



Nemzeti Technológia Program

Support for Strategic Research

**Guide for Proposers
2009**

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Table of Contents

Introduction	3
I. General Information about the Call for Proposals.....	3
1. Objectives.....	3
1.1. Implementation of the Objectives.....	4
1.2. Sub-programmes of the Call	4
2. Source and Legal Grounds of Funding	5
3. Eligible Applicants	5
4. Budget of Project Funding	6
5. Expected number of funded proposals	6
6. Form of Project Funding	6
7. Funding Intensity	7
8. Eligible Activities	9
9. Duration of Projects	10
10. Requested Funding Intensity.....	10
11. Exclusion.....	10
12. Eligible Costs.....	11
13. Evaluation Criteria of Project Proposals	14
14. Indicators	14
15. Disclosure of Data of Public Interest	14
II. Guide to Compiling Proposals.....	16
1. Detailed Description of Project.....	16
1.1 Title Page of Project Proposal	16
1.2 Forms.....	16
1.3. Work-plan	19
1.4. Tables and Charts to be Filled in Accordance with the Work-Plan.....	20
1.5. Description of the professional activities of applicants	24
1.6. Description on project management.....	25
1.7. Description of projects and project proposals of similar topics	25
1.8. Link to the projects of the European Community	25
1.9. Financial plan.....	26
1.10. Description of the management of applicants	26
2. Compiling the proposal.....	26
III. Information on the Selection Procedure of the National Technology Programme, on contracting and implementation	28
1. Submission and formal assessment of proposals	28
2. Evaluation criteria, decision-making	30
2.1 Evaluation criteria, decision-making process.....	30
3. Concluding a contract and financing procedures.....	34
4. Monitoring the use of funding.....	35
4.1 Activity report.....	35
4.2 Financial report	36
4.3. Monitoring funded projects.....	37
4.4 Sanctions for breaching the funding contract.....	38
4.5. Closing the project.....	38

Introduction

On behalf of the Minister for Research & Development and Technological Innovation, the National Office for Research and Technology (hereinafter referred to as Office) publishes a call for proposals under the National Technology Programme to support application oriented research and development.

I. General Information about the Call for Proposals

1. Objectives

The programme aims at enhancing the competitiveness of the economy and improving the sustainability of development by promoting application-oriented, strategic research and development activities in the field of state-of-the-art technologies. The objective of funding is to promote innovation taking Hungarian R&D strategies - set forth by the Government's Science, Technology and Innovation (STI) Policy Strategy - into consideration.

The primary aim of the Programme is to promote R&D activities which

- set the scene for innovations with significant expected **economic and social impact** (utilizable by a wider range of users)
- lead to scientific and technological results of international standards
- result in the **development of competitive products, technologies and services** including high intellectual added value
- are designed and implemented by **enterprises as key players**, who also exploit the created R&D results,
- are carried out **by a cooperation between enterprises and the R&D sector**, and lead to strategic partnerships,
- strengthen the supply of researchers for the researcher-community by involving **PhD students and early stage researchers** in projects
- are implemented using significant **own financial resources**
- shall facilitate the Hungarian preparation for the programmes of the European Union

The indirect aim of the Programme is to promote Hungarian innovation, and in particular the R&D&I activities of enterprises.

Project proposals under the programme shall have unequivocal and clear objectives. Project proposals shall unequivocally demonstrate what specific products, technologies or services are planned to be developed by the applicants, i.e. what are the expected deliverables of the project. Proposals not sufficiently demonstrating that the given project will result in the development of innovative products, technologies or services with high added value shall not receive funding.

Priority shall be provided to project proposals for the results of which there is a wide-range of real market demand, which do not serve the interests of only one company or group of companies, but promote the development of the given sector or industry as a whole, and which are exploitable in the training of experts of the sector.

1.1. Implementation of the Objectives

Those projects will receive funding which aim at elaborating and demonstrating innovative products, devices, procedures, services, technologies and materials with international scientific results or significant intellectual added value in the pre-market phase, and which are implemented through business-to-business and business-to-public research unit co-operation.

1.2. Sub-programmes of the Call

The programme invites proposals under five sub-programmes. Project proposals are invited under one of the sub-programmes depending on their topic. Under the sub-programmes, priority areas shall be defined in Appendix 2 of each call. Each proposal with a topic under such priority area shall receive extra points.

1. Life sciences (A1)

The aim of this sub-programme is to serve modern healthcare and the pharmaceutical industry, improve the quality of life, with special view to disease-prevention and health restoration. Research results created - like tools of healthy lifestyle - should foster the preparation of public healthcare and prevention measures.

2. Competitive Industry (A2)

The aim of this sub-programme is to promote the development and exploitation of products, procedures and technologies representing higher added value, in particular in the field of information and electronic industry, machine and car manufacturing, modern chemical industry, material technologies and logistics. Innovative development of traditional Hungarian technologies and industries, thus creating workplaces. Strengthening the competitiveness of Hungarian industry, improving market positions, fostering market entry.

3. Competitive Agriculture and food industry (A3)

The aim of this sub-programme is to foster the creation and sustaining of agriculture and food industry representing high added value, with special regard to the needs of Hungarian economy and those of world market. To develop Hungarian agriculture amidst the strong competition, strategic R&D and innovation activities resulting in decreased costs and ensuring sustainable development are needed.

4. Liveable and Sustainable Environment (A4)

The aims of the sub-programme include preserving natural and built environment, applying environment-friendly technologies, preventing pollution. Improving the economic efficiency of technologies applying renewable energy sources. Promoting environmental industry and technology R&D, environment protection, prevention of and decreasing pollution of the environment.

5. Security and safety researches (D5)

The aim of this sub-programme is to promote strategic R&D in the fields of security and safety which have global market and a potential for development. Research should aim at developing products, processes and services, which - while respecting fundamental human and constitutional rights - ensure the safety of citizens, help the fight against terrorism and organized crime and provide protection against natural and industrial disasters. The aim is to finance R&D projects with security and safety objectives, as well as those serving dual - i.e. defence and civil (security) - purposes, first and foremost in the areas of national defence, law enforcement, civil defence, energetic, environmental and healthcare information and communication safety.

When compiling project proposals in the field of life sciences, please observe the provisions of Health Ministry Decree 23/2002. (V.9.) on biomedical research on human beings and those of Health Ministry Decree 35/2005. (VIII.26.) on Clinical Trials of Medicinal Products for Human Use and Good Clinical Practice. The coordinator must make a statement at submission whether the research plan complies with prevailing legislation and the Declaration of Helsinki of the World Medical Association.

Pursuant to section 81 (3) of Government Decree 217/1998 (XII.30), in the case of successful proposals, funding contracts shall not be concluded until consortia receive all necessary permits for project implementation.

To achieve their clear and well-defined objectives and provide complex solutions, proposals may apply several technologies (biotechnologies, nano- and microtechnologies, material-, production-, information- and communication technologies as well as environmental- and agro-technologies).

Under all sub-programmes, project proposals are evaluated based primarily on the technologies they apply. The funder reserves the right to evaluate certain proposals submitted under a given sub-programme under another sub-programme in justified cases.

2. Source and Legal Grounds of Funding

The source of funding to achieve the objectives of the Programme is: the Research and Technology Innovation Fund (hereinafter referred to as: Fund).

Title of funding: paragraphs (1) a) of section 8 of the Act XC/2003 on the Research and Technology Innovation Fund (hereinafter referred to as Atv.).

Further rules of granting and using funds are regulated by Government Decree 133/2004. (IV.29) on the Management and Use of the Research and Technology Innovation Fund and Government Decree 146/2007 (VI. 26.) on the Rules of State Aid Provided Under the Research and Technology Innovation Fund.

3. Eligible Applicants

This programme provides support for R&D projects which are implemented through the efficient cooperation of enterprises, non-profit and public research units or through business-to-business cooperation in the framework of research consortia.

Eligible applicants under all sub-programmes shall include:

- Business enterprises and cooperatives with legal entity and registered seat in Hungary,
- Hungarian branches of enterprises with foreign registered seat,
- public bodies or their institutes with legal entity,
- non-profit organizations with legal entity

A joint project proposal shall be submitted by the consortium members according to the instructions of the Call for Proposals and the Guide for Proposers. Organizations with independent legal entity shall be considered as consortium members (e.g. if several departments of the same university participate in a project, the university shall still be considered as a single member).

A maximum of 6 members may participate in a consortium. The coordinator must be an enterprise carrying out for-profit business activities as its primary activity (non-profit economic entities may not be coordinators).

4. Budget of Project Funding

To achieve the objectives of the programme, the National Office for Research and Technology allocates **HUF 18 billion** for the purposes of the two calls under the National Technology Programme in 2009 from the Research and Technology Innovation Fund (hereinafter referred to as Fund).

5. Expected Number of Funded Proposals

Expected number of proposals receiving funding under the two calls in 2009: 35-45.

6. Form of Project Funding

Form of funding: final grant disbursed to the beneficiary with no repayment obligation (hereinafter referred to as “grant”).

If the beneficiary is a public body or an institution of a public body, or a non-profit organisation and if the given organization does not pursue economic activities under the project which include manufacturing products and/or providing services on the given market or if the type, costs and financing of their non-economic activities under the project are distinctly separated from their economic activities, the grant shall not be regarded as state subsidy. Pursuant to Community Framework No. 2006/C 323/01, the primary activities of research organisations are considered to be normally of a non-economic character, notably: education, the conduct of independent R&D for more knowledge and better understanding (including collaborative R&D), the dissemination of research results, technology transfer activities (licensing, spin-off creation or other forms of management of knowledge created by the research organisation) if these activities are of an internal nature and all income from these activities is reinvested in the primary activities of the research organisations.

In the case of enterprises (and non-profit organizations, public bodies or institutions of public bodies carrying out economic activities) funding shall be regarded as **state aid**, it shall also be regarded as R&D project funding pursuant to section 3 a) of Government Decree 146/2007, as aid provided to SME's (as set forth by point c), section 3 of Government Decree 146/2007) for their costs linked to industrial property rights, as well as de minimis aid regarding costs linked to information dissemination.

