Norwegian Financial Mechanism. **ANNEX 4**

To get information about the common policies and their related programs it is recommended to visit the <http://ec.europa.eu> and the own web pages of the programs. Above all, they are necessary to be mapped in order to see through where is it possible to link the EU's objectives. Supporting our ideas is only possible, when these points of connection exist. In addition, we need to connect not only to the main objectives, but also to understand the considerations behind

the targeted goals, to recognize the reasons behind the goals and expected future trends in order to be informed about our possible subvention.

## **1.2. Implementation of the programs**

The distribution of the financial framework occurs in connection with the programs, than the call for proposals are being completed. Tenders may be submitted for these calling for proposals that are under decision by the concerned authorities taking the project objectives and the financial terms into account. The winning applicants can start the implementation of the project and ask for the granted aids after contracting.

The competent authorities shall verify the progress of the program (monitoring) by specific rules, inform the Commission about the effectiveness of used resources. The Commission monitors the financial operations and allocates other parts of funding for the member countries by the awarded grants; analyzes the development by using indicators and evaluates the changes.

The operational programs consist of priorities, the priorities consist of constructs, and the constructs are set of projects.

**A project is a set of interrelated task consciously building on each other to achieve a specific objective, to be executed over a fixed period and within certain cost and other (personnel costs and demand) limitations.**

The project planning and proposal writing are two different but logically interdependent, not interchangeable operations. Project development (planning) precedes the proposal writing; the project plan is essential for a successful application.

**The proposal is therefore not a goal but an instrument. Its function is to support the applicant to receive funds for the implementation of the project!**

### 1.3. Project Cycle Management

Development and implementation of the project plan can be carried out more (3-6) rounds.

These sections are logically built on each other, they are usually repeated in cycles examining long (several years) time interval. The reason of the cyclical movement is the following: understanding the problem and the solution does not exclude the possibility that a new type of problem comes up that is waiting for being solved again.

The level of cyclical thinking may be a policy (e.g. R&D&I policy), a program (e.g. nanotechnology programs) or a specific project (e.g., technology transfer).

The cyclical is ensured by the possibility of moving on, on the basis of possible ideas arising sooner or later after solving the problem that suggests the necessity of another analysis, objectives and proposed solutions.

Any level (policy, program and project) has to be considered, the requirement is important:

- a) relevance (goal-oriented, demand drivenness);
- b) feasibility (well planned, consistency, measurability, feasibility, a clear division of labor, the known risks), and
- c) sustainability (can be operated even after the transfer). **Annex 5**

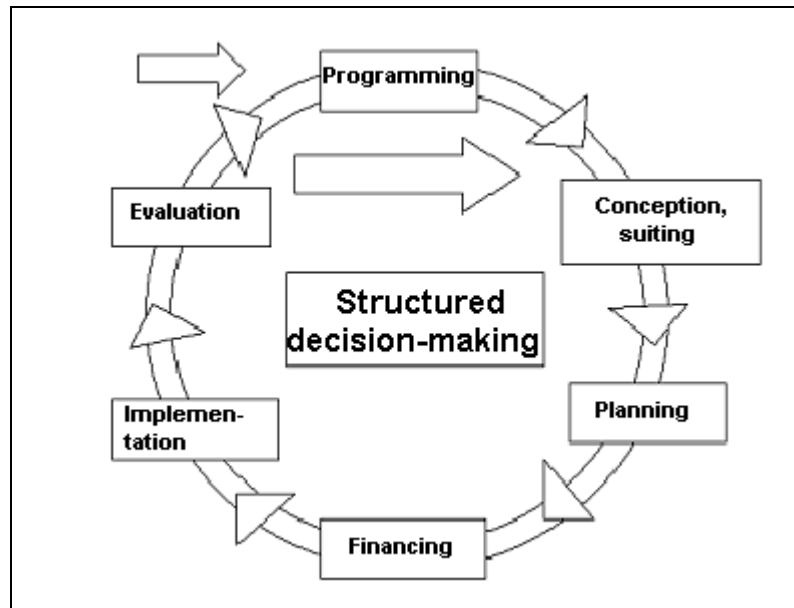
Specific project development and implementation has to be preceded by carefully and system-level planning, regardless of the fund (own or foreign financial resources, if tender is necessary or not). The same sections are followed by each other (in cycles) in case of any project.

Project cycle according to the EU practice is of six main phases (Figure 2).

- 1 Programming: general objectives, the determination of policy in connection.
- 2 Project identification, project goals and outline the framework.
- 3 Project development: development of details.
- 4 Funding: preliminary evaluation, contracting.
- 5 Implementation: procurement, implementation, monitoring.
- 6 Evaluation: project closing, assessment and feedback.

Principles of the project cycle management:

- each layer is finished by a decision.
- necessary information and responsible have to be determined by phases.
- the phases build on each other, all phases has to be delivered for the success.
- experiences are integrated into the planning process of these programs and projects.



**Figure 1.2. Project cycle flow**

*Source: own compilation*

## ANNEX 6

### Control questions

1. How is the scheme for hierarchy of the application- resource allocation system?
2. What kind of steps has the project cycle process?
3. What is the difference between the project and the application?
4. What is the rationale for the cyclical regarding the project planning?
5. What are the key requirements that must be taken into account in case of policy, program and project planning, or project cycle?

### Exercises

1. Create a program map for the following EU policies:
  - energy policy
  - youth policy
  - employment policy
  - environmental policy
  - innovation policy.
2. Compare the operational programs of Hungary and Slovakia for the three programming period!
3. Collect pilot programs for the selected program of the program map and evaluate them by their relevance, feasibility and sustainability point of view!

## Module 2: Defining aims and framework of the project

The determination of a project starts with a series of logical steps that begins with assessing the parameters.

### 2.1. Systematization of knowledge and summary

To be able to create a relevant, logically structured project plan, Logical Framework Matrix (LFM) can support our work that includes more different methods.

Functions of the LFM:

- summary of results from the analysis;
- systematic and logical separation of some specific objectives of the project;
- introducing causal relationships;
- identification of controllability;
- listing the influencing factors.

The LFM guarantees:

- the formulation of real problems,
- structuring the points,
- the scalability,
- the identification of risk and
- consistence of the project plan.

The following elements of the method help to summarize our knowledge in a logical way focusing on causal relationships:

#### a. SWOT Analysis

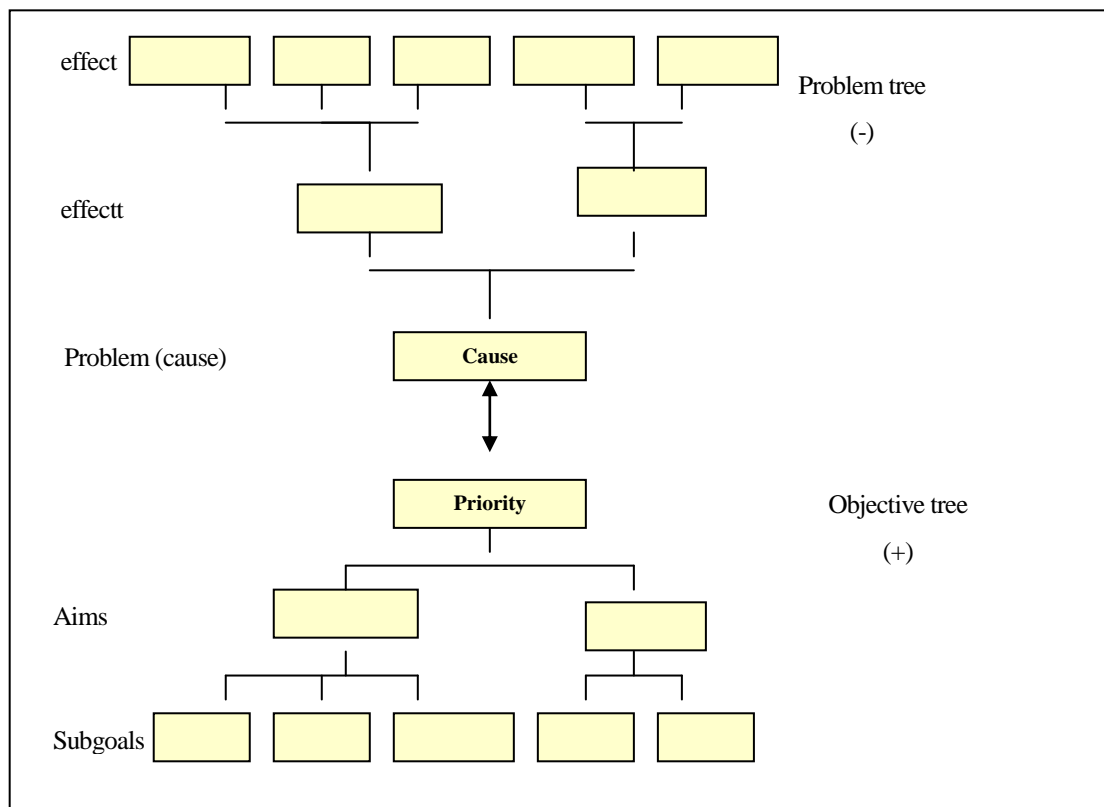
Supporting the analyses of the project background is possible with summarizing the strengths and weaknesses of the affected areas (SWOT analysis - strengths, weaknesses, opportunities and threats). The strong and weak points are the so-called facilities, the opportunities and threats are determined under external effects.

The SWOT analysis provides a structured diagnosis related to the state of a business, area, etc., draws attention to future tasks. The method is also for exploring the causal relationship, when – facing the weaknesses – the analyst is looking for opportunities and evaluates the possible threats (risks). **ANNEX 7**

#### b. Problem tree and objective tree

Problems can be described by systematic rethinking of causal relationships, which family tree-like representation is called problem tree.

In most cases, outward signs of a problem are perceptible. Therefore, several steps will need to be completed understanding the real reasons. Accurate and complete understanding of the issues helps to formulate objectives. The goal is a future state that is to be achieved through the project. So based on any problem tree (as its mirror image) we can assemble the objective tree (Fig. 2.1)



**Figure 2.1. Logical relationship between problem tree and objective tree**

*Source: own compilation*

The problems should be collected within a specified period of brainstorming, than together clarify the issues and formulate objectives. **ANNEX 8**

### ***c. Defining partners, analyzing stakeholders***

It is important to strengthen the acceptance and supporting the project that is why it is necessary to discuss the project within the implementing organization and to contact all those who have an interest in the project partnership. As possible, every person or organization (stakeholder) should be involved into the project planning stages.

Experience has shown that projects in the framework of cooperation are most successful than those achieved by yourself. At the same time, this increases administrative burdens in general and difficulties in the cooperation can come up as well. However, the benefits of working together can exceed these threats.

The project owner positions himself more easily in a professional, regional, international environment. For projects directly funded by the EU, it is mostly among the expectations to apply with a consortium, because extensive partnership and network connections of the applicants can provide better utilization of the results and sustainability.

The primary driver of the project partnership is the community interest; which is generalized by the set of objectives of the project, the intention of the "progress in the same direction".

Moreover, it is important that strategies of organizations involved in the project are compatible. Condition for partnership is the accurate knowledge of the task that requires the expertise and resources of the partner(s). The effective matchmaking (networking) may be the key to a successful project.

**Table 2.1. Logical structure of partnership matrix**

Partners	Contributions	Expectations
A partner (Org.)	<ul style="list-style-type: none"> <li>Partner activity</li> <li>What do you offer for the partnership?</li> </ul>	What can you expect from a partnership?
B partner (Org.)	<ul style="list-style-type: none"> <li>Partner activity</li> <li>What do you offer for the partnership?</li> </ul>	What can you expect from a partnership?
C partner (Org.)	<ul style="list-style-type: none"> <li>Partner activity</li> <li>What do you offer for the partnership?</li> </ul>	What can you expect from a partnership?

*Source: own compilation*

## 2.2. Building up a project

After systematizing our knowledge related to the project, we should create the logical framework of the project. LFM helps in this case as well, including the establishment of a logical framework method. The logical framework method is basically a matrix of four rows and four columns (Figure 4).

	Project Logic	Verifiable Indicators	Sources means of verification	Assumptions
Overall objective	1	10	11	
Specific objective	2	12	13	9
Results	3	14	15	8
Activities	4	5	6	7

**Figure 2.2. Logical framework matrix**

*Source: [www.migration4development.org](http://www.migration4development.org)*

The lines orientate to the logic scale (level) of the planning (they lead the thinking of the project writers top-down).

- The first line of the first column is the overall goal (that in the future should be reconciled with the application target line). Other lines of the first column follow the project objectives, expected results and list of activities.
- In the second column, important indicators should be included for monitoring and assessment, (if possible, they are needed to be quantified). At the objective too many indicators are not advisable. In this column at the row of the activities no tan indicator is shown, but a list of human and material resources required for the project, and of course to be specifically quantified.
- The third column settles the method of measuring the success, in three rows; on the top the overall and specific objectives, sources of information that prove the results and – if it is specifically necessary - methods for the verification of performance are included. In this column in the row of activities we enter the input, how to obtain information about the progress project.
- In the fourth column those external factors can be listed that are outside the scope of the project management, but their fulfillment is indispensable for realizing of the goals mentioned in the first column of the certain level. The bottom line indicates what positive external factors must exist in order to begin the project. In the last column of the second row we have to enter the positive external factors that support our results through our activities, and so on.

Reading the framework matrix both vertical and horizontal level is meaningful.

## **Annex 9**

### **2.3. Pre-calculations of costs and sources**

For details of the budget the budget calculation for the entire project gives the basis.

**Table 2.2. Structure of the pre-calculation**

<i>Project elements</i>	<i>Costs</i>	<i>Sources</i>
1. Purchases (direct costs)		
- cost of purchased assets		
- services		
- constructing costs		
2. Other costs		
Total project budget (1+2)		

*Source: own compilation*

### **2.4. Scheme of the project description**

In order to define our basic project ideas in a clear, logical, convincing and comprehensible form for and our potential partners and sponsors, and to provide a basis for further reflections, it is advised to answer the base questions of the strategic planning briefly, in max 1-3 (A/4) pages. The knowledge should be



concise and expressive and should provide the "marketability" of the general idea of the project.

**Table 2.3. Structure of the project summary**

Structure	Question
1. Title of the project.	What?
2. The place of realization.	Where?
3. The project proponent and its partners (their data).	Who?
4. Background and rationale.	Why?
5. General and specific objectives of the project.	For what purpose?
6. Target groups.	For who?
7. Activities and methods of the project.	How?
8. Results.	With what results?
9. Proof of sustainability of the project.	What next?
10. Preliminary budget.	From what budget?
11. Reference to project network and staff.	With who?
12. Timing.	When?
13. Connection to other projects.	What does that imply?

*Source: own compilation*

## **2.5. Contacting potential partners and sponsors**

The contacting should be initiated in writing (and in practice it is appropriate to begin before - lobby), in this context we can get acquainted with funding objectives, priorities and expectations of the potential partners. If the response is positive, we should constantly keep in touch with a representative of our partner(s). When they think it is negative, the idea of the project should be reconsidered, or significant changes must be implemented.

### **Control questions**

1. Define the aims of the objective tree!
2. What shows the verifiable indicators in the logical framework?
3. How does a project summary look like?

### **Exercises**

1. Creating SWOT for strategy building.
2. Creating problem tree and objective tree for a certain problem.
3. Filling in missing parts of the logical framework matrix.
4. Prepare a project summary for 3 freely selected demo projects.

## **Module 3: Project compilation**

After the response that our project idea was positive within the organization and among potential partners and sponsors, we can start developing the details of the project idea. In the course of this, it is required to compile a detailed list of activities, actions, time, cost and personnel requirements, the potential range of implementation and partnership (with conditions), and the potential risks during the implementation of the project.

As a base we should use the completed logical framework and a short summary.

Chapters of the detailed project plan:

1. Executive summary
2. Background and justification
3. Objectives
  - Target
  - Planned activities
  - Assumptions and risks
4. Execution
  - Scheduled activities
  - Financial and non-financial resources
  - Organizational background
  - Budgeting, resources
5. Sustainability
  - Policy support
  - Technological sustainability
  - Environmental sustainability
  - Socio-cultural factors
  - Institutional and management capacity
  - Economical and financial analyzes
7. Monitoring and evaluation
  - Monitoring indicators
  - Evaluation reports
8. Conclusions and applications

### **3.1. Justification and background – Introduction**

Supporting the objectives and the chosen methods we should prepare a detailed explanation. For this process we should use topic related researches about the market situation and experiences of previous initiatives, findings of the statistical analyzes, project-related policies and documents with legal background. For the exhibition of the causal relationship problem tree and SWOT analyses help. We should follow them during the written evaluation! The introduction of the background also includes some information about the applicant and his partners, their needs, expectations and previous references, experiences.

### 3.2. Introducing the targets

The objective is not a set of activities, rather than a description of the positive future conditions that our project activities aim to achieve. The objective has to be formulated in a specific, measurable, accurate, realistic and tangible way.

The objectives of the project are discussed from the overall goals towards the activities. The overall goal provides the connection to the program. During the formulation of the project goal make sure that it is always an answer of a question. Results are a specific output of the activities. The project usually has only one project purpose but more overall objectives and results. Defining the goals observe the illustration of the causal relationships and logical interdependence.

### 3.3. Project activities, time schedule

For all the activities we are trying to achieve, detailed description (specification) is needed. During the specification, we are looking for the answers of the following questions:

- what,
- to what extent,
- in what capacity,
- how we wish to achieve?

For the formulation of the specific activities we should ask for advices from professionals of the topic. For example in case of construction activities construction plans are the starting points. Important task of the project preparation is the elaboration of the project implementation. This so-called implementation schedule is a relation of activities and events which clearly clarifies temporal and functional ranking of tasks. To each activity responsible for implementation should be assigned immediately that ensures a clear separation of the responsibilities during the project.

**Table 3.1. The completion and timing of the proposed activities**

Program elements and representative for their implementation	List of concrete actions *	Timing (planned start and finish; Year, month)
	Number and name of action	
1.	1.1 1.2	
2.	2.1 2.2 2.3	
3.	3.1 3.2	

*Source: own compilation*

\*: It is important that in case of a certain program element to list all the activities with financial implications; also provide a reference number (Act..nr.)! (The structure above can serve also as a basis!)

It is practical to divide activities into appropriate sections, because completing the certain activity groups may mean the main control points ("milestones") of the project at a later stage.

When we prepare the roadmap of the project it is reasonable to plan activity deadlines with "safety margin", because slippage (due to a number of unscheduled factors) may occur at any time.

Gantt charts support the preparation of the scheduling, which contain the starting and finishing time and also the ranking of the activities (Figure 3.1.)

R	Activity	...year												... year											
		month												month											
		1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
1.	Act 1.																								
2.	Act 2.																								
3.	Act 3.																								
4.	Etc.																								

**Figure 3.1. Gantt chart**

*Source: own compilation*

The Gantt chart is a relevant document during finalization of the project and monitoring the progress.

