



**Contracting Authority:
ESZA European Social Fund National Implementing
Agency Public Service Company
On commission of the Ministry of Employment and
Labour**

Combating Exclusion from the World of Work

**Guidelines
for grant applicants
responding to the call for proposals
for 2003/004-347-05-03 grant scheme
programme**

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1. INTRODUCTION TO THE PROGRAMME

TITLE OF THE PROGRAMME:

COMBATING EXCLUSION FROM THE WORLD OF WORK, SUPPORT OF LOCAL INITIATIVES FOR THE LABOUR MARKET RE-INTEGRATION OF THE LONG-TERM UNEMPLOYED AND PEOPLE LIVING ON REGULAR SOCIAL ASSISTANCE

1.1. BACKGROUND

The programme combating social exclusion is the initiative of the European Union, with the participation of the accession countries, including Hungary¹.

Social exclusion is a commonly accepted and used term within the European Union, referring to a state, when “certain people are restricted in fully participating in the economic, social and civil life, or have limited income or have other (personal, family, social and cultural) circumstances, which prevent them from reaching the standard and quality of life considered as acceptable by society. People in such situations are often incapable of fully enforcing their fundamental rights.”²

The major cause or rather risk factor for social exclusion is the exclusion from the labour market, getting constrained to being inactive in an active age of life for an incalculable time.

In Hungary, as a result of the social and economic implications of the democratic changes, employment dropped dramatically in the early 1990's, with the appearance of mass unemployment in which **long-term unemployment** became substantial. The number of employees has been on the decrease until 1997. A slight increase in employment since 1998 can be experienced, but it had no effect on the situation and the level of employment of long-term unemployed.

¹ In July 2002, Hungary joined to the Community Action Programme against Social Exclusion, and in 2003 the Government of Hungary and the Directorate-General for Employment and Social Affairs prepared the 'Joint Inclusion Memorandum' (JIM), generating also extended public discussions. The Memorandum introduces the main challenges Hungary has to face with in order to eliminate poverty and social exclusion, policy responses to these challenges taking into consideration joint policy objectives set up by the member states of the European Union. It also determines policy areas as subjects of future evaluations and assessments. The document and further information is available on the following web page: www.ncsszi.hu

² December 12, 2001 Joint Report of the European Union 13926/01 SOC447 on social inclusion.

Among the long-term unemployed the so-called multiply disadvantaged population groups can be found in the first place, whose members were unable to tackle rapid changes and unemployment without qualifications and financial reserves. Many of them, especially the Roma and people living in the country, in villages and small communities, were excluded even from the lowest-paid legal economic activities, after the considerable restructuring of the labour market.

The return of the long term unemployed to the labour market is hindered not only by the limited number of vacant workplaces but also because of the requirements of the employers connected to the available jobs, the lack of proper qualifications, work experience, shortcomings in basic skills, key competences, secondary employee values which are necessary to fulfil the job, as well as psychological, health, family and other social problems and drawbacks tightly connected to long-term inactivity. Further obstacles to the successful labour market integration could be made by difficulties in accessing to jobs (insufficient local service and transport system, basic infrastructure) as well as discriminative and inflexible employer attitude.

The consequences of social and economic changes, from another aspect, have considerably increased and transformed the population's needs for **social services**. Among the financial and in kind provisions the demand for **personal social services**³ increased in large measure.

However, in many places, the development of the supply system and the actual degree of supply not only falls behind the demand but also behind the legal requirements.

The community/regional lag is aggravated by the fact that social problems, insufficiency of supply⁴ and scarcity of resources and infrastructure (with special

³ "Several factors suggest that the need for personal services based on local demands will extend and increase further. Such key factors are: changes in the family structure, aging of the population, employment of women, extended retiring age, the population's state of health and the increasing demand for helping disadvantaged groups to catch up and providing equal opportunities for them. The adjustment to family and working requirements, as well as the reconciliation of the two also presupposes the existence of background services. (Working material related to the social area of the National Development Plan – compiled by the Independent Strategic Planning Department of the Ministry of Social and Family Affairs. Manuscript 2002., p. 36)

⁴ "14.7% of communities in 2000 did not have any type of primary social service...and only 22.9% of communities operated all three forms of primary service provision, required by law... The data unequivocally prove that the lack of provisions in all aspects is concentrated on the most disadvantaged small communities." (Working material related to the social area of the National Development Plan – compiled by the Independent Strategic Planning Department of the Ministry of Social and Family Affairs. Manuscript 2002., p. 28)

regard to the living conditions of the Roma population) are the most serious in the regions which are, at the same time, mostly afflicted by permanent unemployment.

Prejudices and discriminative practices of the employers make serious obstacles to the successful labour market integration of Roma unemployed.

The possible way out of this situation could be based on local actions that employ permanently unemployed people by appropriately motivating and training them, with the expressed objective of improving the infrastructure conditions and the shortcomings of community services and the social support system. By acting this way, double virtue can be made of the double necessity: the opening employment possibilities create considerable human and material values for the good and benefit of the local community or the region.

Thus, the main point of the described local action model is that it simultaneously renders possible the alleviation of inadequacies and problems in the spheres of both employment and local service and infrastructure development. It is a basic objective and priority of the EU initiative for "combating exclusion from the world of work". Beside these a further important objective is, that during planning and implementation of the actions and projects, successful applicants can obtain experience and create co-operations, local and regional networks on the basis of which they can successfully apply for grants provided by the European Social Fund after our accession to the EU.

1.2. OBJECTIVES OF THE PROGRAMME AND PRIMARY FIELDS FOR INTERVENTION

Overall objectives

To reduce poverty and social exclusion. To strengthen social cohesion.

Programme aims

- To improve employability and to promote labour market reintegration of long-term unemployed and people living on regular social assistance, with special emphasis on the Roma population
- To develop community and public services with special regards to social services through the employment of long term unemployed and people living on regular social assistance schemes

- Preparation for the reception of support coming from the European Social Fund, initiation of local, regional partnerships and co-operation, and strengthening organisational and service capacities

Priorities

- The programme primarily wants to assist the development of community and public services of multiply disadvantaged, socially and economically underdeveloped communities and areas burdened by unemployment over the national average, as well as helping the labour market integration of their inhabitants.
- By using innovative and integrated approaches in service provision it is the purpose of the programme to reach and help efficiently those long-term unemployed, who are excluded from the labour market as well as from various provisions and services ensured by law, and are unable to meet the expectations of the open labour market without personal assistance.
- The programme intends to promote the development of integrated and co-ordinated service packages, which are able to handle efficiently the complex problem of long-term unemployed. The elements of the labour market integration process shall be designed and integrated in a way that all the needs and potentials of the target group shall be taken into consideration, in a methodologically justifiable manner, with the involvement of the relevant institutions (social, labour market, educational, training and cultural institutions), as well as with the participation of experts with adequate qualification and experience in order to provably improve the labour market position and employability of the target group, assist them in staying employed, finding jobs or even becoming self-employed.
- The project proposals should serve the development of the social provision system based on local needs and requirements or, wherever possible, regional approach and/or improve the living conditions, quality of life and access to social, labour market and other public services for multiply disadvantaged groups, especially the Roma.

Supported groups of activities

Component 1: Employment and labour market (re)integration of long-term unemployed through implementing projects aiming at enlarging capacity of

local, or regional social services, based on initiatives of local NGOs, local governments or associations of local governments.

Improving the employability of and providing employment for registered and unregistered unemployed people and for people living on regular social assistance within primary and specialised social services, which, pursuant to Act III of 1993 on social services and social administration, as well as Act XXXI of 1997 on the protection of children and child welfare management, are defined as local, county (metropolitan) governmental responsibilities. This might include new types of social services that are (exactly because they are new) legally not regulated yet. In order to improve the employability of target groups, the projects must include vocational training and labour market integration elements.

Within the component, employment for the target group must be provided through enlarging capacity of local and regional social services, which can be done in the following ways:

1. developing new types of social services and improving the quality of existing local social services based on local demands
2. improving accessibility, and developing the quality and quantity of primary and specialised care services
3. widening the scale and improving the quality of social services delivered by non-governmental organisations.

Component 2: Employment and labour market (re)integration of multiply disadvantaged, especially Roma long-term unemployed people through implementing projects aiming to improve their living conditions and accession to social services, based on local initiatives.

Supporting the social and labour market integration of multiply disadvantaged groups, especially the Roma communities, with labour market integration projects based on local initiatives of NGOs, local governments or associations of local governments. In order to improve employability, the projects must have training and labour market integration programme elements aiming at assisting the labour market access of the project's target group and improve their living conditions and social status. Activities within the component, through which employment for the target group will be assured, can be the following:

1. environmental health, environmental protection activities;
2. municipal infrastructure maintenance and development;
3. eliminating and rehabilitating segregated Roma settlements within the village/town;
4. launching or further developing social, educational, cultural services and
5. other community services

One applicant may submit application for one of the components as well as separately for both components, but only one application can be submitted for a component.

