Funding of the development of the TEN-Transport Railway Network in Hungary
The **National Infrastructure Developing** Private Company Limited (NIF Zrt.) as a developer private company owned by the government carries out professional transport programmes. The company carries out its implementation tasks – the development of expressways, roads and railways – in a cost-effective way, creating by that way for everybody the possibility of a European standard of transport.

100% of the NIF Zrt. is the property of the Hungarian State and the ownership rights are exercised by the **Hungarian Development Bank** Private Limited Company (MFB).

The members of the supervisory board are appointed by the exerciser of the shareholders' (owners') rights, specifically, the chairman of the supervisory board shall be appointed by the State Audit Office of Hungary (ÁSZ).
The predecessor of NIF Zrt. was the National Motorway Ltd. (NA Rt.) founded in 1999 for the development of the Hungarian expressway network.

Since 2007, the national road developments that are implemented with the help of resources of the European Union became a part of the sphere of activities of the Company.

Since 01.07.2007 the investment and building tasks of railway developments which are financed by the EU became a part of the tasks of the Company.

In respect of the implementation of the infrastructural investments that are to be realized by means of resources of the European Union, the NIF Zrt. is the beneficiary. According to the contracts related to the realization of the investments, the liabilities of the client and/or employer are fulfilled by the NIF Zrt, the performance of contractors is acknowledged by the NIF Zrt., and invoices are accepted and settled by the NIF Zrt.
The organisational structure of the project management
TEN-T railway network of Hungary

TEN-T railway lines in Hungary (2727 km)
Railway line reconstructions with support of the European Union
Financing sources of the railway infrastructure development

- TEN-T projects – financial contribution of TEN-T EA
- ISPA/Cohesion Fund (CF) 2000-2006
- KIOP projects – Environment and Infrastructure Operative Program of the 2004-2006 National Development Plan
- KÖZOP projects – Transport Operational Program of the New Hungary Development plan 2007-2013
- Funds granted in the 1067/2005. Governmental Decrees for the preparation of EU projects
- EIB and EBRD loans – managed by MÁV, all these projects are already closed
Funding of the development of TEN-T rail network 2007-2010

<table>
<thead>
<tr>
<th>Costs in EUR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>State budget</td>
<td>41 415 711</td>
<td>81 140 346</td>
<td>91 895 005</td>
<td>37 885 031</td>
<td>252 336 093</td>
</tr>
<tr>
<td>TEN financing</td>
<td></td>
<td>391</td>
<td>237 369</td>
<td>1 015 282</td>
<td>1 253 042</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>23 512 169</td>
<td>87 020 636</td>
<td>150 872 474</td>
<td>95 753 899</td>
<td>357 159 178</td>
</tr>
<tr>
<td>Structural funds (ERDF)</td>
<td>21</td>
<td>0</td>
<td>5 589</td>
<td></td>
<td>5 610</td>
</tr>
<tr>
<td>Action promoter (Public or Private)</td>
<td></td>
<td></td>
<td>164 167</td>
<td>66 133</td>
<td>230 300</td>
</tr>
<tr>
<td>Other sources</td>
<td></td>
<td>24</td>
<td></td>
<td>5 718</td>
<td>5 742</td>
</tr>
<tr>
<td>Sum</td>
<td>64 927 900</td>
<td>168 161 396</td>
<td>243 174 605</td>
<td>134 726 063</td>
<td>610 989 964</td>
</tr>
</tbody>
</table>

Note: NIF is in charge of railway development since 2007
Legal framework 1

- Act no. CLXXXIII of 2005 on railway transport
- Act no. CV of 2008 on the legal status and management of budgetary institutions
- Decree no. 8/2008 (III.18) GKM on the performance of certain tasks in connection with the national transport network in public ownership and development of the national transport network, as well as on the regulations of using certain transport network financing appropriations that are mentioned in single chapters.
- Government regulation no. 1095/2007. (XII.5.) Korm. on the approval of the specification of certain priority project proposals of the action plan.
Legal framework 2

TEN-T railway projects 1.