### 3.4. Develop financial plans

During project development the following financial plans must be prepared:

- The project budget.
- Liquidity analysis of the project.
- The financial planning of operation.
- Calculation of return.

a. A detailed financial plan is designed to determine the eligible and reasonable costs, proof of the reality of the project and improve the financial management of future projects. In the preparation we have to take into account in which form should we prepare the budget that the funding organization (e.g. EU Commission) asks from us, as it sometimes may differ! So we should always proceed the base financial elements and determine the unit, quantity, unit price, and the cost (by multiplying the two latter) relating to the activities. The pre-calculated costs based on the main phases have to be aggregated by type of costs (eligible direct costs, eligible indirect (overhead) costs, unforeseen expenses (with 5% reserve); ineligible costs).

b. The table of liquidity analyses supports the balance of the cash flows. We examine if the financial obligations incurred during a given period is able to be financed by the available resources of that period. If the cash flow is negative, the project is not able to be financed. Therefore we have to consider, how the funds can be transferred or the activities be modified in order to adjust the incurred costs better to the scheduled resources. **ANNEX 10**

c. *Financial planning of the period after closing the project.* From the start of the project we need to be aware of its sustainability. Therefore, we should consider through the planning phase, how big amount operating costs do we have oppositely to the calculated revenues and available resources. Will the project be profitable and if so, to what extent.

d. *Cost-benefit analysis and ROI calculations:* financial and socio-economic cost-benefit analyzes determine the sustainability and return on investment, that shows the financial, economic and social expenditure of the project and the monetary value of benefits. **ANNEX 11**

### **3.5. Integration of the EU horizontal aspects into the tendering**

The European Commission has essential requirements in case of its proposed investments – these are formulated by the so-called horizontal principles such as sustainable development (environment) and consistent enforcement of equal opportunity. It is necessary that all applicants demonstrate the horizontal principles also as a part of the application and on the other hand - if the project is selected – in the subsequent progress reports.

Fundamentally each project must answer the following questions:

- a. Does the project violate the equality of opportunity?
- b. Is the project harmful to the environment?

If either answer is yes, the project is not feasible. But avoiding the hazard and justifying it convincingly in the project plan is not enough, we also have to find out how to facilitate resolution of these issues on the two areas within the project. We should consider the two horizontal aspects from the beginning of the project.

**ANNEX 12**

### **3.6. Development of a framework for partnership**

Specific (stronger) form of partnership is the consortium that is set up to achieve the common goal of the project, an association without legal personality. In this case, contract specifies the roles, tasks and responsibilities among the members of the consortium. The consortium leader (the main applicant or managing agent) assume obligations on behalf of the others, knowing behind their cooperation and support.

Establishing a consortium may be motivated by several factors (e.g. it is easier to achieve the goals, to ensure more efficient cooperation and mobilization of external financial resources, greater lobbying power, etc).

Rules of cooperation are included in the consortium agreement that:

- defines the purpose of the collaboration,
- list the partners and their representatives,
- sets out the role of each partner, determine their responsibility (usually the leader of the consortium is responsible for compliance with all commitments to the contracting authority but it is possible that each partner is responsible and covenant separately),
- lists the partners' own contribution (deductible),
- control the ownership of the project assets,
- regulates the way of exit and cases of exclusion and its consequences.

## **ANNEX 13**

### **Control questions**

1. How can we compile a Gantt chart?
2. Name some aspect of the EU horizontal aims that are important in the tendering process!

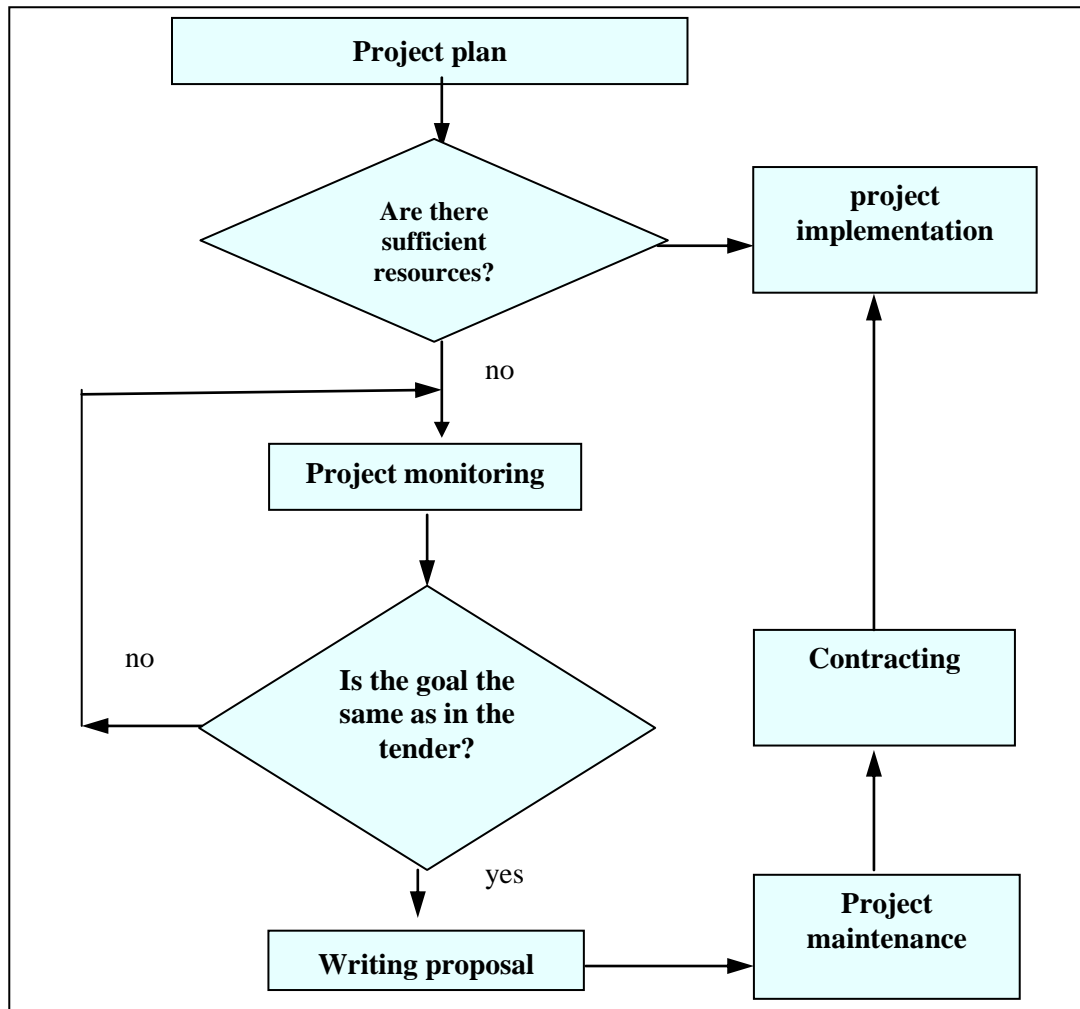
### **Exercises**

Prepare the following points for the project plan (for the last exercise):

1. justification,
2. target,
3. description of activities,
4. Gantt chart,
5. budget of investment,
6. liquidity plan.

## Module 4: Writing proposal

The feasibility of the project depends on the available sources. If the source is not sufficient to realize the project, other financial support is needed. To ensure this, we should start project monitoring and proposal writing. (Figure 6)



**Figure 4.1. Process of proposal writing**

*Source: own compilation*

The proposal writing is an integral part of the project cycle. However, as is clear from the phases above, the project does not begin with the proposal writing! Therefore, the project preparation and tendering goal is not synonymous terms.

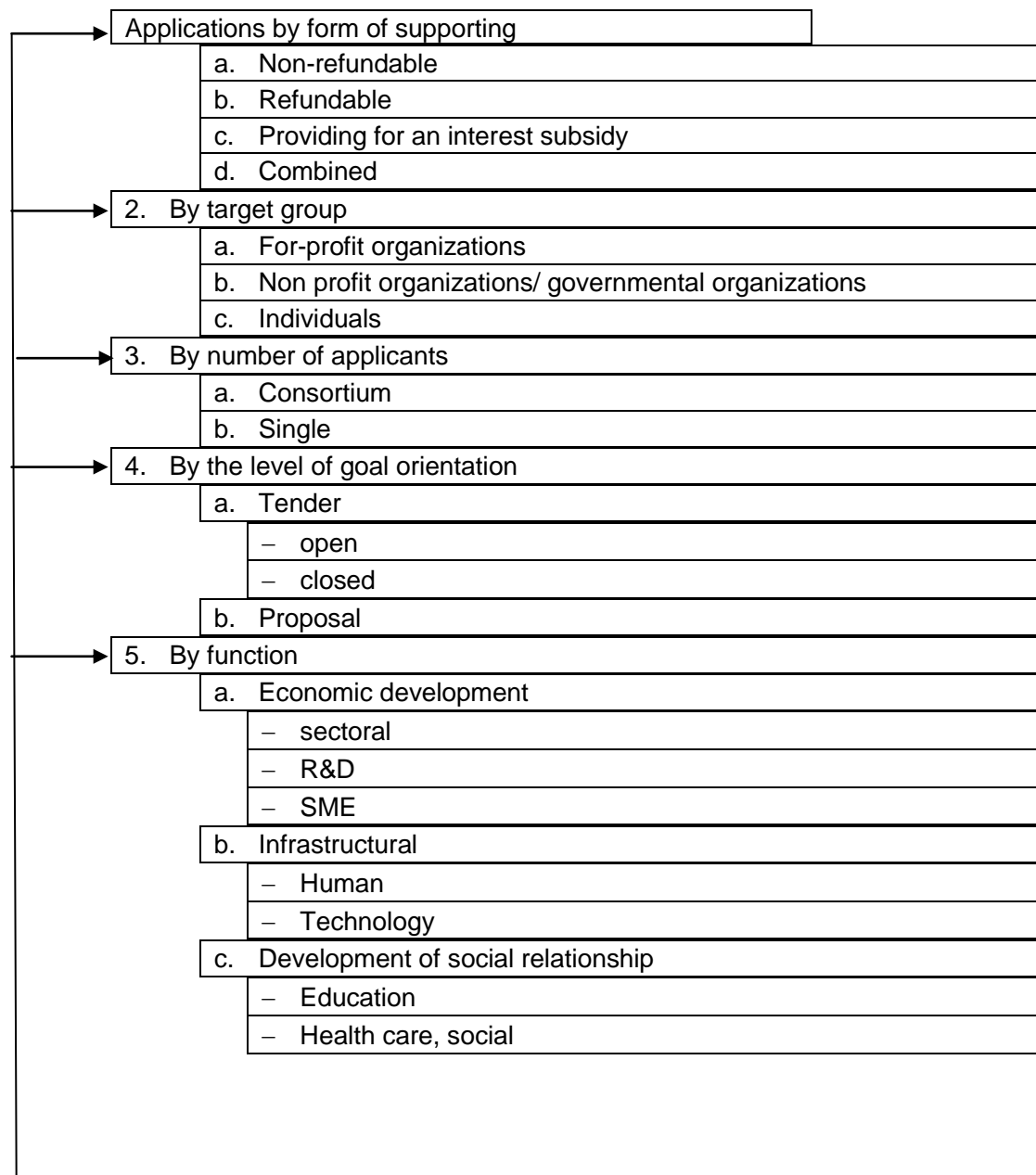
- *Aim of the project preparation:* selection the type of financing,
- *Aim of the tendering:* objectives of the project in order to achieve desired resources that we apply for.

## 4.1. Tender monitoring

Supporting project ideas and implement additional financial resources is possible by the national and European Union funds that are usually available through tenders. From the tenders we can get information from websites or other official calling of ministries, agencies and the European Union. **ANNEX 14**

- Typically, in these days most of the applications can be known through the internet, schedules, application forms and guides can be downloaded from the websites; we can get some ideas for other suggestions for sources, or access the relevant EU documents, etc.
- To understand the precise content of the tender we must rely on credible sources.
- It is worth continuously monitoring the announcements as to give a chance to set up a consortium by the date of the published call (this may be particularly important in case of international applications).

The typology of the applications can help to navigate easier between the applications (Figure 4.2.)





– Cultural
– Cohesion

**Figure 4.2. Typology of application systems**

*Source: own compilation*

## 4.2. Evaluating the call for proposal

The call for proposal and the related guidance accurately describes the terms and the content, what other documents, licenses, plans have to be attached in addition to the application. During the tender monitoring the comparison of the published goals of tender and the aims of the project play an important role; finding the appropriate call is essential for writing a successful application (Table 4.1.)

**Table 4.1. Comparative criteria of tender monitoring (first screen)**

Formulated in the call for proposal	Objectives of the project proposed
<ul style="list-style-type: none"> <li>• Aims of the application</li> <li>• Range of applications be administered</li> <li>• Financial terms</li> <li>• Submission deadline</li> </ul>	<ul style="list-style-type: none"> <li>• Aims of the project</li> <li>• Profile of project owner (partners)</li> <li>• Planned resource</li> <li>• Stage of project plan</li> </ul>

*Source: own compilation*

If the proposed project meets the conditions of the tender based on the first screening, further comparisons are needed (e.g. tendering prices, terms and conditions, route of administration, language of the application, review criteria, exclusion criteria and opportunities for consultation).

If there is some uncertainty (incomplete or ambiguous call), we need a personal consultation. If the conditions are adequate we have to make a decision whether applying for the source or not?

## 4.3. Preparation of the proposal writing

If we decide to develop our application, we have to set up the project preparation team and to name the responsible person for compiling the application as a first step. The next step is to compile the application structure and the table of contents (Table 4.2.), then to define the division of work and working methods of the project preparation team.

**Table 4.2. An example of the construction of tender documents**

<p><b>0. Detailed list of content</b></p> <p><b>1. Application form</b></p> <ul style="list-style-type: none"> <li>• Applicant data</li> <li>• Project title</li> <li>• Short summary</li> <li>• Main data of the project</li> </ul> <p><b>2. Detailed introduction of the project</b></p> <ul style="list-style-type: none"> <li>• Introduction of the applicant</li> <li>• Presentation of the project purpose</li> <li>• Background analyses</li> <li>• Introduction of the project <ul style="list-style-type: none"> <li>– Implementation phase</li> <li>– Part Operations</li> <li>– Scheduling</li> <li>– Human Resources (curriculum vitae)</li> </ul> </li> <li>• Marketing Plan <ul style="list-style-type: none"> <li>– Situation report</li> <li>– Analysis of the possibilities and problems</li> <li>– Objectives</li> <li>– Marketing promotions</li> <li>– Budget</li> <li>– Expected results</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Financial Plan <ul style="list-style-type: none"> <li>– Expenses and liabilities</li> <li>– Financial schedule</li> <li>– Costs - revenue (ROI analysis)</li> </ul> </li> </ul> <p><b>3. Attachments</b></p> <ul style="list-style-type: none"> <li>• Descriptive content sections</li> <li>• Notices</li> <li>• Data sheets</li> <li>• Official documents of the applicant</li> <li>• Receipts</li> <li>• Contributor intent</li> </ul> <p><b>4. Appendices</b></p> <ul style="list-style-type: none"> <li>• References</li> <li>• Contracts</li> <li>• Expert opinions</li> <li>• Supporting declarations</li> </ul>
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*Source: own compilation*

#### **4.4. Application Form**

The application form is designed to have overall, concise and unambiguous information about the project for the applicant as well as the tender announcer.

In fact, the application is a description of the project plan. It depends on the type of application and on the announcer, how detailed the plan should be described in the application form (application forms may vary by country and funding base as well).

Applications have to include only those information that the tender announcer asks for. It is a mistake during the compiling of the application when we rely only on the application form! It is advisable to read the application instructions carefully, even several times!

#### **4.5. Collecting documents for the application**

Collecting documents and certificates required for the project (e.g. financial status, specimen signature, official permits, certificate of incorporation, shareholders' resolutions, etc.) may take several days or weeks, so it is advisable

to start on time. Then the composition of the required documents follows (e.g. consortium, lease, service agreement, payment statement (s) etc.). Application instructions may contain patterns, but many times we have to do it alone. In this case, we should ask a lawyer for help.

#### **4.6. Completing the tender and applying**

The last phase of the project development, which can be divided into three steps:

- a) Completing the tender. In this case we should pay particular attention to the completeness (e.g., required attachments), style, aesthetics, number of copies, signatures, proper phrasing, uniform font size and fragmentation, pages, figures, tables, identifiably of appendixes.
- b) Ultimate control of the complete application. The pre-application review of the applying should be based on a checklist. On this basis a lacking and an error list has to be compiled, than the corrections has to be done.
- c) Sending the application as it is asked in the call (personally, by mail, electronically). The expected deadline for submission is very important (even one-minute delay may jeopardize the admissibility of the application).

#### **ANNEX 15**

#### **4.7. Correction of irregularities**

After submitting the application (in most cases) we have to deal with the correction of irregularities, where the missing documents have to be replaced or we should provide additional information. It is important that after the submission of the application the contact person specified on the data sheet as well as the staff who were involved in the project must be continuously available through some weeks, because the Intermediate Body who evaluates our project provides for the correction only a few days, and this late performance also entails exclusion.

#### **4.8. Preliminary evaluation of the proposal**

The main task of the preliminary assessment is to determine, if the most significant aspects of the project are realistic and logically based, as also it is an important task to quantify the expected impacts of the project.

Therefore, the ex-ante evaluation functions are the examination of the relationship between the general aims, specific aims and activities, of their consistency and of the reality of the numerically explicit goals.

The aim of the preliminary evaluation is to improve the internal logic, the external coherence of the project and to contribute to the preliminary determination of the objectives and indicators and to promote the achievement of the project objectives.

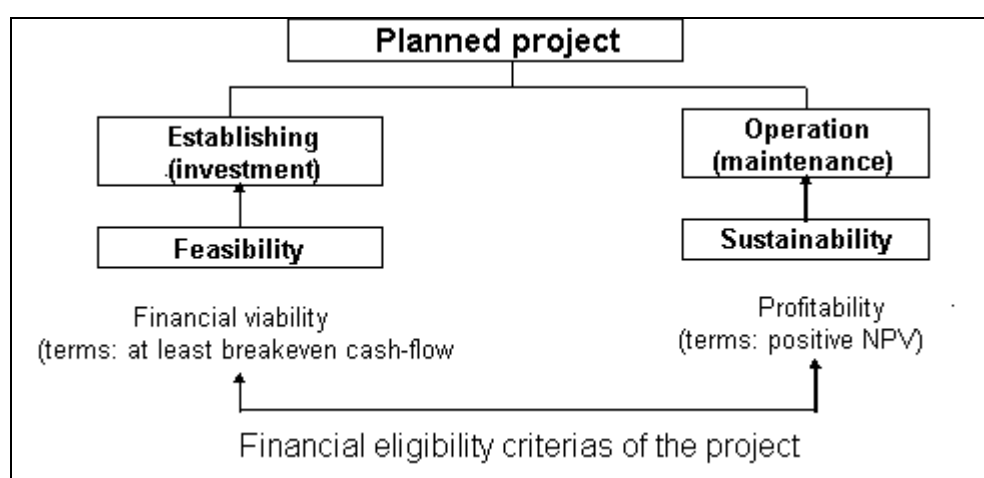
The preliminary evaluation covers the following aspects:

- a. Resources of the project (numerically):
  - Human Resources (HR Plan):
    - Quantity (number of claims);
    - Quality (qualification required);

- The division of labor (allocation request).
- Tangible resources (financial plan):
  - Money (grant, own resources, loans);
  - Assets (tangible contribution);
  - Centralized preferences, incentives (training, infrastructure development).

b. The economic requirements

Realization has two important economic aspects: during the establishment phase the cash flow of the project must be continuous at least breakeven (in this case expenditures of the formation are financed); at the operation phase the profitability is the main criteria. Even at the phase of the project planning we have to prove sustainability which economical term is a positive net present value relative to the sustainability period.



