



ANNUAL REPORT

on the implementation of the EEA Financial Mechanism
in the Republic of Hungary

by



National Focal Point
National Development Office

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Executive Summary

By the time of becoming a full member of the European Union on 1 May 2004, the Republic of Hungary has become a full member to the Treaty on the European Economic Area, and parallel the second largest beneficiary of the EEA and Norwegian Financial Mechanisms with a total allocation of 135.1 million euro.

The Memoranda of Understanding on the Financial Mechanisms containing the priority areas and the institutional set-up responsible for implementation were signed in course of June and July of 2005. Nevertheless, the preparatory work had already been started at that time: project ideas were collected in order to identify needs for priorities, the structure of the call for proposal was in place and inter-institutional conciliation has started to elaborate a consolidated regulation of implementation rules.

While working on the preparation of the first projects for the 2004 budget, enormous efforts were made to elaborate the single and joint call for proposal for individual projects and block grants for the whole period of application. Our efforts proved to be successful when we managed to submit the first project proposals in December 2005 and the call for proposals was launched in January 2006.

Due to the widespread information activity in course of the awareness raising and mobilization period right before publishing the call, unexpectedly high interest was shown by the potential project promoters and surprisingly high number of project proposals were submitted.

Hungarian institutions responsible for implementing the Financial Mechanisms demonstrate strong commitment and constant enthusiasm to continue with the tasks of the near as well as far future: the evaluation and submission of projects selected through the application procedure, completion of the legal background of the programme, creation of the IT background of the monitoring system, starting with the 'real' implementation of the projects, further assisting the potential project owners with information and raising public awareness of the programme as well as the donors.

This annual report is presented pursuant to Article 5 of the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism.

The presented annual report covers the period from the signature of the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism until the closure of the first application period of 31 March 2006.

The purpose of the report in general is to present the progress made towards the achievement of the overall objective of the EEA Financial Mechanism, the implemented activities for the reason of project identification in Hungary, to propose fields of intervention and measures for the following year.

List of abbreviations

CFCU	Central Finance and Contracts Unit
EEA	European Economic Area
EUR	Euro
FM	Financial Mechanism(s)
FMO	Financial Mechanism Office
MoU	Memorandum of Understanding
NAO	National Authorizing Officer
NGO	Non-governmental Organization
NDO	National Development Office
R&D	Research and Development
TB	Tuberculosis
TPF	Tempus Public Foundation

1. Introduction on the status of implementation of the programme

1.1 Legal framework

Protocol 38a to the Treaty on the European Economic Area established the EEA Financial Mechanism in order to contribute to the reduction of economic and social disparities in the European Economic Area. With a view to reaching these goals the EFTA States will commit € 600 million to the EEA Financial Mechanism in annual tranches of € 120 million over the period running from 1 May 2004 to 30 April 2009. From this contribution after the deduction of the management costs of the donor states a total of € 58.348.800 shall be made available to the Republic of Hungary.

In addition *the Agreement of 14 October 2003 between the Kingdom of Norway and the European Community on a Norwegian Financial Mechanism* for the period 2004 – 2009, establishes a financial mechanism through which Norway shall make available € 567 million for the Norwegian Financial Mechanism in annual tranches of € 113.4 million over the period running from 1 May 2004 to 30 April 2009. From this contribution after the deduction of the management costs of the donor a total of € 70.563.150 shall be made available to the Republic of Hungary

The *Government Resolution No. 2091/2005. (V.19.)* empowered the Minister Without Portfolio to sign the Memoranda of Understanding on the implementation of the EEA and the Norwegian Financial Mechanisms 2004-2009.

Based on this Resolution the *Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism* has been signed in Budapest on the 10th of June 2005 and the *Memorandum of Understanding on the implementation of the EEA Financial Mechanism* in Brussels on the 7th July 2005.

Both Memoranda have been published by Government Decree no. 201/2005. (IX.27.)

The *call for proposal* has been announced on the 25th January 2006 for individual projects and block grants. The total amount available in the first application period – until 31 March 2006 – is € 26,741,259. The first round of the application procedure has been closed, the second one started on 1st April 2006 with the same available amount. The evaluation procedure of the applications submitted in the first round is ongoing.

In the present stage a *Government Decree regulating the Hungarian implementation of the financial mechanisms* is being prepared, including detailed rules enabling the smooth and applicant-friendly implementation of the mechanisms adjusted to the Hungarian system. The decree will be in compliance with all relevant Community objectives and the *acquis communautaire*, all Guidelines issued by the FMO, and the Memoranda of Understanding mentioned above.

1.2 Setting up priority areas

Protocol 38a to the EEA Treaty and Article 3 of the Agreement on the Norwegian Financial Mechanism define priority areas that are also included in Article 6 of the Memoranda of Understanding.

Within the framework of the priorities focus areas have been highlighted that shall be of particular attention. The focus areas have been defined on the basis of the current social, economic and environmental needs in Hungary – considering both the special regional and the overall national situation. Furthermore, it has been taken into account that the financial mechanisms on the one hand are intended to be complementary to the European Union's Structural Funds and the Cohesion Fund; on the other hand as gap-filling grants areas less supported by other sources should now get higher preference. According to the above the following priority and focus areas are indicated:

A) Individual Projects

1st Priority sector: Protection of the environment

Focus areas:

- ✓ Promoting the involvement of NGOs in the field of environment protection
- ✓ Environmental-awareness education
- ✓ Promoting the use of renewable / alternative energy (e.g. geothermal energy and hydropower)
- ✓ Noise reduction / protection
- ✓ Promoting the introduction of clean production

2nd Priority sector: Sustainable development

Focus areas:

- ✓ Encouraging organic agriculture; production and breeding of ancient Hungarian domestic plant and animal species
- ✓ Establishing and further developing of innovation centres
- ✓ Promoting sustainable economic development

3rd Priority sector: Conservation of European heritage

Focus areas:

- ✓ Restoration of historical sites and buildings, based on utilisation plans
- ✓ Conservation of world heritage sites in Hungary
- ✓ Restoration of museums and establishment of collections for the introduction of certain fields of the European heritage
- ✓ Public transport development in connection with the conservation of European cultural heritage and environment protection

4th Priority sector: Human resource development, education

Focus areas:

- ✓ Adult training, vocational education and training, life-long learning
- ✓ Strengthening the relationship between higher education, targeting the manpower needs of the private sector through education and training
- ✓ Scholarship programs, including the promotion of learning EEA and Hungarian languages
- ✓ Ensuring the accessibility of primary schools and providing of after-school care

- ✓ Increasing the competence and administrative capacity of central, regional and local authorities / municipalities, including the use of information technology

5th Priority sector: Health care

Focus areas:

- ✓ Enhance preventative measures and health promotion activities
- ✓ Improve mental health care
- ✓ Fight against addictions
- ✓ Fight against AIDS, promote the treatment of HIV-positive patients
- ✓ Capacity building of health care related NGOs

6th Priority sector: Children and youth

Focus areas:

- ✓ Integration of multiple disadvantaged youth – including Roma – and of children with special needs
- ✓ Development and extension of the network of integrated local information and advisory centres for the youth
- ✓ Improvement of living conditions and promotion of social integration of children in state care

7th Priority sector: Academic research

Focus areas:

- ✓ Joint R&D programmes
- ✓ Research related to priority areas (listed above)

B) Block Grants

1st Focus area: Promoting the involvement of NGOs in the field of environmental protection

2nd Focus area: Environment-awareness training

3rd Focus area: Scholarship and mobility programmes

4th Focus area: Healthcare and preventative measures

5th Focus area: Anti-discrimination, advocacy

6th Focus area: Childcare

7th Focus area: Promoting the accessibility of public buildings

8th Focus area: R&D

C) Seed Money Fund

A Seed Money Fund for an amount of 450 000 euros was originally included in the draft version of Hungarian call for proposals. Due to the disagreement between the Focal Point and the donor side concerning the structure of implementation and timing of the fund, the FMO made a negative decision on this issue which led the Focal Point to delete the facility from the call.