Provisions concerning de minimis funds are set forth by Commission Regulation 1998/2006/EC of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid (OJ L 379, 28.12.2006). According to this Regulation, the funding intensity provided to any undertaking as de minimis aid from any source may not exceed an amount of HUF equivalent to EUR 200 000 over any period of three years. As regards undertakings active in the road transport sector, this ceiling of de minimis aid should be set at a forint amount equivalent to EUR 100 000 over any period of three financial years.

According to Commission Regulation 1998/2006/EC, **funding shall not be provided** as de minimis aid:

- in the coal sector,

- for activities linked to the primary production of agricultural products as listed in Annex I to the Treaty establishing the European Community,
- for processing and marketing of agricultural products as listed in Annex I to the Treaty establishing the European Community, when the amount of aid:
 - is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned, or
 - is conditional on being partly or entirely passed on to the primary producers,
- for the acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward,
- in the fishery and aquaculture sectors,
- for export-related activities,
- in case of aid contingent upon the use of domestic over imported goods,
- to undertakings in difficulty.

De minimis aid should not be cumulated with State aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that fixed in the specific circumstances of each case by a block exemption Regulation or Decision adopted by the Commission. **Applicants/beneficiaries shall declare the amount of de minimis aid received in the three financial years preceding the proposal submission/funding decision. Beneficiaries of de minimis aid shall keep all records and documents concerning the funding for ten years following the date of funding decision.**

If economic activities of non-profit organisations, public bodies or institutions of public bodies are funded, the state aid rules for enterprises shall apply.

Funding shall be disbursed directly and proportionately to consortium members, according to the funding contract.

7. Funding Intensity

Funding Intensity - under each sub-programme - per applicant

1. Funding provided to enterprises (or non-profit organizations and public bodies carrying out economic activities under the project):

Calculated on the basis of eligible costs, for R&D projects, funding intensity shall be:

Maximum funding intensity

- for basic research: 100%;
- for industrial (applied) research: 50%;
- for experimental development: 25%.

In the case of industrial research or experimental development the above rates may be increased by the following percentage points for the following types of applicants

- small sized enterprise - by 20 percentage points of the funding intensity;
- medium sized enterprise - by 10 percentage points of the funding intensity;

Enterprises which - at the time of submission - qualify as any of the enterprises defined under Annex I of Commission Regulation (EC) No 800/2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (OJ L 214/3 9.8.2008) shall be regarded as small and medium sized enterprises (hereinafter jointly referred to as: SME).

(1) The category of micro, small and medium-sized enterprises ("SMEs") is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

(2) Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

(3) Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

For detailed regulation see Appendix 1 of the Guide.

Funding intensity per member may be increased by a further 15 percentage points up to a maximum of 80%

a) for industrial research and experimental development if the project is implemented through an actual cooperation of at least two independent enterprises under the following conditions:

aa) none of the participating enterprises covers more than 70% of total eligible project costs, and

ab) the project brings about cooperation with at least one SME or results in cross-border cooperation (i.e. R&D activities are carried out in at least two member countries);

b) for industrial research and experimental development if the project is implemented through an actual cooperation of at least one enterprise and at least one research organization under the following conditions:

ba) one research organization covers at least 10% of eligible costs, and

bb) the research organization is entitled to publish the results of the research project if those stem from its own research activity;

c) exclusively for industrial research if project results are disseminated to a wide audience at technical and scientific conferences, or are published in scientific and technology periodicals, or made available in freely accessible databases (databanks, where anyone can have access to the raw research data), or by means of open source-code and free software.

For the purposes of points a) and b), subcontracting shall not qualify as actual cooperation.

For a given activity type, consortium members may receive a 15 percentage points increase in funding intensity only once and with observing the maximum funding intensity of 80%.

If conditions described under point a) or b) or c) are met under a project,

- in the case of industrial research maximum funding intensity shall be 80% for small sized enterprises, 75% for medium sized enterprises and 65% for large enterprises,
- in the case of experimental development maximum funding intensity shall be 60% for small sized enterprises, 50% for medium sized enterprises and 40% for large enterprises.

In the case of funding provided to SME's for their costs linked to industrial property rights protection, funding intensity shall not exceed the rate set forth above, while the funding intensity relevant to the type of research leading to the subject of patent or protected industrial property shall be taken into consideration.

If the tasks of a given consortium member under a project include different stages of R&D activities, applicable funding intensity - calculated based on the incurred eligible costs - shall be established by calculating the weighted average of the relevant funding intensity figures. **Priority shall be given to projects which are implemented using significant own financial resources.**

Research organizations are organizations, e.g. universities or research units - regardless of their legal form (whether they are regulated by public law or common law) and form of financing -, whose primary objective is to carry out basic research, industrial research and experimental development and the dissemination of the results thereof by means of education, publications or technology transfer; all their profit is reinvested in such activities, dissemination of their results or education; those enterprises which may have influence upon these organizations, like shareholders or members, do not have preferential access to the research capacities of these institutions or to their research results.

2. In the case of non-economic activities carried out by non-profit organizations with legal entity, public bodies and their institutes with legal entity: present funding does not qualify as State aid as defined in Article 87(1) of the Treaty, thus funding intensity may be 100% in their case.

Applicants are required to provide their own share of project funding - the rate of which shall depend on the type of funded activity and the applicant's company type. According to point (4) Article 81 of Government Decree 217/1998 (XII.30.), funding received from the sub-systems of public finances shall not be considered own financial resources, except for financing allocated specifically for the given purpose in the budget of the public body under the sub-systems of public finances applying for project funding or in the budget of its overseeing body. Applicants shall attach a declaration to their proposal (Appendix titled Declarations) that in case their project proposal becomes successful, they shall provide own resources necessary for implementation. Successful applicants shall submit the certificate of existence and form of own financial resources issued by the bank or credit institute of the applicant for concluding the funding contract.

Advance payment may be disbursed in accordance with paragraphs (3)-(4), section 18 of Government Decree 133/2004 (IV.29.) and the provisions of the funding contract. Thus advance payment instalments shall be scheduled corresponding to activity periods. Advance payment instalments shall only be transferred following the approval of the activity report on using the previous instalment and following the submission of the relevant financial report.

At least 50% of the total funding requested by a given project must be requested by consortium-member enterprises carrying out for-profit business activities as their primary activity.

8. Eligible Activities

Projects may be implemented through basic research, industrial (applied) research and experimental development.

Basic research: broadens general scientific and technical knowledge and is not linked to industrial or commercial objectives,

Industrial or applied research: research conducted to acquire new knowledge to be used for developing new products, processes or services or for improving existing products, processes or services,

Experimental (pre-competitive) development: incorporating applied research into designs, i.e. designing new or improved products, processes or services (including the manufacturing of prototypes not intended for commercial use). Routine changes in products, manufacturing processes, procedures or existing services shall not qualify as experimental development, even if those result in the improvement of those products, processes, procedures or services.

The proportion of different types of research within the project is determined by the nature of the project, but a **maximum rate of 30%** is set for **basic research**. Basic research, however,

which may not be funded in itself, shall only be funded as targeted basic research and as part of a project, closely linked to industrial (applied) research and experimental development activities.

Only those enterprises should apply with basic research activities which have competent research teams of at least three members. Further criteria are: members of the research-team must include qualified researchers (3 persons minimum PhD), who have international basic-research publications covering the same field as the proposed project (publications must not be older than five years old).

R&D funding shall only be provided to enterprises if the funding promotes research and development beyond their regular activities.

Project funding must have **incentive effect**, i.e. as a result of funding, the range of R&D and innovation activities of the funded enterprises should be increased. Funding shall only be granted if at least one of the following indicators is improved as a result:

- a) size of project - including the total cost of project, as well as the number of persons participating in R&D and innovation activities;
- b) range of application, including expected project results;
- c) pace of project implementation;
- d) total expenditure spent on R&D and innovation by beneficiary.

The expected positive impact (especially in the case of large enterprises) should be described in the proposal.

9. Duration of Projects

The duration of projects described in the proposals shall fall between **a minimum of 18 and a maximum of 48 months**.

If project implementation is late compared to the original schedule set forth by the contract, then in justified cases - with the consent of the funder - project duration may be extended with a maximum of 12 months without changing the amount of the grant.

10. Requested Funding

Requested grant for the total duration of the project shall be a **minimum of HUF 200 million** under sub-programme Competitive Agriculture and Food Industry, and a **minimum of HUF 300 million** under all other sub-programmes, while a **maximum of HUF 1000 million** under all sub-programmes.

11. Exclusion

1. Any participant who

- a) is subject to bankruptcy or liquidation proceedings, dissolution or debt financing procedure;
- b) has been guilty of making false declarations during earlier calls under the Fund or under the targeted allocations provided by paragraph (2) of section (16) of Act XC of 2003 on the Research and Technology Innovation Fund, or has breached their essential obligations arising under an earlier funding contract concluded based on a successful proposal – due to their own default,
- c) has overdue public debts (except if these have been relieved (deferred or broken up into instalments) by the relevant tax authority);
- d) has had expired liabilities to the Fund or to the targeted allocations provided by paragraph (2), section (16) of Act XC of 2003 on the Research and Technology Innovation Fund for more than 60 days – due to their own default.

- e) intends to carry out activities or projects not complying with environmental requirements;
 - f) has not got the necessary permits issued by the competent authority for the proposed activities;
 - g) qualifies as an undertaking in difficulty: an undertaking as defined under Annex 8 of Government Decree 85/2004 (IV.19) on regional support maps and procedures concerning state aid defined under Article 87 (1) of the Treaty establishing the European Community;
 - h) has been ordered by a decision of the European Commission to reimburse any aid; shall be ineligible and shall not receive financial contribution under the programme.
2. Furthermore, the following applicants shall be ineligible and shall not receive funding:
- a) anyone participating in the call procedure as a person cooperating in the course of decision preparation¹ anyone who is a decision-maker²;
 - b) excluded civil servants³;
 - c) close relatives of persons described under points a)-b);
 - d) business organisations owned by persons described under points a)-c);
 - e) any business organisation, foundation, civil organization, church or trade union, or structural units thereof with independent legal entity, which includes a person described under points a)-c) as a senior officer thereof, as a member of management or supervisory body or officer of the foundation, or as a member of the management or representative body of a civil organization, church or trade union⁴;
 - f) any civil organization, church or trade union, or structural units thereof with independent legal entity which
 - fa) has concluded or has had a cooperation agreement with a political party registered in Hungary (hereinafter: party) within five years preceding the publication of the call,
 - fb) has had a joint candidate running for national or European parliamentary seat or at local elections together with a party within five years preceding the publication of the call;
 - g) anyone whose exclusion has been published on the website pursuant to Section 13 of Act CLXXXI of 2007 on Transparency of Subsidies Provided from Public Funds.

