

No. 1 AMENDMENT OF CALL FOR PROPOSAL

The Ministry of Foreign Affairs and Trade calls for proposals

regarding the aid to increase competitiveness

ID NUMBER OF THE CALL FOR PROPOSAL: VNT2020-1

I. Purpose of the call

The purpose of the call is for the Hungarian State to encourage the medium-sized and large enterprises to implement investments necessary for the economy, as a result of the COVID-19 pandemic (coronavirus pandemic), by providing a non-refundable direct grant.

II. Donor and Managing Body

The aid under Decree 7/2020 (IV. 16.) of the Ministry of Foreign Affairs and Trade on the Aid to increase competitiveness, necessary as a result of the coronavirus pandemic (hereinafter: “Decree”) is provided by the **Ministry of Foreign Affairs and Trade** (hereinafter: **Donor**). Pursuant to Section 49 of Act CXCV of 2011 on Public Finances and Section 5 of the Decree, the Donor appoints an organisation to administer the tasks related to the aid. **The Managing Body administering the scheme shall be HIPA Hungarian Investment Promotion Agency Non-profit Private Limited Company Limited by Shares** (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: Cg.01-10-140442) – hereinafter: “**HIPA**”.

III. Entities eligible for submitting an application, eligibility criteria

1. The call is open for medium-sized or large enterprises, with registered office, place of business or branch office in Hungary, operating in any industry or economic area, with the exception of those listed below and stipulated in Section 8(1) of the Decree (hereinafter: “**Applicant**”).

No competitiveness increasing aid may be granted for

- a) activity in the steel industry;
- b) activity in the shipbuilding sector;
- c) activity in the coal industry;
- d) activity in the synthetic fibre industry;
- e) transport of passengers by aircraft, maritime transport, road or rail and by inland waterway or freight transport services for hire or reward;
- f) primary agricultural production;
- h) projects in the fishery and aquaculture sector falling within Regulation 1379/2013/EU;
- i) energy production and energy supply projects;
- j) commercial activity;
- k) projects implementing activities subject to concession;
- l) projects aimed at tourism activity;

m) export-related activities, namely aid directly linked to the establishment and operation of a distribution network, or to other current expenditure incurred in relation to the export activity.

2. Those entities may participate in the call who prove that on 31 December 2019 they did not qualify as an undertaking in difficulty based on Section 6(4a) and (4b) of Government Decree 37/2011. (III. 22.) on procedures relating to State aid measures under the competition law of the European Union and on the regional aid map (State Aid Decree), but became an undertaking in difficulty due to the coronavirus pandemic or incurred other financial or economic difficulties.

Criteria of declaring an enterprise to be in difficulty:

a) in the case of companies where the liability of the members in respect of the company's debts is limited, and particularly in the case of joint stock companies and limited liability companies, if due to its accumulated losses the company lost more than half of its subscribed capital including also the contributions in excess of the nominal value, particularly if after deducting the accumulated losses from the component qualifying as own funds a loss exceeding half of the subscribed capital is generated,

b) in the case of companies where at least certain members have unlimited liability for the debts of the company, and particularly in the case of unlimited partnerships, deposit partnerships, joint ventures, associations and one-person firms, if the company lost more than half of its equity due its accumulated losses,

c) companies, against which insolvency proceedings have been launched within the meaning of the EU Regulation on Insolvency Proceedings, or at the request of its creditors insolvency proceedings may be launched in its own right,

d) a company, which

da) benefited from rescue aid and has not yet repaid the loan or the guarantee period has not yet expired, or

db) benefited from restructuring aid and still falls within the restructuring plan,

e) with the exception of small and medium-sized enterprises, a company whose debt-to-equity ratio in the past two years exceeded 7.5 and the interest coverage ratio calculated with the earnings before interest, taxation, depreciation and amortisation was below 1.0.

3. No aid may be granted to a company that

a) does not comply with the requirements stipulated in Section 48/B and 50 of Act CXCV of 2011 on Public Finances (Public Finance Act),

b) is under liquidation, bankruptcy, dissolution or other statutory proceedings aimed at its termination, ordered by a non-appealable ruling,

c) provided untrue, false or misleading data or made similar declarations, materially influencing the content of the aid decision,

or

d) fails to make the declarations prescribed in the Decree or in Section 75(2) of Government Decree 368/2011 (XII. 31.) on the Implementation of the Act on Public Finances (Public Finance Implementing Decree) or withdraws such declarations.