**Figure 4.3. Economic aspects of project implementation**

*Source: own compilation*

b. Sustainability and the multiplicative effects:

- Institutional sustainability: The results of the project are integrated into the operations of the applicant organization.
- Political sustainability: the project results fit the sectoral, regional or other strategies.
- Environmental impact analyses: examining the potential environmental effects.
- Equality impact assessment: locates the impacts on employment, mobility, quality of life in case of different social groups, mainly on the equality target groups.

c. Identify, prevent and limit the risks.

**ANNEX 16**

## 4.9. Contracting

After the favorable outcome of the submitted application we can sign the grant agreement.

In the pre-contractual phase, the main tasks are expected from the beneficiaries' side:

- Updating an action plan and timetable;
- Overview of the project management;
- Review of documents and certificates;
- Consultation with the executive bodies;
- Checking the draft contract, signing the contract.

The Grant Agreement (in addition to the annexes), in principle, consists of the following components:

- The form of support.
- The maximum amount and ratio of support.
- Eligibility rules of the costs.
- The start and completion of the project, duration (in case of obligation).
- The process of applying for payments, the conditions.
- The relevant obligations relating to information flow and publicity.
- The rules on state aid.
- The rules on procurement.
- Obligations relating to the progress reports.
- Documentation requirements.
- Rules for carrying out spot audits.
- The suspension of the payment, rules for the repayment of the aid.
- Collateral Obligation.
- Process and conditions of modifications.
- Consequences of the breach.
- Provisions for ownership and use of acquired assets/results.

Changes in the project period may justify modification of the contract.

## **ANNEX 17**

### **Exercises**

1. Analyzing a call for proposal.
2. Filling in an application form.
3. Evaluating a project.

## **Module 5: Project execution, monitoring, closure and evaluation**

It is not enough to gain support; it must be used correctly, as described in the grant agreement. If the project does not go ahead according to the proper schedule, the proposed results cannot be achieved and support can be used irregularly, that may lead to serious consequences.

### **5.1. Project coordination and management**

Internal conditions for successful project are the project coordination based on optimal partnership and effective project management.

The project manager is responsible for the effective and successful implementation of the project, therefore the person who is entrusted with this task should be familiar with the project, able to understand and accept the goals, know the project initiator and the context in which the project fits, who has professional knowledge, experience and his personality is trustworthy for the institution and partner institutions. In international projects where the lack of personal contact may be source of several conflicts, the trust among partners is essential.

Effective project management depends on the following:

- (1) Quantity and quality of the involved human resources: the project manager coordinates the implementation and execution of the project, manages the work of the team. During the formulation of the project team it is important to assign experts to all issues arising from the project.
- (2) The division of labor: during the division of tasks we have to aim to designate clear lines of responsibility, because the optimal allocation of resources can only be possible in this case. So each task should have, but just as much responsible as is absolutely necessary. With good division of labor neither more nor less people get involved with the project as necessary.
- (3) Motivation: good if the management team has been involved also during the development of the project plan. The motivation of the team members can be improved by the material and moral recognition of their work, or with shaping the circumstances of the work.
- (4) The organizational structure and operational rules: the members of the project team often work part time on the project, next to their daily work. It is important to recognize for everybody and accordingly, they should divide their time in their day and ensure, that activities of the project and daily work should not go at the expense of another.

### **ANNEX 18**

### **5.2. Procurement and implementation activities**

The duty of all persons and organizations involved in the purchasing process is - in compliance with the legislative framework – to maintain also the principles contained in the Act:

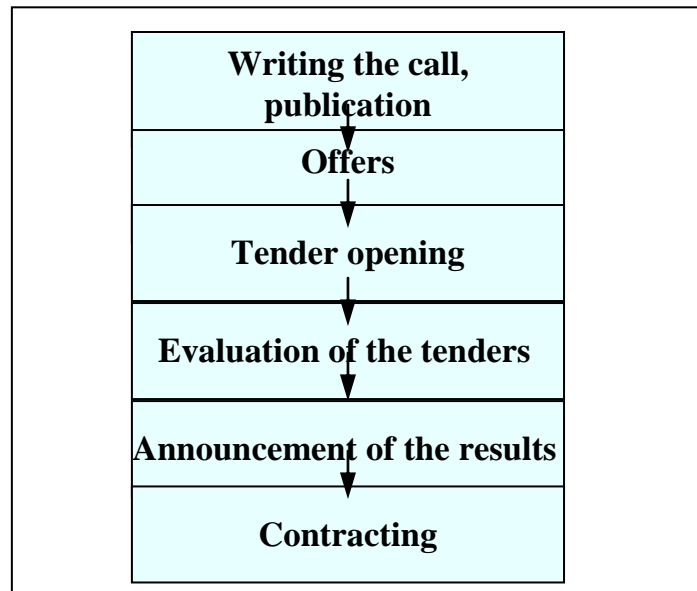
- to ensure fair competition,
- providing for public,

- equity and ensure equal treatment.

In the implementation process of the project basically two types of procurement procedures can be distinguished:

- procurement reaching the limit of public procurement,
- procurement under the limit of public procurement.

Managing public procurement consists of several steps (Figure 5.1.)



**Figure 5.1. Logical progress of public procurement**

*Source: own compilation*

## **ANNEX 19**

### **5.3. Financial management**

During the project execution the most often occurring tasks in financial management:

- providing liquidity
- to ensure funds for non-eligible expenditures
- establish appropriate rules for remittance system
- transparent, accurate financial documentation
- organization of financial co-operation among partners
- financial accounting requirements

## **ANNEX 20**

### **5.4. Publicity and communication**

Coordination of projects in particular in international cooperation with many actors is a major task because the possibility of joining partners is more difficult, communication modes are relatively limited. That is why it has a high importance for the cooperating partners to discuss all the details during the project preparation phase (e.g. tasks by partners with deadlines, criteria of reports with deadlines, date of meetings, evaluation

criteria, etc.) in order to make smooth progress during the project (through ongoing communication, regular information flow).

It is necessary to appoint at least one person from each partner institution who has the role of contact during the project implementation, knows every details and issues of the project and can represent the institution in an international working environment.

During the successful execution of the project the communication within the project and between the project and its environment are both important. The continuous data transfer has several methods. **ANNEX 21.**

Since the communication activity may also have cost and needs other resources, these activities also have to be planned in advance and should be displayed in the implementation, such as financial and human resource plan.

## 5.5. Monitoring, audit and evaluation

During the implementation phase of the project cycle monitoring the progress of the project and the measurement of the stage of completion plays an important role. With comparing the plan and the actual status regularly and quantifying the differences important information are provided for the project management, who may have decisions to eliminate the excess (above the tolerance limit). The concept and definition of monitoring is often interchangeably mixed with audit and evaluation.

The following table illustrates the difference between the three concepts.

**Table 5.1. Monitoring, audit and evaluation**

Activity	Monitoring	Audit	Evaluation
<b>Aim</b>	Analyzing the objectives set compared to the realization.	Examination of regulatory compliance.	Analyzing the effects in relation to the socio-economic problems to be solved
<b>Timing</b>	Continuous, during the project implementation.	Continuous, during the project implementation.	Dotted, ex ante and ex post
<b>By performer of the activity</b>	Internal (supported from outside)	External or internal.	External.
<b>Nature of business</b>	Operative.	Operative.	Analytic-scientific.
<b>Way of feedback</b>	Adjustment for being effective	Sanction.	Learning process.

*Source: own compilation*

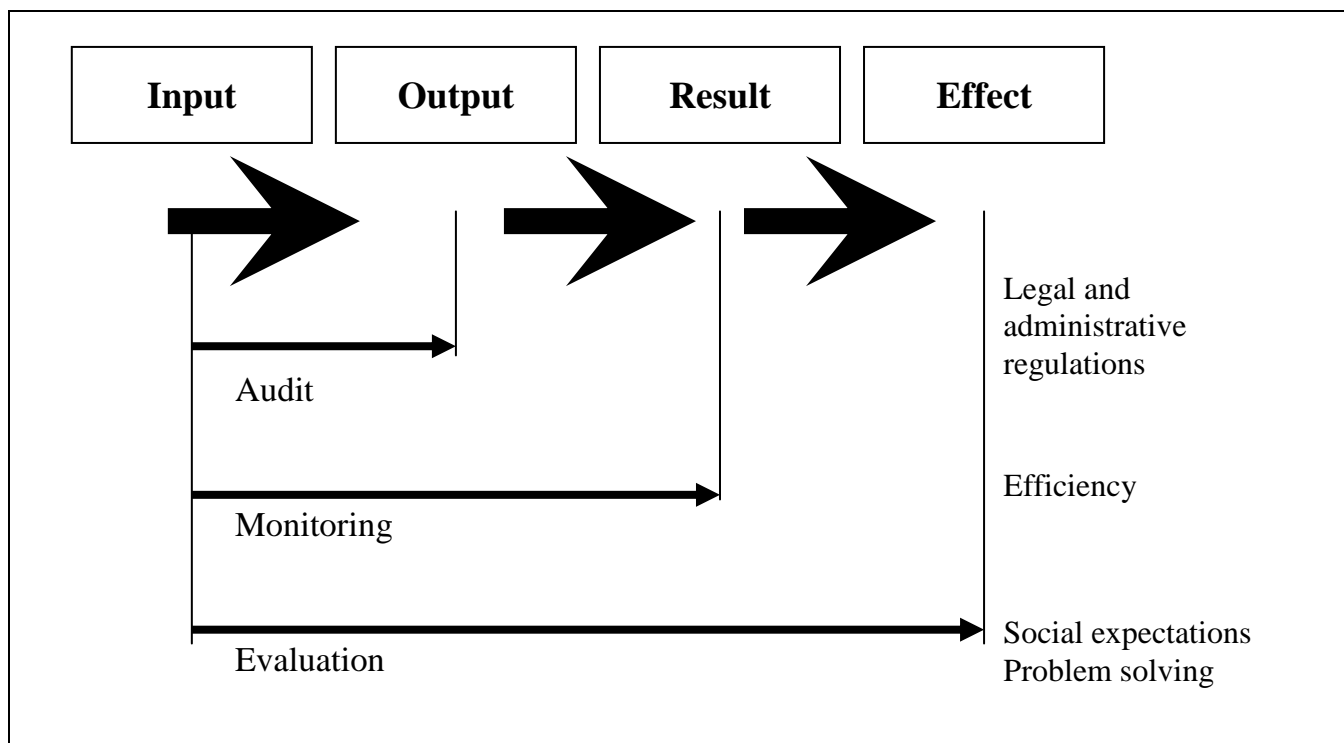
For this purpose:

- **monitoring** is based on continuous data collection, with that support the management may review the progress of activities in relation to the established goals;
- the **audit** is the constant review of processes and activities, designed to filter irregularities, fraud and abuse;



- **evaluation** is for the overview of the entire project, its aim is to examine the impact of the activities in relation to the socio-economic problems to be solved (relevance, effectiveness and efficiency).

The location of the three activities in the project cycle can be distinguished from each other. This is illustrated by the Figure 10.



**Figure 5.2. The relation of the three activities in the project phases**

*Source: own compilation*

On the one hand, the monitoring is necessary for the management, because it may contain information based on that the management decides if the implementation of the activities, development is successful and in accordance with the schedule or not. On the other hand, it is important for the financiers as well, because through the monitoring they get project-related information even during the implementation, and if necessary they can interfere in time and get to know, how the project contributes to the support of their goals. The financier (donor) can link the payment more closely to the physical performance, enabling to enforce the effective use of aid.

The monitoring reports usually have to be submitted quarterly or semi-annually, but they can be linked to payments also. The aim of the report is to provide information, support payment claims and justify reasons for the differences. The monitoring reports can differ both in content and form, type and size of the project.

The monitoring report includes progress measured against objectives, including the presentation of quantitative data, the targets, significant deviations from the plans together with the reasons (for example, a description of the changes in the environment of the project), reports on public procurement and obligations concerning information, publicity according to the provisions of the grant agreement and information on the financial realization of the project (costs incurred).

Supporting documents for the monitoring reports:

- supporting documents about the progress;
- documents of the procurement process;
- proof of compliance with the obligations concerning information and publicity documents;
- Original or certified copies of invoices, bills and proof of payment receipts.

The project progress report is a tool also for the audit, where the purpose of progress reports is to enable continuous monitoring of the implementation of projects supported by the Managing Authority and the participating organizations. It is important that the progress report actually supports a request for payment submitted by the beneficiary, that is, to demonstrate that the incurred costs are linked to objectives and activities specified in the application and in the grant agreement respectively.

To accept the submitted report is only possible after its formal, procedural, technical and financial aspects of audit. In case of failure regarding the reports, the beneficiary may be asked to make a completion or correction.

During the audit the Intermediate Bodies evaluate the submitted progress report based on form and content criteria.

*Formal (completeness) review:*

- submission of the progress report in time,
- verification of documents and certificates (corresponding signature, stamp) eligible costs and correctness of calculations and quantifiable results.

Content (financial, technical, procedural) review:

- The activities are to be provided in accordance with the grant agreement.
- The progress must follow the requirements specified in the contract.
- Following financial regulations.
- Ensuring compliance with the EU procurement rules and horizontal principles.

## **ANNEX 22**

Ex-post evaluation is a process after the completion of the project that examines both the outputs, outcomes and impacts, focusing on the effectiveness and sustainability. It compares the expected goals with the achieved ones by the final data. Hereby it is exploring the weaknesses and shortcomings of planning and implementation in order to take experience during future project plans.

The main functions are to confirm the project, evaluate the effects, assess the impact of the project, analyze the data in order to exchange experiences and gain new experiences from project planning through to evaluation. This brings us to the end of a project cycle that may be a project initiator.

## **Exercises**

1. Formulation of public tenders
2. Press Release Evaluation
3. Identify shortcomings in the monitoring report
4. Analyzing final publication of a project

## ANNEXES

### ANNEX 1: The system of the European policies

	<b>Sectoral policies</b>	<b>Horizontal policies</b>
<b>Common policy</b>	Common agricultural policy Transport policy, Trans European Network	Commercial policy Customs policy Competition policy Common Foreign and Security Policy Government Grants Regulation of public utilities Monetary policy (EURO) Financial policy Freedom, security and law
<b>Community policy</b>	Environmental policy Employment and social policy Telecommunications Energy policy R&D Industrial policy Health care	Sustainable development Company policy Public procurement policy Regional policy Taxation Consumer policy
<b>Intergovernmental cooperation</b>	Cultural policy Police and judicial co- operation Audiovisual policy Vocational training policy	Equal opportunity Social policy

*Source: own compilation*

## ANNEX 2: Changes in priorities of the structural policy

	Target areas					
1988 - 1993	1. Supporting to develop the position of lagged areas. ↓	2. Restructuring the industrially declining regions, border areas or micro areas. ↓	3. Supporting the areas with persistently high unemployment rate. ↓	4. Supporting to find jobs for people under 25. ↙	5.a. Restructuring the agricultural production, developing agricultural markets.  5. b. Supporting the development of rural areas.	
1994 - 1999	1. Supporting the development of economically backward regions and promote their structural convergence. ↓	2. Restructuring the industrially declining regions, border areas or micro areas. ↓	3. Reducing the long-term unemployment rate, help to integrate the youngsters and unemployed. ↓	4. Help the workers in the adaptation of the technological change in industry and production system.	5a Accelerate the agricultural restructuring in the framework of the CAP, restructuring fishery.  5b. Promote the development and structural reconstruction of the rural areas.	6. Support the Nordic areas with extremely low population density (from 1995). ↓
2000 - 2006	1. Supporting the development of the most backward regions. ↓	2. Supporting the areas with structural difficulties due to the economical-social restructuring. ↓	3. Supporting the modernization of education and employment policy.	↙		
2007 - 2013	1. Convergence: Supporting the development of the most backward regions. ↓	2. Regional competitiveness and improvement: promoting economic change in the industrial, rural and urban areas, creating more and better jobs. ↓	3. European territorial cooperation: Cross-border, international and interregional cooperation.			