2006-HU-92204-S
Preparation of Detailed Design and Tender Documentation (Infrastructure and Signalling) Implementation Works of the Railways Line Székesfehérvár-Boba
€8,000,000, NIF

2007-HU-06100-S
Studies for preparation of approval of the railway line section Budapest-Keleti-Miskolc-Nyiregyhaza
€16,000,000, NIF

2007-HU-22020-S
Preparation of design for approval for the railway line section Biatorbagy (incl.)-Tata (excl.)
€2,500,000, NIF

2007-HU-91301-S
FEREX - Ferihegy Express - Preparation study of a PPP project for railway link between Budapest city centre and Budapest Ferihegy (TEN-T) International Airport
€6,000,000, Ministry

2007-EU-22070-S
Studies for the development of the Railway Priority Project 22.
€13,000,000, MÁV

2009-HU-60139-P
Retrofitting of MÁV-TRAKCIÓ locomotives with ETCS equipment to be operated on “Corridor E”
€4,000,000, MÁV-Trakció
**TEN-T railway projects 2.**

Beneficiary: Ministry of National Development (the operational tasks are delegated to NIF)

Professional contributor: Coordination Center for Transport Development (KKK)

European guidelines, no national legal framework, tasks of governmental entities regulated by subsidiary contract between Ministry, KKK and NIF (or MÁV, national railway company)

Funding available for studies or works which contribute to the TEN-T program objectives.

Available for Member States, international organisations, joint undertakings, or public/private undertakings or bodies.

Annual and multi-annual calls, due to the long designing period the strict deadlines are hard to meet.
The application for funding is handed in to DG Move by the Ministry for National Development in the name of the Member State after the checking of the Ministry and KKK.

The European Commission is taking a decision about the application. After the decision the KKK is signing a support contract with NIF whereby they delegate the tasks and the funding to NIF.

The financial contribution of the EU is 50% of the net costs.
Reporting:
• Monthly reports are prepared for the ministry and KKK
• Yearly progress report for the Commission

Public procurement procedure:
• All procurements and contract modifications are underlying an ex-ante quality assurance of KKK and are accepted by the Ministry.
• The contracts are countersigned by KKK.

Payment of invoices:
• Invoice are sent together with monthly reports, are paid by KKK directly to contractors through the State Treasury
### ISPA/CF projects 1.

<table>
<thead>
<tr>
<th>Section</th>
<th>Code</th>
<th>End of Subsidiary Contract</th>
<th>Budget - EUR</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budapest-Cegléd-Szolnok-Lőkösháza railway section rehabilitation I. phase</td>
<td>ISPA/200/HU/16/P/PT/001</td>
<td>31.12.2009</td>
<td>184 958 335,00</td>
<td>ISPA/CF</td>
</tr>
<tr>
<td>Zalalővő-Zalaegerszeg-Boba railway section rehabilitation</td>
<td>ISPA/200/HU/16/P/PT/003</td>
<td>31.12.2010</td>
<td>203 786 448,00</td>
<td>ISPA/CF</td>
</tr>
<tr>
<td>Szajol-Debrecen railway section - tender and detail design for the reconstruction</td>
<td>2005/HU/16/C/PA/001</td>
<td>31.12.2010</td>
<td>5.294.118</td>
<td>CF</td>
</tr>
<tr>
<td>Budapest-Cegléd-Szolnok-Lőkösháza railway section rehabilitation II./1 phase</td>
<td>2001/HU/16/P/PT/007</td>
<td>31.03.2010</td>
<td>105.220.000,0</td>
<td>ISPA/CF</td>
</tr>
<tr>
<td>Budapest-Cegléd-Szolnok-Lőkösháza railway section rehabilitation II./2 phase</td>
<td>2004/HU/16/C/PT/001</td>
<td>30.9.2010</td>
<td>129 088 540</td>
<td>ISPA/CF</td>
</tr>
</tbody>
</table>
**ISPA/CF projects 2.**

**Beneficiary:** MÁV till 30.06.2007, followed by NIF

**Intermediate Body:** Coordination Center for Transport Development (KKK) till 2007, followed by KIKSZ Közlekedésfejlesztési Zrt. (KIKSZ Transport Development Ltd.)

**EU Delegation:** till the accession ex-ante approval was needed for quality assurance.


MÁV is a development partner in these contracts as they will operate the infrastructure – they cooperate on the development of the technical content.

Funding was used for construction works, all projects on the TEN-T network, all projects have a Commission Decision as they are major projects.
The application for funding is handed in to the Intermediate Body and they advise a decision for the National Development Agency. After that they prepare a governmental decision proposal, and the government is forwarding the proposals for approval to the European Commission.

The financial contribution varies as follows: 50-50, 75-25, 80-20, 85-15 percents *(EU-Member State)*
ISPA/CF projects 4.