Expected results

- Minimum 1200 people take part in labour market integration programmes
- Minimum 120 long-term unemployed receive social vocational training, qualifying them for employment in social provision
- Minimum 80 long-term unemployed receive vocational training in the frame of Component 2.
- At least 30% of the target group involved in the projects (*about 360 people*) will find work in the primary labour market after the programme
- The inclusion of the long-term unemployed returning to the labour market will further develop primary social and community services
- Local social cohesion will be strengthened, with special emphasis on the Roma community
- In order to promote labour market integration complex service packages and capacities will be developed based on local partnership.
- The number and ratio of people living on regular social assistance will be reduced in the affected area.

Expectations toward the supported projects

The projects must contribute to diminishing prejudices against disadvantaged population groups, especially against the Roma, reducing ethnic and other forms of discrimination within the local community and in the labour market.

Employment, training and services implemented within the projects must jointly serve the improvement of employability and labour market integration. Therefore, during the employment period of the project, emphasis must be put on providing working experiences for the target group, which can directly be used in practice, as well as

enhancing personal skills and knowledge. Especially in Component 2., when organising employment, preference must be given to tasks that create added value, that bring long-term results, are acknowledged by the local community and at the same time serves the improvement of living conditions of the mostly disadvantaged groups, mainly the Roma.

The prohibition on discrimination and the obligation of priority, as well as the equal opportunities of genders must be observed and implemented in accordance with the Labour Code (Act XXII of 1992) and Act LX of 2001 announcing the Supplementary Protocol of the New York Convention of December 18, 1979, on eliminating all forms of discrimination against women.

The applicants, its partners and the experts involved by them must respect the Ethical Codex of Social Work when providing integrated labour market services.

1.3. FINANCIAL ALLOCATION PROVIDED BY THE CONTRACTING AUTHORITY

The overall indicative amount made available under this call for proposals is EUR 17.3 Million, out of which 54,91 % comes from Phare and 45,09% from governmental resources.

The contracting authority reserves the right not to award all available funds.

Size of grants

Any grant required and awarded under this programme must fall between the following minimum and maximum amounts:

Component 1. (duration 22 months)

- minimum amount: EUR 660 000
- maximum amount: EUR 820 000

Component 2. Project type A (duration 13-16 months)

- minimum amount: EUR 220 000
- maximum amount: EUR 440 000

Component 2. Project type B (duration 22 months)

- minimum amount: EUR 660 000

- maximum amount: EUR 820 000

Any application requesting less than the minimum or more than the maximum amount will automatically be rejected.

In addition, no grant may exceed 90% of the total eligible project costs of the action (see also section 2.1.4). The balance must be co-financed from the applicant's or partners' own resources, or from sources other than the European Community budget.

2. RULES OF THIS CALL FOR PROPOSALS

These guidelines set out the rules for the submission, selection and implementation of actions financed under the programme, in conformity with the provisions of the Practical Guide ⁵ (Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external actions, PRAG).

2.1. ELIGIBILITY CRITERIA

There are three sets of eligibility criteria, relating to:

- organisations which may request a grant,
- actions for which a grant may be awarded,
- types of cost which may be taken into account in setting the amount of the grant.

2.1.1. Who may apply? - Eligibility of applicants

(1) Applicants must comply with the following conditions in order to be eligible for a grant:

- be a non-profit, non-governmental organisation of independent legal entity⁶, or
- be local (community) governments, county/metropolitan governments or
- associations of local governments with a permanent status or specifically established for the implementation of the project.
 - If the association of local governments is a legal entity, in accordance with sections 42-44 of Act LXV of 1990 on local governments and paragraph (1), section 10 of Act XXI of 1996 on regional development and spatial planning, the application shall be submitted by the association.
 - If the applicant local government association is not a legal entity, in accordance with section 41 of Act LXV of 1990 on local governments, the application shall be submitted by one of the members of the

⁵ Available on the Internet at this address:
http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm.

⁶ Non-profit, non-governmental organisations of independent legal entities are the following:

- social organisation or association of social organisations (in accordance with point 1, section 4 of Act II of 1989 on the right of association, organisation registered by the court, excluding: associations safeguarding the interests of employers and employees, political parties, voluntary insurance companies and public bodies);
- foundations; public law foundations; public benefit companies or church institutions.

association and the other members shall take part in the applying partnership.

- The headquarters of the applicant organisation shall be in the region where the project is planned to be implemented.
- The applicant organisation shall be directly responsible for the preparation and management of the whole project, and not acting as an intermediary. The tasks of the applicant organisation include among others: overall management and coordination of the project, organising and maintaining partnership activities, making agreements with partners, subcontractors and project staff, monitoring their activities and the progress of the project, communication and cooperation with the Contracting Authority and its representatives, establishing and operating project administration system, etc. These tasks are not to be transferred to other organisation or subcontractor.
- Be experienced, practiced and able to demonstrate their capacity to manage larger scale activities corresponding with the size of the project for which a grant is requested. The applicant organisation or one of its partners must have experiences in the implementation of employment, labour market integration and/or human resource development programmes.
- Have stable and sufficient sources of finance to ensure the continuity of project financing. Unless the applicant is a municipality or non-profit organisation financed by the municipality, its financial balance sheet regarding its entrepreneurial activity of the last two financial years (2002 and 2003) should not provide deficit.
- The articles of association or other documents specifying the operation of the applicant non-profit, non-governmental organisations, shall include that the organisation's activities target the training, promote the employment of or provide related services for disadvantaged labour market groups or set out to promote equal opportunities for these social groups.
- The legally binding court registration on the foundation of the applicant organisation shall be dated prior to January 1, 2002.
- If one applicant submits applications for both components, documentation must be made separately for each component. At the same time, if facilitated by its capacities, applicants may also be partners of other applicants.

- Grant beneficiaries of HU2002/000-315.01.04. „Combating exclusion from the world of work” programme with whom contract has been concluded may submit proposals to this call for proposals, if they are able to prove the sustainability of the project, and that there is no overlap between the employers of the two projects. Beneficiaries are also required to ensure separate project management that is necessary for the implementation, and adequate technological and infrastructural background. In order to provide evidence underlying these conditions applicants should fill in and sign the data sheet in Annex XIII of the Application Forms (Data sheet for the beneficiaries of the HU2002/000-315.01.04).

(2) Potential applicants are not entitled to participate in Calls for Proposals or be awarded grants if:

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) they have been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata* (i.e., against which no appeal is possible);
- (c) they are guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the action is to take place;
- (e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- (f) they have been declared to be in serious breach of contract for failure to comply with their contractual obligations in connection with a procurement

procedure or other grant award procedure financed by the Community budget.

Applicants are also excluded from participation in calls for proposals or the award of grants if, at the time of the call for proposals, they:

- (g) are subject to a conflict of interests;
- (h) are guilty of misrepresentation in supplying the information required by the contracting authority as a condition of participation in the call for proposals or fail to supply this information;
- (i) have attempted to obtain confidential information or influence the evaluation committee or the contracting authority during the evaluation process of current or previous calls for proposals.

In the cases referred to in points (a), (c), (d), (f), (h) and (i) above, the exclusion applies for a period of two years from the time when the infringement is established. In the cases referred to in points (b) and (e), the exclusion applies for a period of four years from the date of notification of the judgment.

Applicants must supply with their applications a signed sworn statement included in the application form (IV. Statement of Applicant) that either they or their partners do not fall into any of the above categories (a) to (f).

2.1.2. Partnerships - Eligibility of partners and other associates

The programme wishes to encourage the partnership of organisations, the co-operation of which can act more effectively towards the labour market integration of the long-term unemployed. Applicants therefore must act in consortium with partner organisations as specified hereinafter.

Applicants in line with the concept and methodology of the project to be proposed may determine the composition of partnership and the number and character of partners. Partners shall contribute with their activities to the improvement of the employability, and labour market integration of the target group.

Cooperating partners and associates may include organisations and institutions with expertise in labour market integration programmes, in training or in human resource development, such as non-governmental organisations, labour market institutions, professional organisations, minority organisations and institutions, social partners, social-welfare institutions, training organisations or institutions, as well as profit-oriented organizations cooperating in the field of employment of the target group.

Depending on the role of the co-operating organisation, the content of its contribution and the character of its participation there are two possibilities for taking part in the partnership: either as a partner or as an associate.