As a consequence, the Focal Point initiated consultations with the possible Intermediate Body (CFCU), although, having taken into consideration the too tight time schedule of

implementation, the Focal Point secluded itself from the idea of launching Seed Money Fund.

1.3 Institutional set-up

As it is originally stated in the MoUs, the Minister Without Portfolio responsible for EU Affairs and supervising the National Development Office has, on behalf of the Beneficiary State, designated the ***National Development Office (Nemzeti Fejlesztési Hivatal)*** to carry out the tasks of the ***National Focal Point***. A separate government regulation will be issued on the management of the EEA and the Norwegian Financial Mechanisms.

As a consequence of the Hungarian general elections held in April 2006, significant changes have been carried out in the central governmental structure. Since the 1st of July 2006 the name of the National Development Office has changed to National Development Agency as its legal successor. There have also been changes in the name and position of the leader of the new Agency as it is now supervised by the Government Commissioner for Development.

The National Focal Point has the overall responsibility for the management of the EEA Financial Mechanism's activities in Hungary as described in the Memoranda of Understanding and in the Rules and Procedures and their subsequent amendments, including the overall responsibility for the use of funds, financial control and audit.

The National Focal Point delegated the following tasks to one of its background institutions, **Promei Public Utility Company** in a written agreement:

- preparation of call for proposals
- publicity tasks, information desk for applicants
- reception and registration of applications
- checking the applications on the basis of formal aspects
- informing applicants about reception, rejection or completion of the application
- organizing and chairing the meetings of the evaluation working groups

The contract including the delegated tasks was financed from national sources.

The National Focal Point will delegate the following tasks to the ***CFCU***:

- ensuring public procurement and contracting of funds under the Financial Mechanisms for the project promoters/intermediaries;
- checking the factual and formal correctness of requests for payment submitted by project promoters/intermediaries;
- managing the accounts on which payments from the National Authorising Officer's Office are kept until they are transferred to the project promoters/intermediaries;

- managing the register of irregularities and its update as well as report irregularities to the National Focal Point;
- settling irregularities in its scope of function in accordance with the relevant regulations and instructions;
- preparing background documentation for the Annual Monitoring Reports;
- transferring payments to the project promoters/intermediaries as quickly as possible and within the specified deadlines;
- storing all documents related to projects realised within the EEA Financial Mechanism in its field of responsibility for 10 years after the completion of projects;

A written agreement shall regulate spheres of responsibility, tasks and duties as well as the procedures and co-operation between the head of the CFCU and the project promoters/intermediaries.

The National Authorising Officer's Office (NAO) within the Ministry of Finance performs ***Paying Authority*** functions for the Financial Mechanisms. Disbursements from the FMO will be made to a designated bank account held by the Ministry of Finance.

The Paying Authority will certify that the systems and procedures of the CFCU regarding verification of payment claims from promoters/intermediaries and supporting documents are sufficient to ensure that funds from the Financial Mechanisms are being used efficiently and correctly and in accordance with the principles of sound financial management. Furthermore, the Paying Authority is responsible to the National Focal Point for developing, implementing and maintaining the procedures for financial management and control.

2. Application period of the first call for proposals (25 January 2006 – 31 March 2006)

2.1 Call for proposals relevant for the period

The National Focal Point has prepared the call for proposals and an application form user guide in close cooperation with the Financial Mechanism Office. After having closed the conciliation negotiations, on 25th January 2006 the National Focal Point announced a call for proposals for the submission of applications for individual projects and block grants within the framework of the EEA and the Norwegian Financial Mechanisms.

Although, the financial mechanisms offer several different types of assistance, Programmes and Seed Money funds are not available in Hungary. This is the decision of the Hungarian National Focal Point.

The call for proposals was published in Hungarian language as a continuous possibility until 2008 March, therefore, applications must have been submitted in Hungarian.

Applications will be assessed twice every year. Applications submitted (mailed) before 31st March are being assessed in the first round, and applications submitted (mailed) before 30th September will be assessed in the second round. If an application is mailed after 31st March or 30th September it will be assessed in the following round. The final deadlines for submission of applications are the followings:

Type of grant assistance	Applications which will be assessed in...:					Final deadline
	1 st round	2 nd round	3 rd round	4 th round	5 th round	
	...have to be submitted till:					
Individual Projects	31 st March 2006	30 th September 2006	31 st March 2007	30 th September 2007	31 st March 2008	31 st March 2008
Block Grants	31 st March 2006	30 th September 2006	-	-	-	30 th September 2006

The total available grant in the framework of the given call for proposal is: € **103 843 452**

	January 2006 - March 2006	March 2006 - September 2006	September 2006 - March 2007	March 2007 - September 2007	September 2007 - March 2008	Total
Total available grant	26 741 259	26 741 259	16 786 978	16 786 978	16 786 978	103 843 452
- Individual Projects	16 786 978	16 786 978	16 786 978	16 786 978	16 786 978	83 934 890
- Block Grants	9 954 281	9 954 281	0	0	0	19 908 562

It is possible to bring forward 50% of the amount planned for the following year/period (if it is necessary), and it is also possible to scroll the remaining grant to the next year/period (except in the year 2009).

The priority sectors and focus areas offered by the call for proposals were defined in line with the MoU among the governments of the Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway and the Republic of Hungary (see section 1.2).

Eligible applicants were defined in line with the document of Rules and Procedures for the implementation of the EEA Financial Mechanism.

Nevertheless, in case of block grants further criteria have been identified as the Block grant intermediary shall be an independent legal entity with strong ties either to the sector concerned or the geographical area in which the Block grant is to be implemented. The Block grant intermediary shall act as an accountable body for the Block grant, assuming full responsibility for the correct implementation thereof. Organisations without appropriate experience, knowledge or practice in the field of allocation of state or other supports and has no adequate institutional system cannot be a Block grant intermediary.

The amount of grant assistance applied for from the sources of the Financial Mechanisms cannot be less than 250,000 EUR and cannot be more than 3,000,000 EUR in case of Individual projects.

The maximum amount to be applied for by a block grant intermediary to establish one block grant is 2,000,000 EUR. The maximum and minimum sums that can be applied by the final beneficiaries in their application, submitted to the Block Grant intermediaries are 10,000 and 250,000 EUR.

The maximum contribution from the Financial Mechanisms in the form of grants may not exceed 60% of the total eligible project cost except for projects otherwise financed by central, regional or local government budget allocations, where the contribution may not exceed 85% of the total eligible cost.

In the case of applicants that are NGOs (such as voluntary and community organisations, social partners), and where the application can be supported from both of the Mechanisms, grant support can be above 85%, but generally not exceed 90% of total expenditure.

In case of profit oriented bodies the grant intensity rates cannot exceed the rates, fixed in the Hungarian Government Decree 85/2004 (IV. 19.). The grant rate in the context of the call for proposals has to be calculated by a simple division of the applied grant amount by the total eligible cost, which can vary between 35 and 65% based on the location and the size of an enterprise, fixed in the decree.

2.2 Analysis of the applications (figures concern both Financial Mechanisms combined)

All together nearly 300 applicants submitted project proposals for the first call for proposals to Financial Mechanisms. The number of registered applications is 292.

Applications in the context of the types of assistance and the different regions are as follows:

Region	Type of assistance		Total
	Individual projects	Block grants	
South Great Plain	37	6	43
South Transdanubia	25	5	30
North Great Plain	28	4	32
Northern Hungary	28	7	35
Mid – Transdanubia	19	1	20
Central Hungary	81	19	100
Western Transdanubia	30	2	32
Total	248	44	292

Applications in the context of the types of assistance and the different priorities are as follows:

Priorities	Individual projects
1 st Priority sector: Protection of the environment	42
2 nd Priority sector: Sustainable development	39
3 rd Priority sector: Conservation of European heritage	49
4 th Priority sector: Human resource development, education	41
5 th Priority sector: Health care	27
6 th Priority sector: Children and youth	23
7 th Priority sector: Regional development and cross-border co-operation	8
8th Priority sector: Justice and home affairs	4
9th Priority sector: Academic research	14
E*	1
Total	248

E*: Projects where priority area is not indicated and not obvious.