Source: Compilation of Csaba Kispataki

## ANNEX 3: Aims of national strategies

**Table 1: Aims of the National Development Plan (2004-2006)**

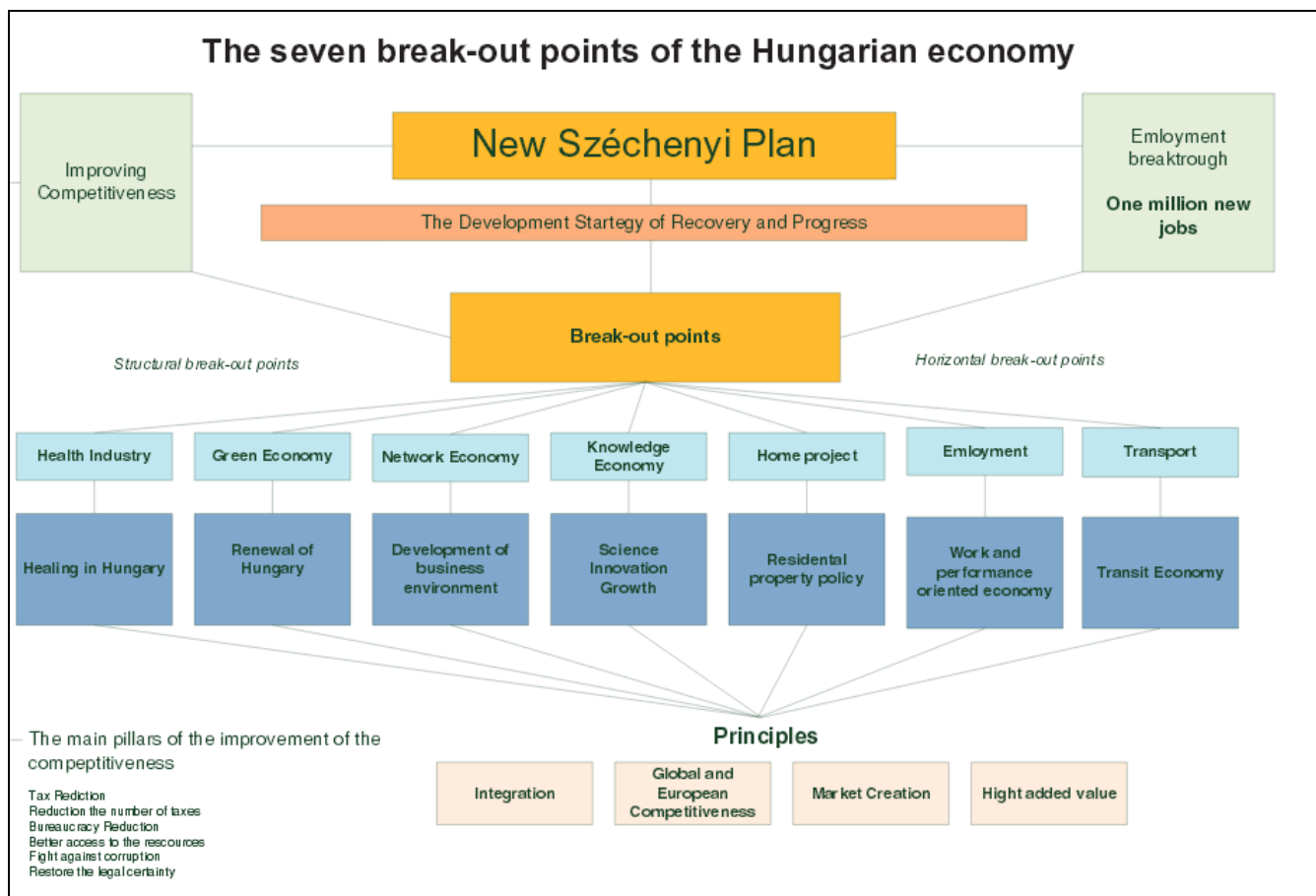
Overall objectives	Operative Programme
1. Healthy, educated, innovative and solidary society.	Human Resource Development OP
2. Strengthening economic competitiveness.	Economic Competitiveness OP
3. Improving quality of environment, sustainable resource management	Environmental Protection and Infrastructural Development OP
4. Supporting balanced territorial development	Agricultural and Rural OP
5. Knowledge-based society, service provider government	Regional Development OP

*Source: own compilation, NFT 2000-2006.*

**Table 2: Aims of the New Hungary Development Plan**

Overall objectives	Operative Programme
1. Economic development	Economic Development OP
2. Transport development	Transport OP
3. Social renewal	Social Renewal OP Social Infrastructure
4. Environment and energy developments	Environment and Energy OP
5. Regional development	West Pannon Operational Programme Central Transdanubia Operational Programme South Transdanubia Operational Programme North Hungary Operational Programme North Great Plain Operational Programme South Great Plain Operational Programme Central Hungary Operational Programme
6. State reform	State Reform OP Electronic Public Administration OP
Co-ordination and communication of the New Hungary Development Plan	Implementation OP

*Source: own compilation, Új Magyarország Fejlesztési Terv 2007-2013.*



**Figure 1: Aims of the New Széchenyi Plan**

Source: New Széchenyi Plan, 2010,

[http://www.polgariszemle.hu/app/data/New\\_Szechenyi\\_Plan.pdf](http://www.polgariszemle.hu/app/data/New_Szechenyi_Plan.pdf)

## ANNEX 4: Financial basis for the cohesion policy

The Structural Funds and the Cohesion Fund are the financial instruments of European Union (EU) regional policy, which is intended to narrow the development disparities among regions and Member States. The Funds participate fully, therefore, in pursuing the goal of economic, social and territorial cohesion.

For the period 2007-2013 four specific regulations are set out:

- the European Regional Development Fund (ERDF);
- the European Social Fund (ESF);
- the Cohesion Fund;
- the European grouping of cross-border cooperation (EGCC).

The ERDF supports programs in the topic of regional development, economic change, competitiveness and territorial co-operation throughout the EU. Funding priorities include modernizing economic structures, creating sustainable jobs and economic growth, R&D, environmental protection and risk prevention. Investment in infrastructure, especially in the least-developed regions is also an important role.

The ESF focuses on increasing the adaptability of workers and enterprises, enhancing access to employment and participation in the labour market, reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people, and promoting partnership for reform in the fields of employment and inclusion.

The Cohesion Fund contributes to interventions in the field of the environment and trans-European transport networks.

Apart from funds under the Cohesion policy, there are other funds that have the potential to contribute to the regional development:

- Funds under the CAP, namely the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD)
- The European Fisheries Fund (EFF).

**Table 3: Objectives and funds**

Objectives	Financial instruments
Convergence	ERDF ESF Cohesion funds
Regional competitiveness and employment	ERDF ESF
European territorial cooperation	ERDF

Source: [www.europa.eu.int](http://www.europa.eu.int)

The eligibility rules are the following:

- for the **Structural Funds** (ERDF and ESF):
  1. regions where per capita GDP is below 75 % of the European average. They must be at NUTS II level.

2. regions where per capita GDP has risen above 75 % of the European average (due to the statistical effect of EU enlargement including more deprived regions) will benefit from transitional, specific and degressive financing.
- for the **Cohesion Fund**: Member States whose per capita Gross National Income (GNI) is below 90 % of the European average and which are running economic convergence programs. They Regions where per capita GNI has risen to above 90 % of the European average (due to the statistical effect of EU enlargement including more deprived regions) will benefit from transitional, specific and degressive financing;
  - for **specific financing from the ERDF**: the outermost regions. The aim is to facilitate their integration into the internal market and to take account of their specific constraints (such as compensation for excess costs due to their remote location). (*www.europa.eu.int*)



## **ANNEX 5: Criteria of a successful project**

During the nearly 30-year operation of the Structural Funds numerous errors (and based on these, also success criteria) were identified in the received project plans that threaten the effectiveness and efficiency of the Funds. Taking these into consideration, three most important requirements can be drawn up in case of a project.

### 1. Relevance

The project is relevant if it is related to the sectoral, national and EU targets, on the other hand, meets the real need of the beneficiaries (identified by the detailed problem analysis), and the aims are clearly for the benefit of the target group.

The most common mistakes that threaten the relevance:

- Confused strategic framework: it is not clear how the project connect with the broader regional or sectoral development programs, or the specific objectives of the projects that support the strategic aims are not clearly determined. Then the project remains isolated and it is not guaranteed that it really takes the regional or sectoral priorities ahead and not started in an opposite direction.
- Supply-drivenness: the project does not satisfy real needs, just support the opportunities of the tender or self-serving interests.
- Action oriented planning: during the planning just the action is under focus instead of the objectives. In this way the project is self-serving and lead nowhere with wasting resources and dysfunctioning.
- Ignoring beneficiaries needs: the project fails even the purposes are based on the real needs, if the target group cannot identify with it and not feel the ownership of it. This can be only achieved, when the beneficiaries are involved into the planning phase and have the opportunity to integrate their needs into the project. Thus, during the preparation and implementation the PR has an important role.

### 2. Feasibility

The project is feasible when the goals are realistic, logical and can be measured, taking into account the organizational and financial capabilities of the implementers, considering the risks and developing the measures that are able to reduce these factors.

The scheduling is also related to the feasibility of the project as the consistency of the division of labor and financial plans with each other and with the aims and opportunities, their planning and the development of monitoring focusing on relevant goals.

The most common mistakes that threaten the feasibility:

- Weak analyses of the present situation: lack of knowledge in case of the background, the circumstances, the partners, detailed survey of the own capabilities and options, related innovative solutions and knowledge of other examples prevents the selection of the most appropriate methodology and threaten the success of the project.

- Arising unexpected risks: we must be aware of the danger that threatens the success factors of the realization. These can be explored by defining all the conditions (and their probability of occurrence) that are necessary for the project. After that the necessary steps of the “protection” can be developed.
- False budget, schedule or share of the tasks: usually comes from a weak evaluation of situation or weakness of professional competencies and threaten the implementation fatally.
- Inaccurate project documentation: the carefully guided documentation promoting all relevant aspects is the key of the smooth implementation, effective evaluation of the results.
- Lack of implementing previous experiences: the risks can be significantly reduced if the incorporation of the experiences is insured. This is only available with continuous monitoring and assessment.

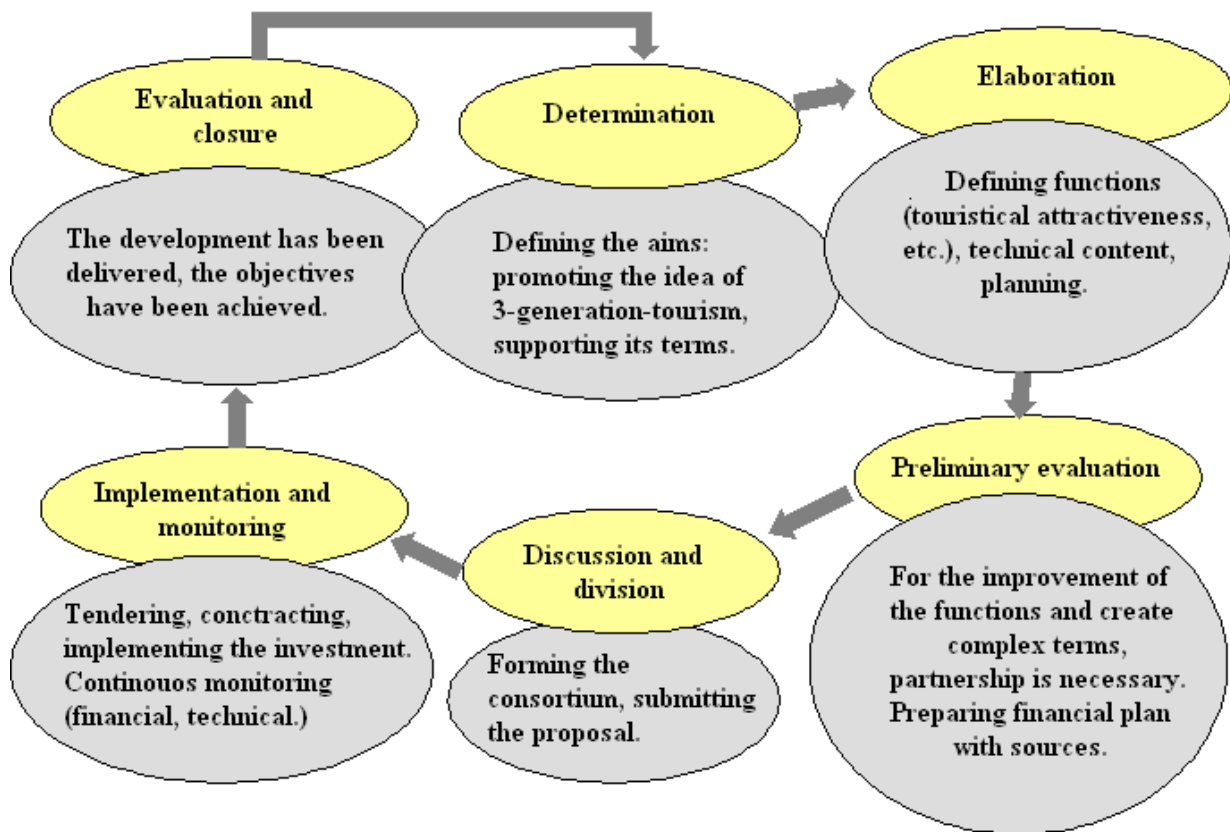
### 3. Sustainability

The project is sustainable when the advantages achieved through the realization of the project funding can be preserved for the target group also after the project closure. That is why we should explore and consider the factors that affect the sustainability.

The most common mistakes that threaten the sustainability:

- Short-term thinking: the results can be soon compromised when we just focus on the period of the project. Those projects are successful, which are planned through the operational phase, and the issues of later periods are also incorporated into the development.
- Immeasurable effects: even from the start of the project we need to know what to expect after delivery. In which field, how much progress can we thus achieve. Without knowing them, neither the future of the project, nor the fitting to the strategy is evaluable. Without the consideration of the potential impacts we can hazard the project sustainability, or conflicts may arise that threaten the strategic goals of the development.

## ANNEX 6: Example of a project cycle



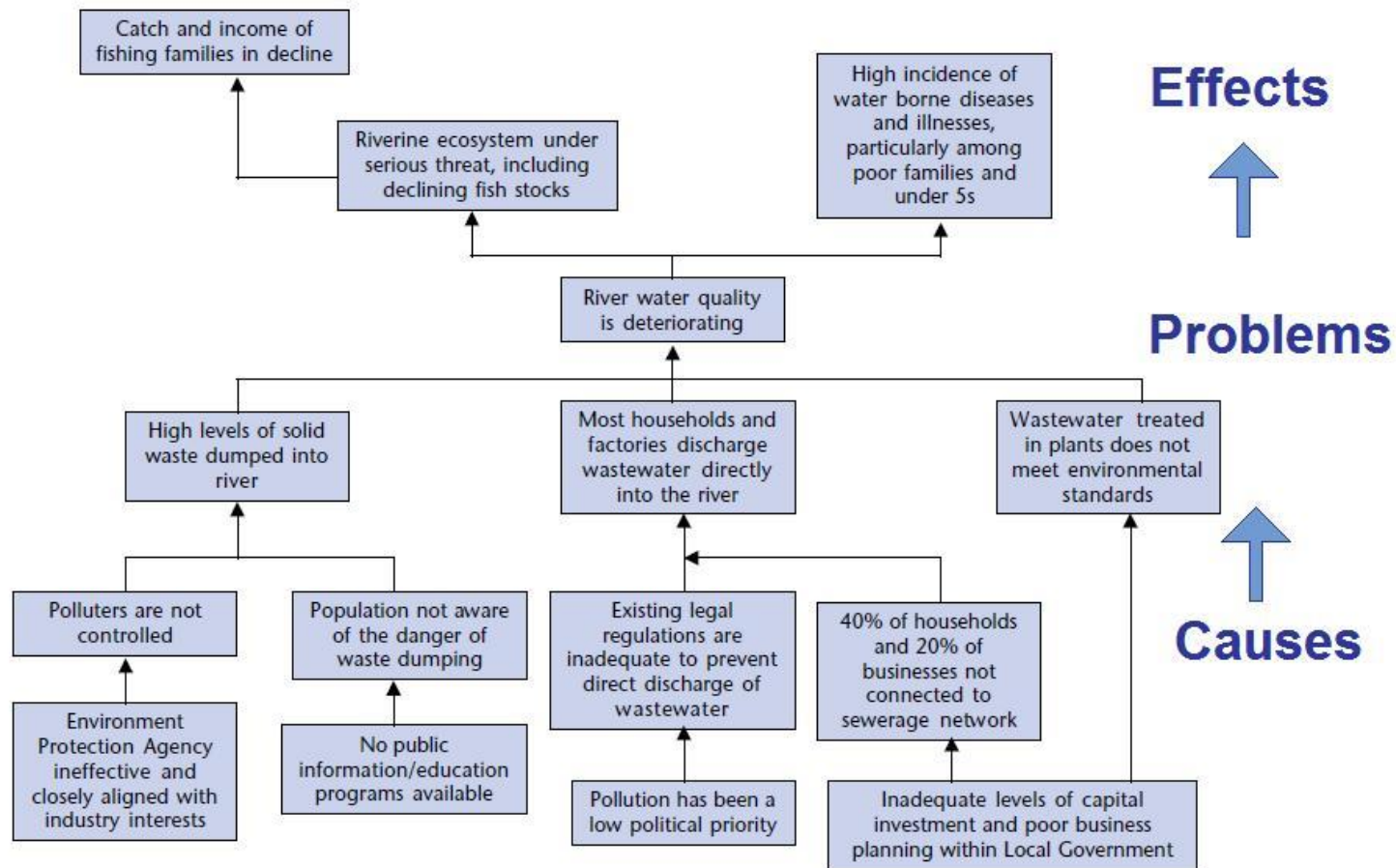
Source: own compilation

## ANNEX 7: Example of a SWOT

<b>Criteria</b> Attractiveness Capacities (accommodation, catering services) Marketing Guests Financial background	<b>Strength</b> <ul style="list-style-type: none"> <li>• Valuable natural landscape</li> <li>• Grape and wine cultivation</li> <li>• Craftsmen</li> <li>• Good accessibility</li> <li>• Abandoned mine areas</li> <li>• Cheap houses for sale</li> <li>• Renovation of Castle Edelény</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Few tourism services</li> <li>• Lack of programs</li> <li>• Few accommodation</li> <li>• Weak marketing</li> <li>• Lack of relationship between service providers</li> <li>• Lack of capital</li> <li>• Lack of tourism tax charges</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Growth in demand for active tourism</li> <li>• Meet the entertainment needs of urban youth</li> <li>• Demand for familiar accommodation</li> <li>• Increasing demand for weekend tourism programs</li> <li>• Decreasing travel distances</li> </ul>	<p>Offensive:</p> <p>Establishing adventure park.</p>	<p>Result-oriented:</p> <p>Creating network of houses, apartments.</p>
<b>Threats</b> <ul style="list-style-type: none"> <li>• Impoverishment</li> <li>• Decreasing state contribution to tourist taxes</li> <li>• Strengthening competition between the areas</li> </ul>	<p>Diversified:</p> <p>Involvement of local products into the tourism.</p>	<p>Defensive:</p> <p>Developing regional destination management.</p>

*Source: own compilation*

## ANNEX 8: An example of a problem tree



Source: [www.sswm.info](http://www.sswm.info)

## ANNEX 9: Filling in a logframe

Project Description		Objectively verifiable indicators of achievement	Sources and means of verification	Assumptions
Goal	What is the overall broader impact to which the action will contribute?	What are the key indicators related to the overall goal?	What are the sources of information for these indicators?	What are the external factors necessary to sustain objectives in the long term?
Purpose	What is the immediate development outcome at the end of the project?	Which indicators clearly show that the objective of the action has been achieved?	What are the sources of information that exist or can be collected? What are the methods required to get this information?	Which factors and conditions are necessary to achieve that objective? (external conditions)
Outputs	What are the specifically deliverable results envisaged to achieve the specific objectives?	What are the indicators to measure whether and to what extent the action achieves the expected results?	What are the sources of information for these indicators?	What external conditions must be met to obtain the expected results on schedule?
Activities	What are the key activities to be carried out and in what sequence in order to produce the expected results?	Means:	What are the sources of information about action progress?	What pre-conditions are required before the action starts?
		What are the means required to implement these activities, e. g. personnel, equipment, supplies, etc.	Costs	
			What are the action costs?	

Source: [www.sswm.info](http://www.sswm.info)

## **ANNEX 10: Project financial planning: investment budget and liquidity plan**

The financial plan contains all the single or recurring expenses in connection with the project (in the dimension of money) and also the revenues, determined by the date they are incurred (Liquidity Plan).

So, that is not enough to determine the magnitude of costs and revenues, but also to give the dates of the cash flows, which can occur if the project related payments (cash outflows) and revenues are being realized.

During the analyses of the project costs and revenues, four sections can be defined:

- Project preparation: e.g. land-use planning (ground work), the construction of buildings and facilities, term of employment training;
- Project start-up and implementation: from the start of operations until the period of reaching the utilization on full capacity;
- Project management: the period when the project works on maximum capacity utilization (depending on the demand of products or services);
- Project closure.

### **A. Project Financial Plan**

Investment costs

The range of capital costs includes the fixed assets, other costs incurred during the preparation and start-up phase and unforeseen expenses.