Partners

The applicants' partners take an active role all along in the project's life cycle, they participate and are deeply involved in designing project concept and elaborating the project proposal as well as implementing the action in case of selection, and the costs they incur are eligible in the same way as those incurred by the grant Beneficiary. The partners must therefore satisfy the same eligibility criteria as applicants with one exception: in the case of partners the legally binding court registration on the foundation of the organisation should be dated prior to January 1, 2003. However, in addition to rest of the criteria referred to in section 2.1.1, the following will be applied to partners:

- Partners can be equally non-profit and profit-oriented organizations.
 - a. Local or county (metropolitan) governments, associations of local governments (if case of having legal entity), the Roma minority governments, public institutions (state and local government institutes, excluding ministries), non-profit non-governmental organisations with legal entity like social organisations and associations (excluding political parties), foundations, public law foundations, public benefit companies and church institutions. In case of the partner is a municipality or a non-profit organisation financed by the municipality they should not be in any of the situation described by Section 2.1.1(2) of the Guidelines. Furthermore, in case of other non-profit organisation, its financial balance sheet regarding its entrepreneurial activities of the last two financial years should not provide deficit.
 - b. Profit oriented organisations might be enterprises, economic corporations with or without legal entity or private establishments, whose financial balance sheet regarding its entrepreneurial activity of the last two financial years (when applicable) do not provide deficit.
- The headquarters of the partners may be in Hungary, in EU member states or in Phare countries or in Turkey, Malta or Cyprus. However, is the case when the partner is the employer of the target group a branch office must operate in the county/ies of the project activities in Hungary.

In all other aspects partners must satisfy the same eligibility criteria as applicants.

In the project proposal the Applicant will be the leader organisation. In case of selection of the proposal the Applicant and all of its partners will sign the contract, and will be *Beneficiaries*. Only the applicant and the partner organisations shall be entitled to directly receive funding from the grant and to use resources indicated as co-financing⁷ to cover costs incurred by them during carrying out project activities.

Associates

Other organisations may be involved in the action. Such associates play a real role in the action, they may take part in the implementation of project activities, may provide organisational, professional or financial support or contribution in kind, but their incurred costs are not eligible and cannot be financed neither from grant nor from co-financing resources. Associates shall be named and their role in the project implementation shall be introduced in the application but do not have to meet eligibility criteria applied to applicant and partner organisations.

When designing and setting up a consortium, the following points should be taken into consideration:

- Organisations carrying out the employment of the target group within the project must be included in the applicant's partners. Organisations taking a role in the employment of the target group, which may be other than the applicant, must have secure finances, adequate organisational capacity and infrastructure conditions for the implementation of the employment task.
- In order to guarantee the success of labour market integration, in both components co-operation with the competent labour centres or their local branches is recommended to the applicants and its partners.
- Organisations delivering the vocational training programmes within a project must provide the authorisations necessary for the implementation of the training programme.

⁷ According to the *Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external action, (PRAG) of 2003*, co-financing should be understood as the self-contribution, which is minimum 10% percent in the case of the programme.

- In applications submitted for Component 2, the applicant's partners or associates must include the local Roma minority self-government or local Roma civil organisation from all the settlements involved in the programme, or in the absence of the above, the representative of the Roma community in the settlement concerned.

Subcontractors and suppliers

There might be need for the involvement of subcontractors and suppliers e.g. carrying out construction/building works, supplying equipment, materials for the project, providing services to carry out tasks that do not fall under the competence of the partners.

Subcontractors and suppliers are neither partners nor associates, and are subject to the rules set out in Annex IV to the standard grant contract.

2.1.3. Eligible actions: actions for which an application may be made

Duration of the projects

| | The whole duration of the project (months) | Preparation: recruitment and selection (months) | Duration of employment and training in the project-period (months) | Support of finding employment and follow up activities (months) |
|------------------------|--|---|--|---|
| Component 1. | 22 | 2 | 18 | 2 |
| Component 2. Type A | 13-16 | 2 | 8,5-12 | 2 |
| Component 2. Type B | 22 | 2 | 18 | 2 |

The training and employment elements can be combined as they best suit the needs and possibilities of the project in the period of employment. Each project must be finished until 30 September 2006.

Should the whole duration of the project be less or exceed the duration allowed by the Guidelines (see above) the application will be rejected.

Sectors or themes

The programme will support integrated projects based on local initiatives of non-governmental organisations, local governments as well as their associations. The aim of the projects is to (re)integrate to the labour market long-term unemployed people who are at risk of social exclusion, people living in the areas concerned on income support or regular social assistance, as well as people not receiving provisions (see target groups).

The project proposals must be based on detailed needs assessment: the analysis of the obstacles to the labour market integration of the target group, the real needs and demands of the target group as well as the local/regional labour market and its main tendencies must be prepared. Project elements and activities must be determined on the basis of the findings of the needs assessment. For the reinforcement of demands data of national census and other statistical data - local/regional development plans, statistics of Labour Centres, social-policy conceptions and other documents influencing local/regional economical and labour market processes - can be utilized to complement the results of the survey carried out by the Applicant.

Professional training programme elements (Component 1 and Component 2.B.) and individually tailored integration programme elements (Components 1 and 2) form an indispensable part of the supported projects, since their aim is to improve the employability and social integration of people included in the project. The aim, the content and the methodology of the programme elements concerning training, integration and employment must be defined based on the conclusions of the needs analyses and they must be justified accordingly.

In order to achieve social and labour market integration, these programmes must be based on active and real local co-operation, with the participation of the Roma minority self-governments, Roma representatives or non-governmental organisations, the social and labour market institutional system, professional organisations, educational and training institutions and non-governmental organisations.

Applicants must commit themselves to provide further employment for a certain part of the target group after the completion of the project or place them on the open labour market. (See "Further employment" under the title "Special requirements to the projects" for Component 1 and 2)

Geographical areas

During the project, activities will take place in Hungary, on a local, sub-regional level.

The objective of the program is to improve and strengthen the local and regional project management and service capacities, also the organisational relations for building partnerships needed for the reception of ESF support. Therefore, the projects should be implemented in contiguous geographical areas in terms of organising services and in settlements and regions that are strongly interrelated.

Within both components, target group members must have a permanent address or place of residence at the relevant community targeted by the project.

During evaluation, special preference will be given within both components to applications, which plan to implement their programme in socio-economically and infrastructurally underdeveloped communities in accordance with Decree no. 7/2003 (I. 14.), or listed in the Government Decree of communities burdened by substantially higher unemployment than the national average.

Allocation and award of grants will be based on the rank order of the submitted applications set up during the evaluation process, geographical or regional considerations shall not influence it.

Target groups

Minimum 50 **long-term** (over one year or for school leavers over six months) **unemployed** people **of active age**, who have a permanent address or place of residence at the project 's targeted community at the time of contracting, and whose aforementioned labour market status is verified by the local branch of the competent labour centre or, in its absence, by the notary of the community.

For the application's purposes people shall qualify as long-term unemployed if they are unemployed at the time of contracting and

- a) have not been employed previously or
- b) have been employed over the past three years, but their employment did not exceed three months at a time or a total of one and a half years, or
- c) only participated in a public work programme, community or non-profit employment over the last three years, or

- d) receive invalidity benefit, injuries disablement benefit or regular income support, the disbursement of which is for a fixed period and is expected to be discontinued by the start of employment within the project period.

General requirements and expectations regarding to the types of actions of the project

Financial support may only be given for project proposals, which include activities that are in line with the objectives of the project. Project activities must be based on local demands, needs and potentials. Project activities must be planned so that they serve the implementation of the project's key objectives and the realisation of planned results in every case.

- Proposals are ineligible if they share the same target for further employment and compulsory capacity maintenance obligations as another programme financed by other sources.
- Applicants shall observe the relevant effective Hungarian laws, the laws concerning the utilisation of PHARE support and their stipulations during the implementation of all proposed activities.

Legal framework of employment

- During the project period employment shall be carried out within an employment relationship, preferably within full-time employment. Part-time employment may be carried out within the project if justified, but in this case daily working hours must reach six hours. Working environment and conditions must be appropriate to the usual conditions of the relevant activities, therefore it may be organised as distance work, if it is carried out in the local community (such as telehouse). Hired employment may not be used within the employment project.
- Working relationship shall be
 - a) within Component 1, working relationship, public service or civil service relationship pursuant to the stipulations of the effective Hungarian law
 - b) within Component 2, working relationship, public service, civil service relationship or insured outworker relationship pursuant to the stipulations of the effective Hungarian law.

In the case of outworker relationship applicants shall undertake to provide work for minimum 4 hours per day.

- The applicant or the organisation in charge of employment may employ people included in the project with an employment contract for a fixed or

unlimited term, but may not use a probation period and cannot terminate the contract except for extraordinary cases.

- The employment of the target group and the management shall be carried out in accordance with the Labour Code (Act XXII of 1992), Act XXXIII of 1992 on the legal status of public servants or Act XXIII of 1992 on the legal status of civil servants respectively, depending on the legal status of the employer.