Priorities	Block grants
1 st Focus area: Promoting the involvement of NGOs in the field of environmental protection	9
2 nd Focus area: Environment-awareness training	8
3 rd Focus area: Scholarship and mobility programmes	3
4 th Focus area: Healthcare and preventative measures	3
5 th Focus area: Anti-discrimination, advocacy	3
6 th Focus area: Childcare	4
7 th Focus area: Promoting the accessibility of public buildings	3
8 th Focus area: R&D	6
9 th Focus area: Cross-border cooperation**	2
E*	3
Total	44

E*: Projects where priority area is not indicated and not obvious.

** Not open for applications, intermediate body has been directly appointed by the NFP.

For further details and statistics on the first round of applications see Annex 8.3.

2.3 Project selection process

The same process applies to both individual project applications and the block grant intermediary applications.

The following activities will come up during the evaluation of applications:

- ① registration,
- ① administrative and eligibility check,
- ① completion of proposals,
- ① acceptance,
- ① technical evaluation by assessors
- ① evaluation in working groups,
- ① decision by the Project Selection Committee
- ① preparing of the list of applications proposed for grant
- ① translation of the proposed applications into English,
- ① forwarding the selected proposals to FMO,

After the deadline for application submission, on behalf of the NFP PROMEI Public Utility Company (PROMEI) shall carry out an administrative compliance check to verify the completeness of the application. In case the project file is complete, the project shall be submitted for assessment.

Missing or incomplete documents generally do not constitute a reason for rejection of the application. After registration the applicant will be called to complete missing documents within 10 working days. If the applicant fails to present missing documents by the deadline the application will be excluded from further assessment. All applicants shall be informed of the result of the administrative check in writing.

After administrative and eligibility check PROMEI forwards the admitted applications for technical evaluation to 2 independent assessors. Independent assessors are being selected via public procurement procedure. The two independent assessors on the basis of the published evaluation criteria will evaluate all applications. The evaluation will consist of numerical and written evaluation.

During the evaluation the assessors examine mainly the eligibility of the applicant, the relevancy (correspondence with objectives and priorities), efficiency, risks, economic feasibility, correspondence with overall objectives, compliance with horizontal (cross-cutting) issues and other professional aspect. Written summary and evaluation will be elaborated on each application. The evaluation shall contain the scores and a proposal whether the given project shall be approved or rejected. The proposal has to contain the consistent justification about projects to be approved.

The assessors shall send the completed evaluation grids to the relevant ‘working-committee’. The applications will be discussed in four ‘working-committees’:

- | | |
|-------------------------------------|---|
| 1 st ‘working-committee’ | environment protection and sustainable development |
| 2 nd ‘working-committee’ | conservation of European heritage, regional development and cross-border co-operation, justice and home affairs |
| 3 rd ‘working-committee’ | human resource development, education, healthcare, children and youth |
| 4 th ‘working-committee’ | academic research related to any of the priority sectors |

The following institutions are represented in the ‘working-committees’:

- ☺ professionally competent ministry/ministries;
- ☺ local governments associations (1 person);
- ☺ Regional Development Councils (1 person);
- ☺ representatives of 3 civil organisations/NGOs;
- ☺ representatives of 2 social partners (employer and employee)
- ☺ National Focal Point (chair, observer);
- ☺ Promei Public Utility Company (tasks of secretariat, observer,);
- ☺ Ministries of Foreign Affairs of the donor side (observer)
- ☺ Financial Mechanism Office (observer)

The ‘working-committees’ have right to accept or reconsider the figures that were recommended by the assessors. In case of disagreement, the members of the working committees’ can carry out a new scoring on the basis of the evaluation criteria defined in the call. The ‘working-committees’ shall list the evaluated applications in a decreasing order and after this the Project Selection Committee shall decide on the final list. The

Project Selection Committee will be composed of representatives from: National Development Office, Office for EU Affairs, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy and Transport.

The Project Selection Committee forwards the reasoned recommendation to the National Development Office (NFH - National Focal Point in Hungary). Applications which are proposed to be granted have to be translated into English. Translation of the applications is the responsibility of National Development Office. The applicant has to sign officially the translated application sent to the FMO and thus the applicant may check the translation. The recommendation and the translated applications will be forwarded to Financial Mechanism Office (FMO) by National Development Office.

Procedures for registration, acceptance, and evaluation of the applications are same in case of every types of assistance. Differences will be come up during the real evaluation of the projects because of the diverse evaluation aspects.

At the time of the closing date of this Report, evaluation procedure of independent assessors has already finished and the organisation of the meetings of evaluation working groups is ongoing.

2.4 Projects in the pipeline

The National Focal Point sent three projects selected by the Project Selection Committee to the Financial Mechanism Office on 30 December 2005. The brief content of these projects – following the numbers given by the FMO – are as follows:

2.4.1. HU-001 - Reconstruction of the imaging system of the Hungarian respiratory prevention and care network (*individual project*)

The National Koranyi Institute for Tuberculosis and Pulmonology, a national institute owned by the Hungarian state under the administration of the Ministry of Health Care submitted this individual project in December 2005. The institute hopes to receive 9 million euro for the purchase of 36 digital chest X-ray machines for the reconstruction of the technical infrastructure of the Hungarian respiratory prevention and care network.

The overall objective of the project is to help to decrease the mortality from lung cancer and tuberculosis in Hungary.

In Hungary mass chest X-ray is a mandatory preventive measure against Tuberculosis (TB) in those regions of the country where the incidence of TB is higher than 25‰ and approximately one third of the total population is screened every year. The system however suffers from the old, out-fashioned, expensive and unreliable imaging infrastructure, so major investment is needed in order to enable providing state of the art service with digital chest X-ray machines, which operate with higher quality, lower cost and in an environment friendly way without chemical film processing.

In March 2006 the National Focal Point received the Appraisal of the project from the FMO. Although the Appraisal admits that there is a general need for improving X-ray supported TB and lung cancer diagnostics in Hungary and the equipment used are in need for replacement, it suggests the revision of the overall, countrywide TB and lung cancer

screening policy. It also criticises the project for not acknowledging that in the future there will be a reduced capacity need for X-ray screening and for not identifying the most appropriate and most cost effective type of technology.

As an answer for the Appraisal, the would-be beneficiary sent its response via the NFP to the FMO in which it admits that the Hungarian mass chest X-ray system has to be re-evaluated and reconstructed. The applicant accepts the assessors' suggestion of planning to obtain new traditional machines together with supporting IT systems to a larger number of centres, rather than installing digital systems.

Despite National Korányi Institute's reply to the Appraisal, the application was unfortunately refused and the applicant decided not to submit it again.

Regarding the allocation of the 9 million euro that has been requested by this project, the Project Selection Committee will make a decision.

2.4.2. HU-0002 International Mobility Programmes - Placements, study visits, partnerships (*block grant*)

This block grant type project was submitted by Tempus Public Foundation (TPF), a non-profit organization established in 1996 by the Hungarian Government. It has great experience in managing international cooperation programmes and special projects in the field of education, training and EU-related issues.

The proposal aims at linking the areas of mobility and policy development and supporting mobility activities focused on the Lisbon / Copenhagen / Bologna priorities. Accordingly, this mobility scheme could be a good complementary tool to the existing Community programmes. The main added value of the current proposal in comparison to the existing community programmes, particularly the Leonardo and Socrates programmes is that the mobility projects and partnerships are directly linked to the policy priorities of the Lisbon / Copenhagen / Bologna processes. This way the policy cooperation will get further impetus in a very practical way. The enhanced co-operation at institutional level will have a positive impact on mutual learning and exchanges of best practices among Hungary and the EEA countries and in longer run it will strengthen the policy reforms in the field of education and training.

In the framework of this project, funded activities would be study visits, placements for students, teaching practice for teachers, short term training courses for young graduates, participation of students at joint degree programmes at MA and PhD level and regular degree programmes, international study trips and transnational partnerships. The target groups are schools, training institutions (vocational education, higher education, adult training), chambers, SMEs, local authorities, NGOs and labour organisations.