12. Eligible costs

¹ **a person cooperating in the course of decision preparation:** pursuant to Section 2.(1) b) of Act CLXXXI of 2007 on Transparency of Subsidies Provided from Public Funds, shall mean any physical person who

- a) participates in preparation of the call for proposals or the funding decision either in an employment relationship or within the framework of civil law relationship,
- b) has consultative rights in the procedure aimed to adopt the funding decision or is a member of a body having such rights

² **decision-maker:** pursuant to Section 2.(1) c) of Act CLXXXI of 2007 on Transparency of Subsidies Provided from Public Funds, shall mean any physical person who

- a) is entitled to adopt the funding decision pursuant to his/her competence and scope of duties or is the head or member of the body entitled to do so,
- b) has significant influence in respect of the funding decision pursuant to his/her competence and scope of duties, thus in particular if he/she has a right of consent, veto or approval in connection with the funding decision, or if he/she is the head or member of the body having such rights

³ **excluded civil servants:** pursuant to Section 2.(1) d) of Act CLXXXI of 2007 on Transparency of Subsidies Provided from Public Funds, shall mean Government members, government commissioners, secretaries of state, special secretaries of state, presidents of the regional development councils, head of the central agency with competence for development policy issues, executive officers of the organizations established by the regional development council pursuant to law, members of the supervisory board and the executive officers of the organizations cooperating with the Sectoral Operative Programmes as well as members of its supervisory body

In line with Act C. of 2000 on Accounting, exclusively those costs shall be eligible which are incurred during R&D project implementation:

- **Personnel allowance:** Only actual personnel costs of researchers, technicians, other auxiliary staff directly involved in the given research project shall be eligible, exclusively to the extent of their employment in the supported project.
- **Contributions payable by employers:** Wage related charges (taxes and contributions) shall be eligible.
- **Costs of instruments, equipment and intangible assets** to the extent and period of their use under the project. If those are not used to the end of their useful life during the research project, their depreciation costs proportionate to project duration shall be eligible.

Costs of technological knowledge or licensed patents purchased or leased from external sources at market prices if the transaction has been carried out between independent parties and there is no sign of collusion.

Having regard to the fact that for non-profit organizations with legal entity not carrying out economic activities, public bodies and their institutes with legal entity present funding does not qualify as State aid (thus provisions under Government Decree 146/2007 (VI. 26.) shall not apply), costs of purchasing equipment and intangible assets shall be eligible in their case. If the purchase value of a given equipment was accounted for to the extent it was used under the project, than depreciation may not be accounted for, for the same equipment. Costs of procurements accounted for under this project must not be accounted for under other funded projects (also including EU co-financed projects), as this would result in double financing.

- **External service contract:** Costs incurred for consultancy or equivalent services exclusively and continuously used for research activities, including contracted research. These costs shall be **eligible only for 35% of total eligible project costs**, which rate may only be increased in justified cases with the special consent of the funder.
- **Other operational (material) costs**, including costs of materials, equipment and other similar products directly incurred during or linked to research activities.

Out of the above, **additional general costs**, i.e. actual overheads incurred under the project are eligible. However, it must be noted that total overheads cost per consortium-member must not exceed 10% of the total of the grant and that of the own resources of each member. For overheads costs not exceeding 5%, there is no need to justify them with bills and invoices.

The overheads actually incurred during the implementation of the project must be accounted for in accordance with the proportions established on the basis of the principles determined in the Accounting policy and the Cost Accounting Standards for Subsidized Costs of the beneficiary, promptly supported by calculations. Overheads include a proportionate part of the following with regards to the project: public utilities fees documented by an invoice, telephone, mobile phone subscription (pre-paid phone cards are not eligible), internet subscription fee, fuel costs, postage, rent, servicing, maintenance etc.

In the case of non-profit organizations with legal entity, public bodies, their institutes with legal entity and SME's not carrying out economic activities under the project, the following costs linked to industrial property rights shall be eligible:

- a) all costs incurred prior to the first issue of patent protection by the industrial property rights protection authority, including costs linked to the preparation, submission and examination of application, and costs incurred during the procedure for acquiring industrial property rights protection prior to granting the protection;
- b) translation and other costs linked to the acquiring or validation of protection at another industrial property rights protection authority - different from the one specified under point a);
- c) costs incurred during the procedure of application for protection, or while proving that protection conditions are met during an opposition procedure, or during the defence of the validity of protection, even if these costs are incurred following the granting of the protection.

Co-ordination costs: A maximum of 2% of the grant received for a project can be used to cover the costs of co-ordination activities. The distribution of this 2% among participants should be specified by the consortium agreement (even a single consortium-member may carry out these activities thus cover the relevant costs). Coordination costs may only be operation costs (e.g. personnel costs and their charges as well as material expenses).

Costs of informing the public and dissemination of results during the project: Beneficiaries shall inform the public about the objectives and benefits of successful proposals, and in the second half of projects also about their results. Project results may be disseminated e.g. at technical and scientific conferences, in scientific and technology periodicals, in freely accessible databases, or by means of open source-code and free software. **A maximum of 2% of the grant may be used** for dissemination purposes. **Enterprises (or non-profit organizations and public bodies carrying out economic activities under the project) may account for costs linked to dissemination exclusively as de minimis aid.** A financial plan on dissemination shall be compiled, which shall be a part of the communication plan. Informing the public and dissemination of results shall include the following:

- Creating a Project-board, which shall be placed on the wall of the institution, undertaking, laboratory etc. concerned. The board shall contain the name and duration of the project, the name of the funder (NKTH) and the source of funding (Research and Technology Innovation Fund);
- Organizing conferences, workshops, exhibitions and auxiliary equipment for them: boards, molinos, brochures, invitation cards etc.;
- Creating a website, or using an existing one;
- Publication (print or electronic, i.e. books, articles in periodicals, CD, etc.);
- Other communication tools which suit the given project.

If the applicant is not entitled for VAT refund under the funded project, the base of total cost calculation for the applicant shall be the gross sum of total expenses of the project including VAT. If the applicant is entitled for VAT refund, the base of total cost calculation for the applicant shall be the net sum of total expenses excluding VAT.

Consortium members shall only conclude private contracts necessary for R&D project implementation (including all contracts involving issuing invoices) with each other - having notified the other consortium members - and exclusively with the prior written consent of NKTH.

The smallest amount of eligible costs shall be gross HUF 2000 on a single invoice, costs smaller than that shall not be eligible.

Project costs may be charged to the beneficiary's own resources from the submission deadline of the proposal, and to the funding, from the date of the funding decision.

13. Evaluation Criteria of Project Proposals

- conformity of the project proposal with the objectives of the programme,
- scientific, technology and innovation content of the project proposal, economic and social exploitation and necessity of its results, and its contribution to the development of a given field in Hungarian and international environment,
- feasibility of the project proposal, marketability of results, export possibilities, quality of the submitted business plan presenting exploitation and quality of the communication plan,
- professional and business competence of participating organizations, whether the financial background is adequate for providing the own share of financing, and the amount of the own share or external source as matching funds,
- number of new, knowledge intensive workplaces to employ (researchers with university diplomas and five years of relevant professional experience, engineers), number of PhD students and early stage researchers,
- contribution of the project to strengthening synergy with EU (especially FP7) projects,

14. Indicators

Indicators are used for monitoring the progress and efficiency of projects under the programme.

Target values should be set on consortium level **in the proposal**, **target values** set in the proposal shall be included in a Schedule of the funding contract. Target values in the project proposal must be realistic, not meeting those values shall trigger sanctions, pursuant to the provisions of the funding contract. Consortia shall provide indicator data at the submission of reports and at other milestones defined by the provisions of the funding contract. Indicators are included in Table 4.

For all applicant consortia, requested target indicators at the end of the project are as follows:

- Number of products or services or technologies or prototypes or candidate varieties in the pre-market phase and ready for business exploitation: minimum 1.
- Number of involved PhD students and/or postdoctors⁵ and/or early stage researchers: minimum 3 persons working at least 50 days per year each on the project.
- Number of domestic and international publications: minimum 10 altogether
- Detailed presentation of project results at international conferences: 1

15. Disclosure of Data of Public Interest

Pursuant to the Act CLXXXI of 2007 on Transparency of Subsidies Provided from Public Funds, the Office shall publish the following data set forth by the Act on the website operated by Ministry of Local Government (www.kozpenzpalazat.gov.hu).

- a) subject and publisher of the call,
- b) applicant,
- c) requested funding if possible,

⁵ see Government Decree 156/1997. (IX.19.) on post-doctoral employment and on János Bolyai Research Scholarship

d) involvement pursuant to section 8 of the Act.

The Office shall publish the name of the decision-maker within 15 days upon proposal evaluation, and

a) deletes the given data of unsuccessful proposals, or

b) publishes the amount of funding provided.

The Office shall publish - with the exception of invoices and bills - the submitted and approved final financial report of the project. Any business secrets in the published report shall be made illegible.

The Office shall erase published data at the end of the fifth year following the last day of the calendar year in which the applicant became entitled to apply.

The data published on the website can be searched and browsed by anyone free of charge.

To ensure the publication of prescribed data, all applicants shall fill in the field on **involvement and conflict of interest** (21m) on the page containing the data of the applicant in the Application form.

The publication of the above data shall not result in the disclosure of data - especially concerning technological procedures and solutions, manufacturing processes, work management and logistics methods, as well as know-how - the availability of which would result in disproportionate harm to the business activities, provided this right shall not hinder the disclosure of data of public interest.