The first set of capital costs are the costs of purchasing (investment) of fixed assets (tools, those lifespan takes several years). (Appraised on the basis of technical resource investment plan.)

According to the Hungarian Act on Accounting, fixed assets include:

- Real estate and related property rights: land and any financial instrument which was established in a stable relationship with the land (e.g., planting, building, structure), and the related property rights belonging to them (e.g., usufruct, tenancy, utility usage rights).
- Technical equipment, machinery and vehicles that directly serve the business activities (production, sales, services, etc.).
- Other equipment, machinery and vehicles: equipment, machinery and vehicles for supporting entrepreneurial activity indirectly.
- Animals: animals that are separated by products they produce or do useful work (guarding, pulling wagon, etc.).
- Investment: future capital assets in the process of production or purchasing, those have not been in normal use yet.

Capital costs are usually incurred only during the period of the project.

The second part of the capital costs consist of various types of other costs incurred in the preparation and start-up phase (e.g. management, technical planning, professional consultancy costs, operating costs of start-up period).

Finally, the capital costs typically include some unforeseen expenses.

The project costs are planned based on the best estimates available at the time of budget preparation. These so-called base cost estimates are always based on two components: the quantity and the price.

Appropriate reserve shall be planned for the unforeseen increase of both components.

- The so-called physical reserve is needed in case you need more physical input or the implementation is more costly than it was planned in preparation of budget reports.
- Provision of prices covers the expected increase of the difference in prices between the state of planning, preparation and finishing the construction works.

To sum up: the investment costs of the whole project can be estimated by defining the base costs; in addition, physical margin (in the percentage of the base costs) and provision of prices (in the percentage of the modified base cost) has to be added.

### *Operating expenses*

Operating expenses consist of operating and maintenance expenditures incurred in the normal operation (e.g. governance and administration, payroll (including skilled and unskilled labor force), raw materials and semi-finished products, parts and maintenance).

- Revenue: revenue is planned based on the projected volumes and calculated unit price of goods or services (the forecasts have to be created based on market analysis, where the demand, the supply for similar goods or services, the cost price, consumer preferences and technological development are the most important factors).
- Taxes: taxes are paid by the project has to be considered in the pre-calculation. This item usually comes up more frequently for projects operating in market sectors than in social / financial sectors.
- Prices: evaluating the annual costs and revenue for the whole duration of the project is part of the financial analysis. As a first step, tables of the analyses can be created by constant (or actual) prices, where the unit costs are applied with a zero rate of inflation. When the data specified in the fixed prices is adjusted to the growth factor (inflation), the data in the charts become current (or nominal) price. In this case we have to use the inflation rate at all the financial item. Those individual price changes that are expected to occur regarding only certain inputs, only has to be considered in case of the affected items.

### *Resource requirements, scheduling resources, financial planning*

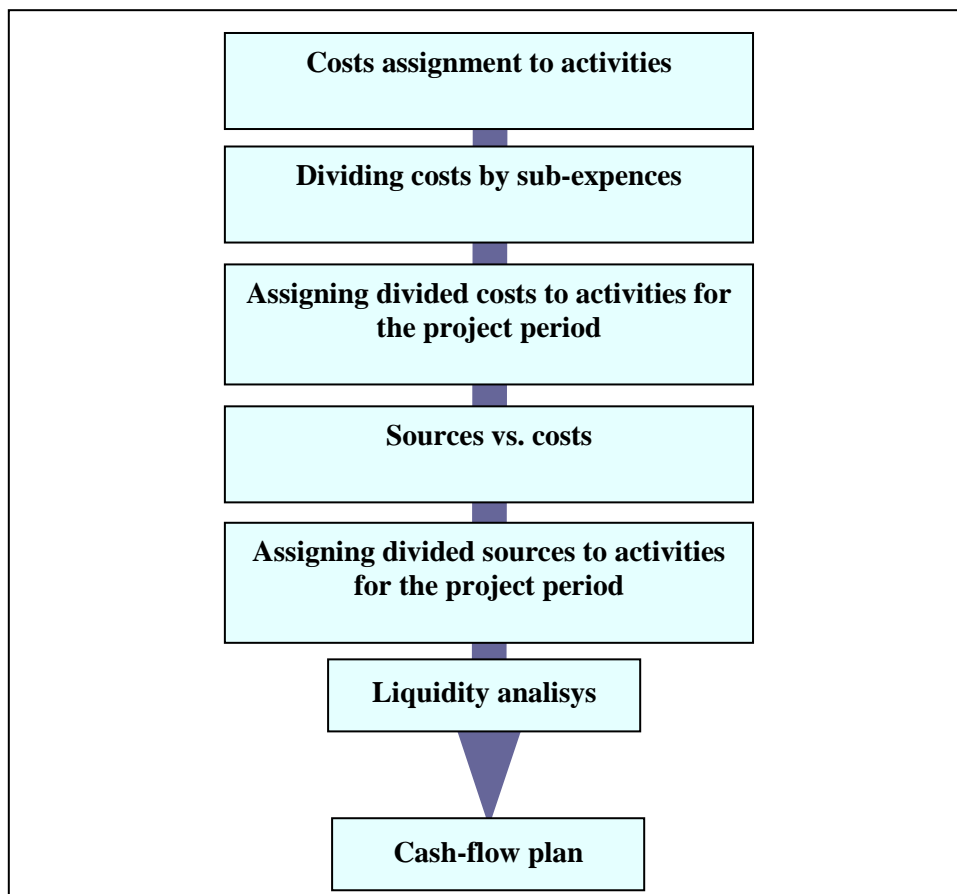
The financing plan summarizes the resources needed for investment (capital costs, including working capital as well) and review the expected investments during the project period, as a first step. This review will determine the funding requirements, that is, how much money is needed. In this relation the key question is, whether the disposal of resources is sufficient to cover these needs. Various sources of funding: capital, credit and donations (or support).

- Loan: when the project owner asks for loan during the implementation, its interest must be also included. Loans for development projects come from several sources (e.g., supplier credits, domestic banks, foreign commercial banks, development banks, etc.). During the planning phase, a variety of conditions related to the loans has to be taken into account (e.g. interest (commercial and concession); repayment schedule (equal or increasing annual repayments), grace period and maturity (long term or short term)).
- Subsidies: the other major source of funding for the project. The external supporters (e.g. EU) often cover the majority of funds required, while the host country supports the finances of local labour and material inputs with internal (domestic) aid.



## B. Liquidity analysis, Cash-flow plan

Cash flow plan is an essential tool for liquidity planning; it shows if financial obligations incurred during a given period can be achieved by the available sources of the period. Accordingly, the „message“ of the cash flow plan that in case of a negative cash flow, the project is at risk because it is not able to be financed over time. (Negative cash flow status: the project does not meet the criteria of economic feasibility). If the cash flow plan shows these results, we need to think about how the resources can be reallocated or how can the activities be modified to meet the costs incurred by the timing of resources better.



**Figure 2: Logical flow for creating cash-flow**

*Source: own compilation*

In case of projects planned multi-annual and with a long-term operation Net Present Value (NPV) calculations are essential. The net present value expresses what the today's value of the expenditure and revenue is (realized in the future years). We can calculate it by adding the revenues arising each year (+) and expenses (-) at their present value. The result is the net present value.

The more positive value the NPV has, the more efficient will be the investment.

If the funding request is expressed in current prices, cash flows connected with the financial operations should be expressed in the same way. Cash flow review related to financial operations shall be prepared for each year. In case when there are no adequate sources to finance the planned investments we have to reduce the investment cost (e.g. through purchasing less expensive equipment) or search for alternative sources of funding. If we cannot find a solution (requisite for economic feasibility is missing), the project cannot be implemented.

It is an important principle that only those costs may be strictly included in the project budget that arise during the implementation of the project. These costs should be covered primarily.

## **ANNEX 11: Financial planning of the projects: economic analyses, impact assessment**

The preparation of the business plans are related to the project financial planning. (In case of EU-funded projects above a certain project budget these are mandatory. But the support / maintenance organizations also expect the effective usage of the resources.

In connection with the project, there are three types of the yield:

- Financial returns: the offset (received income) of the activity (price, fee, salary, etc.).
- Economic return, when in addition to the financial benefit positive and negative externalities are taken into account. There are positive externalities when e.g. as a result of an infrastructure project the number of new enterprises are growing in the region, transportation costs and delivery time are reducing new services are installed on the developed infrastructure, etc. Example of a negative externality is the environmental pollution (noise, air pollution and soil pollution), increased congestion, loss of natural habitat characteristics (cutting animal paths) as a result of the investment. The biggest difficulty related to the externalities – especially compared to the financial yield – that even the economic theory has not worked out common and timeless models to quantify these elements.
- Social returns are the sum of the positive impacts of the project that has an effect on the society, its systems and members. Social returns such as strengthening the communities, job creation and retention, justice of prosperity objective, improvement of equal opportunities, etc. It is more difficult to measure the social returns than the extern effects of the economic activities, but these are one of the most important yields of the development projects.

Regarding the economic analysis of projects usually all of the three returns have to be considered. Although in some cases (that is quite often) the financial returns of a project is not worth the cost, there may be economic or social benefit that make the project worthwhile to be implemented. However, it is crucial to check this statement, while the project's effectiveness and sustainability will be only certified in this case.

### *Cost-benefit analyses*

The CBA (cost-benefit analyses) estimates the expected benefits and costs of the development ideas<sup>1/</sup>. The calculation contains five steps (Figure 13):

- a) The analyses start with taking stock of the proposed action, which is basically included in the technical documents.

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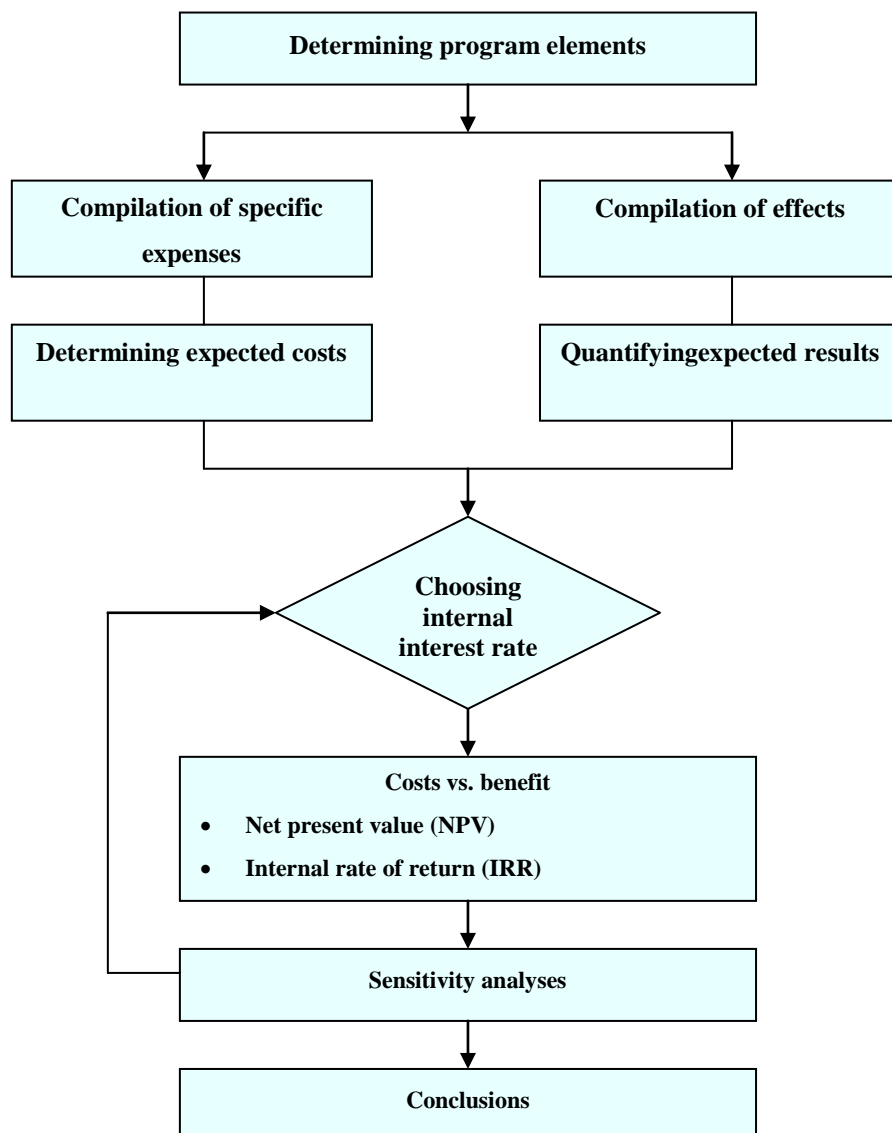
<sup>1/</sup> The literature distinguishes between financial (Financial Cost-Benefit Analysis) and macroeconomic (Socio-economic Analysis CBA), cost-benefit analysis. In the practice of the EU both are used during the evaluation. During the analysis of project, if:

a) both the NPV and the macroeconomic NPV is negative, the project should be rejected, because the implementation is not established (unstable financial background).

b) both the NPV and the macroeconomic NPV is positive (the project can be recommended both ways, but it is questionable that in such cases the external government support is necessary).

When the project is financially justified, but not in macro-economically way, (e.g., the project has negative impact on the environment, etc.) the development is not reasonable.

- b) The expected investment is determined by the quantity and specific expenses (e.g., property acquisition, preparatory work of land, construction, etc.), as well as the operating and maintenance costs by cost elements (e.g. material type, salaries and social contributions, purchased services, etc.) (Table 4).
- c) To determine the expected benefits is more complex.  
Three (direct, indirect and spillover) type of benefits are quantified.  
Some of the yields (elements with market price) are able to be quantified (unit price x quantity unit); however, there are some benefit-elements without market price: these calculations should be based on shadow prices.  
Direct benefit result from the demand of the certain sectors (Figure 3).



**Figure 3: Logical process of CBA**

Source: own compilation

Table 4: An example of determining the expected cost of an infrastructural development (for the base year)

description		Specific expenses	Quantity	Price (HUF)
Investment costs	the cost of preparation of design plans	... HUF/eng. hour	... eng. hour	.....
	licensing costs (in percent of gross costs)	... %	... pcs	.....
	the cost of preparation of detailed construction plans	... HUF/eng. hour	... eng. hour	.....
	land preparation costs	... HUF/m <sup>2</sup>	... m <sup>2</sup>	.....
	construction costs	... HUF/m	... m	.....
	installation costs	... HUF/hour	... hour	.....
	costs of technical management	... HUF/eng. hour	... hour	.....
Operation cost	energy costs	... Ft/year	... year	.....
	wage costs	... Ft/year	... year	.....
	cost of materials	...Ft/year	... year	.....
all costs				

An example of defining the direct net profit elements in case of tourism

- Sectoral extra income ( $\Delta SI$ , Ft) = average spending per guest per night (HUF/pcs/pers) \* increment the number of guests (pers) \* increment the number of overnight stays (pcs).
- Additional employer contributions revenue ( $\Delta ET$ , HUF) (social insurance also) = increment in number of employees (pers) \* Net average earnings (HUF) \* 0,27 (% , employer contribution rate).
- Additional income tax revenue ( $\Delta PI$ , HUF) = increment in number of employees \* Net average earnings \* income tax rate.
- Unemployment benefit replacement ( $\Delta NUE$ , HUF) = increment in number of employees \* number of empl. unemployed % \* 0,75 \* 0,85 \* 40.000 HUF.
- Additional corporate tax ( $\Delta CT$ , HUF) = increment in net income of the industry \* tax.
- Additional local business tax ( $\Delta LT$ , HUF) = increment in net income of the industry \* business tax rate.
- Additional foreign tax revenue ( $\Delta TT$ , HUF) = increment in tourist nights \* tourism rate.
- Additional tourism property tax revenue ( $\Delta TIT$ , HUF) = increment in number of commercial accommodation \* average size of public accommodation.
- Additional VAT (infrastr.) ( $\Delta VTI$ , HUF) = increment of investment expenses \* VAT rate.
- Additional VAT (serv.) ( $\Delta VTS$ , HUF) = increment in sectoral revenue \* VAT rate.
- Additional local tax revenue ( $\Delta LTP$ , HUF) = increment in investment costs \* local fiscal charge key.

Source: own compilation

The benefit of the spillover effect quantifies the elements from the additional consumption that is one of the results of the growing earnings of the employers in the affected sector.

An example of determining the benefits of the spillover

Benefit from the income (purchasing power) consumption growth = (increment in the number of employees in the sector + increment in the number of employees in the sector \* current production multiplier by sectors) \* Net average earnings \* rate of propensity to consume).

Source: own compilation

As it was noticed above, there may be beneficial elements those market price is not known because there is no market for them (e.g., human life), or only able to be defined inaccurately. In this case, we determine the profit (approximately) with using shadow prices.<sup>2/</sup>

d) Collating costs and benefits in present value

With regard to the fact, that cash flows become due in different time period, we have to define present value. As a result of collating the costs and benefits we can calculate rate of return, net present value and profit intensity.

Rate of return (M): express the discounted benefits per unit of discounted expenditures (costs). The program is considered to be socially useful, if  $M > 1$  (in literature it is called benefit-cost ratio, BCR indicator).

$$M_t = \frac{\sum_{t=1}^n H_t \frac{1}{(1+r)^t}}{\sum_{t=1}^n K_t \frac{1}{(1+r)^t}}$$

*Net present value of benefits:* Balance type indicator that determines the difference between the discounted costs and discounted benefits. The program is considered to be socially useful if the magnitude of the ratio is greater than one; (in the literature, this value is also called net present value, NPV).

*Profit intensity:* quotient type of indicator that expresses the discounted benefits per unit of discounted financial support. The program is considered to be socially useful if the ratio is greater than 1. With the indicator the usefulness of community expenditure can be measured.

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<sup>2/</sup> In economics, shadow price has several meanings: also represent social value, according to another interpretation, the highest price you can get for the certain goods in case of other utilization, according to business management approach the available revenue growth that is a result of an additionally set of production factor, or in mathematics it is a dual solution for linear programming problems.