After submitting this project proposal in December 2005, the would-be beneficiary received some questions from the FMO for which the clarifying answers were sent on 2nd March 2006.

2.4.3. HU-003 "Europe to Europe" (*Individual project*)

The project is requested to be supported from the Norwegian Financial Mechanism.

2.4.4. HU-0010 Re-granting programme benefiting Hungarian environmental NGO projects in order to improve the implementation of the 2nd National Environmental Program

The Ministry of Environment and Water proposes to implement an open re-granting programme (block grant) benefiting Hungarian environmental NGO projects in order to improve the implementation of European and Hungarian environmental law in general, and the 2nd National Environmental Program (2004-2010) in particular.

The re-granting programme will consist of one round of call for proposals. The primary beneficiaries should be legally registered environmental NGOs – i.e. those whose statutes list environment protection among their main goals. The type of eligible projects should be defined as broadly as possible – this is why the most comprehensive and legitimate (passed by the Parliament) document outlining Hungary's medium-term environmental goals and strategy is taken as a basis.

The program should strive for pre-financing awarded projects as much as possible, and require an own contribution of at least 15% of the total budget. Through these arrangements, both larger, more institutionalised and smaller, grassroots groups can submit proposals best suited to their needs and capacities. Around 1000-1200 applications are expected, of which 70-120 may be supported. The total programme duration is 18 months.

The management of the re-granting program includes the following tasks:

Design an application package, including application form, guidelines and additional materials, ensure transparent application process by advertising and mail the call for applications, receive and register applications (creating a database), prepare the applications for the Evaluation Board (pre-screening, evaluation forms), organise and facilitate the Board meeting, contact applicants after the decision, prepare the Grant Contract, receive and evaluate mid-term and final reports, communicate with the grantees and help them in any means appropriate, publicize the program progress and results among civil society actors and the general public.

2.4.5. HU-0011 Noise protection of residential area along Public Road No. 3

The overall objective of the present project proposal is to increase the living standard of habitants in the 14th and 15th districts of Budapest by establishing comprehensive – both active and passive – noise protection along Public Road no. 3.

People living in the multi-storage houses along road no. 3 are not protected against noise pollution although it is really high considering that noise level should be less than 50 dB in daytime and 40 dB in nighttime. Recent noise level in the two districts is as follows.

Noise level (dB)	Number of people affected	
	14th District	15th District
55-60	36	0
60-65	1 199	244
65-70	1 280	953

Within the framework of the project a noise barrier is to be built (active protection) and special windows and doors produced for such purpose are to be mounted in (passive protection).

In addition to the construction of a new noise barrier, already existing protection in the area concerned built in 1990-1991 will be modernized and traffic management measures for noise reduction will be introduced.

In the project the Municipality of Budapest cooperates with the two municipalities concerned (Municipality of the 14th District and Municipality of the 15th District).

2.4.6. Block grant for cross-border co-operations

Due to the official negotiations between the National Focal Point, the Ministry of Foreign Affairs in Norway and the Financial Mechanisms Office, an additional block grant on cross-border co-operation is established within the framework of the EEA and Norwegian Financial Mechanisms in Hungary.

In regard to the multi-annual experiences and convincing practical knowledge that has gained in VATI Hungarian Public Non-profit Company for Regional Development and Town Planning the National Focal Point of Hungary decided on the direct appointment of the institution as the intermediary body of cross-border co-operation block grant.

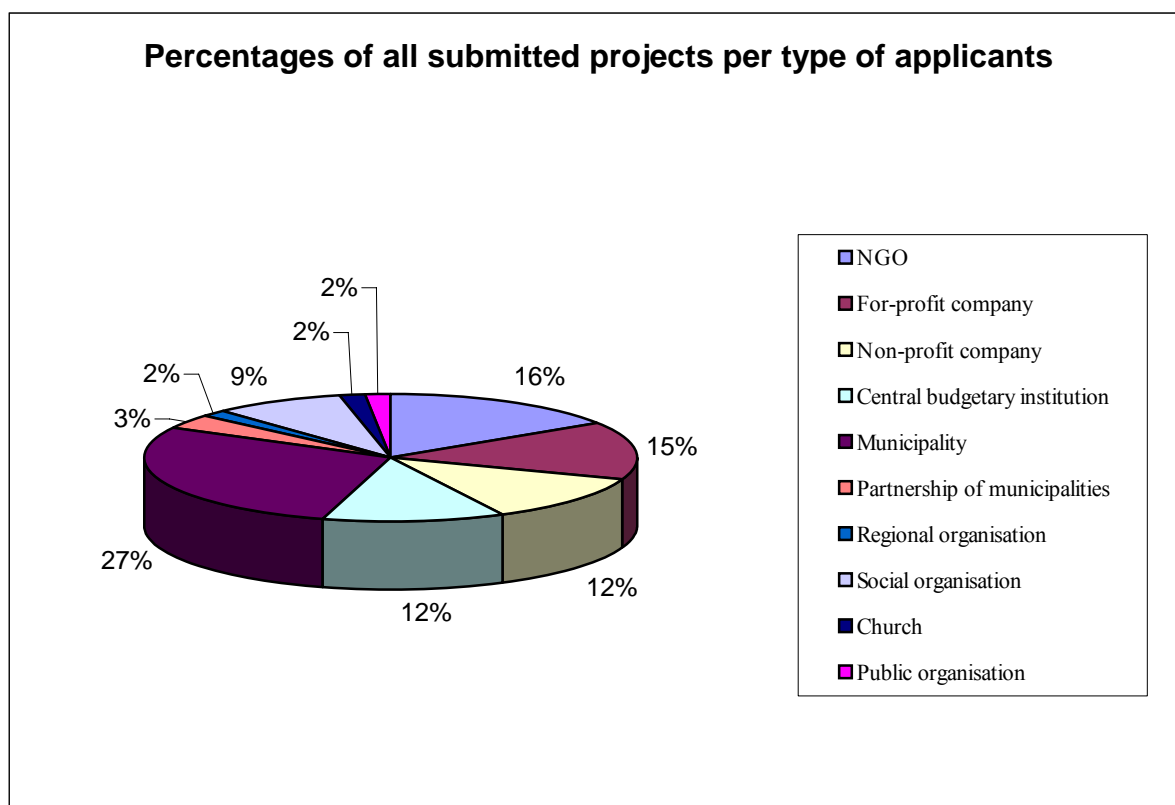
Having had the approval of 23 January 2006 from the donors, the National Focal Point initiated negotiations with VATI in relation with the framework for possible cross-border co-operations within the programme. The parties agreed that the main line of bearing of these kinds of co-operation should be turned to Ukraine, Croatia and Serbia. Currently, the VATI Company is preparing its application for the grant which will be sent to the FMO in the near future.

3. NGO representation in the Financial Mechanisms

3.1 Application procedure

Out of the 292 project proposals that will be assessed in the first round, 46 were submitted by NGOs that represent 16% of total applications. However, if social and public organisations are also taken into consideration, it turns out that 27% of the applications were submitted by such institutions. In our terminology, NGOs are foundations, while social organisations are associations, unions, alliances, leagues and clubs. Public organisations include the different chambers and the Hungarian Academy of Sciences.

The share of different types of project promoters represented in the applications is shown in the next diagram:



3.2 Project implementation

Since Hungary is not having projects approved yet, this chapter of the Annual Report is not relevant for the period concerned.

4. Projects under implementation

Since Hungary is not having projects approved yet, this chapter of the Annual Report is not relevant for the period concerned.

5. Publicity activity

5.1 Programme publicity

The communicational strategy for the Financial Mechanisms defines four different periods of communication:

- General period
- Period of mobilization
- Period of implementation
- Period of evaluation

Throughout the year of 2005 the General, and the Mobilization period were implemented.

The main target group of the communication of EEA and Norwegian Financial Mechanisms in the General period was the wide public. Subsequently, in the Mobilization period the focus shifted to the potential applicants.

In the General period, the National Focal Point informed the wide public on EEA and Norwegian Financial Mechanisms and the role played by the funds in the Hungarian development process.