II. Guide to Compiling Proposals

1. Detailed Description of Project

1.1 Title Page of Project Proposal

National Technology Programme

<i>Year of proposal submission</i>	
<i>Code and name of sub-programme</i>	
<i>Project acronym</i>	
<i>Title of project</i>	
<i>Name of consortium leader enterprise</i>	
<i>Name of project leader (person representing the consortium)</i>	

The eight-digit acronym of the project is provided by the applicant consortium. **If your present proposal is an updated version of a rejected one submitted earlier to a previous Jedlik or Technology call, please use the first 7 digits of the 8-digit acronym of the previously submitted proposal.**

1.2 Forms

Application Form

An Excel file titled **2009InnovAlapKitoltesiUtmutato** contains a guide to the Application Form. The Application Form can be found in another Excel file titled **2009InnovAlapPalyUrlap**. The form and its guide are available for download from: www.nkth.gov.hu and www.magzrt.hu. (The links are located right next to the Call for Proposals). Please read the instructions of the guide carefully and fill in the form accordingly.

The Application Form has a twofold function: on the one hand, it contains the details of the project, on the other hand, that of the consortium members, as well as the financial plan breakdown for different reporting periods in both cases. **It is strongly recommended that the financial plan in the Application form should be filled in after the work-plan has been compiled (including the description of work packages and corresponding activity periods)!**

Start with filling in the first four worksheets (details of the project) of the excel file. Those are:

- worksheet titled "11 Details of the Project/Proposal". Please first choose the sub-programme of the TECH call under which you wish to apply in the upper-right corner of the page, then provide the 8-digit acronym chosen by the consortium. **Tasks financed by the required funding must be carried out in Hungary, thus only Hungarian addresses may be provided under 'main locations of implementation' in 11h!** If your project needs any permission (from an authority or an ethical permit), please indicate this fact in line 11m. Project leader is kindly requested to provide an email address under 11z which is checked regularly, as all requests (e.g. for correction) and information regarding the proposal shall be sent to that address.

- worksheet titled “11a Details of the Project/Proposal-Continued”. **Please provide the Hungarian and English language short description of the project in approximately 1000 characters which may be published as a press release.**
- worksheet titled “11b Details of the Project/Proposal-Continued”. Section number 11bb does not concern the Technology Call, thus it is unnecessary to fill it in. For section number 11bc, please indicate the experts playing a key role in project implementation and their work-time spent on the project. Section 11bd shall automatically calculate a summary of all participants registered under 21p on the page containing the data of given applicants. If you wish, you may name two persons in section 11bg whom you would oppose as evaluators of your proposal.
- on worksheet titled “12 Budget of the Project/Proposal”, dates of activity periods must be filled in, which will be automatically displayed in the budget charts of each consortium member. Budget of the project box cannot be filled in directly, it is filled in automatically as a total of the budgets of all members.

Then each consortium member must fill in 2 worksheets in the following order:

- start with the consortium leader institute,
 - then carry on with consortium members applying for funding,
 - finally consortium members using their own resources exclusively.
- worksheet titled “21 Details of the Applicant”. Those non-profit and public organizations which carry out economic activities under the project must indicate this fact in line 21h. Pursuant to the Act CLXXXI of 2007 on Transparency of Subsidies Provided from Public Funds, all applicants shall fill in the fields on involvement and conflict of interest (21m) to ensure the publication of prescribed data. If more organizational units of a given higher education institution participates in a project, please indicate the names and codes (available at <http://www.nkth.gov.hu/egysegszintu-azonosito>) of participating organizational units (e.g. departments) on the form.
 - and worksheet titled “22 Budget of the Applicant”. **If you are entitled to VAT-refund, do not forget to fill in field 22b2. If enterprises (and non-profit organizations, public bodies or institutions of public bodies) account for costs concerning dissemination, i.e. they use de minimis aid, please indicate the amounts of de minimis aid received in the given financial year and preceding two financial years in line 22b.** Please indicate the amounts planned for dissemination in line 22r2.

Guidelines for filling in the budget fields:

- The total budget of an activity period should be indicated in the year when the given activity period ends, i.e. when the financial report is submitted. Always fill in the first cost-column under a given year, and only use the second if you are planning 2 reporting periods for the given year.
- For the total duration of the project, **the amount of total advance payment may be 95% for public institutions, and maximum 90% of the receivable funding for other institutions** (enterprises, foundations etc.). When determining advance payment scheduling, please note that for the last 5% or 10% of the grant advance payment shall not be provided (e.g. for a project with three activity periods, applicants may request 100% of the contribution for the first and second activity periods as advance payment, - if the funding for the first two activity periods does not exceed 90% or 95% of total funding for the given member - however, for the third activity period, applicants may only request advance payment to the extent to ensure that 5% or 10% of the total funding receivable by the given applicant shall remain unpaid). The advance payment

received must be accounted for within the period set forth by Government Decree 133/2004. (IV.29). Advance payment instalments shall be scheduled corresponding to activity periods. Advance payment instalments shall only be transferred following the approval of the activity report on using the previous instalment and following the submission of the relevant financial report.

- Advance payment should be indicated in the column of the activity period when the advance payment is to be used.
- All costs indicated in financial charts (including the total costs field) must include non-deductible VAT. The fields "Total costs incl. VAT" must contain deductible VAT also.
- VAT-deduction right must be indicated in accordance with the declaration.
- The lines: "Included overheads, co-ordination, dissemination" of the charts are not extra costs, these costs are already included in the lines indicating operation costs. These fields must be filled in. **Coordination and dissemination costs are considered on the project level (thus the consortium decides which members implement the given tasks and cover relevant costs). Coordination and dissemination costs shall be accounted for exclusively under the funding.**
- Following the completion of financial plans, check the funding intensity of consortium-members one-by-one.

In the Application Form only the yellow and green fields (the latter for authorized signature) can be filled in directly, all the other fields are write protected. **Orange fields are filled in either automatically based on data in other fields, or by selecting an item from a pop-up list.** A few fields are filled in using the yellow buttons next to them.

Thus **it is not possible to modify white fields or directly type in orange fields.**

Please fill in all fields accurately, as the formal checking sheet is automatically generated from the electronically submitted application form, and in case of missing or incorrectly filled in data, the sheet shall show ineligibility!

In the case of consortia, the first four pages of the printed Application Form contain data about the project, while further worksheets contain the details of consortium members. On top of the 4 + 2 pages (the latter per consortium member) there is no need for printing out additional, empty worksheets. Please provide authorized signatures on the form (pages concerning the project shall be signed by the coordinator, while pages concerning members shall be signed by the given consortium member).

Indicator Form

The form has to be filled in having regard to the planned project (i.e. one indicator form has to be filled in for each project). Target values of monitoring indicators (at project closing) undertaken by the applicant consortium must be filled in the form. The system automatically sends an error message if any of the compulsory fields of the form is blank, thus if you do not undertake a target value for a given indicator, please display zero in the given field. The coordinator enterprise shall provide the authorized signature on the form. The indicator form was created only in Hungarian, its electronic submission serves data summary purposes. Data provided in Table 4 titled monitoring indicators of both the Hungarian and the English project proposal must be identical with those provided in the form. Professional reports must include the status report concerning indicators.

1.3. Work plan

Please compile the **work-plan** of the proposed project in **approximately 25 pages**. Content requirements of the work-plan:

- Describe the comprehensive aim and objectives of the project.
- Describe the product, technology, process or service to be developed under the project
- **Describe the innovative nature of R&D activities planned under the project in the Hungarian and international context.** Please check what Hungarian and international patents exist under the topic of the project, and what is the novelty and innovation content of your planned project as compared to existing patents and professional publications.⁶ Please also consider that certain topics may not be patented.
- Give a summary of the applicants' R&D activities and results preceding the project and providing grounds for it.
- Present earlier R&D activities and achieved results as well as references of consortium members.
- **Describe the activities of the proposed project.** Coherence and justification of planned work packages, basic research, industrial (applied) research and experimental development activities. Professional and scientific content, implementation steps, scheduling and deliverables of tasks. Sum up the planned tasks according to **Table 1**. Describe project implementation by a **Gantt-chart (Table 2)** too. Tasks on the Gantt-chart are indicated by stripes, the length of which are proportionate to the duration of respective work packages, and logical links between them are indicated by arrows. (Instead of A, B, and C, indicated in the example-chart bellow, use the number of work package.)
- **Dissemination plan:** For industrial research, the dissemination plan shall include dissemination to a wide audience at technical and scientific conferences, and/or in scientific and technology periodicals, and/or in freely accessible databases, and/or by means of open and shareware software. A dissemination plan must be compiled, and it shall include the following:
 1. a short and clear description of project objective,
 2. objective and target audience of the dissemination plan, and
 3. applicable tools and activities,
 4. scheduling
 5. financial plan.
- **Business plan:** In the business plan describe the plans and opportunities linked to exploitation. Demonstrate the expected direct and indirect impacts of the project, e.g. expected results of marketing new products, processes or services as results of development

⁶ useful databases include e.g.:

- <http://elajstrom.hpo.hu/?service=PIPACS&lang=EN>
- http://ep.espacenet.com/advancedSearch?locale=en_ep
- <http://www.wipo.int/pctdb/en/index.jsp>
- <http://www.google.com/patents>
- <http://scholar.google.com/>
- www.eisz.hu
-

activities at international and Hungarian level (amount, lifecycle period, return on investment, improvement in productivity, development of industry, improvement of quality, social and environmental advantages, etc). In the plan, describe the following:

1. Market analysis, market entry
targeted markets, product positioning, exploitation/method of entering the market (e.g. technology transfer: licence, spin off company, direct sales) introducing competitors and competition analysis, competitive edge, sales channels
2. Risk assessment
Main risks of the business exploitation of products, technologies, processes and services, as well as the mitigation opportunities thereof
3. Estimated capital needs beyond project duration
Amount and scheduling of the capital needed for further development
4. Financial plan describing the exploitation of project results
business model, revenue-expense plan, description of costs-structure, output plan

1.4. Tables and Charts to be Filled in Accordance with the Work-Plan

As an appendix to the approximately 25-page work-plan, please fill in the following tables.