Reporting

• monthly status reports for the Intermediate Body
• half-yearly monitoring report for the Commission and monitoring committee session

Public Procurement:
PRAG till 01.05.2004 (Practical Guide to Phare, Ispa & Sapard Contract Procedures)

After accession public procurement procedure: All procurements and contract modifications are underlying an ex-ante quality assurance of the Intermediate Body. If contract was signed before the subsidiary contract, ex-post quality assurance and countersigning
**ISPA/CF projects 5.**

**Experiences:**

- The closure of the projects were postponed from 2006 to 2010
- The subsidiary contracts were signed for construction even the tender and detailed designs were not prepared at that time
- The public procurement procedures were extended, the quality assurance took longer time
- The project budgets were underestimated, cost overruns were hard to handle in the complicated and ever changing institutional framework
### KÖZOP railway projects 1.

<table>
<thead>
<tr>
<th>Priority</th>
<th>%</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving the international road accessibility of the country and the regional centres *</td>
<td>17,1</td>
<td>1 212 405 508</td>
</tr>
<tr>
<td>2. Improving the international railway and waterway accessibility of the country and the regional centres</td>
<td>28,6</td>
<td>2 024 831 498</td>
</tr>
<tr>
<td>3. Improving regional accessibility</td>
<td>24,6</td>
<td>1 744 596 739</td>
</tr>
<tr>
<td>4. Linking up the modes of transport and improving the intermodality and the transport infrastructure of economic centres</td>
<td>2,5</td>
<td>178 911 126</td>
</tr>
<tr>
<td>5. Improving urban and suburban public transport</td>
<td>25,9</td>
<td>1 833 887 141</td>
</tr>
<tr>
<td>6. Technical assistance</td>
<td>1,4</td>
<td>96 280 110</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>7 090 912 122</td>
</tr>
<tr>
<td>Project</td>
<td>Parameters</td>
<td>Costs, billion HUF</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Budapest – Lőkösháza III/1. phase</td>
<td>2</td>
<td>120-160</td>
</tr>
<tr>
<td>Gyoma-Békéscsaba section reconstructin track + signalling</td>
<td>2</td>
<td>100-160</td>
</tr>
<tr>
<td>Budapest – Lőkösháza III/2. phase</td>
<td>2</td>
<td>36,0</td>
</tr>
<tr>
<td>Békéscsaba-Lőkösháza section track + signalling</td>
<td>2</td>
<td>100-160</td>
</tr>
<tr>
<td>ETCS-2 between Budapest - and Lőkösháza (RO/HU border)</td>
<td>2</td>
<td>21,4</td>
</tr>
<tr>
<td>Szajol - Püspökladány sections reconstruction track + signalling</td>
<td>2</td>
<td>9,6</td>
</tr>
<tr>
<td>ETCS-2 between Szajol - Püspökladány</td>
<td>2</td>
<td>14,8</td>
</tr>
<tr>
<td>Szolnok(excl.) - Szajol(excl.) section reconstruction track + signalling</td>
<td>2</td>
<td>109,9</td>
</tr>
<tr>
<td>Budapest – Székesfehérvár I/1. phase</td>
<td>2</td>
<td>120-160</td>
</tr>
<tr>
<td>Budapest - Székesfehérvár section reconstruction track + signalling</td>
<td>2</td>
<td>120-160</td>
</tr>
<tr>
<td>Budapest – Székesfehérvár I/2. phase</td>
<td>2</td>
<td>7,1</td>
</tr>
<tr>
<td>ETCS-2 between Budaööst - Székesfehérvár</td>
<td>2</td>
<td>24,0</td>
</tr>
<tr>
<td>Székesfehérvár station reconstruction, over- and underpasses arrond Érd</td>
<td>2</td>
<td>120-160</td>
</tr>
<tr>
<td>Bajánsenye – Boba ETCS-2</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>GySEV (Raaberbahn) project</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>Sopron-Szombathely-Szentgotthárd track + signalling</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>GSM-R - MÁV-Trakció</td>
<td>-</td>
<td>59,0</td>
</tr>
</tbody>
</table>