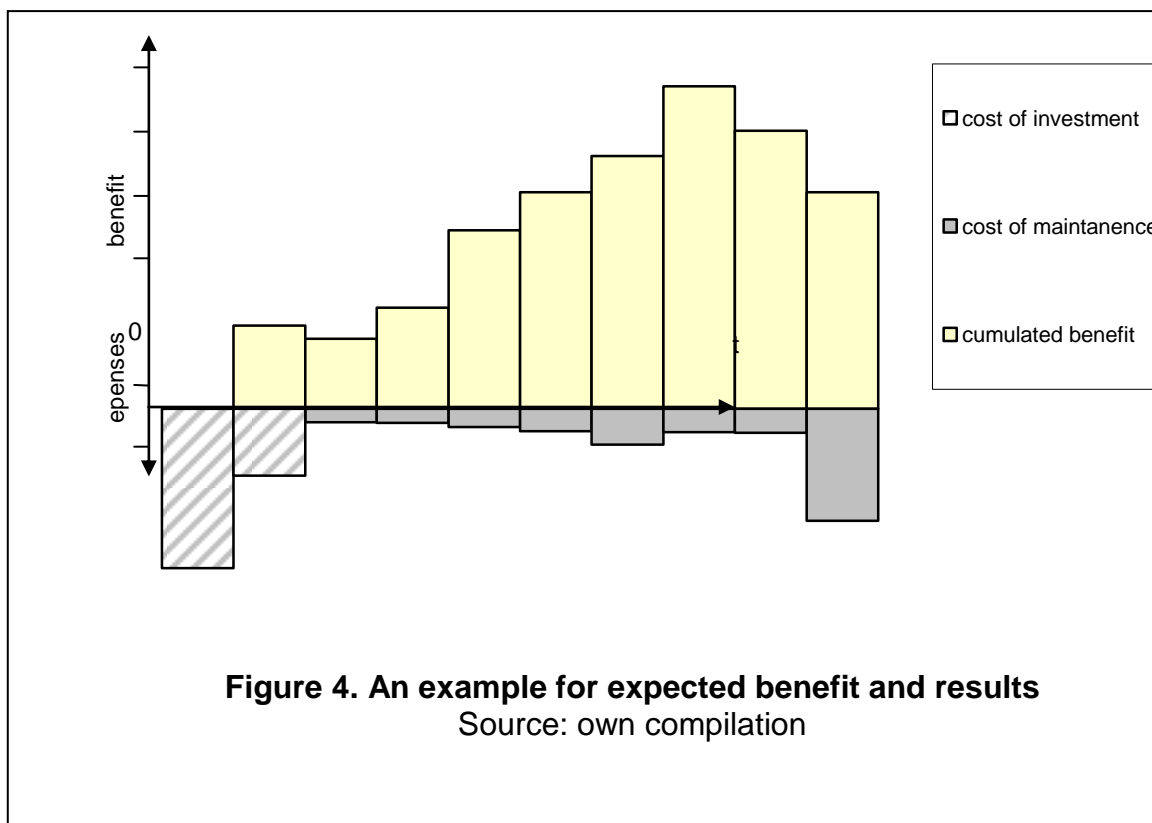
$$HI_t = \frac{\sum_{t=1}^n H_t \frac{1}{(1+r)^t}}{\sum_{t=1}^n T_t \frac{1}{(1+r)^t}}$$

, where: H – yield, K – cost, T – support, r – calculative interest rate, t – time.

#### e) Sensitivity analyses

The sensitivity analysis determines whether any change in the planned costs and returns (%) might influence the value of the return ratios (if there are significant consequences of a change in any condition, the risk are higher).<sup>3/</sup>

The annual expected effects and costs can be visualized as follows (Figure 4).



<sup>3/</sup> In the practice of the EU any variable is "critical", which change with 1% (in positive or negative sense) causes a 5% or greater modification in case of the performance indicators (EC. 08/2006).

## **ANNEX 12: The EU horizontal aspects in the project planning**

For the European Commission it is an essential requirement to enforce the so-called horizontal principles consistently, such as sustainable development (environment) and equal opportunity in case of its proposed investments.

It is necessary for all applicants to demonstrate the horizontal principles also as a part of the application, on the other hand – if the project is selected – in the subsequent progress reports.

### **A. Enforcement of equal opportunity**

Integration of equality into the different policies based on the new requirements of the Amsterdam Treaty is no longer optional but mandatory.

Along with ensuring equality between men and women in the European Union, the principle of equal treatment was formulated as a guideline.

In order to enhance confirmation of equal treatment and community action against discrimination, the Member States have adopted two directives in 2000.

One of them is based on the general prohibition of discrimination (racial and ethnic), while the other directive establishes a general framework for equal treatment in employment and education. The European Union declares specifically the prohibition of discrimination of the disabled people in the Charter of Fundamental Rights.

The equal opportunity requires that in all EU projects it is need to be validated, to what extent appear the equal opportunity aspects in the content.

From this point of view individual projects and activities can be divided in five main categories:

- Positive projects concerning equal opportunities, where the primary aim is to improve equal opportunity, targeting women and disadvantaged groups, such as specific training for young mothers, promoting their return to work, or supporting the development of social economy projects.
- Equal opportunity oriented projects: when improving equal opportunity is not the primary aim, but the project contributes to it. It takes into account eg. the different needs of men, women and disadvantaged groups. These projects include various incentives for the promotion of equal opportunities, contribute to overcome the inequality and promote equal opportunity between men and women and disadvantaged groups in areas those are affected by the project. Eg. a public transport project, that helps especially those disadvantaged groups who do not have their own means of transportation, and integrates the complex aspects of accessibility (e.g. ramp, symbol, sound lights, etc.).
- Neutral projects: those projects that does not affect the equality-relevant areas.
- Blind projects: although the project would affect relevant are in the field of equality, but the project writers ignored and the project will not contribute to improve equal opportunities.
- Harmful projects in the context of equal opportunities: that has any harmful impact on the equality.

Obviously, the projects from the last two categories are not eligible.

The prevailing of equal opportunity can be tested as follows:



- In case of human resource development projects: does the project ensure that the disadvantaged groups also get training and employment opportunities?
- Infrastructure projects: how the project will guarantee to reduce isolation of disadvantaged communities and vulnerable groups with the development of physical infrastructure, transport development, and ICT access?
- Enterprise development projects: does the project ensure atypical employment (e.g., part-time, flexible arrangements for employees in order to expand the possible composition of the employees).

## **B. The environmental enforcement**

The developments have to comply with the requirements of sustainability (in addition to the environmental legislation) – this is an essential effort from the side of the Hungarian environmental policy (and also an expectation of Brussels). In other words, the projects must comply with the development objectives as well as environmental results and returns must be presented, thereby facilitating the integration of sectoral and regional environmental policy.

Displaying the environment (as a horizontal objective) ensures that those projects are funded that prevent or reduce the environmental costs as far as possible.

They must also ensure the "polluter pays" principle. The enforcement of this requirement is closely related to program / project monitoring tasks: it is important to ensure that the environmental and ecological impact of the development can be followed and as possible, to support the projects to be environmentally oriented in the future by the monitoring.

In case of every project, it is a primary enforcement to prevail the environmental aspects. This expectation is clear mostly for the productive and infrastructural actions, while in case of the human development field only indirectly occurs - e.g. through raising awareness. A minimum expectation from the applicants and beneficiaries to comply with the requirements of environmental protection legislation, and at the same time the environmental performance of the project should be strengthened.

Through planning some investments, facilities we must get to know, whether the proposed activity requires an environmental permit. For those activities, of which the implementation is expected to have a significant environmental impact, environmental impact assessment has to be made; based on this the competent environmental inspectorships the affected administrations and authorities decide to approve or reject.

At present in our country the environmental impact assessment is required by law, and government regulation sets out the range of activities subject to the environmental permit.

These are activities that go with emission of harmful substances or have high demand in area, possibly effect protected areas, or endanger the environment in any way.

In the above mentioned government regulation the activities are listed and – under the relevant EU directives - details of the permitting process and requirements for the content of the environmental impact assessment can be found

The environmental performance of various actions and projects are possible to progress through materials, energy, water and waste management, reduction of logistics needs, sustainable management of the landscape and natural resources, and through the promotion of individual and corporate environmental approach.

The environmental mainstreaming in particular at the infrastructure development projects, special for large industrial, commercial, investments has high importance.

## ANNEX 13: An example of the Partnership Agreement

### Partnership Agreement

In regard to the ERDF Subsidy Contract, which is to be concluded between the National Development Agency acting as the Managing Authority Cross-Border Cooperation Operational Programme Hungary-Slovakia 2007 - 2013 and **<Lead Partner name>** acting as the Lead Partner and

having regard to

COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999;

REGULATION (EC) No 1080/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999;

COMMISSION REGULATION (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund;

Hungary-Slovakia Cross-Border Cooperation Programme 2007-2013 approved by the European Commission on 21 December, 2008, Decision No.

The HUSK 0901 Call for Proposals within the Cross-border Cooperation Programme Hungary-Slovakia 2007-2013, launched on 29<sup>th</sup> June 2009;

The proposed project **<Acronym>**; as drafted in the application form submitted to the Programme;

The Project Implementation Handbook laying down specific rules for the implementation of projects financed under the Programme.

the following has been agreed between

....., having its head office at ..... in (address)....., VAT no or Fiscal code number....., represented by....., as Lead Partner (LP) of the Project called..... **<Acronym>**;

and

.....having its head office at ..... in (address)....., VAT no or Fiscal code number....., represented by....., as Project Partner n.2;

.....having its head office at ..... in Via....., VAT no or Fiscal code number....., represented by....., as Project Partner n. 3;

for the implementation of the project **<project title>**, with acronym **<project acronym>**, approved by the Joint Monitoring Committee of the Operational Programme Hungary-Slovakia 2007 - 2013 on .....

The Parties convene and sign the followings,

### **Article 1 (Project Objectives)**

The project <Acronym>;shall contribute to the objectives set out in the Operational Programme. The project objectives are, in summary, to < *list the main objectives or make reference to the project documents*>:

.....  
.....  
.....

### **Article 2 (Subject of the Partnership Agreement)**

The parties, through the present Partnership Agreement, define the rules of procedure for the work to be carried out and the relations that shall govern them in the partnership set up in order to implement the above-mentioned project. This Agreement shall also define their mutual responsibilities concerning the administrative and financial management of the Project.

The responsibilities are based on and refer to the Subsidy Contract, with its all provisions, forming an integral part of this Partnership Agreement. The Project Partners have to fully respect the content and obligations set by the abovementioned documents.

### **Article 3 (Duration of the Partnership Agreement)**

This Agreement is valid from the date of signature by all parties and enters into force from the day of the entry into force of the Subsidy Contract between the Managing Authority and the Lead Partner. It shall remain in force until the Lead Partner has discharged in full his obligations towards the Managing Authority, including the period of availability of documents for financial controls.

As indicated in the Subsidy Contract, the LP and its project partners must undertake to retain all documents and receipts pertaining to the project and the financing thereof in a safe and orderly fashion for the five years following the closure of the Programme (at least by 31<sup>st</sup> December 2020). Other possibly longer statutory retention periods, as might be stated by national law, remain unaffected. As a general rule, it is also possible to use suitable image and data media, if the reproduction thereof is complete, orderly, identical in terms of content, in complete conformity with the original and capable of auditing, and access thereto is assured at any time until the expiry of the retention period.

This Agreement shall also remain in force if there is any non-resolved dispute among the partners at an out-of-court arbitration body.

The breach of the obligations of this Partnership Agreement by one of the partners may lead to an early termination of his participation in the project. This termination has to be decided by consensus by all the other partners in a documented manner, provided that the eligibility rules of the call for proposals are kept with the remaining partners and the consequently initiated amendment of the Subsidy Contract is successful at the Managing Authority. However, the

partner will be obliged by this Agreement for its whole duration with regard to the activities carried out and expenditure incurred until that moment.

#### **Article 4 (Obligations of the Lead Partner)**

As a general obligation the Lead Partner shall:

be responsible for the overall coordination, management and implementation of the project. The Lead Partner is the lead beneficiary of the ERDF grant and shall manage the funds in accordance with the details of this Partnership Agreement and the Subsidy Contract. The Lead Partner assumes responsibilities for the entire project vis-à-vis the JTS and Managing Authority as defined in the Subsidy Contract. The Lead Partner will sign the subsidy contract and its possible modifications on behalf of the partnership;

- inform all Project Partners on the signature of the Subsidy Contract, and provides a copy of it for all Project Partners;
- appoint a project manager who has the operational responsibility for the coordination and documentation of the overall project;
- guarantee the timely performance of the entire Project for its whole duration according to the work plan;
- represent Project Partners towards the Programme Management Bodies;
- inform Project Partners on the progress of the overall Project, in particular with reference to its objectives and results as set in the ERDF Subsidy Contract or any later addenda;
- inform Project Partners about any variation of the conditions at the basis of the present agreement or about any modification that could influence the performance of the Project, the information activity or the payment of financing;
- support Project Partners in implementing their obligations by giving them the correct information, indications and clarifications on the procedures, the forms and other relevant documents, ensures that the project partners receive every relevant information;
- ensures that project partners are involved in the decision making regarding to the project, and especially, agrees with all project partners beforehand on any request to the Joint Technical Secretariat /Managing Authority for amendment of the Subsidy Contract;
- react promptly to any request made by the Managing Authority and Joint Technical Secretariat;
- inform the partners on all important communication with the Managing Authority and/or JTS in due time;
- notify the partners and the Joint Technical Secretariat immediately of any event that could lead to a temporary or final discontinuation of the project or any other deviation of the implementation of the project;
- implement his individual component of the project accordingly;
- be liable towards the Managing Authority for the total amount of the subsidy. In case a partner fails to comply with its contractual obligations arising from this partnership agreement and/or the subsidy contract, the LP will launch the claim for reimbursement of unduly paid funds towards the partner. When amounts unduly paid to a partner cannot be recovered, the LP shall be responsible for reimbursing the amounts lost
- comply with EU and national legislation;
- inform the Joint Technical Secretariat/Managing Authority regarding any change or amendment of the present agreement.

As a financial obligation the Lead Partner shall:

- guarantee the sound financial management of the funds allocated for the implementation of the Project, including the separate set-up of the project accounting and the supporting documents storage system;
- guarantee the correct and timely transfer of funds without any delay (within 5 working days after receipt unless justified) to the Project Partner of his share of ERDF financing, when received onto his accounts;
- verify that expenditure incurred by Project Partners have been checked by national controllers prior they are forwarded to the Joint Technical Secretariat;
- carry out project level accounting;
- guarantee that the allocations of the expenditure incurred by Project Partners are in line with those foreseen in the Project budget;
- submit the Application for Reimbursement together with the Progress Report to the Joint Technical Secretariat for the deadline given in the Subsidy Contract;
- with previous agreement of the Project Partners, request the Managing Authority eventual authorization for any variation of the budget in time;
- ensure that no double funding or double reporting of shared costs takes place;
- review the appropriate spending of the EU funds by the partners, the condition of the partners' project according and the preparation of the required documents and records for the project closure;
- keeps track of project activities, the ERDF amounts received and their transfer to PP.

As a reporting and monitoring obligation, the Lead Partner, shall:

- prepare and submit to the JTS the periodic project progress reports, final report, application for reimbursement and any other documentation upon request;
- guarantee to the EU, national and regional bodies in charge the access to the place where the Project has been implemented and to the headquarters of all Project Partners in order to implement the foreseen on-the-spot checks with the right of inspection;
- guarantees the access to the databases and documents to all the representatives of the institutions in charge of the controls foreseen by the Operational Programme as well as to the bodies authorized to monitor the Project. All the documents will have to be kept during the Partnership Agreement duration in their original format or in a certified copy, faithful to the original in a commonly-used format. The Lead Partner must also guarantee the respect of the mentioned rules on the part of his Project Partners.
- to report in accordance with the existing legislation and national/regional guidelines if the project activities contain elements of State aid;
- the LP will keep a copy of all project documents prepared by the project partners or other bodies;
- guarantee the systematic collection and the safe storage of all the documentation regarding Project expenditure and activities.

## **Article 5**

### **(Obligations of the Project Partners)**

Project partners are responsible for carrying out specific project activities to deliver outputs in the manner and scope as indicated in the Subsidy Contract.

According to the present Agreement the project partners are obliged to support the Lead Partner to fulfil its tasks according to the Subsidy Contract, in particular with the following:

- appoint a contact person for the implementation of the parts of the Project under their responsibility and authorise the contact person to represent the project partner;

- assure the implementation of the part of the Project they are responsible for in accordance with the ERDF Subsidy Contract and the project work plan or otherwise agreed;
- guarantee a sound financial management of funds, including the separate project accounting and the documents storage system;
- contribute to overall project aims according to their part undertaken with due care and motivation, completing their activities foreseen for each reporting period;
- guarantee that reported costs have incurred for the performance of the operation and correspond to the activities agreed upon among Project Partners, so as to assure the correspondence between the activities and the financed operation;
- cooperate with the Lead Partner for the effective implementation of the project, actively take part in decision making during the project;
- ensure the validation of reported costs by the designated national controllers, prior their forwarding to the Lead Partner according to the deadlines strictly linked to the requests for payment, reports and final report to be presented by the Lead Partner to the JTS;
- present to the Lead Partner, using the forms provided the technical-financial progress reports certified by his national controllers, according to the deadlines set in Article 10.3 of this agreement for the submission of the requests for payment and the final executive report, including a copy (in paper or electronic version) of all supporting documents for expenditure and activities;
- guarantee the timely performance of the Project according to the timeframes and deadlines of the subsidy contract and in particular that expected outputs are actually delivered;
- to notify the Lead Partner immediately of any event that could lead to a temporary or final discontinuation of the project or any other deviation of the implementation of the project, including any variations to his part of Project budget or his Project work plan;
- respect the national and Community legislation, with particular regard to the State aid rules, public procurement, and horizontal EU policies, i.e. environmental protection and improvement, sustainable development and the promotion of equal opportunities between men and women;
- guarantee the systematic and safe collection of all the documentation regarding his part of Project expenditure and its transmission to the Lead Partner, as well as to guarantee the access to documents to all the representatives of the institutions in charge of controls and to the bodies authorized to monitor the Project. All the documents will have to be kept in their original format or in a certified copy, faithful to the original and in a commonly-used format; in a safe and orderly manner for a period of five years following the closure of the Programme (at least by 31<sup>st</sup> December 2020); other possibly longer statutory retention periods, as might be stated by national law, shall remain unaffected;
- guarantee to the EU, national and regional responsible audit bodies the access to the places where the Project has been carried out and to his legal head office in order to allow the inspections necessary within the Project activity of control, make copies of original documents;
- guarantee to the independent evaluators in charge the access to every document or information regarding the part of Project he is in charge of deemed to be necessary for their activity;
- repay the Lead Partner the amounts unduly paid (ERDF);
- inform Lead Partner of all changes about its details including bank details;
- to respond immediately to any request of the JTS/ Managing Authority transmitted by the Lead Partner;
- to report in accordance with the existing legislation and national/regional guidelines if the project activities contain elements of State aid;
- to report payment of national co-financing to the Lead Partner;
- shall not subcontract 100% of the activities from their part of the project;

- to submit copies of the state co-financing contracts (maximum 10 calendar days from the signature) to the Lead Partner;

<The partners may stipulate any other arrangement that they consider necessary in their relation >.

3. Project Partners agree to take all necessary steps enabling the Lead Partner to comply with its responsibilities as set out in the ERDF Subsidy Contract.  
Project Partners agree to implement all activities as presented in the Subsidy Contract and contribute to the financial implementation of the project as planned.

### **Article 6 (Organizational structure of the Partnership - Project Steering Committee)**

The Project Partners decide to set up a Project Steering Committee in order to guarantee an effective management of the Project. The Project Steering Committee is set up, composed of a representative of the Lead Partner and a representative of each Project Partner. This Committee will be responsible for monitoring the implementation of the project on behalf of the partnership. The Project Steering Committee meets periodically (at least twice per year) following the convening by the Lead Partner. The Lead Partner must initiate the project meeting upon request of any project partner.