Table 1: Description of project tasks

Nu m- ber	Name of task	Number of consorti um member involved	Leader of the task (person)	Start date	End date	Cost of task* (1000 HUF)	Type of task**
1.				yy,mm,dd	yy,mm,dd		

* The sum must contain non-deductible VAT

** Basic research, industrial (applied) research, experimental development

Table 2: Gantt chart

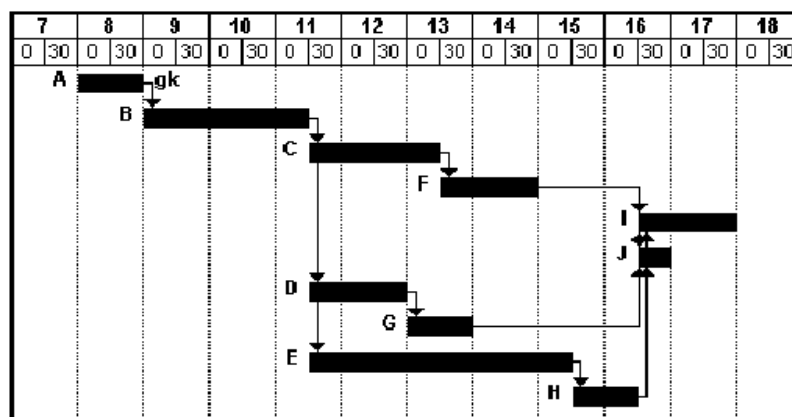


Table 3: Activity Periods of the Project

Design the activity periods of the project according to the work plan. Each reporting period must end with compiling an activity report and a financial report. **Please note that following the end date of an activity period, the relevant activity and financial reports must be submitted within 30 days.** Plan 1 – or in exceptional cases 2 – reporting period(s) annually.

Then, in **Table 3**, list which work packages (of the tasks described in Table 1) are going to be carried out by **which consortium member** for each period. Also put down the estimated costs of each consortium member per period. Costs must include non-deductible VAT.

There is no limit to the number of planned work packages per period. Each reporting period must end with compiling an activity report and a financial report. Please note that if you plan a reporting deadline after 30th September, the transfer of the reimbursement of the corresponding activity period may be postponed to the following calendar year due to possible delays in the approval procedure.

Make sure that dates and costs provided in Table 3 correspond to the data in the Application Form.

Table 3

Name of consortium member:	
Report number:	Start and end of activity period: <i>yy,mm,dd</i>
Name of work packages	Scientific content of work packages in the given reporting period
Deliverables:	
Form of documenting tasks and deliverables:	
Publication of results:	
Total costs (in thousand forints)	

Table 4: Project monitoring indicators

Certainly, only those lines of the Table must be filled which are relevant to the project. Please note that you must undertake the minimum level of required target indicators referred to in the

previous chapter. Please submit target indicators undertaken in the form electronically, too. In the form, please indicate the target values to be achieved by the end of the project (points 1-4) and in 3-5 years following the end of the project (point 5).

Indicators	Target value piece/person	Target value FTE
1. Project results with direct exploitability		
Number of newly developed products		
Number of newly developed services		
Number of newly developed technologies		
Number of newly developed prototypes		
Number of patent applications		
number of Hungarian patent applications out of the above		
number of international patent applications out of the above		
Number of patents granted		
number of Hungarian patents granted		
number of international patents granted		
Number of Hungarian utility model protection applications		
Number of Hungarian utility models protected		
Number of Hungarian design protection applications		
Number of Hungarian designs protected		
Number of Hungarian plant variety protection applications		
Number of Hungarian plant varieties protected		
Number of candidate varieties reported for classification		
Number of candidate varieties classified		
Number of new projects as results of the original project		
number of Hungarian projects out of the above		
number of international projects out of the above		
Number of Hungarian intellectual property rights utilised in the project		
2. Human resources		
Total number of employees under the project (persons, FTE)		
number of women involved in the project out of the above (persons, FTE)		
number of PhD students involved in the project out of the above (persons, FTE)		
number of female PhD students involved in the project out of the above (persons, FTE)		
number of postdocs involved in the project out of the above ⁷ (persons, FTE)		
number of female postdocs involved in the project out of the above (persons, FTE)		
number of early stage researchers involved in the project out of the above (persons, FTE)		
number of early stage female researchers involved in the project out of the above (persons, FTE)		
total number of workplaces created by the project out of the above		
total number of researcher positions created by the project out of the above		

⁷ see Government Decree 156/1997. (IX.19.) on post-doctoral employment and on János Bolyai Research Scholarship

number of researchers with scientific degrees involved in the project out of the above (persons, FTE)		
number of researchers without scientific degrees involved in the project out of the above (persons, FTE)		
Number of researchers participating in the project (persons, FTE)		
researchers under 35 out of the above (persons, FTE)		
female researchers under 35 out of the above (persons, FTE)		
researchers between 36-55 out of the above (persons, FTE)		
female researchers between 36-55 out of the above (persons, FTE)		
researchers between 56-65 out of the above (persons, FTE)		
female researchers between 56-65 out of the above (persons, FTE)		
researchers over 65 out of the above (persons, FTE)		
female researchers over 65 out of the above (persons, FTE)		
Number of researchers returning to Hungary as a result of the project (persons, FTE)		
3. Social and economic exploitation		
Implementation of horizontal approaches (sustainable development, environmental protection, equal opportunities, security, reducing regional disparities)		
Number; and type of dissertations (MSc, PhD, HAS doctor)		
Dissemination of project results (e.g. presentation at open fora) (form and quantity)		
at Hungarian fora (number of events)		
at international fora (number of events)		
Form and number of results exploited in education / training		
Number of publications presenting project results		
number of Hungarian publications out of the above		
number of international publications out of the above		
Total number of entities exploiting project results		
number of SME's exploiting project results out of the above		
number of large enterprises exploiting project results out of the above		
number of international enterprises exploiting project results out of the above)		
Number of spin-off companies created		
Number of new industrial relationships created by the project		
4. Financial resources		
Own resources share of the project (HUF)		
Total amount of external capital used as own resources (e.g. venture capital, bank loan etc.) (HUF)		
Hungarian capital investment out of the above (HUF)		
foreign capital investment out of the above (HUF)		
5. Long term economic exploitation (3-5 years following the end of project)		
Number and sear of companies, institutions, cooperatives and enterprises exploiting the results		
Total number of entities exploiting project results		
number of SME's exploiting project results out of the above		
number of large enterprises exploiting project results out of the above		
number of international enterprises exploiting project results out of		

the above)		
Number of workplaces retained		
Number of Hungarian intellectual property utilised in the project		
Amount of extra turnover as a result of the project (HUF)		
extra turnover inland out of the above (HUF)		
extra turnover generated abroad out of the above (HUF), and the list of countries where the turnover was generated		
Cost reduction and savings as a result of the project (HUF)		
Further co-operation with universities, research institutions (number of projects)		
Number of new projects as results of the original project		
Domestic out of the above		
International out of the above		
6. Other special monitoring indicators applying specifically to the project provided by the applicants		

1.5. Description of the professional activities of applicants

Describe the professional activities of applicant **organizations** and **persons** having a key role in the project (for each consortium member).

The professional activities of applicant organizations (maximum half a page per organization) and persons (maximum one page per person) should be described specifically, with respect to the topic of the project proposal. Provide brief professional biographies and reference lists of the project leader, the work package leaders and any other persons having a key role in the project (if the company carrying out basic research under the project fails to introduce its researchers with relevant background, than its basic research activities and requested funding intensity linked to them shall be deemed to be unfounded). Provide a list of persons participating in task implementation under **table 5**. Provide a brief description of the way of involvement of postdocs, PhD students and early-stage researchers in the project and the tasks to be carried out by them. Please make sure that **one person is indicated only once in the table** and the indicated work-time spent is realistic. More names may be indicated in Table 5 as on page 11b of the Application Form, however, pay attention to the coherence of the data provided.

Key experts indicated on the form should register in the expert database of NKTH by filling in and submitting the Expert Form - if they have registered earlier, they should update their data.

Table 5

Name of expert	Acronym of expert	Status of R&D participant*	Number of consortium member	Number of tasks	Work time spent (FTE)
Total (FTE)					
The Full Time Equivalent (FTE) of staff					

* Please use the following categories when filling in the 'Status of R&D participant' column: doctor of HAS, researcher with PhD degree, researcher without PhD degree, postdoctor (early-stage researcher with a PhD degree), early-stage researcher without PhD degree, PhD student, university student, technician/assistant, project management.

If there are R&D participants (e.g. PhD students) whom are unidentified at the time of proposal submission, than please fill in all the data except for the name.

The Full Time Equivalent (FTE) of staff working on the project should be calculated on the basis of 262 days/year. With a view to the concentration of intellectual resources and focussed research and development, the aim is **to achieve that the total work time of R&D staff participating in the project should be at least as much as the Full Time Equivalent calculated for 10 R&D staff members during the total duration of the project.** (Full Time Equivalent, FTE). For example, if the project lasts for 3 years, the FTE field shall contain at least 30 (i.e. there shall be an average of 10 people working on the project annually). The activity reports of successful projects shall include the number of persons actually participating in the given activity period and their work time.

1.6. Description on project management

Describe project management structures, with a special emphasis on the various decision-making mechanisms to be used during the project, how the flow of information will be ensured among consortium members and what measures will be taken to guarantee quality of work. The description should not be longer than 1 page. The consortium leader must be an enterprise carrying out for-profit business activities as its primary activity. The name of the financial director designated by the institution responsible for the project should also be indicated.

1.7. Description of projects and project proposals of similar topics

National and international research and development projects (of each consortium member) which have been carried out in the same or a similar topic and either received funding in the last 3 years or are still under evaluation should be presented according to the Table 6.

Table 6

Title		
Objective (max. 250 characters)		
Partners		
Experts participating in both this proposal and the project referred to		
Own role		
Publisher of Call, funding organization, (in the case of NKTH, call acronym)		
Funding received or required		
Beginning:	End:	Status (in %):
Results (max. 250 characters)		

1.8. Link to the projects of the European Community

In case a project is linked to the R&D programmes of the European Union, it should be described how the proposed project is related to the international project, what are the similarities and differences between them, which organizations participate and carry out what

tasks and what are the deliverables. A summary should be provided of the tasks of the applicants in the two projects, especially with regards to funding resources.