Dropout

- Dropout rate among the target group of the project may not exceed 20 %. Persons dropped out of the programme may be substituted by other people until the middle of the project period and their follow-up must be for two months from the time of their leave. From the second part of the employment period those finding employment on the open labour market will not be considered as drop-outs, but are also reckoned for further employment.

Further employment

Applicants must commit themselves to provide further employment for a certain part of the target group after the completion of the project or place them on the open labour market. (See “Further employment” under the title “Special requirements to the projects” for Component 1 and 2)

Project manager

- The size and complexity of the projects, the coordination of wide-ranging partnership co-operations and the management and administrative duties related to the financial support require that the manager of the project fulfils his/her duties in a full-time job (40 working hours per week) in order to ensure enough work capacity for the implementation of the project. The project manager can fulfil his tasks as an employee of the leader organisation or contracted either as a private person or as an entrepreneur. The person assigned to the management of the project will sign the **„Statement of Availability and Conflict of Interest”** (Annex XII of Grant Application Form) for the justification of his availability for the whole duration of the project and his working capacities stated above.

- If the applicant applies for two components, it should appoint one of the two project managers as programme manager in charge coordinating the implementation of the two components.

Project staff

- Employees of the applicant and its partners taking part in the implementation of project activities will belong to project staff. Beside them the project staff furthermore include those project participants who will work on contract base either as private persons or as entrepreneurs in the following roles and functions:
 - *Functions belonging to the project management:*
 - Project manager
 - Financial manager
 - Bookkeeper
 - Accountant
 - Project assistant, administrator
 - *Within professional services those contributors who are working directly with the target group:*
 - Specialists taking part in the recruitment and selection procedures,
 - Specialists taking part in the provision of integration services
 - Educators and teachers taking part in the vocational training of the target group (with the exception of OKJ training.)
 - Coordinators, group leaders, practical trainers taking part in the employment of the target group.

All members of the project staff involving the above mentioned roles and functions should include their CVs to the proposal. Where the proposal does not name the staff responsible for a certain activity, and/or falling outside of the above mentioned areas should be carried out by subcontractors, and as such should be tendered according to Annex IV of the grant contract form.

Special requirements to the projects in the frame of Component 1.

| |
|---|
| Component 1: Employment and complex labour market (re)integration of long-term unemployed through implementing projects aiming at expanding capacity of local, regional social services, based on initiatives of local governments, associations of local governments or NGOs. |
|---|

Content of Component 1

It is the task of the applicant to provide employment for a minimum of 50 long-term unemployed people of active age for 18 months within primary and specialised social and child protection services, which, pursuant to Act III of 1993 on social services and social administration, as well as Act XXXI of 1997 on the protection of children and child welfare management, are defined as local, county (metropolitan) governmental responsibilities. This might include new types of social services that are (exactly because they new) legally not regulated yet.

Each member of the project's target group shall receive individually tailored services in aid of their labour market integration and employability, the optional range of which is listed under the eligible activities.

Employability shall be improved by involving at least 30% of the participants into training leading to qualification in the field of delivery of social services registered in the National Training Register (OKJ) (social assistant, social caretaker and organiser, social caretaker and nursing assistant, social and child protection administrator, infant and baby educator - caretaker, infant and baby caretaker, foster parent and labour market instructor). The rest of the target group has to be involved in professional trainings related to the provision of social services and field of work.

Participation in the training or in the integration services shall be provided for the members of the target group for the 18 months of the employment period, during which time all participants are paid wages for their work.

Participants must be employed in a job according to the qualifications acquired during the project (or their existing qualifications for people who do not receive vocational or specialised training), or if it is not possible, in a related job, according to the level of the acquired qualifications.

Fields of activities

Within the component, employment of the target group must be provided by enlarging capacity of local and regional social services, which can be done in the following ways:

1. developing new types of social services and increasing the quality of existing local social services based on local demands
2. increasing the quality and quantity of primary and specialised care services
3. widening and increasing the quality of social services delivered by nonprofit non-governmental organisations.

When designing the programme the applicant must assess local demands for social services and the development needs of the local / regional system of social provisions in close co-operation with existing service providers and other actors in the social sector.

Further Employment

Applicants shall undertake that after the completion of the project period they will further employ at least 30% of the project's target group at the applicant or their partners, or place them at the open labour market for a period equivalent to the employment period of the project.

Further employment or placement shall be considered as completed if carried out under the same conditions as applied to the employment during the project period or within an individual enterprise. Employment relationship for subsidised employment (public work, community and non-profit employment, as well as income support disbursed in accordance with Act IV of 1991 on the promotion of employment and provision for the unemployed) shall not be regarded as further employment or placement.

Preferred project proposals

In Component 1 special preference will be given during evaluation to projects which target regions listed in the sub-regional social progression programme of the Ministry of Health, Social and Family Affairs, and the present programme proposal of which targets to provide qualified professionals, as required by law, for services created by or further established from the sub-regional social progression programme

Within the component, preference will be given to applicants, who include Roma people within the target group.

Project period: 22 months

Phases of project period:

| <i>Name of period</i> | <i>Activities</i> |
|--|---|
| Preparatory period duration: 2 month | Preparation for the implementation of the project, informing and motivating the target group, selection of participants. |
| Employment period duration: 18 month (wages can only be paid for members of the target group during this period) | Employment of the target group. Within this period practice part of vocational training shall be implemented. |
| | Training and integration period, which can be provided in the entire length of the employment period, according to the project's logic and the demands. |
| Closing period duration: 2 month | Promoting employment, follow-up of the target group. |
| | Closing the project, evaluation of project, dissemination of experiences and results. |

Special requirements to the projects in the frame of Component 2

Component 2: Employment and labour market (re)integration of multiply disadvantaged, especially Roma long-term unemployed people through implementing projects aiming to improve their living conditions and accession to social services, based on local initiatives

Content of Component 2:

It is the task of the applicant to provide 8.5 -12 month employment (type A) and 18 month (type B) for a minimum of 50 target group members, especially the Roma, as well as supporting their integration into society and the labour market, through labour

market integration projects based on local initiatives of local governments, associations of local governments and NGOs.

In the projects implemented in the frame of the component the minimum ratio of involved Romas (among the chosen beneficiary unemployed for the participation) cannot be less than 50% and cannot exceed 80%.

Apart from employment, the projects must include training, human resource development and integration elements (for list, see eligible activities), which enhance the labour market value of the target group, promote their employability and contribute to improving the quality of their lives. Participation in the training or in the integration services shall be provided for the members of the target group for the 8.5 – 12 month (type A) and 18 month (type B) of the employment period, during which time all participants are paid wages for their work.

In projects with 22-month duration, at least 30% of the target group should be given, in addition to the labour market integration services, the chance to participate in a vocational training included in the National Register of Qualifications and to obtain a qualification relevant to their employment.

In case of application for this component, the participation (either as a partner or as associates) of the Roma Minority Self-government, or local Roma civil organisation or, in the absence of these, the spokesperson representing the Roma community is mandatory from each settlements involved in the project implementation. The applicant and his/her partners must develop all the activity elements of the project (according to the key tasks) so that the organisation(s) representing the Roma community receive role and function in successful implementation of the project, and co-operate actively **at least** in the selection of the target group involved in the project and the internal monitoring and evaluation of the project. During the evaluation process preference will be given to those proposals which involve the organisation(s) representing the Roma community more than the prescribed minimum.

Fields of activities

Activities to be implemented within the component and providing employment for the target group can be the following:

1. *environmental health, environmental protection and rehabilitation activities*
2. *municipal infrastructure maintenance and development*
3. *elimination or rehabilitation of Roma settlements within the village/town*
4. *social, educational, cultural and community services, and*

5. *other community services*, including also community based enterprises, which does not directly aim to ensure community purposes but are created for the improvement of living conditions and quality of life of the target group and ensure a real chance of establishing sustainable working places and employment on the labour market. The creation of the latter- mentioned activities are strictly allowed in the frame of non-profit organisations (NGOs, local government/minority government) and the income generated by project activities (above the current costs of the business activities) must be demonstrably devoted to the purposes of the project.

Applicants must assume an obligation to further employ, for a time period equal to that of the subsidized employment, at least 30% of beneficiary unemployed been employed in the frame of community enterprises involved in the project after its termination. Besides, the business plan of the community enterprise must be attached separately for the project period and further employment period, that includes the demonstration of the use of income generated by this activity for the objectives of the project and the sustainability of the employment after the project period.

In case of development or reconstruction of real property the valid plans of area consolidation depending on the planned activity, the full construction plans and the verification about the start of licensing process must be attached.

Further employment

Applicants must assume an obligation to further employ, for a time period equal to that of the subsidized employment, at least 30% of the target group members involved in the project after its termination, or to place them onto the open labour market.