As defined by the partnership, for example:

The Project Steering Committee shall settle disputes between the partners

The Project Steering Committee shall be involved in project/level decisions

May amend the Partnership Agreement

Etc.

<The partners may stipulate any other arrangement that they consider necessary in their relation >.

### **Article 7 (Relationships with third parties)**

In the case in which project partners sign cooperation agreements with third parties (including subcontractors) for a partial execution of their part of Project, Project Partners will continue to be responsible towards the Lead Partner for all the obligations arising from the present Agreement. Any contracts with third parties will have to be concluded without violation to EU, national and regional rules on competition and award of public contracts. No project partner shall have the right to transfer its rights and obligations to third parties. The Lead Partner shall be informed by the partner about the subject and party of any contract concluded with a third party.

### **Article 8 (Communication, publicity and dissemination of results)**

The Lead Partner and the partners shall jointly implement the communication and publicity activities in accordance with the ERDF Subsidy Contract to ensure adequate promotion of the project both towards potential beneficiaries and towards the general public. The information and publicity rules as specified in the EC Regulation No 1828/2006 and Publicity and Information Guidelines of the Programme shall be observed by all parties.

Each project partner shall point out in the framework of any publicity and information measures, including public procurement procedures, that the project is implemented with the financial assistance from the European Union through ERDF under the Cross-Border Cooperation Programme Hungary-Slovakia 2007–2013 and to ensure an adequate promotion of the project.

The partners agree that the results of the project will be available to any interested third party and to the general public free of charge. The project partners commit themselves to play an active role in any actions organized to capitalize on, disseminate and valorize these results.

The partners agree that the Lead Partner may provide the JTS/Managing Authority or other programme body to publish, in whatever form, unrestricted as far as data protection is concerned, and on or by whatever medium, including the internet, with the following information:

- the name of the LP and its partners,
- the purpose and project outputs ,
- the amount granted and the proportion of the total eligible costs of the operation accounted for by the funding,
- the geographical location of the project,
- information and communication tools produced within the project,
- any other information agreed with the LP.

## **Article 9 (Ownership – Use of Results)**

The parties undertake to enforce the applicable law on intellectual ownership and author rights, regarding any outcome that might be produced during the implementation of the project.

Unless formally stipulated otherwise by the parties, ownership of the results of the project, including industrial and intellectual property rights, and of the reports and other documents relating to it, shall be vested to the partners.

Without prejudice to the previous paragraph, the beneficiary grants the JTS and the Managing Authority the right to make free use of the results of the project, provided it does not thereby breach its confidentiality obligations or existing industrial and intellectual property rights.

The Lead Partner and its partners agree that owners of the investments are the following:

*<investment owner's name>* is the owner of the *<name of investment>*

The Lead Partner and its partners agree that owners of the project outputs/deliverables are the following:

*<output owner's name>* is the owner of the *<name of output/deliverable>*

The Lead Partner and its partners commit to establish and maintain an inventory of all fixed assets acquired, built or improved under the ERDF grant;

In case of purchase costs co-financed, the owners shall not alter the nature and the activities at least within five years from operation completion (final eligibility date of expenditures for the project).

The goods, investments or any project deliverables which ownership is not agreed upon in paragraph 4 and 5 will be the property of the LP after project closure.

## **Article 10 (Reporting, monitoring and evaluation)**

The Lead Partner has overall responsibility for monitoring the actions undertaken by the project partners on an on-going basis.



The Lead Partner is responsible for submitting project progress reports and the final report to the JTS.

Each project partner commits to providing the Lead Partner with the information needed to draw up project progress and final reports and other specific documents required by the JTS. The reporting periods for the entire project will be laid down in the Subsidy Contract (Article 4, paragraph 13). Each project partner has to submit the Statement of Expenditure for the reporting period by the deadlines specified in the Subsidy Contract.

The Lead Partner must send each partner copies of the reports submitted to the Managing Authority.

### **Article 11 (Financial management)**

The Lead Partner shall be responsible for the administrative and financial management of the funds and for distributing the funds between the project partners in accordance with their validated expenditure incurred for project actions effectively carried out by bank transfer within five working days unless justified. No deduction, retention or further specific charges shall be made.

The ERDF funds shall be transferred to the bank accounts listed in the Annex 1 of this agreement.

### **Article 12 (Confidentiality)**

The parties agree that any information that they obtain during the implementation of the project is confidential, provided that one project partner explicitly requests such in case there is an acknowledgeable interest on behalf of the requesting party and it is compatible to the transparency principle. The same applies, without the explicit request of one of the project partners, to all documentation classified as “confidential”.

### **Article 13 (Modifications, withdrawals, disputes and legal succession)**

Any modification to the present agreement shall be attached to it as an addendum and signed by all parties. It has to be previously agreed by all parties.

The partners agree not to withdraw from the project unless there are unavoidable reasons for it. If this were nonetheless to happen, the other partners shall cover the contribution of the withdrawing partner either by assuming its tasks and budget (only partners from the same side of the border) or by asking one or more third parties to join the partnership, with the previous authorization of the Managing Authority. The partner withdrawing the project will continue being obliged by the present Partnership Agreement until its termination for the activities and expenses carried out while participating in the project.

In case of any dispute between partners, the project partners are obliged to work towards an amicable settlement. When agreement cannot be reached, the partners are obliged to seek an out-of-court arbitration procedure. Failing this, each and any legal disputes that may result from or in connection with this present Partnership Agreement, including such over the validity of this

present Partnership Agreement itself and this arbitration clause, will be finally decided in accordance with the jurisdiction of the country where the Lead Partner is located. The disputes will be settled at the competent court from the country where the LP is located.

In case of legal succession, e.g. when the partner changes its legal form, all duties under this contract are transferred to the legal successor. The partner shall notify beforehand the MA of the Programme through the JTS, should a legal succession occur.

#### **Article 14** **(Recovery of unjustified expenditure)**

In the event of unduly received ERDF funds, either due by the breach of any obligation or due to the declaration of ineligibility or irregularity after a financial control by an authorized body, each cosignatory of the present agreement undertakes to reimburse the Lead Partner within 30 calendar days following the notification.

In the event of total or partial incompleteness of the obligations of any of the project partners or in the event of the material errors in the effective execution of project activities, each cosignatory member of the present Partnership Agreement/ undertakes to reimburse the Lead Partner any funds that have been unduly received, within 30 calendar days following the notification.

The LP has the right of termination of the Partnership Agreement if termination of the ERDF Subsidy Contract is put into force by the Managing Authority. The partners shall repay the funds as defined in the LP's request.

#### **Article 15** **(Liability and Force Majeure)**

This Partnership Agreement is governed by the law of the country of the Lead Partner. Each partner, including the Lead Partner, shall be liable to the other partners and shall indemnify for any damages or costs resulting from the non-compliance of its contractual duties as set forth in this contract.

No party shall be held liable for not complying with the obligations ensuring from this agreement should the non-compliance be caused by force majeure. In such a case, the partner involved must announce this immediately in writing to the other partners of the operation.

#### **Article 16** **(Working Language)**

The working language of the partnership governed by this agreement will be \_\_\_\_\_. In case of the translation of any document into another language, the English version shall be the binding one.

#### **Article 17** **Termination of the agreement**

This Partnership Agreement is terminated in case the subsidy contract terminates, especially due to the following:

- the final report of the project is approved and the balance of verified project costs are paid for each Partner
- termination of the ERDF Subsidy Contract is put into force by the Managing Authority

- serious breach of the provisions of the subsidy contract or the present agreement
- the implementation of the project becomes impossible for any reason
- the partners decide to withdraw from the implementation of the project (in such a case the transferred funds and statutory interest will be paid back)
- force majeure

### **Article 18 (Concluding provisions)**

This Partnership Agreement is done in **<number>** originals, of which **<number>** is received by each of the contracting parties.

In case of discrepancies between the Subsidy Contract and this Partnership Agreement, the Subsidy Contract shall prevail.

This Partnership Agreement can only be changed by means of a written amendment that is signed by all project partners. Modifications to the project (work plan, budget-etc.) that are approved by the Joint Monitoring Committee shall be effective as alterations of this Partnership Agreement, also without adherence to this formal requirement.

The partners signing this agreement have fully understood and accepted the contents of the subsidy contract and undertake the activities and responsibilities in the meaning as included therein.

Name of the Lead Partner  
Name and title of legal representative  
Place, date and stamp:

Signature

Name of project partner 1  
Name and title of legal representative  
Place, date and stamp:

Signature

Name of project partner 2  
Name and title of legal representative  
Place, date and stamp:

Signature

ANNEXES - Bank account information of Partners

## ANNEX 14: Availability of funding sources – recommended webpages

### Institutional e-sources

Cabinet Office – [www.kormany.hu](http://www.kormany.hu)  
Ministry of National Economy – <http://www.ngm.gov.hu/>  
Ministry of National Resources – <http://www.nefmi.gov.hu/>  
National Cultural Fund – <http://www.nka.hu/>  
Youth Mobility Service – [www.mobilitas.hu](http://www.mobilitas.hu)  
Soros Foundation – <http://www.soros.hu/>  
Central and Eastern European Regional Environmental Center (REC)  
Hungarian Office – <http://www.rec.hu/>  
Hungarian Investment and Trade Development Agency – <http://www.itd.hu/>  
EUR-Lex – <http://eur-lex.europa.eu/hu/index.htm>  
National Development Agency - <http://www.nfu.hu/>  
VÁTI (Hungarian Regional Development and Urban Planning Office)–  
<http://www.vati.hu/>  
EMIR (Joint Monitoring and Information System) - <http://www.emir.gov.hu/>  
TEIR (National Development and Planning Information System) -  
<https://teir.vati.hu/>  
NORDA (North Hungarian Regional Development Agency) -  
<http://www.norda.hu/>  
SANSZ Foundation  
<http://www.sanszalapitvany.hu/>  
National Civil Fund  
<http://www.nca.hu/>  
Tendering page of the European Commission  
[http://ec.europa.eu/magyarorszag/calls/index\\_hu.htm](http://ec.europa.eu/magyarorszag/calls/index_hu.htm)  
**Database on the internet**  
[www.pafi.hu](http://www.pafi.hu)  
<http://www.palyazatmenedzser.hu/>  
<http://www.palyazatmenedzser.com/>

### Contacts of call for proposals published in print

#### **SANSZ** (Main board of foundations – monthly published)

Publisher: SANSZ Alapítványi Információs Központ Budapest.

Subscribe on the editorial address: 1385 Budapest, Pf .866.

#### **Pályázatfigyelő** (for settlements, institutions, communities)

Publisher: Ik I Kft Budapest Subscribe on the address:

1251 Budapest, Pf. 88.

#### **Forrásteremtés** (Annex of Pályázatfigyelő)

Subscribe on the address: Ik I Kft 1251 Budapest Pf. 88.

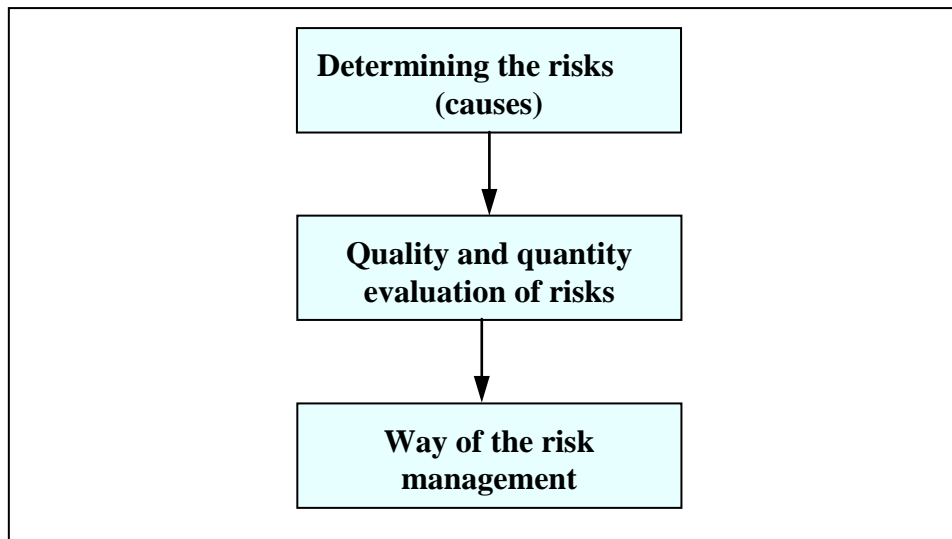
Source: own compilation

## **ANNEX 15: How to apply – best practices**

1. Again, make sure that the project meets the eligibility criteria for the contest!
2. The application form must be completed correctly!
3. We must ensure that all documents listed in the tender documents are available.
4. Ask someone to read through the application and check the appropriateness of the specifications.
5. We should send the contest covered, but also make sure that the final appearance is aesthetically pleasing (for example: colored chapter dividers).
6. The words in the text form do not exceed the allowed number of characters! The texts are short and should be concise; in order to have a perspicuous material, we should use lists, French paragraphs.
7. If we have more background material (e.g.: demand analysis, SWOT analysis, etc.), attaches a separate attachment that may establish the project more during the evaluation.
8. The project sustainability should be introduced in institutional, professional and financial aspect.
9. In the project management structure hierarchical relationships should prevail. E.g. project managers, sub-project managers, experts, (engineering, procurement, financial etc).
10. The partnership assumes coordinating relationship, so we should seek after the institutionalized forms of partnership (consortium, monitoring committee, expert panel).
11. The text in the content areas should fit the application objectives, priorities (use the evaluation section table).
12. The operational part of the project has to fit the budget. The budget of the project cost should be rational.
13. Do not leave any role for the administration day, when there is sure something comes up and the submission of the application may be threatened.
14. Do not think about what if the application does not win. There is no losing application: we have a detailed project (perhaps waiting for further clarification) and application experiences whose will require sooner or later!

## ANNEX 16: Risk assessment

The aim of risk analysis during project implementation is to inventory the uncertainties, determine their likelihood (appreciation), predict the magnitude of the harm that may arise, define the possible means of risk management (modalities), and the measures required for this purpose. (Figure 5)



**Figure 5: Logical flow of risk management**

*Source: own compilation*

The identification of risks, the risk assessment of the occurrence in the context of tasks is advisable to summarize a table format (Table 5).

**Table 5: Format for evaluating the risks**

Nr.	Cause of the risk	Probability of occurrence	Expected consequences	Risk management method
1.	Personal risks			
2.	Investment risks			
3.	Financial risks			
4.	Technological risks			
5.	etc.			

*Source: own compilation*

## ANNEX 17: Contracts

All applicants' hope that after the submission of tender documents, sooner or later, a mail arrives that begins with "We are happy to inform you ..."

(As it is outlined in the application, before any contract - at your own risk - can be started, but that has serious risks).

After the favorable decision when applications are submitted, the conclusion of the grant agreement, than the updated roadmap for action follows.

Prior to the conclusion of the grant agreement (1 month, in principle), the contract preparation takes place, which means in practice the ongoing reconciliation and information exchange between the Governing Authority (Intermediate Body), and beneficiary.

### *Update the action roadmap*

During the development of project preparation and writing the proposal we should take into account that between the project submission, examination and grant agreement several months go by. This time interval should be definitely considered during writing applications and creating the action plan and roadmap. However, during the evaluation process or contract preparation unexpected events may occur that severely affect the predefined terms in the roadmap and action plans.

For this reason, before contracting the grant agreement, the beneficiaries have the possibility to update the action plan and timetable. This strategy is very favorable for the project managers, while after signing the contract updating the action plan and timetable is only possible with contract amendment. It is important to note that this is only an update with respect to the tender, the course of action and our schedule cannot be substantially changed.

The organizational structure and the members of the project management have to be defined in the preparatory phase of the project. This is also necessary in the application and essential for contracting. However, because it may take several months between the submission and signing, we need to calculate on any change in the personnel content of the originally planned project management. It can occur quite often, that a person accepting the task cannot undertake his functions a few months later because of personal, family or professional reasons.

### *Review and update documents and certificates*

Proposals to be submitted in the framework of an operational program have to follow formal requirements, that is included in the call (related to the certain instruction) and/or in the application guide. These formal requirements are the parts of the certificates, reports, statements and other documents that are mandatory to be attached. They are not only important in the view of the submission process; they play an important role (after a grant decision is passed) in case of signing the grant agreement.

Concluding the grant agreement, the following documents are required:

- details of the resources,
- schedule breakdown by category of expenditure and the cost (based on the project budget),

- quantifiable results and their timing (based on the indicators included in the application),
- documentation of collateral (the applicant must declare all the required collateral to offer. In the grant agreement certificates, contracts, statements and other documents related to the collateral have to be attached),
- necessary attachments (given by the Managing Authority).

Of course to attach the documents mentioned above is not only necessary from the main applicant, but also from the funded partner(s) who sign the grant agreement. The most common forms of collateral are as follows:

- authorizing prompt collection order in case of all bank accounts of the beneficiary,
- real estate mortgages, chattel mortgage (physical collateral),
- bank guarantees, insurance guarantees,
- cash surety.

#### *Consultation with the executive bodies*

Communication amongst the applicant organization(s) certainly will not begin prior to the signing of the contract. The regional development agencies (such as the general Intermediate bodies at the ROP implementation) contact the institutions (who undertake the implementation of the proposed project) in written form after the registration of the application (see the completion process of the applications). Of course the substance of the consultation process starts just after the funding decision.

After the decision of support the Managing Authority (Intermediate Body) organizes information meetings for the selected beneficiaries in case of specific actions. This was used to be a generally common practice for PHARE programme, but this type of performance will be not implemented in principle concerning the funds of OP actions. However, in some cases the information forums are inevitable. Personal information are mainly needed when the project is linked to a central OP program as well. If this relationship exists, it is easy to see that each project must go forward with regard to the scheduling of each, so that the cooperation of agencies and applicant institutions is more closely throughout the implementation phase than in other cases.

Prior to the grant agreement, the Managing Authority may ask the beneficiary (in written form) to revise and complete some parts of the application (that is an integral part of the grant agreement). The applicant institution generally must return the requested additions to the Managing Authority within 8 days. The revisions and additions mostly affect the parts of the project budget, mainly the lines relating to the services. Often happens that additional justification for the planned expenditure in the budget line is requested from the applicant organization, as quotations (originally included in the tender documents) and other documents that justify the budget needs to be further supplemented by the applicant. Regarding the budget the Managing Authority may request any changes in the case of the budget, when there is a disproportionately large or low cost in a budget line. In this case the applicant organization must review the particular line, or justify proposed size of the planned budget with other documents (quotations, official prices).

Before signing the grant agreement, the reconciliation process between the Managing Authority and the beneficiary is closed with finalizing the form and content of the draft agreement in the preparatory phase. The next step is the final verification and signing of the draft as a task of the implementing institutions and beneficiary.



### *Checking the draft contract, contracting*

Regarding the relevant rules the grant agreement has to be signed latest the 30th day after the supporting decision. The grant agreement provides the legal basis for funding, control and monitoring of certain activities during the project. The grant agreement is signed multi-beneficiary when the project/development is implemented by more benefiting partners.