If a funded enterprise takes part in a project and it receives public contribution for the same tasks (from the sub-systems of public finances as well as from international sources, on the basis of intergovernmental agreements, including the European Union), the use of both funding falls under the restrictions concerning the maximum funding intensity.

1.9. Financial plan

Describe in detail and justify the following costs in the Financial plan for each consortium member:

- the amount, scheduling and necessity of advance payment (for all relevant activity periods), if requested,
- if you want to receive reimbursement on general costs (overheads), its expected amount;
- other material expenses which exceed net HUF 5 million;
- justify the necessity of equipment and intangible assets
- if you involve other financial resources in the project, provide its form (funding from another organization) and amount. Please take note of point 1.8 (when calculating funding intensity, other Public funding provided for the project shall be added to the funding amount requested under this call);
- the form, source and amount of own resources. Please describe in detail if you involve external capital as own resources and provide its amount.
- if the planned total cost of subcontracting exceeds 10% of the total project budget or HUF 20 million, describe the tasks to be carried out by subcontractors and their expected costs. If, during implementation, the actual subcontracting fees deviate from the planned figures by more than 10%, describe the reasons for the deviation in the activity report. Please note that during project planning and implementation, applicants must observe the relevant provisions of public procurement legislation (if selection of subcontractors may exclusively be carried out in a public procurement procedure, the project proposal may not include the name of the subcontractor).

Budget plan must be realistic, as proposals containing unjustified costs may be refused.

1.10. Description of the management of applicants

To demonstrate the management of the previous 2 years, please fill in the requested data in the Application Form. If the organization has been operating for less than a year, the data should be projected for the period of a year. Public organizations do not have to describe their financial management.

2. Compiling the proposal

Please compile the project proposal in Hungarian and in English on A4-size sheets, the proposal should comprise of the following parts bound in the appropriate order (see description). The heading of each page of the proposal must include 'National Technology Programme', the code of the sub-programme (e.g. A1 or A2) and the acronym as displayed on the form. The pages (including enclosed documents) should be numbered consecutively. All pages of the original proposal must be signed by the project leader.

The **Hungarian** and **English** copy should contain the following parts in the following order:

- Title page
- Table of Contents
- Application Form

- Indicator Form
- Detailed Description of Project
- Declaration of intent to establish of a consortium
- Appendix titled Declarations

Each proposal compiled in compliance with the Guide for Proposers should be submitted in Hungarian (1 original) and English (1 original) languages, in separately bound volumes in a closed parcel. The forms have been compiled only in Hungarian, thus please attach the Hungarian form to the English proposal. The English version of the application form is generated by NKTH based on the data electronically submitted in the Hungarian application form by the applicants. Target indicators provided in table 4 of the guide must be included both in the Hungarian and the English versions of the proposal (i.e. target values in the indicator form shall be provided in the proposal as a table).

Apart from the address, please display 'National Technology Programme', the number of sub-programme and the proposal acronym on the parcel

Compiling the electronic proposal:

Electronic forms have to be submitted to the following e-mail addresses:

- the correctly filled in Application Form to: alap2009@nkth.gov.hu,
- the indicator form to: indikator2009@nkth.gov.hu

Upon receiving the files, the receiving server of NKTH sends an automated response. If you receive an error message in the response, please correct the given file and resend it. The system takes the last sent file into consideration. Please attach the version of the forms to the electronic application which have not generated an error message in the system.

The Hungarian and the English language version of the full project proposal - excluding the forms - (in 2 separate pdf files) and the application and indicator forms without syntactic errors (as xml format) should be compressed into a single zip file and sent to technologia@nkth.gov.hu. Pdf files should include the Schedules without signature. NKTH shall send a confirmation of receipt within 3 workdays upon receiving this zip file (following the processing of letters). Please make sure that the **size of the letter** to be submitted **does not exceed 5MB**, as the mail server of NKTH will bounce files exceeding that limit, also check whether your mail server is capable of sending a file of that size.

Filename convention for the two pdf files: TECH_09_A4-xxxxxxx-zz, where A4 stands for the number of the sub-programme (e.g. A4 means Liveable and Sustainable Environment), x-s stand for the 8-digit acronym given by the applicant, and zz stands for the language code (en or hu). Thus the two files of a life sciences proposal may be named as follows: TECH_09_A1_elovilag_hu, and TECH_09_A1_elovilag_en. The names of the third and fourth files (.xml) are automatically generated when saving the data-content of the Forms (Application Form and Indicator Form).

The name of the compressed (zip) file containing the four files above should be the same as the first 19 characters of the name of the pdf files containing the project (the names of the call and the proposal separated by a hyphen). Please include the 8-digit acronym in the subject of the letter. **Please note that evaluation is carried out based on the electronic project proposals!**

III. Information on the Selection Procedure of the National Technology Programme, on contracting and implementation

1. Submission and formal assessment of proposals

In order to ensure the preparation of efficient and professional evaluation, please **submit a draft of the application form** to alap2009@nkth.gov.hu **two weeks prior to submission deadline**. The data in the form (including the financial plan) are indicative and may be changed by submission deadline. Any new version of the form sent by the submission deadline shall automatically overwrite the old one, thus the latest version before the deadline shall be considered.

The **hard copy of the final proposals** should be prepared according to the instructions of the previous section and submitted in closed parcels by post to the following address:

MAG - Magyar Gazdaságfejlesztési Központ Zrt.

(Address: 1539 Budapest, Postafiók 684)

Please send as parcel and also display the following on the cover on the parcel: "**MAG – Magyar Gazdaságfejlesztési Központ Zrt. 1448 Budapest, Rb.: 684**". Please remember putting the name of the call and project acronym on the parcel.

Please note that there is no room for personal submission!

Please send the final version of proposal documentation to the e-mail addresses set forth above.

Submission (posting and electronic submission) deadline:

Spring call: 17 March 2009.

Autumn call: 26 August 2009.

The Call for Proposals, the Guide for Proposers, the Application Form and the Guide to the Application Form are available for download from the following websites:

National Office for Research and Technology (www.nkth.gov.hu),
and from the website of **Magyar Gazdaságfejlesztési Központ Zrt.** www.magzrt.hu.

You may ask questions concerning the call and the elaboration of proposals via e-mail sent to technologia@nkth.gov.hu or to info@magzrt.hu. The acronym of the proposal and the name of the programme (TECH) should be indicated in the subject field. Questions are answered within 5 work days.

Applicants are kindly asked to read the Call for Proposals and the Guide for Proposers as well as the list of Frequently Asked Questions available at www.nkth.gov.hu, as their questions might be answered immediately without the 5-work-day delay.

The Guide for Proposers, the Application Form and its Guide are integral parts of the Call for Proposals. These documents together contain all necessary requirements for proposals.

Applicants shall be informed in writing of the registration of their proposals.

Exclusively those project proposals shall be forwarded for evaluation which meet formal requirements. Submitted proposals shall be checked against formal requirements. In case of the absence of some minor details, the applicant concerned shall be invited to submit the missing

documents within five workdays. In case of major reasons for ineligibility, the proposal is excluded from further stages of evaluation.

The project proposal is automatically rejected for formal reasons if:

1. the proposal package has not been submitted by post,
2. the proposal package has not been submitted by the deadline specified in the call,
3. the consortium has not submitted the English and the Hungarian language project proposal and the application form without syntactic errors electronically in the prescribed format to the e-mail addresses set forth by the guide by the deadline
4. there is inconsistency between the electronic and paper versions of the proposal (also including the forms),
5. the printed proposal package has not been submitted, or it only contains either the Hungarian or the English version,
6. funding intensity of the applicant exceeds the prescribed limits, or the "qualification code" under point 21[h] of the Application Form is not filled in, or the necessary data for funding intensity calculation are not included in the Application Form submitted via e-mail,
7. the funding requested by the consortium is not in line with the minimum and maximum amounts of funding set forth by the guide,
8. project duration is not in line with the guide,
9. the total funding of enterprises carrying out for-profit business activities as primary activities does not reach 50 % in the project,
10. the consortium leader is not an enterprise carrying out for-profit business activities as its primary activity,
11. the proportion of basic research in the project exceeds 30%,
12. if the company carrying out basic research under the project fails to introduce its researchers with relevant background, than its basic research activities and requested funding intensity linked to them shall be deemed to be unfounded,
13. the FTE headcount of employees working under the project continuously throughout the total project duration is less than 10,
14. the applicant failed to undertake to meet the requested target indicators,
15. the detailed description of the project (work-plan), the business plan or the dissemination plan is missing from the hard copy or the electronic version of the proposal,
16. any of the consortium members do not fall under the definition of eligible applicants at the time of proposal submission or they are excluded on a legal basis or on the basis of reasons determined in this call for proposals,
17. the hard copy or the electronic project proposal has not been compiled in accordance with the Guide (except for those cases where the Guide explicitly provides room for submitting missing data).

18. the proposal contains false data.

In case of minor deficiency (missing information), the project leader shall receive an e-mail to the address provided on the Application Form requesting the project leader to submit missing data within 5 workdays. Missing information qualifies as such deficiency if:

1. the project leader did not sign one or more pages,
2. for consortium member enterprises and non-profit organizations, management data of the previous two years are missing from the application form,
3. the signature of any of the consortium members is missing from the Application Form, the indicator form or from the schedules: "declarations", "declaration of intent to establish a consortium",
4. the consortium did not send the indicator form without syntactic errors to the e-mail address provided above
5. key experts did not register in the expert database of NKTH

If missing data are not posted within 5 workdays by the consortium, the proposal shall be ineligible!

Applicants are informed about rejection or eligibility of the proposal.

2. Evaluation criteria, decision-making

2.1 Evaluation criteria, decision-making process

Evaluation takes place following each call.

During evaluation consortia whose members include members of accredited clusters (clusters having received the Accreditation Certificate in the call published by the National Development Agency to issue “Accredited Innovation Cluster” certificates) may receive a maximum of 2 extra points if they attach the declaration of the managing organization of the accredited cluster stating that the project proposal is in line with the strategic and action plan of the accredited cluster.