According to this action and the ceremony of the coming signing, on 14 April 2005, the National Focal Point published a press release about the EEA and Norwegian Financial Mechanisms, which had been mailed to 700 journalists and editors. The information about the EEA and Norwegian Financial Mechanisms appeared also in a number of offline newspapers and online portals.

For the occasion of signing, besides several media broadcastings, the National Focal Point set-up the website for the EEA and Norwegian Financial Mechanisms (www.eeagrants.hu) which was published on the day of the signature. The site is fully operating; it contains up-to-date news, information on all funding opportunities, the most important basic documents and fresh analysis on the first call for proposals. There is also a link to the “mother” website (www.eeagrants.org) of EEA and Norwegian Financial Mechanisms. The availabilities of the Hungarian National Focal Point (address, phone number and e-mail address) can also be found so that to ensure that all potential beneficiaries have facility to turn to somebody with their questions concerning the EEA and Norwegian Financial Mechanisms.

For the occasion of signing the National Focal Point also published a leaflet containing general introduction of the program included its main priorities and information about application procedure. Leaflets were available on both signing ceremonies either in Budapest or Brussels and some of them were disseminated to regional development agencies and were used in several cases while publishing the first round of call.

In the second half of 2005 Hungary was in the phase of harmonizing the donor's expectations with Hungarian rules, the main tasks of the National Focal Point were to define the national legislative background of the EEA and Norwegian Financial Mechanisms and to build up its implementing system.

The NFP held regular meetings and application form seminars for the winner project promoters of 2004 allocation (3-4 meetings per projects) in order to work together on the project ideas and facilitate their development. Three of the winner projects of 2004' allocation were sent to the FMO in December 2005.

For those who have already got general information about the Mechanisms from the documents, three members of the National Focal Point could be reached through telephone or by e-mail to consult on concrete project ideas (availabilities were given on the website). These members got 4-5 phone calls per capita per a day and 3-4 e-mails from potential beneficiaries in average. The e-mail addresses of those who turned to the NFP by e-mail had been collected and were directly informed via e-mail by the NFP when the call was published (around 70 persons).

The National Focal Point developed a unified image guidebook (sent to the FMO in August 2005) in order to facilitate the common base of communication.

Besides these activities, some sectorised conferences were held where the NFP introduced the program and presented the status of planning.

29.09.2005	Ózd
29.11.2005	Budapest
19.01.2006	Budapest – Hungarian Academy of Sciences

For the occasion of launching the call for proposal, the NFP organized a press conference – which was unfortunately unsuccessful. Although, many TV and radio channels separately asked for interviews in relation with the Financial Mechanisms on the following days and weeks, such as:

08.02.2006	Radio Petöfi
09.02.2006	Duna Television
15.02.2006	M1 Television
15.02.2006	Info Radio

5.2 Open call publicity

Under the period of launching the call for proposals, to keep the project applicants be informed and to function a helpdesk is the task of PROMEI. All questions were requested to be sent to PROMEI in written form via e-mail or fax. The questions were answered at the latest in 10 working days by e-mail/fax.

In practice, during the period of the first application period 886 questions of 312 potential applicants were answered by the NFP through PROMEI.

Since 25 January 2006 the NFP has presented itself and has given information about the Financial Mechanisms in several occasions in conferences in Budapest and in other towns as follows:

30.01.2006	Budapest	Central Hungary
16.02.2006	Miskolc	Northern Hungary
28.02.2006	Debrecen	North Great Plain
03.03.2006.	Göd	Central Hungary
07.03.2006.	Nyíregyháza	Northern Hungary
09.03.2006.	Csorna	Western Transdanubia
23.03.2006.	Pécs	South Transdanubia
28.03.2006.	Budapest	Central Hungary
18.04.2006.	Budapest	Central Hungary
21.04.2006	Budapest	Central Hungary
25.04.2006	Budapest	Central Hungary
04.05.2006	Salgótarján	Northern Hungary
25.05.2006	Debrecen	North Great Plain
26.05.2006	Lajosmizse	South Great Plain
31.05.2006	Szolnok	North Great Plain
13.06.2006	Budapest	Central Hungary
19.06.2006	Budapest	Central Hungary
20.06.2006	Budapest	Central Hungary
12.07.2006	Budapest	Central Hungary
22.08.2006	Budapest	Central Hungary

In close co-operation with the NFP, the Royal Norwegian Embassy in Hungary organized a conference in April 2006 and is planning to organize one in October to potential applicants of the EEA and Norwegian Financial Mechanisms. The main objective of these workshops is to mobilize those potential project promoters that are suffering of disadvantages the most, or the fields whereby more proposals would be desirable.

27 April 2006	Pünkösdfürdő (Budapest) – to involve rural development local action groups into block grants
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October 2006 (tentative)	Göd (near Budapest) - on addiction (drugs and alcohol) prevention
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5.3 Project publicity

Since Hungary is not having projects approved yet, this chapter of the Annual Report is not relevant for the period concerned.

6. Horizontal (cross-cutting) issues

As there are no projects under implementation yet, horizontal issues can be applied only relating to the application procedure.

6.1 Sustainability

The open call for proposal announced on 25 January 2006 will be open for the whole application period; proposals will be assessed twice a year. The total grants available for Hungary are divided equally among the assessment periods so the risk of running out of funds and closing the call before the end of the application period is eliminated. Taking into account the possibility that the quantity and quality of proposals might differ significantly in the various application periods the NDO reserves the right to reallocate a maximum of 50 % of the amount granted for one application period to the previous or to the following application period.

The solutions mentioned above ensure the sustainability of the application procedure even in the long term. However, at the end of the year 2006 the call for proposal of the Structural Funds for 2007 – 2013 is due to be published, which might result a decrease in the interest shown for the financial mechanisms.

6.2 Gender equality

Applicants ensuring the principle of gender equality in their procedures will be preferred.

6.3 Good governance

The call for proposal and the Application Form User Guide have been elaborated utilizing the experiences gained in accordance with the pre-accession funds, especially the Phare programme; and lessons learned from the preparation and launching the Structural Funds also proved to be useful.

Ministries and other institutions playing a role in the implementation of the financial mechanisms were involved in preparing the call. Regarding the government decree regulating the Hungarian implementation of the mechanisms co-operation between the institutions concerned is ensured as well. In compliance with Directive 2003/98/EC, Act XC of 2005 has entered into force. According to this act we shall publish the government decree already in the preparatory phase to ensure public information and possibility for the public to comment.

6.4 Bilateral relations

The NDO is working closely together with the Royal Norwegian Embassy regarding the call for proposal and in publicity activities.

7. Work Plan for the next year

The current Annual Report covers the period from the signature of the Memoranda of Understanding till 31 July 2006. The following indicative work plan contains activities and events of the upcoming 12 months till the next Annual Meeting.

Date	Programme Cycle	Activity
June to September 2006	Monitoring	System audit by the Internal Audit Unit of the National Development Office
September 2006	Application procedure	Submission of project proposal concerning Technical Assistance
September 2006	Legal	Establishment of required bank accounts for the Financial Mechanisms
September 2006	Application procedure	Evaluation working group meetings
September 2006	Application procedure	Decision on final list of projects to be sent for approval to FMO
September 2006	Contracting	Conclusion of Grant Agreement for project HU-0003
September 2006	Application procedure	Submission of project proposal concerning Cross-Border Block Grant
30 September 2006	Application procedure	Deadline for submission of applications for the call for proposals for Individual Projects and final deadline for submission of applications Block Grants
October 2006	Application procedure	Translation of projects selected into English
October 2006	Application procedure	First round of projects resulted from the call for proposals to be sent to FMO
October 2006	Publicity	Publishing the final results of the first round of applications made by the Hungarian Project Selection Committee
October 2006	Legal	Government Decree regulating the Hungarian implementation of the financial mechanisms adopted by the Government and published
October 2006	Contracting	In compliance with the Grant Agreement conclusion of Implementation Contract among