4. No aid shall be granted to

a) the Applicant that at the time of submitting the application is not included in the database of taxpayers with no outstanding public debt, or fails to submit a declaration of full probative value that it has no outstanding public debt and that it undertakes to apply for its registration in the database of taxpayers with no outstanding public debt;

b) the Applicant or to the related company of undertakings that based on a former resolution of the European Commission addressed to Hungary benefited from unlawful aid incompatible with

the internal market, and thus it had been called upon to repay the aid and it failed to comply with such repayment obligation.

5. Companies involved in the processing and distribution of agricultural products may benefit from the subsidy to improve competitiveness, if the amount of the aid does not depend on the full or partial transfer of the aid to the primary producer of the agricultural product and the amount of the aid is determined not on the basis of the price or volume of the products procured from the primary producers or distributed by the respective undertakings.

6. In the call the Applicant may submit an application for the implementation of an investment, the value of the funds necessary for the implementation of which is not less than net EUR 150,000.

7. Definition of the investment: shall mean an investment in tangible and intangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not previously produced in the establishment or a fundamental change in the overall production process of an existing establishment, or an acquisition of assets belonging to an establishment that has closed, and is bought by a third party unrelated to the seller and excludes sole acquisition of the shares of a company;

8. Location of the investment: shall be an estate which is the registered seat, the place of business or branch of the Applicant, owned by the the Applicant or leased by the the Applicant, if the lease agreement terminates not sooner than the end of the commitment period. All the assets purchased in relation with the investment have to be activated at the location of the investment.

IV. Terms and conditions of the application

1. Applicant shall, in its application
 - a) make a declaration that on 31 December 2019 it did not qualify as an undertaking in difficulty, but it became such, or experienced other financial or economic difficulties as a result of the coronavirus pandemic;
 - b) confirm that there is a causal link between the coronavirus pandemic and the decline in its sales revenues or in the value of its order book by at least 25%;
 - c) make a declaration that it is not responsible for the economic decline and it acted with reasonable care;
 - d) make a declaration that it has no insurance for the incurred losses or the insurance policy does not provide compensation for the incurred losses in full;
 - e) make a declaration that it has not started the investment prior to submitting its application.

V. Supported commitment (supported activity) and amount of the aid

1. When the application is approved, the Applicant, as beneficiary, will make a commitment in the Declaration
 - a) to maintain its base headcount from the date of the application until the end of the investment, but at least until 31 December 2020;

- b) to implement an investment in the net amount of not less than EUR 150,000 in Hungary until 30 June 2021.

2. The amount of the aid shall be determined as a percentage of the funds necessary for the implementation of the investment, as follows:

- a) investment in the net amount between EUR 150,000 and EUR 300,000: 30% of the investment
- b) investment in the net amount between EUR 300,001 and EUR 500,000: 40% of the investment
- c) investment in the net amount of over EUR 500,000: 50% of the investment

The grant equivalent of the aid, together with other aids granted on the basis of Section 3.1 of Commission Communication on the Temporary Framework for State aid measures to support the economy in the current COVID-19 pandemic ¹ (hereinafter: “**Communication**”) – also considering the related undertakings of the company in the respective Member State – shall not exceed the forint equivalent of EUR 800,000, with the proviso that it shall be adjusted to the value of the investment.

3. The amounts stipulated in this Section shall be converted into forint at the exchange rate published by the Magyar Nemzeti Bank, prevailing on the last working day of the month preceding the submission of the application.

VI. Submission of the application, request for information, assessment, supplementation

1. The application shall be signed and submitted together with the annexes and certificates electronically (in .pdf format) to stateaid2020@hipa.hu and on paper to HIPA. The date of submitting the application shall be date when the application is received at the e-mail stipulated above. The application shall be deemed to have been submitted validly if the paper documentation, fully corresponding to the documentation submitted electronically, is received by HIPA within **10 working** days after the receipt at the aforementioned e-mail.

2. Applications may be submitted until **30 November 2020 on a continuous basis**. The declaration on providing the cash incentive may be issued until 31 December 2020, ***if the the cover for the aid is available under the budget appropriation.***

3. The template of the application documents together with the annexes are attached to this call as **Annex 1**.

4. Information related to the call and the content of the application will be provided by HIPA at stateaid2020@hipa.hu.

5. HIPA shall provide the Applicant, electronically, with a declaration of acceptance by the 7th day following the receipt of the application or it may reject the application without substantive assessment. The information related to the rejection without substantive assessment

¹ Communication No. C(2020) 1863 final of 19 March 2020 from the European Commission entitled “Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak” (2020/C 91 I/01) amended by Communication No. C(2020)2215 of 3 April 2020 from the European Commission (2020/C 112 I/01)

shall include the reason for the rejection as well as the possibility and manner of submitting an objection.