Evaluation criteria and scores are included in **Table 7**. Projects not reaching the required threshold for any of the main evaluation criteria shall not be forwarded to the Evaluation Committee.

Table 7

Evaluation Criteria	Maximum score	Score awarded
1. Correspondence of project proposal to the objectives (maximum 5 points)		
1.1 Does the project proposal correspond to the objectives of the call?	YES/ NO	
1.2. Does the project proposal correspond to the priorities of the sub-programme?	0-5	
2. Professional, scientific, technology and innovation content of the project (maximum total: 28 points, threshold: 20)		
2.1 Scientific content and significance of the project	0-10	

2.2 Where do R&D results created as a result of the project represent scientific-technological novelty?	0-8	
• at an international level	5-8	
• Hungary	0-4	
2.3 Has the project proposal got well-defined and clear objectives?	0-5	
• Yes	3-5	
• Partially	1-2	
• No	0	
2.4 The applicants' R&D results concerning the topic, prior to the project	0-5	
3. Feasibility of the project proposal (maximum 10 points, threshold: 7)		
3.1 Are project objectives and results achievable by implementing the tasks described in view of the present state of science? Is the use of chosen technologies justified and are they apt for implementing the tasks?	0-2	
• Yes	2	
• Partially	1	
• No	0	
3.2 Are the R&D tasks described necessary and sufficient to achieve the objective and the desired result?	0-3	
• Yes	3	
• Partially	1-2	
• No	0	
3.3 Can the tasks set by the project be carried out during the planned duration?	0-2	
• Yes	2	
• Partially	1	
• No	0	
3.4 Can work package implementation be measured and supervised?	0-3	
• Yes	3	
• Partially	1-2	
• No	0	
4. Budget of the project proposal, economic background of applicants (maximum 14 points, threshold: 7)		
4.1 Are the planned costs justified for meeting project objectives? Is cost distribution among consortium members in line with the distribution of tasks and is the share of enterprises therein appropriate?	0-10	
• Yes	7-10	
• Partially	1-6	
• No	0	
4.2. Consortium members contribute to the project with significant own resources	0-3	
• Requested funding intensity % / maximum intensity % < 80%	3	
• 80% ≤ requested funding intensity % / maximum	1	

intensity % $\leq 90\%$		
Requested funding intensity % / maximum intensity % > 90 %	0	
4.3 Does the financial situation of consortium members (e.g. from the point of providing their own financial resources) guarantee successful project implementation?	0-1	
5. Competence of organizations and persons involved in the project (maximum 16 points, threshold: 11)		
5.1 Are participating organizations capable of project implementation from a professional point of view?	0-5	
Yes	5	
Partially	1-4	
No	0	
5.2 Role of accredited clusters in project implementation	0-2	
the consortium leader of the applicant consortia is a member of an accredited cluster	1	
The number of enterprises in the same accredited cluster out of the member enterprises of the given consortium reaches the requested minimum (number of consortium members - number of cluster members: 2-1, 3-2, 4-3, 5-3, 6-4)	1	
5.3 Is project management capable of carrying out the tasks?	0-2	
Yes	2	
Partially	1	
No	0	
5.4 Are participating persons capable of project implementation?	0-5	
Key experts have international R&D experience in the topic	4-5	
Key experts have Hungarian R&D experience in the topic	1-3	
No R&D experience	0	
5.5 More than 3 PhD students, postdocs or early-stage researchers to be employed	0-1	
5.6 Does the total labour time spent of at least half of the key experts on the project exceed 50% of their full labour time?	0-1	
6. Social and economic exploitation of results (maximum 23 points, threshold: 16)		
6.1 Does the project proposal contribute to solving a priority problem?	0-5	
At an international level	3-5	
At the national level	1-2	
No	0	
6.2 The R&D result of the project enables the consortium to enter directly to the	0-4	
international market	2-4	
domestic market	1	
6.3 Validity of the business plan, introduction of competitors (planned expenses - incomes, cost efficiency)	0-5	
6.4 Number of research positions created	0-2	
6.5 Number and significance of undertaken product(s),	0-2	

service(s), technology(ies), prototype(s) and candidate variety(ies) (minimum 1 is compulsory)		
6.6 The number of undertaken target indicators (on top of the required ones):	0-3	
3 or more	3	
2	2	
1	1	
0	0	
6.7 Is the project proposal linked to the Research and Development Programmes of the European Union?	0-2	
7. Dissemination plan (maximum 4 points)		
7.1 Way of reaching the target audience, clear description of project objectives and cost effective use	0-1	
7.2 Dissemination of project results at conference(s) with international participation (at least 1 conference is compulsory)	0-1	
7.3 Dissemination of project results through international and domestic publications (at least 10 publications are compulsory)	0-2	
Total	0-100	

Please note that if a project proposal does not meet the evaluation criteria under 1.1 (e.g. it may not be considered an R&D project, or has no relevance to any of the sub-programmes under the given call), the given proposal shall be rejected during evaluation.

Each consortium may name two persons (name and workplace) whom they oppose as evaluators of their proposals.

Proposal evaluation takes place in two-steps:

1. Project proposals are evaluated by independent, external experts of the fields concerned giving scores and written evaluation. The relevant Evaluation Committee shall not discuss those proposals which have not received 70 points as total score on average from external experts, which have failed to reach the threshold at any of the main evaluation criteria, or which belong to the lower 30% of the ranking list set up for each sub-programme based on the average points.
2. Evaluation Committees are set up for each sub-programme. Evaluation Committees shall evaluate and rank project proposals on their desks. Evaluation Committees evaluate proposals from professional quality, exploitation and efficiency point of view. Evaluation Committees set up a ranking list of proposals for each sub-programme.
3. A Governing Board is set up for the whole programme, the members of which are the chairs and 1 further member of each Evaluation Committee. The Governing Board may invite representatives of consortia for consultation to present the selected project and answer questions. The final ranking order of proposals is recommended by the Governing Board to the president of NKTH.

International experts participating in the selection procedure guarantee that the evaluation takes place according to international standards.

The president of NKTH makes the final funding decision. The list of successful proposals and applicants, as well as the amount of funding is published on the website of NKTH within 5 days following decision. The short description of successful proposals (based on the description provided by the applicants in the Application Form) may be published by NKTH.

The applicant receives a written notification about the funding or rejection of the proposal within 10 days following decision.

There is no further appeal or recourse of any kind against funding decisions. Upon request, the summary of evaluation reports (without scores) are made available to the applicants within 30 days after the decision without disclosing the names of the evaluators.

You may request the summary of evaluation reports by sending an e-mail to technologia@nkth.gov.hu, indicating the sub-programme (e.g. TECH_09_A1) and the eight digit acronym of your proposal.

3. Concluding a contract and financing procedures

Every project leader receives a notification about the decision within 10 work days. In case of a successful proposal, the **contract proposal** is also enclosed. The funding contract and its schedules shall be sent to the e-mail address of the project leader provided in the application form.

The **contract proposal is valid for a maximum of 60 days** upon receipt of the notification on the decision (Government Decree 133/2004. (IV. 29.)). Until that deadline, the rules of proposal commitment apply to the decision. If the contract is not signed until the deadline of the beneficiary's fault, the funding decision becomes automatically null and void.

First, organizations concerned should sign a multi-lateral consortium agreement (rights and obligations of the members, regulation of mutual relations, joining and leaving, intellectual property rights), which becomes valid with the authorized signature of each participant. The consortium leader must make a declaration about having concluded a consortium agreement. This document is a prerequisite of the funding contract. The work plan and the financial plan of the successful proposal constitute the basis for the contract.

The following must be enclosed with the contract:

- depending on the legal status of the beneficiaries
 1. for business partnerships, a genuine copy of a valid certificate of incorporation not older than a month or a copy thereof certified by a notary public not earlier than 30 days before (instead of a certificate of incorporation, an official certificate issued by Company Registration and Company Information Service working beside the Ministry of Justice is equally acceptable).
 2. for public bodies, a certified copy of the deed of foundation or the statutes, not older than 30 days; for bodies created by law, a copy of the law with the indication of the place and date of publication (title of official review/journal, year of publication, issue number; e.g. Magyar Közlöny 2004).
 3. for organizations obliged to be registered by court, a genuine copy of a court certificate not older than 30 days or a copy thereof certified by a notary public, which clearly shows who is entitled to represent the organization and in what ways (joint/independent representation).
- a genuine copy of a valid specimen signature, or a copy thereof certified by a notary public;
- the actual version of *Declarations* attached to the proposal

- for beneficiaries, a prompt collection order for all bank accounts of the beneficiaries open to transactions during the duration of the contract.
- Certificate of existence of own financial resources

Funding can be appropriated according to the financial plan laid out in the contract. NKTH makes the funding available after checking and approving the implementation of the tasks and remits it to the beneficiary upon latter's request, proportionately to the funding.

Advance payment instalments shall be scheduled corresponding to activity periods. Advance payment instalments shall only be transferred following the approval of the activity report on using the previous instalment and following the submission of the relevant financial report if beneficiary has no payment obligations payable to the Fund or to budget provisions specified in Paragraph (2), Section 16 of Atv. overdue by more than 60 days (e.g. unaccounted advance payment).

The advance payment received must be accounted for within the period set forth by Government Decree 133/2004. (IV.29).

The final 10% - for public bodies 5% - of total funding may only be transferred after the approval of the final activity and financial reports.

4. Monitoring the use of funding

With the help of independent experts, the implementation of the R&D project is evaluated at each activity period, based on the work-plan. Each activity period must be closed by the submission of an activity report and a financial report on the date specified in the funding contract. The report is complete if it contains the activity report as described below, as well as the cost reports of all members concerned, and the cost report summary by the consortium leader, together with the appendices specified by the funding contract.