		NFP, CFCU and project promoter of HU-0003
October 2006	Publicity	Workshop on addiction (drugs and alcohol) prevention
October 2006	Contracting	Conclusion of Grant Agreement for project HU-0002
30 October 2006	Application procedure	Administrative and eligibility check completed, projects sent for technical evaluation
November 2006	Implementation	Kick-off meeting for the project promoter of HU-0003
November 2006	Monitoring	Completion of the application and decision preparing module of the IT monitoring software
November 2006	Contracting	In compliance with the Grant Agreement conclusion of Implementation Contract among NFP, CFCU and project promoter of HU-0002
November 2006	Application procedure	Technical evaluation by independent assessors
Early December 2006	Application procedure	Evaluation working group meetings
December 2006	Application procedure	Decision on final list of projects to be sent for approval to FMO
December 2006	Application procedure	After translation into English project proposals selected to be sent to FMO for approval
December 2006	Implementation	Kick-off meeting for the project promoter of HU-0002
December 2006	Contracting	Conclusion of Grant Agreement for project HU-0010
January 2007	Publicity	Publishing the final results of the second round of applications made by the Hungarian Project Selection Committee
January-February 2007	Legal	Starting the elaboration of programme audit trail and Procedure Manuals
January 2007	Monitoring	First meeting of the Monitoring Committee
January 2007	Contracting	In compliance with the Grant Agreement conclusion of Implementation Contract among NFP, CFCU and project promoter of HU-0010
January 2007	Contracting	Conclusion of Grant Agreement for project HU-0011

February 2007	Contracting	Conclusion of Grant Agreements for Block Grants of the first round of applications
February 2007	Contracting	In compliance with the Grant Agreement conclusion of Implementation Contract among NFP, CFCU and project promoter of HU-0011
February 2007	Contracting	Conclusion of Grant Agreements for Cross-Border Block Grant
March 2007	Monitoring	Completion of EEA and Norwegian Financial Mechanisms sub-system of IT monitoring software
March 2007	Contracting	In compliance with the Grant Agreements conclusion of Implementation Contract among NFP, CFCU and Intermediate Bodies for Block Grants (first round)
March 2007	Contracting	In compliance with the Grant Agreements conclusion of Implementation Contract among NFP, CFCU and VATI Kht. for Cross-Border Block Grant
31 March 2007	Application procedure	Deadline for submission of applications for the call for proposals for Individual Projects
April 2007	Contracting	Conclusion of Grant Agreements for Individual Projects of the first round of applications
April 2007	Implementation	Separate kick-off meetings for each of the Intermediate Bodies of Block Grants
April 2007	Application procedure	Administrative and eligibility check completed, projects sent for technical evaluation
April 2007	Contracting	Conclusion of Grant Agreements for Block Grants of the second round of applications
May 2007	Application procedure	Technical evaluation by independent assessors
May 2007	Contracting	In compliance with the Grant Agreements conclusion of Implementation Contract among NFP, CFCU and project promoter for Individual Projects
May 2007	Contracting	In compliance with the Grant Agreements conclusion of Implementation Contract among NFP, CFCU and Intermediate Bodies for Block Grants (second round)
June 2007	Implementation	Separate kick-off meetings for each of the

		project promoters of Individual Projects
Early June 2007	Application procedure	Evaluation working group meetings
June 2007	Application procedure	Decision on final list of projects to be sent for approval to FMO
June 2007	Application procedure	After translation into English project proposals selected to be sent to FMO for approval
July 2007	Publicity	Publishing the final results of the third round of applications made by the Hungarian Project Selection Committee
July 2007	Contracting	Conclusion of Grant Agreements for Individual Projects of the second round of applications
August 2007	Contracting	In compliance with the Grant Agreements conclusion of Implementation Contract among NFP, CFCU and project promoter for Individual Projects (second round)
August 2007	Reporting	Elaboration of the Annual Report
September 2007	Reporting and Monitoring	Annual Meeting of 2007

8. Annexes

8.1 Relevant laws and regulations

Government Resolution No. 2091/2005. (V.19.) on the elaboration of the Memoranda of Understanding with the EEA countries, that empowered the Minister Without Portfolio to sign the Memoranda of Understanding on the implementation of the EEA and the Norwegian Financial Mechanisms 2004-2009.

Government Decree 201/2005. (IX.27) on the publication of the EEA and the Norwegian Financial Mechanisms (201/2005. (IX. 27.) *Korm. rendelet a Norvég és az EGT Finanszírozási Mechanizmusok 2004-2009 közötti végrehajtásáról szóló együttműködési megállapodások kihirdetéséről*)

Government Decree 85/2004 (IV.19) on the regional aid map and on state aid procedures in accordance with Art. 87 (1) of the Treaty establishing the European Community (85/2004 (IV.19) *Korm. Rendelet az Európai Közösséget létrehozó Szerződés 87.cikkének (1) bekezdése szerinti állami támogatásokkal kapcsolatos eljárásról és a regionális támogatási térképről*)

Act LXXIV of 1992 on Value Added Tax (1992. évi LXXIV. törvény az általános forgalmi adóról)

Act LXXVIII of 1997 on the formation and protection of the built environment (1997. évi LXXVIII. törvény az épített környezet alakításáról és védelméről)

Act XXXVIII of 1992 on the Public Finances (1992. évi XXXVIII. Törvény az államháztartásról)

Government Decree No. 217/1998 (XII.30.) on the Rules of operation of Public Finance (217/1998. (XII.30. *Korm. Rendelet az államháztartás működési rendjéről*)

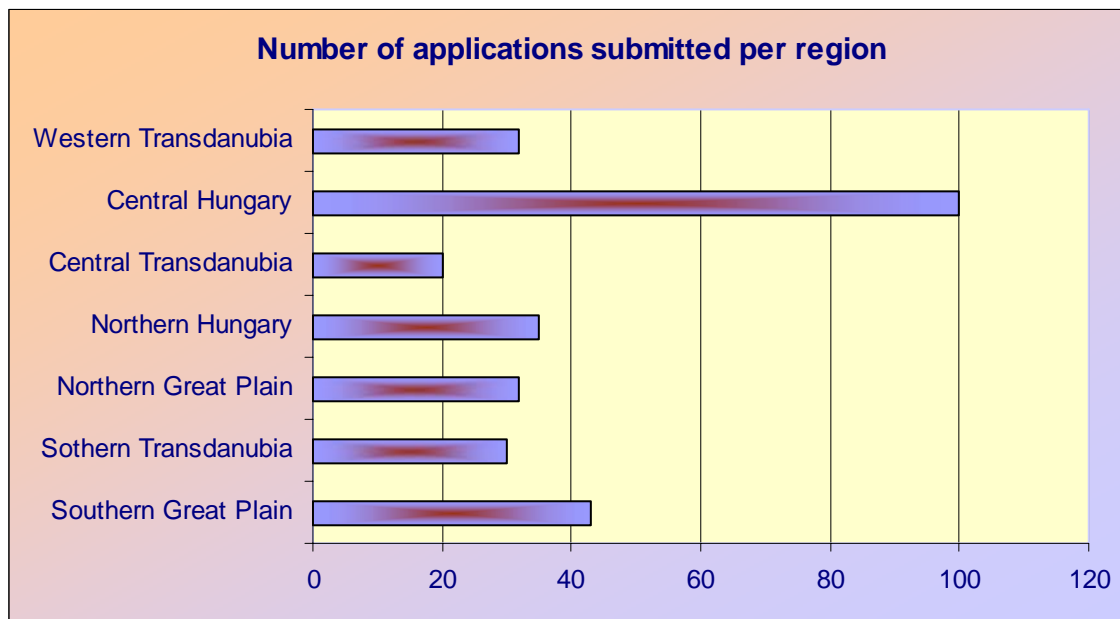
Act CXIX of 2005 on the modification of acts on taxes, levies and other payments to the government budget (2005. évi CXIX. törvény az adókról, járulékokról és egyéb költségvetési befizetésekről szóló törvények módosításáról)