Further employment or placement shall be considered as completed if carried out under the same conditions as applies to the employment during the project period or within an individual enterprise. Employment relationship for subsidised employment (public work, community and non-profit employment, as well as income support disbursed in accordance with Act IV of 1991 on the promotion of employment and provision for the unemployed) in the frame of this proposal is not counted to be employment or placement.

Project period:

| | |
|------------------------|--------------|
| Component 2. Type A | 13-16 months |
| Component 2. Type B | 22 months |

Phases of project period:

| Phase | Activities |
|---|--|
| Preparatory phase duration: 2 months | Informing and motivating the target group, selection of participants |
| Employment phase duration: 8,5 -12 months or 18 months (wages or training allowances can only be paid for members of the target group during this period) | Employment of the target group. Within this period practice part of vocational training shall be implemented |
| | Training and integration services, which can be provided in the entire length of the employment period, according to project's logic |

| | |
|-------------------------------------|--|
| Closing phase duration: 2 months | Exploring workplaces, promoting employment and follow-up of the target group |
| | Closing the project, evaluation of project, dissemination of experiences and results |

Eligible activities in both components:

*The activities eligible for support can be classified into the six key tasks described below; the applicants should plan their project programme along the lines of these key tasks, and they cannot leave any of the key tasks out of consideration when planning. The key tasks cover activity fields, **all of which** are indispensable to the successful fulfilment of the objectives of the complex labour market re-integration project and programme. Key tasks form an activity framework that the applicant must elaborate in detail when developing his/her own project programme, taking into consideration the objectives of the project and programme and the local needs and possibilities. Sufficient financial resources must be allocated to each key tasks in the budget.*

Key task 1: project management

(project leading, coordination of partnership co-operation, project administration)

Management and continuous harmonization of executing complex project activities, partnership co-ordination, the great number of the interested parties, fulfilment of the administrative and financial obligations will probably set complex project leading tasks to successful applicants, execution of which should be planned by the applicant in the application period and presented in his/her project proposal. The project management plan should include:

- the order of task allocation and division of responsibilities in the project organisation;
- the coordination of co-operation between the partner organisations;
- the process and structure of decision making;

- the order of regular inner communication and dissemination of information;
- the way of management of resources and monitoring;
- modes of securing administrative capacities and developing professional and financial administrative procedures (with special regard to the up-to-date register of the personalized services offered to the target group);
- planning and implementation of the internal monitoring and evaluation of the projects' progress, experiences and results;
- ways and the target audience of external communication; this includes raising public awareness regarding the objectives, lessons and results of the project, both in local or regional public opinion and the organisations and institutions able to utilize these directly.

Key task 2: professional development

It is the task of the applicant and its partners to work out a programme for the development of services as well as to increase professional capacity improving employability and promoting labour market integration considering the local/regional demands. On the one hand the programme may target the improvement of competence, knowledge and skills of the specialist taking part of the project, on the other hand it can promote such methodological and professional developments which will be introduced or tried out within the project. Proposed activities can be for example:

- Preparation of the project's personnel and experts directly dealing with the target group for their participation in the project, developing their professional knowledge and skills. (trainings, discussions, know-how transfer with local or foreign partners, etc.)
- Development of the programme and the study materials, development of methodology, as well as other service development activities (such as adapting the methods of one of the partners, etc.)

Key task 3: recruitment and selection of the target group

The applicant shall inform potential members of the target group, within the region specified by the applicant as the target area, about participation in the project. The applicant shall select a sufficient number of people from the interested candidates according to the criteria of the target group description. Information and selection are of key importance for the successful implementation of projects, therefore we ask

applicants to give a detailed description in their application of methods and devices to be applied (Grant Application Form 1.8.) We also ask applicants to consider during information and selection (and later during the use of motivational techniques) that it is the applicant's responsibility that the target group's drop-out rate should not exceed 20% during the project.

Key task 4: services planned for the improvement of the target group's employability and the promotion of their labour market integration

Based on the specific needs of the target group and objectives of the project the applicant has to carefully select and compile a package of different coordinated services which will effectively promote the improvement of employability and labour market reintegration. These activities can include among others:

- assessing the skills and abilities of people included in the project;
- exploring and helping to solve family, social, mental, educational, communicational or other factors that hinder or prevent employment;
- motivation for participation in the programme and use of services provided by the programme;
- preparing individual development plans and case reports, which include the description of at least one person's psycho-social status; as well as steps intended to restore or replace missing or limited knowledge, skills and abilities; individually required services (tasks for educational, mental, social and other assistance) and their time schedule; individual progress generated by the services provided for the individual; methods of managing or solving conflicts, etc.
- training courses for character development, and promoting the integration into the world of work
- developing employee skills, showing job-search techniques;
- providing services that assist participation in the programme and prevent drop-out;
- supporting the integration into the workplace;
- assisting employment in the open labour market: such as motivation for long-term employment in the primary labour market; exploration of workplaces; administration; active participation in job-search; mediation between the client and the potential employers; motivation of employers to welcome and employ long-term unemployed people; participating in overcoming existing reservations and prejudices, as well as eliminating discriminative procedures; supporting placement to work and finding employment, etc.

- preparing a plan for the target group's follow-up, which must be started when people leave the project, but no later than on the completion of the project and carried on at least during the period of further employment, for 18 months in Component 1, 8.5-12 months in Component 2 A version and 18 months in Component 2 B version (together with the reporting commitment in accordance with the grant contract);
- services in aid of maintaining employment (such as help with commuting to work, organising childminders or babysitters, etc.)
- additional services in aid of integration.

Key task 5: training of the target group

It is the task of the applicant to provide training for **all** the involved unemployed beneficiaries in order to improve their work competences.

In case of trainings every training program must include a training plan, that must be included in the related part of the Application form which consists the following: the purpose of the training, and its explanation from the point of view of employment in the labour market, the proper definition of the target group (participants), description of modules/training forms, applied methods, introduction of trainers/teachers, method of implementation, conditions of performance, testing, expected results. The name and residence of the training institute must be also indicated.

- The documentation of project proposal must include:
 - Copies of licence(s) of the training institute (In every case the copy of lawful licence issued by OKÉV (National Public Education Evaluation and Examination Centre) including the organisation of the training and the examinations; accreditation related documents (in case the training institution is accredited); Certificate of NCSSZI (The National Institute for Family and Social Policy) in case of social training programmes);
 - the Curriculum Vitae of the involved trainers, and
 - the references of the training institution must be attached.

Training activities can cover:

- professional orientation;
- preparatory training (training on development and self-knowledge, modules assisting in catching-up);

- training and education for the development of key skills;
- exploring training orientation and facilities that are beneficial for labour market aspects, recommending them for members of the target group, assisting people in participating in training;
- promoting participation in remedial courses, training that provides or refreshes professional knowledge, courses giving semi-skilled qualifications or (in Component 1 social, and in Component 2 any type of shorter) vocational qualifications listed in the National Training Register (OKJ), thus increasing the employment chances of target group members in the primary labour market;
- helping to acquire the necessary and available support for participating in the training; monitoring and assisting the learning process;
- services in aid of staying in the training (such as help with commuting to training, organising childminders or babysitters, etc);
- running the training programme;
- professional evaluation of the programme, dissemination of the results.

When providing training for the target group it is advisable to involve institutions with training licence.

Key task 6: employment of the target group

Applicant and its partners have to elaborate a programme of employment of minimum 50 persons for the whole duration of employment period. The programme shall show the purpose and content of activities carried out within the employment component. It has to be ensured, that the proposed activities will improve the skills, abilities and potentials of the target group on the labour market.

- creation of the conditions of employment, preparation for employment,
- providing the material and human aspects of environment for employment;
- organising the necessary training for safety at work and providing occupational health examinations;
- implementing the employment activities: organisation, management, monitoring and control of employment;
- assessment of the individual development of competencies, employer-related tasks
- definition of tasks, organisation of work activities, coordination, management, inspection;
- tasks of the employee, record keeping.

The following activities cannot be supported

- Participation in workshops, seminars, conferences, congresses and similar meetings;
- Individual scholarships for study or training;
- Leasing;
- Purchase of land or real property;
- Lease of land or real property;
- Restructuring or reconstructing of real property without a final construction plan
- Donation
- Participation in school-system training

Number of proposals and grants per applicant

Only one application can be submitted for each of the components. The applicant may be a partner in another application.

Those who apply for both components, and being granted for both proposals, the Contracting Authority will sign two separate contracts with.

2.1.4. Eligibility of costs: costs which may be taken into consideration for the grant

Only "eligible costs" can be taken into account for a grant. These are detailed below. The budget is therefore both a cost estimate and a ceiling for "eligible costs". Note that the eligible costs must be based on real costs, not lump sums (except for travel and subsistence costs and indirect costs).

Recommendations to award a grant are always subject to the condition that the checking process which precedes the signing of the contract does not reveal problems requiring changes to the budget. The checks may give rise to requests for clarification and may lead the contracting authority to impose reductions.