4.1 Activity report

Activity reports also to be submitted electronically must include a detailed description of the activities of the research and development activities in the given period set out in the work and financial plans of the project as well as the results. The activity report should follow the work plan of the given activity period on the basis of the work and financial plans, and it should contain the following parts:

- title page: on the title page display the title and the acronym of the project, the number of the funding contract, the number of the activity period, the actual start and end date of the reporting period, the name of beneficiaries, the project leader's name and the website of the project if there is one;
- contents page;
- a brief summary of the results of previous reporting periods;
- list and status of work packages undertaken for the given reporting period or rescheduled from a previous/later period (finished, partly finished, postponed, advanced, cancelled, etc.) with a justification of the differences;
- description of tasks accomplished and results achieved in the given reporting period in not more than 25 pages if possible (due to this limit, all extra information helping

evaluation and not constituting business secret - e.g. minutes, charts, pictures, newspaper clippings - may be published on the website of the project);

- the list of the publications linked to the project, published or approved, in the given activity period (articles, presentations), print or electronic publications, patents, etc; (NKTH should be displayed as sponsor on publications);
- a comprehensive table of the costs planned and actually incurred during the activity period (with justification), also providing dissemination costs and an explanation of any differences;
- the name as well as the planned and actual total work time of participants spent on R&D activities in a given reporting period with a justification of any differences;
- monitoring data, with regards to target values described in the professional appendix of the proposal. Please submit the indicator form containing the achieved, cumulated indicator data electronically to indikator2009@nkth.gov.hu;
- measures concerning publicity and dissemination of information in the given reporting period.
- describing the incentive effect of funding received.

If there is a difference between the work packages planned and those actually accomplished, justification is necessary. The activity report must be signed by the project leader. Reports must be compiled according to the specific properties of each proposal. The contents of activity reports - apart from confidential data - may be published. NKTH may ask the representative of the consortium to present the professional development of the project in front of the monitoring body appointed by NKTH or at an open forum.

The activity report is evaluated based on the electronic version.

NKTH may proportionately decrease the amount of funding if expert evaluators have not or have only partly accepted the implementation of work packages undertaken for the given activity period.

4.2 Financial report

Beneficiaries must keep separate accounting of the costs of the project complying with relevant legislation (e.g. with the Accounting Act). Costs of the project must be accounted for in accordance with the financial plan included in the appendix of the funding contract regarding the received funding, as well as own and other financial resources.

Costs of the project may be charged to the beneficiary's own resources from the submission deadline of the proposal, and to the grant, from the date of the funding decision.

The financial report will only be approved upon approval of the activity report. The financial report must correspond to the performance displayed in the activity report. If, according to the expert opinion, a task has not or not fully been carried out, costs linked to the task shall be proportionately decreased and approved proportionately to the performance.

Financial reporting is governed by the funding contract. The person entitled to represent the beneficiary, assuming all responsibilities, makes a statement about the costs incurred in the reporting period and - documented by invoices or other conclusive receipts - states their exact amounts and resources. The beneficiary must provide an authorized signature, which must be countersigned by the auditor of the beneficiary. A cost report and a summary invoice statement

must be enclosed with the declaration, all of which have to be submitted electronically, too. The acronym of the project and the sum charged to the project must be indicated by the consortium member concerned on each item of the documentation to be accounted for.

The declaration by the consortium leader of successful projects – about total costs incurred during the project reporting period - shall also be submitted.

The procedure of accounting for advance payments is identical to that of accounting for partial performances; they may entirely coincide.

The overheads actually incurred during the implementation of the project must be accounted for in accordance with the proportions established on the basis of the principles determined in the Accounting policy and the Cost Accounting Standards for Subsidized Costs of the beneficiary, promptly supported by calculations. Overheads include a proportionate part of the following with regards to the project: public utilities fees documented by an invoice, telephone, mobile phone subscription (pre-paid phone cards are not eligible), internet subscription fee, fuel costs, postage, rents, etc. Costs eligible as overheads can **exclusively** be accounted for as overheads among material expenses.

Pursuant to Section 87 (11) of Government Decree 217/1998 (XII.30.), if total project costs are reduced compared to the planned total, the amount of funding shall also be reduced proportionately to the decrease in total costs corresponding to the original funding rates.

The funder and certain organizations eligible under the law are entitled to monitor or check the implementation of the total project and to monitor the proper use of funds, as well as that of the own and other financial resources. During these checks, all documents must be presented which prove that the disbursements have been made to achieve project objectives and which support the price-value ratio.

4.3. Monitoring funded projects

As the manager of the Research and Technology Innovation Fund, the National Office for Research and Technology is responsible for the efficient and transparent use of the Fund resources. This requires the continuous follow-up of programmes and R&D projects implemented with the financial contribution from the Fund, as well as the monitoring of the progress thereof, i.e. the creation and operation of a monitoring system pursuant to the provisions of Government Decree 198/2005 (IX. 22).

In line with the above, the Office shall carry out monitoring activities to supervise effective project implementation, the achievement of project objectives, the performance of R&D tasks under the funding contract and project implementation according to schedule. Monitoring tasks include: collection and statistical analysis of project indicators, verbal hearing and on-spot supervision.

Monitoring process runs independently of project reports and activity periods. Monitoring of R&D projects shall be carried out by sectoral bodies set up by the Office, which - based on the monitoring process - shall be entitled to propose the amendment of the objectives and the funding contract of monitored projects, to recommend the decrease of funding or the termination of the contract in justified cases.

4.4 Sanctions for breaching the funding contract

Sanctions for breaching of the funding contract are the following:

- suspension of funding;
- paying liquidated damages in the amount set forth by paragraph (1) Article 88/A of Government Decree 217/1998. (XII. 30.) (the daily rate of liquidated damages is 1/365th of 10% of the relevant funding; detailed rules are set forth by Article 88/A of Government Decree 217/1998. (XII. 30.) and the funding contract).
- withdrawal from contract, funding already paid must be returned in a lump sum within 15 days, adding interest (twice the central bank base rate at the time of withdrawal but at least 20%, pursuant to paragraph (4) Article 88 of Government Decree 217/1998. (XII. 30.)) and other expenses,
- immediate termination of contract,
- exclusion from the support-system.

Detailed regulations are set forth by Sections 87-88/A of Government Decree 217/1998 (XII.30) and Section 18 of Government Decree 133/2004 (IV.29) and by the funding contract.

4.5. Closing the project

At the end of the project, besides the regular activity and financial reports, the final report has to be compiled. The final report describes the scientific and technical content of project results, the relationship of the financial plan to the use of funding, the economic and social exploitability of results and also provides a summary evaluation of the project which is appropriate for publication.

The project can be considered as implemented if objectives and tasks defined in the funding contract are implemented according to the contract. This may be included in the final protocol. If project costs per beneficiary, thus total project costs are reduced compared to the planned total, the amount of funding shall also be reduced proportionately.

**COMMISSION REGULATION (EC) No 800/2008 of 6 August 2008
declaring certain categories of aid compatible with the common market in application of
Articles 87 and 88 of the Treaty (General block exemption Regulation)**

ANNEX I.

Definition of SME

Article 1

Enterprise

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.

Article 2

Staff headcount and financial thresholds determining enterprise categories

(1) The category of micro, small and medium-sized enterprises ('SMEs') is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

(2) Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

(3) Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Article 3

Types of enterprise taken into consideration in calculating staff numbers and financial amounts

(1) An 'autonomous enterprise' is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.

(2) 'Partner enterprises' are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of paragraph 3, either individually or jointly to the enterprise in question:

a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business angels), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;

b) universities or non-profit research centres;

c) institutional investors, including regional development funds;

(d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.

(3) 'Linked enterprises' are enterprises which have any of the following relationships with each other:

- a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 2 are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as shareholders.

Enterprises having any of the relationships described in the first subparagraph through one or more other enterprises, or any one of the investors mentioned in paragraph 2, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An 'adjacent market' is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

(4) Except in the cases set out in paragraph 2, second subparagraph, an enterprise cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.

(5) Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the thresholds set out in Article 2. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such declarations are made without prejudice to the checks and investigations provided for by national or Community rules.

Article 4

Data used for the staff headcount and the financial amounts and reference period

(1) The data to apply to the headcount of staff and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax (VAT) and other indirect taxes.

(2) Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial thresholds stated in Article 2, this will not result in the loss or acquisition of the status of medium-sized, small or micro-enterprise unless those thresholds are exceeded over two consecutive accounting periods.

(3) In the case of newly-established enterprises whose accounts have not yet been approved, the data to apply is to be derived from a bona fide estimate made in the course of the financial year.

Article 5

Staff headcount

The headcount corresponds to the number of annual work units (AWU), i.e. the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration. The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of AWU. The staff consists of:

- a) employees;
- b) persons working for the enterprise being subordinated to it and deemed to be employees under national law;
- c) owner-managers;
- d) partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.

Article 6

Establishing the data of an enterprise

(1) In the case of an autonomous enterprise, the data, including the number of staff, are determined exclusively on the basis of the accounts of that enterprise.

(2) The data, including the headcount, of an enterprise having partner enterprises or linked enterprises are determined on the basis of the accounts and other data of the enterprise or, where they exist, the consolidated accounts of the enterprise, or the consolidated accounts in which the enterprise is included through consolidation.

To the data referred to in the first subparagraph are added the data of any partner enterprise of the enterprise in question situated immediately upstream or downstream from it. Aggregation is proportional to the percentage interest in the capital or voting rights (whichever is greater). In the case of cross-holdings, the greater percentage applies.

To the data referred to in the first and second subparagraph are added 100 % of the data of any enterprise, which is linked directly or indirectly to the enterprise in question, where the data were not already included through consolidation in the accounts.

(3) For the application of paragraph 2, the data of the partner enterprises of the enterprise in question are derived from their accounts and their other data, consolidated if they exist. To these are added 100 % of the data of enterprises which are linked to these partner enterprises, unless their accounts data are already included through consolidation.

For the application of the same paragraph 2, the data of the enterprises which are linked to the enterprise in question are to be derived from their accounts and their other data, consolidated if they exist. To these are added, pro rata, the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included in the consolidated accounts with a percentage at least proportional to the percentage identified under the second subparagraph of paragraph 2.

(4) Where in the consolidated accounts no staff data appear for a given enterprise, staff figures are calculated by aggregating proportionally the data from its partner enterprises and by adding the data from the enterprises to which the enterprise in question is linked.

(1) Beneficiary of funding (name of enterprise/enterprises receiving funding, SME or not):