Upon accepting the application HIPA shall inspect whether

- a) the application has been submitted (received at the e-mail address) by 30 November 2020,
- b) the Applicant belongs to the scope of eligible applicants stipulated in the call (with the exception of the entities stipulated in Section 8(1) of the Decree, an enterprise operating in any industry and economic area, having its registered office, place of business or branch office in Hungary).

6. Assessment of the application, supplementation

HIPA will assess the application within 10 working days from the receipt thereof by HIPA, and if the Applicant has submitted an erroneous or incomplete application, it shall call upon the Applicant in writing and electronically to supplement the application, setting a deadline of 15 working days, simultaneously indicating the errors and shortcomings, as long as the nature of the errors and shortcomings are capable of being rectified during the supplementation. The applicant has one opportunity to correct or supplement the application. The time of the supplementation is not included in the assessment deadline. If the deadline for supplementation is missed, the application shall be rejected. The submission of the supplementation shall be governed by the rules applicable to the submission of the application, stipulated in Section VI.1.

The application shall be assessed on a continuous basis in the sequence of the submissions. Following the assessment, HIPA shall make proposal for the aid decision by the 15th day of each month.

7. The assessment of the application consists of two parts:
 - 1.) assessing the eligibility for the aid: existence and appropriateness of certificates, examining the disqualifying reasons;
 - 2.) compliance of the aid application with the aid objective stipulated in the Decree: determining the basis of the aid amount and the rate – based on the application datasheet forming part of the call documentation.

The decision on the aid shall be made by the Ministry of Foreign Affairs and Trade based on the aid proposal submitted by HIPA.

When the application is approved, the declaration on providing the incentive shall be issued within 15 working days from the aid decision. When the application is rejected, the information shall contain the aid decision as well as the possibility and manner of submitting an objection.

VII. Issuing the declaration, granting the aid

1. The declaration in relation to the approved application shall be issued within 15 working days after the decision on the aid.

The grant relationship between the Donor and the Applicant (following the issue of the declaration: Beneficiary) shall be created by the receipt of the declaration by the Applicant, by postal delivery or personal delivery (including also the delivery by courier) at the time of the receipt. The declaration qualifies as a commitment. The template of the declaration is attached to this call for proposal as **Annex 2**.

2. The declaration's entry into force is conditional upon the Applicant's submission, within 30 days from the signing of the declaration by the Donor, of the letters of authorisation in favour of the Donor, applicable to all of its payment accounts for the event of payment orders that cannot be executed due to the lack of financial coverage, together with an order related to the queuing of the claim for not more than thirty-five days.

3. The grant shall be paid as a 100% aid advance in a lump sum in forint within 60 days from the date of entering into force of the declaration (providing the collateral – authorisation letters – to HIPA) to the account number stipulated in the issued declaration.

4. Applicant, as beneficiary, shall retain all documents related to the aid for ten years after the approval of the report by the Donor.

VIII. Eligible costs, cumulation rules, consolidation obligation

1. The acquisition costs – stipulated in Sections 47–51 of Accounting Act –of the tangible and intangible assets, necessary for the implementation of the investment, incurred after the commencement of the investment may be charged to the aid, in accordance with the detailed rules specified in **Annex 3**.

No cash grant from other sources shall be used for the investments implemented within the framework of the subsidy to increase competitiveness, and the assets supported by the grant based on other measures shall not be recognisable as a cost under the subsidy to increase competitiveness.

2. The aid in respect of identical eligible costs may only be cumulated with other state aids specified in Section 2.1 of the Public Finance Act, if it does not lead to exceeding the highest aid intensity or the aid amount specified in Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (TFEU), OJ L 187 of 26.6.2014, p. 1. (hereinafter: General Block Exemption Regulation), other EU legislation related to state aids or in the European Commission's approval decision.

The subsidy to increase competitiveness may be cumulated with all aids specified in the various sections of the Communication, except

a) in the case of aids granted under Sections 3.2 and 3.3, if the aid is granted for the same underlying loan and the total loan amount per undertaking exceeds the threshold value stipulated in 25.d) or 27.d) of the Communication, and

b) in the case of aids granted under Sections 3.6, 3.7 and 3.8, if the aid is related to the same eligible costs.