It is therefore in the applicant's interest to provide a realistic and cost-effective budget.

When designing the project budget only real costs can be planned as eligible costs, it is forbidden to include reimbursable VAT.

Attention! Earlier preferential regulations concerning services and bought products financed from Phare sources are not valid in the case of Grant Contracts of this programme.

Regardless whether the applicant or its partner is subject to VAT or not, it is not entitled to VAT reimbursement. Consequently, all costs to be financed from Phare and the national co-financing should be planned as gross amounts (and the VAT can be paid out of Phare and the national co-financing.)

Organisations being subject of VAT according to Section 49-51 of Act LXXIV./1992 are entitled of VAT reimbursement concerning costs paid out of the 10% co-financing⁸. Therefore these costs should be planned as net sums, even if the applicant or its partner does not wish to live with the opportunity of reimbursement.

Eligible direct costs

To be eligible under the call for proposals, costs must:

- be necessary for carrying out the action, be provided for in the contract annexed to these Guidelines (Annex III) and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have actually been incurred by the beneficiaries or their partners during the implementing period for the action as defined in Article 2 of the Specific Conditions, whatever the time of actual disbursement by the Beneficiary or a partner; this does not affect the eligibility of final audit costs;
- be recorded in the Beneficiary's or the Beneficiary's partners' accounts or tax documents, be identifiable and verifiable, and be backed by originals of supporting documents.

Subject to those conditions and where relevant to the contract-award procedures being respected, eligible direct costs include:

⁸ According to the Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external action, (PRAG) of 2003, co-financing should be understood as the self-contribution, which is minimum 10% percent in the case of the programme.

- the cost of staff assigned to the action, corresponding to actual salaries in proportion to the working time spent on the project implementation, plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or his partners, as the case may be. When estimating the salary costs, the generally approved costs of employment contracts and the contracts of subcontractors must be considered as authoritative costs.
- travel and subsistence costs for staff taking part in the action, provided they do not exceed those normally borne by the Beneficiary or his partners, as the case may be; any flat-rate reimbursement must not exceed the scales approved annually by the European Commission
- salaries and wage costs related to the employment of the target group involved in the project, including a meal allowance in accordance with rates and means laid down in the related provisions, costs related to the provision of working clothes and transportation costs;
- the cost of purchasing equipment (new or used) strongly related (indispensable) to the employment of the target group, management and involved experts and implementation of the planned activities, provided they correspond to normal market rates.
- all the other costs related to the employment of the target group, e.g. costs of medical examination, transportation, costs of consumables and supplies, etc.
- participation in a training or course (other than training as part of the national school system) in case it is impossible or impractical for the applicant to provide or acquire the same knowledge in a self-organised training (due to the low number of participants or special conditions) and if the competence to be acquired is of direct impact on the implementation of project objectives and the training programme is completed within the project period.
- the costs of real property reconstruction if supplied with a final construction plan at the time of submission of proposal, and if the real property is owned by the applicant or one of its partners or associates, and if this real property is used for the provision of social services (Component 1 and 2) or other community services (Component 2) and its refurbishment will lead to an increased service capacity and the creation of new workplaces for the target group also after the completion of the project.

- subcontracting expenditure in case of buying services (transport, rent, etc) strongly related to the implementation of the project, provided they correspond to normal market rates.
- costs arising directly from the requirements of the contract (dissemination of information, evaluation specific to the action, audit, translation, printing, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees).

Ineligible costs

The following costs are not eligible in the frame of the project:

- debts and provisions for losses or debts;
- interest owed;
- purchase of equipment if it will not be used by the specific beneficiary where costs incurred but intended to rent out to other partners or stakeholders within the project;
- purchase of land or real property (buildings);
- items already financed in another framework
- currency exchange losses;
- taxes, including VAT, unless the Beneficiary (or the Beneficiary's partners) cannot reclaim them and the applicable regulations authorise coverage of taxes
- project preparation studies or other costs of project preparation activities

Eligible indirect costs (overheads)

A lump sum not exceeding 7% of the direct eligible costs allocated in the budget from the grant required may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary for the Action.

Indirect costs are eligible provided that they do not include costs assigned to another heading of the contract budget. The general, administrative costs of the organisation and the overheads may be claimed as indirect costs.

Contributions in kind

Any contributions in kind made by the Beneficiary or the Beneficiary's partners are not eligible costs and they may not be treated as cofinancing by the Beneficiary.

Further restrictions on the budget

- Minimum 10% of the total project budget must be financed by the applicant or its partners or associates.
- The amount allocated to project coordination and management from the required grant may not exceed 15%.
- Investment and large scale tangible assets purchase may not exceed 20% of grant support required.
- In case of a for-profit organisation as a beneficiary of an investment the size of the grant may not exceed 25% of the total costs of the investment or of the tangible assets. The rest must be made available in cash by the for-profit organisation and may not be undertaken by the applicant or another partner or associates.

2.2. HOW TO APPLY AND THE PROCEDURES TO FOLLOW

2.2.1. *Application form and supporting documents*

Applications must be submitted on the application form annexed to these Guidelines (Annex A), that is available on the web site of ESZA European Social Fund National Implementing Agency at <http://www.esf.hu>. Applicants should keep strictly to the format of the application and fill in the pages in order.

Applicants must apply in Hungarian. The two-page **English Summary** of the project must be also attached to the proposal according to the given format (Annex A – Grant Application Form).

Please complete the application form carefully and as clearly as possible so that we can assess it properly. Be precise and provide enough detail to ensure the application is clear, particularly as to how the aims of the action will be achieved, the benefits that will follow and the way in which it is relevant to the programme's objectives.

Hand-written applications will not be accepted.

Supporting documents

The following supporting documents must be attached:

1. Articles of Association of the applicant organisation and those of each of the partners (copies), with the exception of local/county/metropolitan governments, County Labour Centres and Centres of Regional Human Resource Development and Training – certified copy by a duly authorised representative of the applicant organisation.
2. Registration entry of the applicant non-profit organisation prior to 01 January 2002 and registration entry self-employment license and articles of association from all the partners involved prior to 01 January 2003 with the exception of local/county/metropolitan governments, County Labour Centres and Centres of Regional Human Resource Development and Training - certified copy by a duly authorised representative of the applicant organisation.
3. Excerpts from the commercial register for the applicant and all partners, issued no later than 60 days (when applicable) prior to the publication date of the Call for Proposal - certified copy by a duly authorised representative of the applicant organisation
4. General Assembly Resolution of all the participating local/county/metropolitan governments taking part as applicants, partners or cooperating partners (except if the applicant is an association of local governments with legal entity) in which they state their application and that the necessary own resources are available – certified copy by a duly authorised representative of the applicant organisation
5. Financial report and balance statement for the year 2002-2003 presented by the applicant and (when applicable) its partners, report on the non-profit status, if exists (copies) – certified copy by a duly authorised representative of the applicant organisation.
6. Professional report for the years of 2002-2003 presented by the applicant and (when applicable) its partners with the exception of local/county/metropolitan governments, County Labour Centres and Centres of Regional Human Resource Development and Training.
7. For the development or conversion of real property the copy of the proprietorship register issued no later than 30 days prior to the deadline for submission of applications set in the Call for Proposal) – certified copy by a duly authorised representative of the applicant organisation must be annexed.

8. In case of development or reconstruction of real property the construction plans and the verification about the start of licensing process - certified copy by a duly authorised representative of the applicant organisation
9. Plans of area consolidation in case of development of municipal infrastructure, elimination or rehabilitation of segregated Roma settlements – certified copy by a duly authorised representative of the applicant organisation
10. Documents entitle the institutions for providing trainings (Copy of lawful licence issued by OKÉV (National Public Education Evaluation and Examination Centre) including the organisation of the training and the examinations, and/or documents of accreditation, and/or Certificate from NCSSZI (National Institute for Family and Social Policy) – certified copy by a duly authorised representative of the applicant organisation
11. An offer with detailed description in case of investments or procurements over 5000 EUR;- certified copy by a duly authorised representative of the applicant organisation
12. Within Component 2 the detailed business plan of community enterprise – certified copy by a duly authorised representative of the applicant organisation
13. Grant Application Form and Budget on floppy (MS Excel, Word)

Please note that no other documents should be attached from associates except a signed copy of their Partnership declaration included in the application form.

If the headquarter of any of the partners is located outside Hungary but the country can be found among those listed in point 2.1.2. of the Application Guideline, the documents to be attached by the organisation must be submitted in original language as well as in Hungarian and the translation must be signed by the official representative of the partner organisation. In this case the declarations found in the Application Form must be attached either in Hungarian or in English.

Omissions cannot be rectified; the Contracting Authority may decide to reject your application if any information or document is missing. However, the Contracting Authority reserves the right to request the Applicant to submit the missing documents within a maximum of 48 hours. Please fill out the checklist before taking the application into folder.