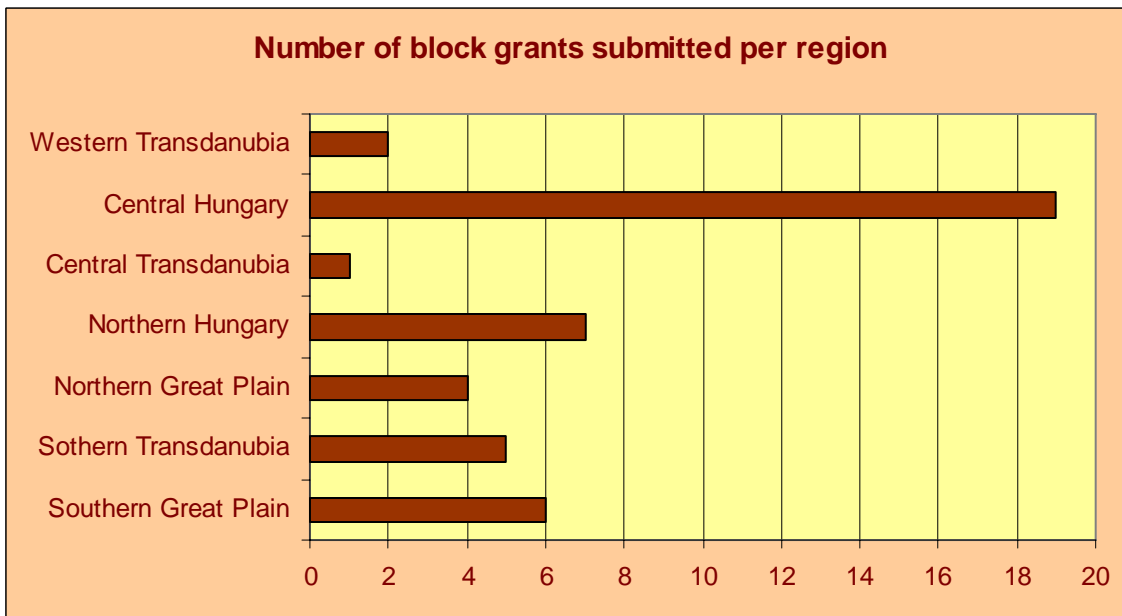
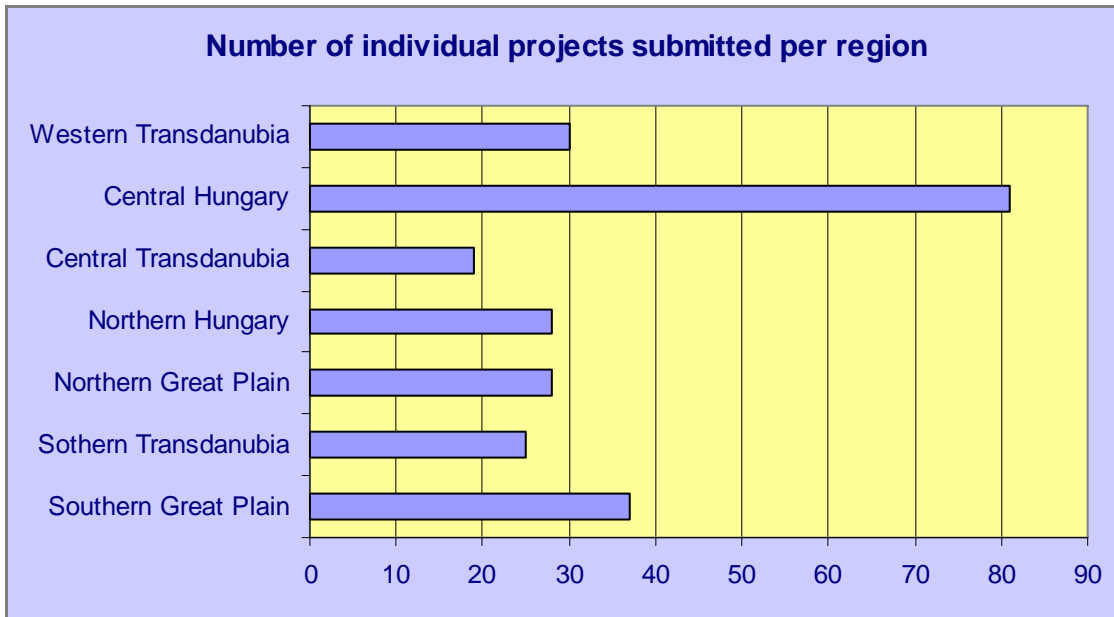
Act CXXIX of 2003 on Public Procurement (2003. évi CXXIX. törvény a közbeszerzésekről)

Act C of 2000 on Accounting (2000. évi C. törvény a számvitelről)

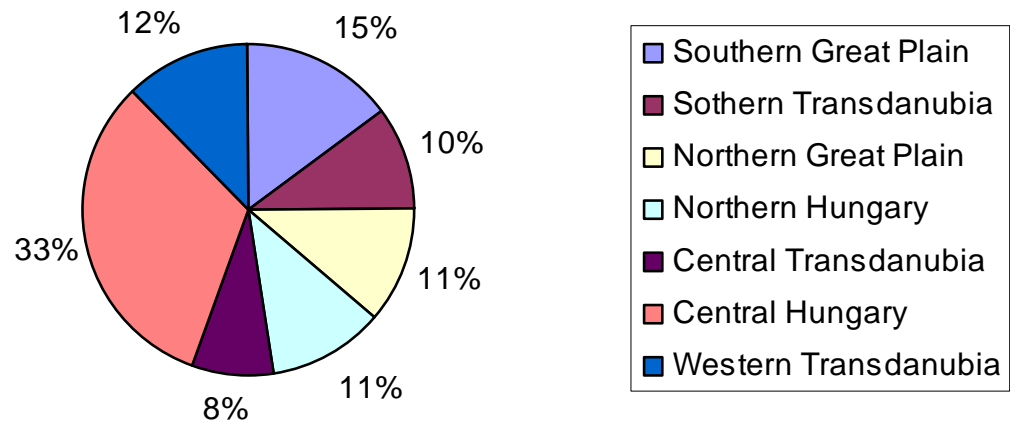
8.2. Statistics of the current application period (figures concern both Financial Mechanisms combined)

Region	Type of assistance		Total
	Individual projects	Block grants	
South Great Plain	37	6	43
South Transdanubia	25	5	30
North Great Plain	28	4	32
Northern Hungary	28	7	35
Mid – Transdanubia	19	1	20
Central Hungary	81	19	100
Western Transdanubia	30	2	32
Total	248	44	292