According to the rules (in the absence of different provisions) beneficiaries forming a consortium are jointly and severally liable for their obligations. The compilation and verification of the draft contract and its annexes mean cooperation, accurate reporting and diligence obligation for the executive authorities and the beneficiary organization. The roles of project management - taking the implementation of the project - are especially important, as the quick and professional information required to the grant agreement may need the experience and expertise of the management's members.

### *Contract amendment*

Notification is necessary, when there is a modification in the data, the address, or bank account number of the applicant, or regarding the contact person, but it is not required to amend the grant agreement.

Reasons for any subsequent changes to the grant agreement can be basically divided into two categories:

- Formal reasons: technical contract modification due to the consequences of the relevant legislation changes or of the operations manual that may affect the contract.
- Content reasons: during the project performance unforeseen circumstances arise that may affect an essential element of the project (eg. changes in quantifiable indicators, legislative changes, etc.)
- In particular:
  - Changes in the indicators (It should however be noted that measured performance below 75% of the project objectives mean non-performance of contractual obligations, that results termination of the contract with repaid of the amount).
  - Changes in the action plan and timetable.
  - Changes in the project budget.
  - Changes in the devices listed in the grant agreement.

## **ANNEX 18: The project manager**

A good project manager is not a specialist of one field, but rather a person with broad, substantial background of experience and knowledge, who can see through the whole project and unite the information coming from various disciplines. The project manager must think schematically and manage the individual project phases and specific areas as an integral whole.

The primary task of the project manager is to assist the project staff to work together. It is desirable that the project manager has:

- managerial skills for strengthening the project group and allocating the tasks;
- problem-solving skills;
- sensitivity to treat the stresses among the group members;
- motivational skills to achieve consistently good performance of the project team;
- credible and reliable;
- readiness to compromise, the ability to resolve contentious situations;
- able to negotiate between the partners and internal and external environment of the project;
- available.

The project manager is responsible to:

- a) The project co-ordinating body, especially with the successful implementation of the project, in time. An essential element of this the regular information flow, reporting about the current status, the financial situation and the next steps of the project. The management must also aware of the problems that may arise (time delays, financial difficulties, misunderstandings with partners, etc). As a rule, never surprise and embarrass the lead of the institution by any circumstances with make some details of the project hidden. Supporting the management is essential to the successful implementation of the project; they should be informed about everything in order to enjoy their support to the end. Also problem managing becomes easier when the institutional leaders are informed in time.
- b) The project manager has to ensure the project "integrity, that the project does not fall victim to the power rivalries of the interested partners. To achieve this, continuous reconciliation and clarification of the parties' interests is necessary from the beginning, and that the project is carried out to the satisfaction of all parties.
- c) The Project Manager shall be liable to the members of the project team, to ensure the smooth working conditions, the consultations with the partners, to solve the professional and personal tensions within the project team and to represent the interests of the members.

The project manager needs to have good communication skills; they are also responsible for maintaining the continuous flow of information and communication within the project.

## **ANNEX 19: Public procurement**

Project procurements within the framework of the project are professional tasks (eg. for the audit of the project, or drafting of the agreement); it is recommended to carry out with the help of an external consultant (these costs are usually able to be incorporated in the project budget).

However, involving external experts cannot replace the activities of the project management members in the procurement procedures! The procurement experts are not aware of the nature, characteristics of the project.

In order to comply with the schedule specified completion date (with cancellation penalty) has to be included in the public call, or period of performance should be among the criteria of the review.

Not the cheapness, the feasibility has to be the guide during the public procurement! For equipment purchases – because of the scarcity of budgets – we often do not choose the optimal solution. The contract modification (or possible transfer) is a better idea, rather than to keep the result of a faulty procurement until the end of the project.

In case of the procurements under the public procurement thresholds we do not need to apply the rules of the Public Procurement Act, but we should not forget that we use EU funds in this case also, so we have to enforce principles of the use of the grant.

### **Contracts below the thresholds**

In relation to purchases below the threshold, but above 50 thousand HUF (in order to ensure competition) we have to ask at least for three quotations and choose the best contractor carrying out the activities/services based on them. This is the condition of the eligibility of the certain activity, so we have to attach the relevant documents, requests, submitted tenders, contracts).

### ***Submission of the tenders***

The tenderer has to send proposals by post, personally or by proxy. In case of personal or authorized delivery the tenderer will get a proof of receipt, which copy shall be attached to the offer. The authorities in the call for tenders may determine the way of packing with the information that must be marked in the incoming packets.

By law, those packaging that are damaged or not sealed must be declared invalid. Those tenders are also invalid, whose packaging does not meet the formal requirements set out in the call for tender, provided that these requirements does not violate the terms of the law of public procurement. Tenders received after the deadline are also invalid. During the tender opening session all the causes that resulted invalidity in case of each tender have to be introduced. The contracting authority must provide a safe, locker storage until the tender opening session. Noted, that the date of the tender opening session cannot be determined later the date of the tender submission deadline. Provide possibility to the tenderers within the widest possible framework for the completion of documents, since it is possible to choose the best offer for us (cheapest or overall best bid), even if some tenderers insufficiently addressed some formal criterion during the tender compilation.

### ***Tender opening***

Opening the tenders is usually served at the time of the end of the tender period. At the opening event the authorized representatives of the contracting authority must present. Bidders may be also present, as any person specified in the law, representatives of organizations. During opening the tenders the subject of procurement should be necessarily described, as the conditions of submission, data regarding the packing and issue, the name, location of the tenderer, amount of compensation, the date of completion. If it is stateable at the time of the opening, the invalid bidder also has to be named (e.g. late deal).

The substantive review of the tender means an examination of formal and content elements. Review must be made after the opening, which obligatory elements are the following:

- the name and address of the contracting authority, denomination of the public procurement,
- date and place of the opening,
- place and date of the call for tender,
- the name and state of the participants at the opening,
- number of offers received, referring to the date of receipt (whether there is a late deal),
- the entries in the tender form (page speech) by tenderers.

Minutes taken at the opening have to be sent to each tenderers within five days. It is noticeable in connection with the opening session that if the project is funded by an OP the Managing Authority (in some cases one of the intermediate bodies) must be informed about the date of opening, while they are authorized to be there. However, experience shows that this goes quite rarely. Sending the opening minutes to the Managing Authority or Intermediate Body is also required to beneficiaries.

### *Evaluation*

In particular the evaluation of the valid offers on the public process is based on two methods referring to the Public Procurement Act (PPA). The best-value (lowest price) evaluation is less problematic, as it clearly rank without any doubt the valid bids submitted by the tenderers. The real problems in practice go with the rating based on the most economically advantageous tender, as the law itself (and the related Public Procurement Council recommendations) states a number of requirements, without them the legitimacy of the proceeding will be risked. We can find guidance about the evaluation of tenders in the PPA § 57. At this stage, the legislation places an obligation on the Council to define an assessment of the most economically advantageous tender in terms of the recommended evaluation methods.

Under the provisions of this law (and to resolve anomalies observed in practice) the Council gave the recommendation of 2/2004, that is specifically designed for the selection of the most economically advantageous tender, introduce possible methods and the evaluation of offers and provides useful assistance to the contracting institutions.

Under the PPA § 57 the contracting authority must set out the following elements in the call (or in the documentation), in case of choosing the method of the most economically advantageous tender:

- a) Sub- criteria is the multiplier that determine their weight (in the following referred as weighting).
- b) Interval of the score for the evaluation (based on the sub-criteria) of the content (that is identical in case of all sub-criteria).
- c) The method(s) that determine the interval of the scores (point c).

The sub-criteria chosen by the contracting entity shall be determined taking the following terms into account:

- a) In the framework of the part of criteria the financial and economic, technical or professional ability required for the performance of the bidders' agreement cannot be evaluated.
- b) Among the sub-criteria the sub-criteria of the extent of compensation has to be defined.
- c) The sub-criteria should be based on quantitative evaluable factors, and must be related to the subject of the public procurement or the essential terms of the contract.
- d) The sub-criteria cannot result the multiple evaluation of the same content items.
- e) If there are deeper criteria among the sub-criteria, their weight also have to be given.

To ensure environmental sustainability the enforcement of the environmental aspects are also important, so - especially in the ERDF-type tenders – the environmental assessment of tenders may be the part of the evaluation.

#### *Announcement of the results, contracting*

The result of the proceedings shall be published in time and place published in the call for tender. On the announcement the contracting authority is obliged to present the summary of evaluation publicly (according to the regulation of 15/2004 (IV.25.)), to give to the tenderers who present and after the results immediately, but latest in two days in writing to all tenderers.

The contracting authority (according to the regulation of 15/2004 (IV.25.)) must prepare an informative and send to the Public Procurement Bulletin Editorial for publication within five working days from the announcement of the results (or its deadline).

## **ANNEX 20: Financial management**

### *1. Overcome financial difficulties arising from the ex-post financing, provision of liquidity*

During the project implementation one of most problems arise from the financial liquidity. The EU aid is basically ex-post financed, namely, subsidy or its part is paid on the basis of the received invoices.

- The good project manager check the previous quarter's real (when accounts are submitted) and the next quarter's expected (for which the funds must be available) movements of money. We should also consider that in spite of the continuous (rolling) financing (in principle the amount we submit during the quarter we can get to our account before the end of the next quarter), it may happen (in case of a completion of documents) that the amount arrives in our account later after the submission, more than a quarter (90 days).
- Therefore, it is advisable to give longer payment period (90-120 days) in the contracts. This does not mean that the suppliers get their compensation slowly after the execution, it simply means that this will avoid to pay late interest, that is ineligible in the project (the cost charges us).
- All the beneficiaries are entitled to get advances, except when they make a statement of resignation.
- Interim payments: means grant payments based on invoices submitted during the implementation period. Interim payment claim is possible with the attachment of Project Progress Report and its annexes.

There are two types of interim payments:

- ex-post reimbursement of paid invoices: after the verification and acceptance of the Project Progress Report the Managing Authority transfer the support to the account of the beneficiaries.
- payments to suppliers: transferring the money directly to the suppliers makes the reimbursement of bills more easier and faster. This is possible if the beneficiary did not require advance and this option is included in the grant agreement.
- Final payment: last payment following the completion of the project, based on a rate set out in the grant agreement and accounts are also presented. The condition of the payment is the submission and acceptance of the final report by the SC.
- At the beginning of the implementation it should be carefully considered, how to ensure the last 20% of the amount of support. This is a task also for those projects that are supported by 100%.

### *2. Creating funds for ineligible expenditures*

- Some project-related expenditures cannot be financed in the framework of the project (although they arise as the result of the project solely; eg. bank transaction charges).

### *3. Setting up suitable order of remittance corresponded with the rules*

- When determining the rights (dispositional authority) over the account (opened by the beneficiary) for the support and costs of the project, we have to take into

consideration that the dispositional authority should be divided between the project management and the legal representative of the beneficiary (it is advisable when the financial manager and the representative of the beneficiary institutions the are entitled to dispose of the account). Thus, the financial manager with appropriate professional and practical experience can check directly the financial standards compliance in case of any payment, thereby minimizing the likelihood that the subsequent exploration of a potential improper payment blocks the progress of the project.

- Already at the beginning of the project the remittance related to the treatment of bills and payments must be determined (note that these process should be carried out with the involvement of an experienced senior financial expertise).

#### *4. Transparent and accurate financial documentation*

- As in case of the project implementation and any related documents, the financial accounts and supporting documents also have to be kept originally (or a copy) until the final deadline of the grant agreement, and in case of monitoring the beneficiary has to present them to the inspection organization.
- Registration of the documents for the financial parts of the project must be kept up to date. It is important that the registration is transparent and clear, while it is possible that a person must present the documentation of the project, who did not participate in the project previously.

#### *5. Organizing the financial co-operation of the partners*

- The financial rules require, that the beneficiary partners should submit all their invoices to the contrator/main beneficiary. The contrator/main beneficiary will summarize them and create the current Request for Payment.
- If the relationship between the main applicant and recipient partners is not appropriate, the partners do not know the contractor or they do not comply with the specific standards of financial control of this situation, it may disrupts the financial accounting process.

#### *6. Fulfilling requirements of financial accounting*

- The support is transferred to the separate account or sub-account opened by the main beneficiary. The beneficiary my initiate the payment process by a request for payment in the form of the grant contract annexes submitted as part of the Project Progress Report.
- In the payment request related to the Project Progress Report all details must be filled in with the data for that period and in the same way signed in the progress report, and the attached application must be signed in accordance with specimen signatures.
- The payment request must be countersigned by a person qualified certified public accountant as well.
- Completing the application for payment the instructions are essential to be used.
- Under the relevant rules auditing is necessary only in case of the projects funded by more than 50 million HUF. In this case, the audit report on the overall project accounting and annual accounts and audit certificate must be attached with the last payment of the project.

- Considering, that the fastest approving of the financial-professional reporting is the interest of the applicant, the quarterly reports must be transparent and easy to understand.

Always create a table of contents, use colored separator sheets for easy reference of the material. Be easy to understand and never forget: the professional reviewer is „not living” with the project (maybe not everything is clear for him).

- To the Project Progress Report we also have to attach invoice statement that contains the budget cost alignment of accounts, accounting records belonging to the payment request.
- During the financial accounting there may be a number of errors, e.g. Accounts without copies, incomplete data on the invoice, the name of the customer is not the same as in the Grant Agreement, the performance acceptance lacks from the invoice, items in the invoice differ from those indicated on the order, items in the summary differ from those are attached, there is not only one invoice in the line of the summary, the project identification is missing from the invoice, etc.

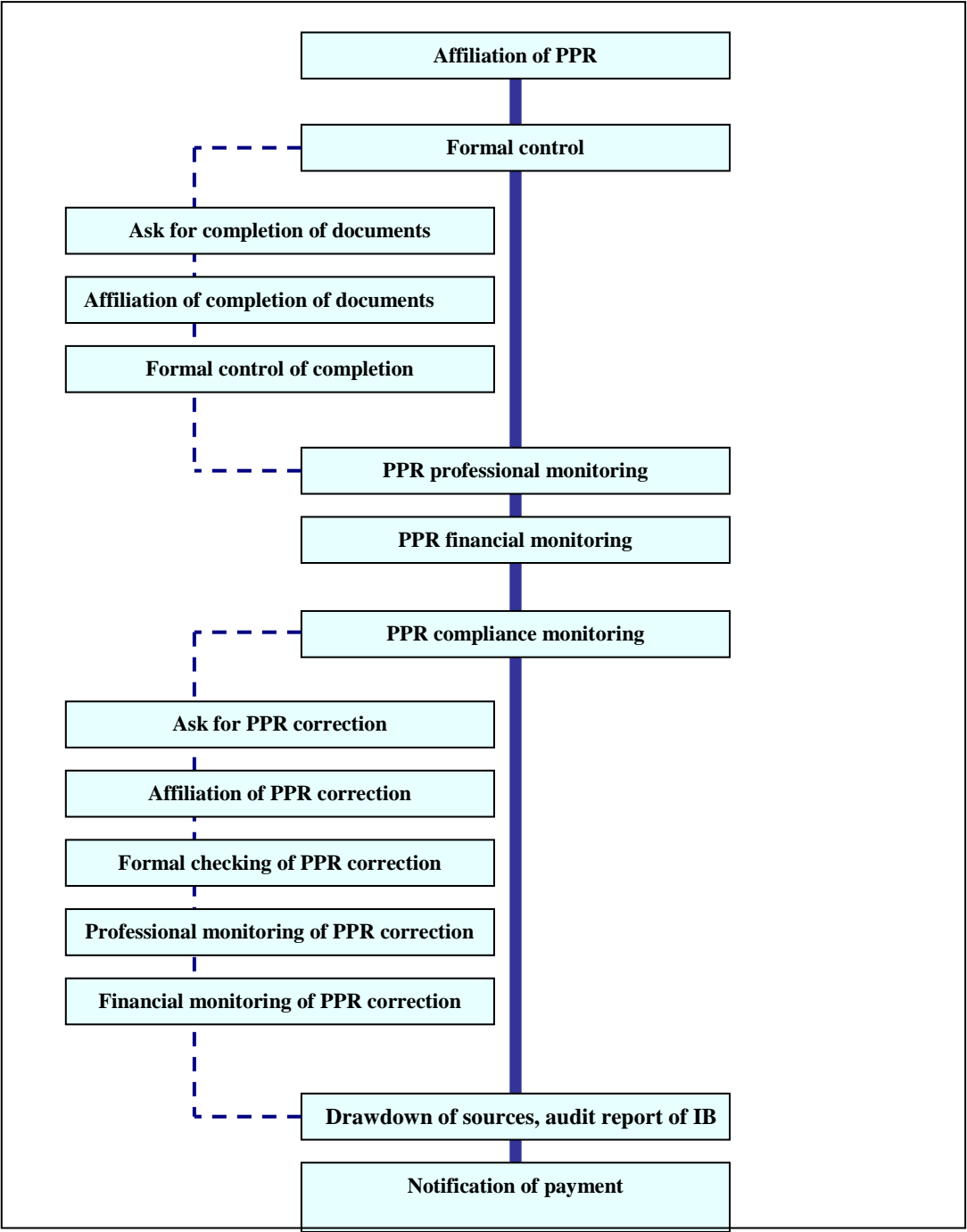


## **ANNEX 21: Applicable communication methods**

Some methods for the continuous information exchange:

- In the project team the most effective way is the regular meetings. Depends on the project type, it is worth organizing this weekly/twice or once in a month, where there is an opportunity for everybody to report on all the tasks they did and to be performed until the next meeting. The more often we organize meetings the sooner we detect and solve the problems.
- At the closing stage of certain project parts common evaluation of the sections is useful, where all interested parties (involved in the project or from outside as well) can participate. During the meeting we can discuss the activities carried out, the summarized results, our main experiences and the identification, how is the project progress compared to the planned. At this point we can decide, whether we can move on to the next project phase, or if changes regarding the schedule, tasks or the budget are necessary.
- We can discuss the tasks involved in the project with the partner organizations on partner meetings. It is advisable to organize a kick-off meeting where all parties involved in the project participation can take place to clarify the actual implementation steps, the finalized activities of the project and current course of action. Organizing these kinds of partner meetings is usually the task of different partners, so the work is equally divided between the partners.
- The experiences and results obtained are usually under discussion on a final event that closes the project. To the final event we can invite (in addition to the project participants) other partner organizations, interested parties, media representatives, ensuring the publicity and wide dissemination of the results.
- Delivery of periodic reports to the coordinating institution leaders, partners and stakeholders is also an effective communication method. It is important that person who rarely meets each other prepare reports regularly based on pre-agreed criteria about their progress.
- Organizations providing support are also required to be informed by reporting activity about the progress. The project is awarded upon the required reports, so we need to provide content reports and financial reports as well. The fact, how often and in what form do we have to prepare the documents, is determined by the supporter.
- Communication with organizations who are not participating in the project can be important by professional reasons, who can give advices for the project implementation, may be interested in the results as users, distributors. We can inform them about the progress on professional forums, through publication, dissemination activities.

**ANNEX 22: Logical flow of accepting the Project Progress Report**



*Source: own compilation*