At the time of contracting the selected applicant should submit the original of the above-requested supporting documents to the Contracting Authority, who will check the regularity of the documents in question and certify the conformity of the copy with the original. The original would than be returned to the selected applicant.

2.2.2. Where and how to send the applications

Applications must be received in a sealed envelope by registered mail, courier or by hand-delivery (in case of hand delivery a signed and dated certificate of receipt will be given to the deliverer) at the address below:

North Hungary Region

Regional Development Agency for North
Hungary
MISKOLC
Csabai kapu 37.
H-3529

Northern Great Plain Region

Regional Development Agency for the Northern
Great Plain
DEBRECEN
Miklós u. 18.
H-4025

Southern Great Plain Region

Regional Development Agency for the Southern
Great Plain
SZEGED
Oroszlán utca 2.
H-6720

Central Transdanubia Region

Central Transdanubia Regional Development
Agency
SZÉKESFEHÉRVÁR
Rákóczi út 25
H-8000

Central Hungary Region

Central Hungary Regional Development
Agency
BUDAPEST
Hermina út 17.
H-1146

South Transdanubia Region

South Transdanubia Regional
Development Agency
KAPOSVÁR
Szántó utca 5.
H-7400

West Transdanubia Region

West Transdanubia Regional
Development Agency
SOPRON
Új utca 12
H-9400

Applications sent by any other means (e.g. by fax or by e-mail) or delivered to other addresses will be rejected.

Applications (application form, budget, logical framework and supporting documents) must be submitted in one original and 4 copies.

The outer envelope must bear the reference number of the call for proposals, indication of the component, the full name and address of the applicant, the title of

the project and the words "Not to be opened before the opening session" or in Hungarian "A bontási ülés előtt felnyitni tilos".

Applicants should verify that their application is complete by comparing it with the checklist included with the application form.

Applications must be printed on A4 sheets using fonts Times New Roman 12, or Arial 11, and 1.5 spacing. They must be placed in a folder and contain a cover page (as specified on page 1 of the application form), a detailed Table of Contents, and the completed and signed checklist, attached behind the folder. The originals and copies both must be LACED or BOUND. The cover of the original should be differentiated with a character "E".

2.2.3. *Deadline for receipt of applications*

The deadline for the receipt of applications is the 23rd of July, 2004, 14.00.

Any application received after the deadline will be automatically rejected even if the postmark indicates a date preceding the deadline or if the delay is due to the private courier service. Applications delivered by hand will be accepted only if the delivery-person arrives before deadline to the Regional Development Agency.

2.2.4. *Further information*

Questions may be sent by e-mail or by fax to the addresses listed below, indicating clearly the reference of the call for proposals:

E-mail address: kirekesztes@esf.hu

Fax: +36.1.471 7675

Questions may be sent no later than 21 days before the deadline for the receipt of proposals. The replies will be published no later than 11 days before the deadline for the receipt of proposals.

2.2.5. *Acknowledgement of receipt*

Following the proposal opening session, the contracting authority will send an acknowledgement of receipt to all applicants, indicating whether or not their

application was received prior to the deadline and informing them of the reference number they have been allocated.

2.3. EVALUATION AND SELECTION OF APPLICATIONS

Applications will be examined and evaluated by the contracting authority with the possible assistance of external assessors. All actions submitted by applicants will be assessed according to the following criteria:

(1)Administrative compliance

Verification that the application is complete in accordance with the checklist and all the necessary documents and annexes are attached.

(2)Eligibility of the applicants, partners and actions

Verification that the applicant, the partners (and the associates where applicable), and the action are eligible according to the criteria set out in section 2.1.1, 2.1.2 and 2.1.3.

(3)Evaluation of the quality of the proposals and financial evaluation

An evaluation of the quality of proposals, including the proposed budget, will be carried out in accordance with the evaluation criteria set out in the Evaluation Grid shown on the next pages. There are two types of evaluation criteria: selection and award criteria.

The selection criteria are intended to help evaluate the applicants' financial and operational capacity to ensure that they:

- have stable and sufficient sources of finance to maintain their activity throughout the period during which the action is being carried out and, where appropriate, to participate in its funding;
- have the professional competencies and qualifications required to successfully complete the proposed action. This also applies to any partners of the applicant.

The award criteria allow the quality of the proposals submitted to be evaluated in relation to the objectives and priorities set, and grants to be awarded to actions which maximise the overall effectiveness of the call for proposals. They cover such aspects

as the relevance of the action, its consistency with the objectives of the call for proposals, quality, expected impact, sustainability and cost-effectiveness.

PLEASE NOTE THE FOLLOWING IMPORTANT INFORMATION!

Scoring:

The evaluation criteria are divided into sections and subsections. Each subsection must be given a score between 1 and 5 in accordance with the following guidelines: 1 = very poor; 2 = poor; 3 = adequate; 4 = good; 5 = very good. The applications with the highest scores will be given priority when grants are awarded.

Note on Section 1. Financial and operational background and management capacity

If a total score lower than "adequate" (12 points) is obtained for section 1, the proposal will not be evaluated further.

Note on Section 2. Relevance

If a total score lower than "good" (20 points) is obtained for section 2, the proposal will not be evaluated further.

EVALUATION GRID

| Section | Maximum Score | Application form |
|--|---------------|------------------|
| 1. Financial and operational background, management capacity | 20 | |
| 1.1 Do the applicant and partners have sufficient experience of project management ? | 5 | II.4.1 and III.1 |
| 1.2 Do the applicant and partners have sufficient technical expertise ? (notably knowledge, skills and experiences related to the issues to be addressed.) | 5 | II.4.1 and III.1 |
| 1.3 Do the applicant and partners have sufficient management capacity ? (including staff, equipment and ability to handle the budget for the action)? | 5 | II.4.2 and III.1 |
| 1.4 Does the applicant have stable and sufficient sources of finance ? | 5 | II.4.2 |
| 2. Relevance | 25 | |
| 2.1 How relevant is the proposal to the objectives and the priorities of the call for proposals? | 5 | I.1.6(a)(b) |
| 2.2 How relevant to the particular needs and constraints of the target country/countries or region(s) is the proposal? (including synergy with regional development plans, other initiatives for development.) During evaluation, special preference will be given within both components to applications, which plan to implement their programme in socio-economically and infrastructurally underdeveloped | 5 | I.1.6(c) |

⁹ *Baranya county: Szigetvár area, Békés county: Sarkad area, Zala county: Letenye, Zalaszentgrót area, Hajdú- Bihar county: Bihar area, Jász-Nagykun-Szolnok county: Tiszazug és Tiszamente part-area, Borsod-Abaúj-Zemplén county: Észak-Cseréhát area, Nógrád county: Pásztó area, Szabolcs-Szatmár-Bereg county: Tiszavasvári area, Bács-Kiskun county: Jánoshalmi area, Bácsalmási area, Somogy county: Barcsi area, Nagyatádi area*

| | | |
|---|---|--------------|
| <p>communities in accordance with Decree no. 7/2003. (l. 14.), or listed in the Government Decree of communities burdened by substantially higher unemployment than the national average. 2 extra points can be given, if at least 50% of the participating settlements are listed in the Government Decree no. 7/2003. (l. 14.), but the maximum score cannot exceed 5.</p> <p>Furthermore, in Component 1 special preference will be given during evaluation to projects which target regions⁹ listed in the sub-regional social progression programme of the Ministry of Health, Social and Family Affairs, and the present programme proposal of which targets to provide qualified professionals, as required by law, for services created by or further established from the sub-regional social progression programme</p> <p>2 extra points can be given, but the maximum score cannot exceed 5</p> | | |
| <p>2.3 How clearly defined and strategically chosen are those involved (intermediaries, final beneficiaries, target groups)?</p> <p>In Component 1 special preference will be given during evaluation to projects that include Roma people within the target group.</p> <p>2 extra points can be given, but the maximum score cannot exceed 5</p> | 5 | I.1.6(e) |
| <p>2.4 Have the needs of the target groups proposed and the final beneficiaries been clearly defined and does the proposal address them appropriately?</p> | 5 | I.1.6 (c)(f) |