3. No consolidation obligation, specified in Article 14(1) of the General Block Exemption Regulation, arises in respect of the competitiveness increasing aid.

IX. Reporting on the aid and monitoring

1. The beneficiary shall submit the report on the use of the aid to HIPA in accordance with Section 93(1a) of the Public Finance Implementing Decree within 30 days from the expiry of the commitment period, but not later than by 31 July 2021. The content of the report is specified in the declaration.

2. By submitting the application, Applicant shall acknowledge that the absorption of the aid and own funds may be audited by the Donor and HIPA as well as by other organisations specified by the law. During the audit the organisations authorised to perform audit may submit requests for data from the monitoring system operated by the Hungarian State Treasury (National Support Audit System).

3. The audits (including the onsite audits) may be performed prior to making the decision on the aid and issuing the declaration, during the use of the aid, upon the completion and closing of the supported activity (commitments undertaken) and for five years after the approval of the report.

X. Available funds

Within the framework of the Economy Protection Action Plan, pursuant to Government Decree 1156/2020 (IV. 15.) on the Competitiveness increasing aid measures required as a result of the coronavirus pandemic, the funds available for the applications are included in: subtitle Indicative targets 39 of Title 7 Chapter-managed appropriations in Chapter XVIII Ministry of Foreign Affairs and Trade in Annex 1 to Act LXXI of 2019 on the Central Budget of Hungary for 2020. The amount budgeted in the chapter-managed appropriation entitled “Subsidy to increase competitiveness required as a result of the coronavirus pandemic” is **HUF 50,000,000,00 i.e. fifty billion forint.**

XI. Objection

1. The Applicant or the beneficiary may submit an objection to HIPA, if the proceedings related to the call procedure, the aid decision, the issuance of the declaration, the disbursement or the reclaiming of the aid conflict with the law, the call for proposal or the declaration.

2. No objection shall be submitted in respect of decisions and measures against which legal remedy lies, or which do not establish any direct right or obligation in respect of the Applicant or the beneficiary.

3. Objections may be submitted in writing within the deadline specified in relation to the disputed measure or omission, or in the absence of such deadline within 10 days from obtaining knowledge thereof, but not later than 30 days within the occurrence of that. No request for justification may be submitted for missing the deadline for the submission of the objection.

4. The objection shall contain

- a) the name, registered office, company registration number of the entity raising the objection and the name of its representative,
- b) the reference number of the declaration,
- c) the description of the disputed measure or omission,
- d) the facts underlying the objection and the exact specification of the legal provision breached by the disputed or omitted measure, and
- e) the signature of the person lodging the objection.

5. The objection shall be rejected without substantive assessment, if

- a) it was submitted after the deadline,
- b) it was submitted by a person not entitled to lodge objection,
- c) the content of it corresponds to a previous objection,
- d) the objection does not contain the necessary data,
- e) it was submitted against the decision made on a previous objection,
- f) no objection lies,
- g) the objection is against an infringement that cannot be remedied by repeating the disputed procedure.

6. If HIPA agrees with the content of the objection, it shall take the measures necessary for terminating the situation complained about in the objection or forward the objection to the Donor.

The Donor shall assess the objection on the merits within 30 days from the receipt thereof. The deadline for the assessment may be prolonged on one occasion by not more than 30 days, subject to informing the entity that lodged the objection prior to the expiry of the deadline.

If the objection is substantiated, the Donor shall order the measure necessary for eliminating the situation complained about in the objection; otherwise it shall reject it and inform the entity that has submitted the objection on the decision in writing, indicating the reasons for the rejection when the objection is rejected.

No further objection may be submitted or other legal remedy used against the decision made on the objection.

XII. Miscellaneous provisions

1. The call and the grant relationship shall be governed by Decision SA.56926 (2020/N) of the European Commission and by the provisions of Hungarian law. The language of the procedure shall be Hungarian; all documents shall be submitted in the Hungarian language. Foreign language documents must be accompanied by simple translation.

2. For the data protection notice see https://hipa.hu/hu_HU/adatvedelmi-nyilatkozat.

3. This call for proposal and the annexes thereto may be downloaded from hipa.hu.

4. The amended rules stipulated in this Call for Proposal and the Annexes – with the exception of the amendment in Point 1. of Section VI. – shall be applied for proposals submitted from 6th May 2020.

Annexes:

Annex 1: Application form – template

Annex 2: Declaration– template

Annex 3: Detailed rules applicable to eligible and non-eligible costs