**Sum of Pirority 2**

<table>
<thead>
<tr>
<th>Project</th>
<th>Parameters</th>
<th>Costs, billion HUF</th>
<th>Period of works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of Pirority 2</td>
<td></td>
<td>515,9</td>
<td>617,8</td>
</tr>
<tr>
<td>Project</td>
<td>Parameters</td>
<td>Costs, billion HUF</td>
<td>Period of works</td>
</tr>
<tr>
<td>---------</td>
<td>------------</td>
<td>--------------------</td>
<td>-----------------</td>
</tr>
</tbody>
</table>
| **Bp - Esztergom I. phase**  
Budapest (Óbuda) - Esztergom track reconstruction | 1 track 80-100 46 nettő 58 br. | 2011-2014 |
| **Bp - Esztergom II. phase:**  
Bp.-Rákosrendező – Újpest tack section, Esztergom station, Esztergom-Kertváros – Almásfüzitő track reconstruction, Bp. – Esztergom section electrification | 1 track 80-100 28 35 | 2012-2014 |
| **70a line I/a phase**  
| **70a vonal I/b phase**  
Bp.Nyugati station. reconstruction | 18 track 40-80 27 34 | 2013-2015 |
| **70a vonal I/c phase:**  
Vác station reconstruction | 15 track 40-100 13 16 | 2012-2014 |
| **P+R, B+R parking in the suburban railway lines arround Budapest** | - - 5 6 | 2012-2013 |
| **40a line Bp - Pusztaszabolcs I. phase**  
Bp.-Kelenföld(exl.) - Százhalombatta (incl.) | 2 track 100-120 45 56 | 2012-2015 |
| **71 line**  
Rákospalota-Újpest(exl.) – Vác(exl.) | 1 track 120 20 25 | 2013-2015 |
| **100a vonal**  
Kőbánya-Kispest(exl.) - Cegléd | 2 track 120 11 14 | 2013-2014 |

**Sum of Pirority 2**  
226 283
KÖZOP railway projects 3.

**Beneficiary:** NIF  
**Intermediate Body:** KIKSZ Transport Developing Ltd.

**Legal framework:** 16/2006. (XII. 28) MeHVM PM co-regulation about the tasks of the entities and procedures  
**new:** 4/2011. (I. 28.) governmental decree on the order of usage of the European Regional Development Fund, European Social Fund and the Cohesion Fund in the 2007-2013 programming period  
- simplified application processes  
- shortened payment deadlines (from 60 to 45, from 30 to 15 days)  
- ......
The Hungarian institutional system for KÖZOP
The Hungarian institutional system for KÖZOP 2.
KÖZOP railway projects 3.

**Major projects:** – above 50 million Euros:
The application for funding is handed in to the Intermediate Body (KIKSZ) and they advise a decision after a project *jury* by professionals for the National Development Agency. After that they prepare a governmental decision proposal, and the government is forwarding the proposals for approval to the European Commission. There is an EC decision about the projects.

**Application for funding** is prepared by consultants (tendered by NIF). It consist of Application Form, CBA, Feasibility Study, Environmental and Technical Summary. *Contribution of Jaspers*

The financial contribution for non-revenue generating projects: 85% EU – 15% Member State. In case of revenue generating projects: the financial gap is founded 85% - 15% (calculated in the ex-ante and ex-post CBA)
Construction projects under 50 million Euros: no Application is prepared for the Commission

**Preparing of projects**: consists of design for approval, detailed design and tender design, land acquisition, archaeology

If a project is designated for the programming period in the governmental decree 1063/2007 (VII. 15.), 1095/2007 (XII. 5) or 1008/2008 (II. 7) there is no project jury, after a filling a fiche the supporting contract can be signed.

Even applying for preparing costs, the limits for land acquisition (max 10%) and for preparing costs (max 6% of total project costs) needs to be taken into account.
Reporting
• monthly status reports for the Intermediate Body
• quarterly monitoring report for Intermediate Body

Public Procurement:
Public procurement procedure: All procurements and contract modifications are underlying an ex-ante quality assurance of the Intermediate Body. If contract was signed before the subsidiary contract, ex-post quality assurance and countersigning.
Since the beginning of 2011 the Intermediate Body is in charge of the technical details of the procurement, after it’s approval the National Development Agency’s Public Procurement Inspection Department is assuring the compliance with national and community regulations.
Experiences

• Eligible and non-eligible costs were not enough clearly defined which lead to a long dispute within the institutions and has hindered the payment of invoices.
• Due to the crises construction costs of public procurements were shrinking – the maximal proportion of land acquisition (10%) and preparing (6%) were overrun due to the lower construction costs
• Additional works: there was now procedure, the Intermediate Body could not judge them, invoices were not paid for months
KÖZOP railway projects 7.

Experiences

• As invoices are directly paid by the Intermediate Body through the State Treasury, the lead time of it is long, should be 60 days.
• Supporting contract modifications are complicated, takes several months. Without the modification of indicators no new or modified contract can be paid.
• Changes in the procedure of supporting contract modification: under 10% change between lines and indicators can be made by a simple notification document
• Monthly reports need to be handed in on paper, cd, and internet database – unnecessary parallelism
Experiences

• The Hungarian environmental protection legislation was not harmonized entirely perfect with the community law – it lead to issues due to which the authorization process needed to be reissued

• Specially about major project DG Environment had several concerns and amendments needed to be done – local environmental authorities needed to understand community legal framework better – also with the help of the beneficiary.
Thank you for your attention!

Questions?