| | | |
|---|------------------|----------|
| <p>Note: Does it really serve the purpose of improving employability? Will the members of the target group demonstrably receive the tailor-made help? Will the program contribute to the improvement of living conditions, quality of life and accession to social services of the multiply disadvantaged groups?</p> | | |
| <p>2.5 Does the proposal contain specific elements of added value, such as innovative approaches, models for good practice, promotion of gender equality and equal opportunities, environmental protection?</p> | 5 | Passim |
| | | |
| <p>3. Methodology</p> | <p>30</p> | |
| <p>3.1 Are the activities and procurements proposed appropriate, practical, and consistent with the objectives and expected results?</p> | 5 | I.1.7 |
| <p>3.2 How coherent is the overall design of the action? (in particular, does it reflect the analysis of the problems involved, take into account external factors and anticipate an evaluation?)</p> | 5 | I.1.8 |
| <p>3.3 Is the partners' level of involvement and participation in the action satisfactory?</p> | 5 | I.1.8(e) |
| <p>3.4 Is the level of involvement and participation of the target groups and the organisations representing them (Roma minority self governments and civil organisations) satisfactory? Only a maximum of 3 points can be given if the target groups and the organisations representing them (Roma minority self governments and civil organisations) are involved only according to the prescribed</p> | 5 | I.1.8(e) |

| | | |
|--|------------|---------------|
| minimum level. | | |
| 3.5 Is the action plan clear and feasible? | 5 | I.1.9 |
| 3.6 Does the proposal contain objectively verifiable indicators for the outcome of the action? | 5 | Logframe |
| 4. Sustainability | | |
| 4.1 Is the action likely to have a tangible impact on its target groups? | 5 | I.2.1 |
| 4.2 Is the proposal likely to have multiplier effects ? (including scope for replication and extension of the outcome of the action and dissemination of information.) | 5 | I.2.2 & I.2.3 |
| 4.3 Are the expected results of the proposed action sustainable : <ul style="list-style-type: none"> • financially (<i>how will the activities be financed after the EC funding ends?</i>) • institutionally (<i>will structures allowing the activities to continue be in place at the end of the action? Will there be local “ownership” of the results of the action?</i>) • at policy level (where applicable) (<i>what will be the structural impact of the action — e.g. will it lead to improved legislation, codes of conduct, methods, etc?</i>)? | 5 | I.2.4 |
| 5. Budget and cost-effectiveness | | |
| 5.1 Is the ratio between the estimated costs and the expected results satisfactory? | 5 | I.3 |
| 5.2 Is the proposed expenditure necessary for the implementation of the action? | 5 | I.3 |
| Maximum total score | | |
| | 100 | |

2.4. NOTIFICATION OF THE CONTRACTING AUTHORITY'S DECISION

Applicants will be informed in writing of the contracting authority's decision concerning their application. A decision to reject an application or not to award a grant will be based on the following grounds:

- the application was received after the closing date;
- the application was incomplete or otherwise non-compliant with the stated administrative conditions;
- the applicant or one or more of its partners was not eligible;
- the action was ineligible (e.g. the action proposed is not covered by the programme, the proposal exceeds the maximum duration allowed, the requested contribution is higher or lower than the maximum or minimum allowed, any of the listed restrictions on the budget are not respected, etc);
- the proposal was not relevant enough or the applicant's financial and operational capacity was not sufficient, or the proposals selected were considered superior in these respects;
- the proposal was considered financially inferior to the proposals selected, the budget is not realistic and not justified.

The contracting authority's decision to reject an application or not to award a grant is final.

The date on which the contracting authority plans to announce the decision following the completion of the award procedure is September 2004 — this date is indicative only.

2.5. CONDITIONS APPLICABLE TO IMPLEMENTATION OF THE ACTION FOLLOWING THE CONTRACTING AUTHORITY'S DECISION TO AWARD A GRANT

Following the decision to award a grant, the Beneficiary will be offered a contract based on the contracting authority's standard contract annexed to these Guidelines (Annex E).

The date planned for the start of actions, following the signing of the contract by the parties, is December 2004 — this date is indicative only. The actions should all be finished before 30 September 2006.

The contract will, in particular, establish the following rights and obligations

Final amount of the grant

The maximum amount of the grant and the ratio of the grant in percentage will be stipulated in the contract. As explained in point 2.1.4, this amount is based on the budget, which is itself only an estimate. As a result, it will be final only once the action has ended and the final accounts have been presented (see Articles 17.1 and 17.2 of the General Conditions).

Failure to meet the objectives

If the Beneficiary fails to implement the action as undertaken and agreed in the contract, the contracting authority reserves the right to suspend payments, and/or to terminate the contract (see Article 11 of the General Conditions). The contracting authority's contribution may be reduced, and/or the contracting authority may demand full or partial repayment of the sums already paid, if the Beneficiary does not fulfil the terms of the contract (see Articles 11.4 and 17.4 of the General Conditions). Therefore in accordance with paragraph 74 of the Government Resolution 80/2003. (VI.7.) it should be indicated in the proposal, and the Grant Contract should contain a warranty concerning an immediate repayment in case an irregularity or deviation is detected.

Amendments to the contract

Any amendment to the contract must be set out in a written addendum to the original contract (Article 9.1 of the General Conditions). However, some amendments (addresses, bank account, etc.) may simply be notified to the contracting authority (see Article 9.2 of the General Conditions).

Variations within the budget

Budget items (in Table 1 within budget tables) may vary from the original figures provided that the following conditions are met:

- (1) they do not affect the basic purpose of the action; and
- (2) the financial impact is limited to a transfer within a single budget heading or to a transfer between budget headings involving a variation of less than 15% of the original amount of each relevant budget heading.

In such instances, the Beneficiary may make alterations to the budget, and inform the contracting authority.

This method may not be used to amend the heading for overhead costs.

In all other cases, a written request must be made in advance to the contracting authority and an addendum is required.

Reports

Inception reports as well as technical and financial progress reports are to be supplied together with payment request in Hungarian in triplicate. A work plan and budget for the next period of implementation must accompany progress reports submitted for further payments of pre-financing.

Additional information

In accordance with Article 2.1 of the General Conditions, the contracting authority may request additional information.

Payments

The Beneficiary will receive pre-financing (advance payment and interim payments).

The advance payment will be 60% of the grant.

The conditions to receive advance payment are as follows: filled OTMR data sheet submitted by the Beneficiary, Inception Report, procurement plan prepared in the structure worked out by the Contracting Authority containing procurements falling under the rules of contract award procedures set up by PRAG and supplying data in the structure worked out by the Contracting Authority in order to fill in the Task Financing Authorisation Document.

In the course of implementing the project, beneficiaries may request an interim payment of up to 30% of the total grant amount. Requests for interim payments are refused unless the amount of expenses that have actually been incurred come to at least 70% of previous payments and beneficiary can has verified this in the relevant interim report. Interim payment can be made upon submission by the beneficiary, and approval by the Contracting Authority, of the intermediate report and a plan of action and budget for the following period (cf. Article 15(1) of the General Conditions).

The final balance (the balance of the total amount of the actual eligible project costs also approved by the Contracting Authority and the grant already paid) will be paid subsequently, after the closure of the project upon submission by the Beneficiary and

approval by the Contracting Authority of the final report (cf. Article 15(1) of the General Conditions).

Payments will be made to an Action-specific bank account or sub-account which identifies the funds paid by the Contracting Authority.

Accounts of the action

The Beneficiary must keep accurate and regular records and dedicated, transparent accounts of the implementation of the action (see Article 16.1 of the General Conditions). It must keep these records for seven years after payment of the balance.

Audit

During the implementation of the project before interim payments are requested and at the end of the project an external audit of the accounts of the action produced by an approved auditor must be attached to the relevant progress reports.

In an audit certificate conforming to the model attached at Annex VI to the contract, the auditor will certify that the submitted accounts (income and expenditure) are accurate, reliable and justified by adequate supporting documents, and will identify the eligible expenditure incurred in accordance with the Contract.

The contract will permit the Commission, the European Anti-Fraud Office, the Contracting Authority, Government Control Office, State Court of Auditors, the European Court of Auditors and the Ministry of Employment and Labour to carry out both record-based and on-the spot inspections of the action (see Article 16.2 of the General Conditions).

Publicity

Appropriate visibility and credit must be given to the grant made by the European Community, for example, in reports and publications stemming from the action or during public events associated with the action, etc. (see Article 6 of the General Conditions).

Implementation contracts

Where implementation of the action requires the Beneficiary to award procurement contracts, it must award the contract to the tender offering the best value for money, that is to say, the best price-quality ratio, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid

any conflict of interests. To this end, the Beneficiary must follow the procedures set out in Annex IV to the contract.

3. LIST OF ANNEXES

- Annex A: Grant Application Form to be filled in (Word format)**
- Annex B: Budget and Expected sources of Funding (Excel format)
Instruction to Budget (Word format)**
- Annex C: Justification of the Budget (Word format)**
- Annex D: Logical Framework (Excel format)**
- Annex E: Daily Allowance Rates (per diems) for the current year (Word format) for information**
- Annex F: Standard Contract (Word format) for information and its Standard annexes**

Annex II. General Conditions applicable to European Community-financed grant contracts for external actions

Annex IV. Procurement by grant Beneficiaries in the context of European Community external actions

Annex V. Request for payment for grant Contract European Community external actions and financial identification

Annex VI. Audit certificate for Grant Contract European Community external operations