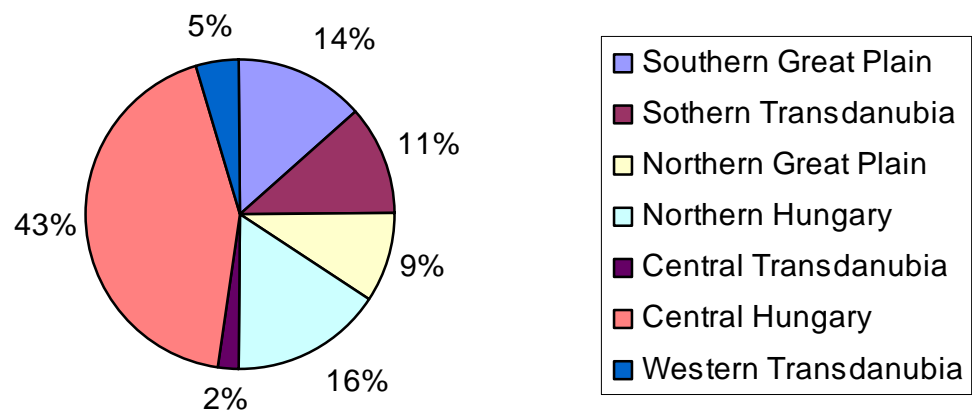




Percentages of individual projects per region

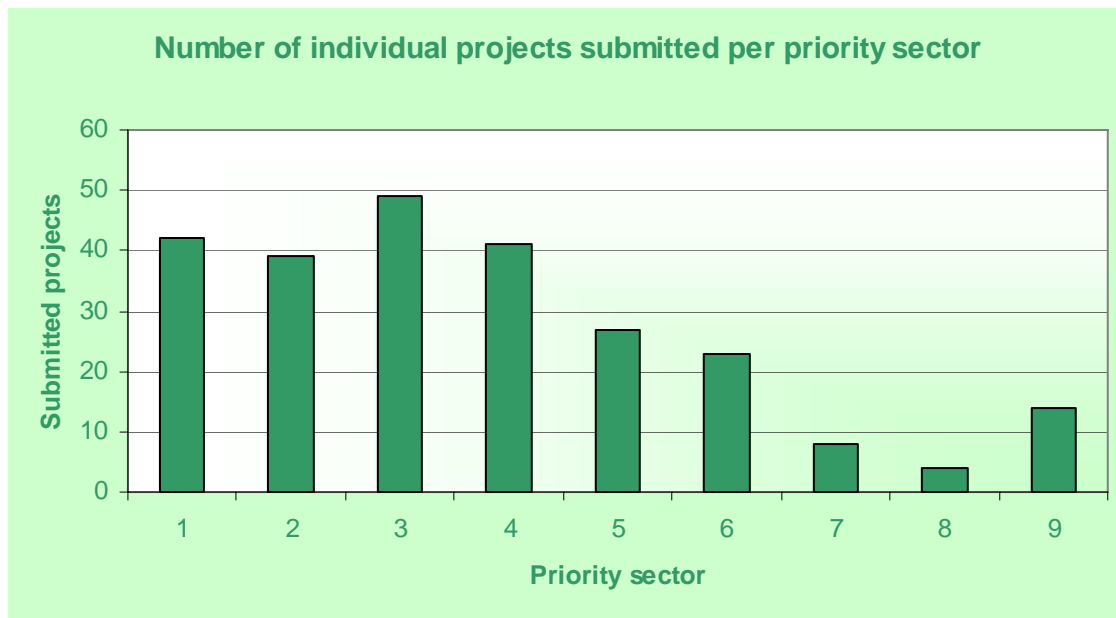


Percentages of block grants per region

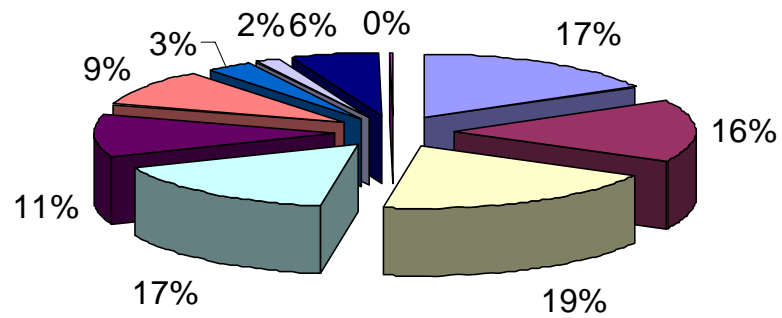


Priority Sector	Individual Project	Block Grant
<i>1</i>	42	9
<i>2</i>	39	8
<i>3</i>	49	3
<i>4</i>	41	3
<i>5</i>	27	3
<i>6</i>	23	4
<i>7</i>	8	3
<i>8</i>	4	6
<i>9</i>	14	2
<i>E*</i>	1	3
Total	248	44

E* = projects submitted without indicating the priority sector

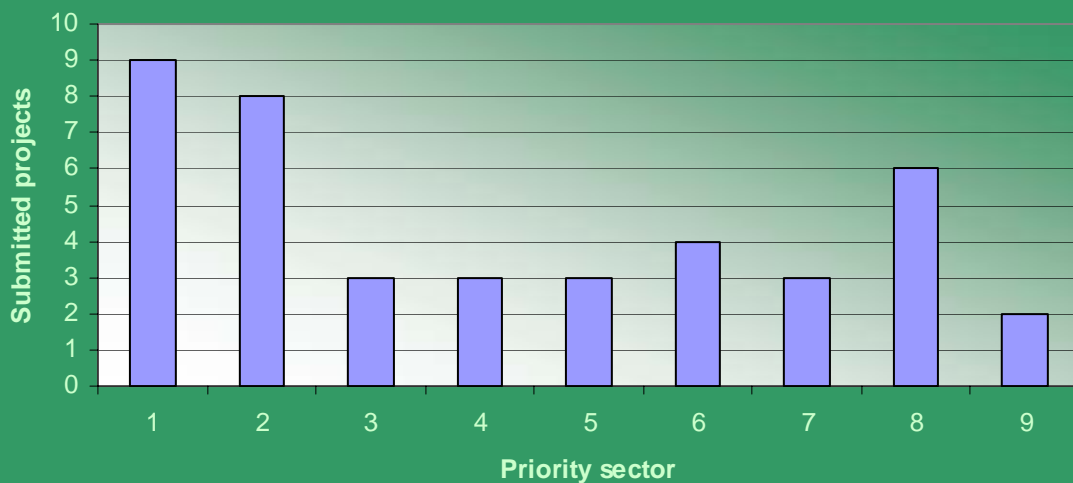


Percentages of individual projects per priority sector

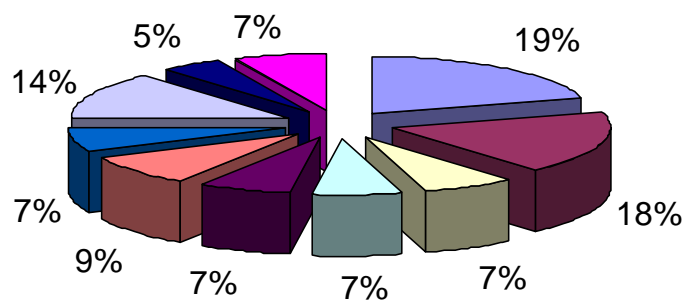


- Protection of the environment
- Sustainable development
- Conservation of European heritage
- Human resource development, education
- Health care
- Children and youth
- Regional development and cross-border co-operation
- Justice and home affairs
- Academic research
- Priority sector not indicated

Number of block grants submitted per priority sector



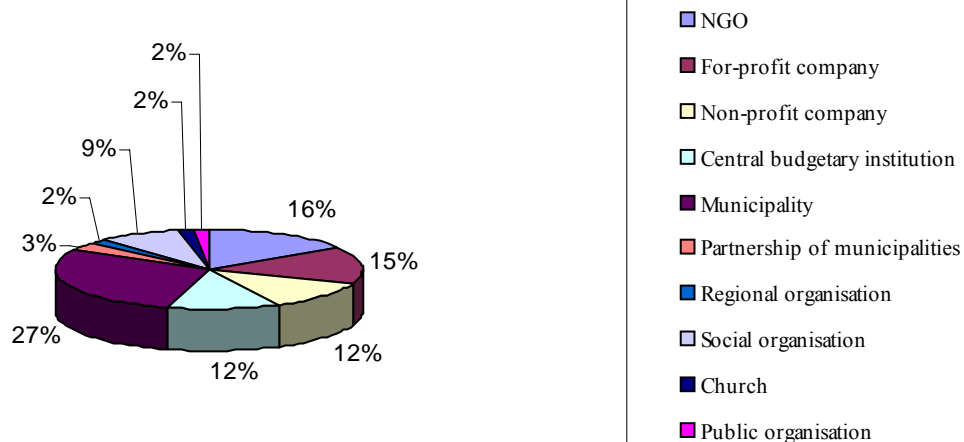
Percentages of block grants per priority sector



Promoting the involvement of NGOs in the field of environmental protection
Environment-awareness training
Scholarship and mobility programmes
Healthcare and preventative measures
Anti-discrimination, advocacy
Childcare
Promoting the accessibility of public buildings
R&D
Cross-border co-operation
Priority sector not indicated

Type of Applicant	Nr.
NGO	46
For-profit company	43
Non-profit company	35
Central budgetary institution	35
Municipality	83
Partnership of municipalities	10
Regional organisation	5
Social organisation	25
Church	5
Public organisation	5
Total	292

Percentages of submitted projects per type of applicants



8.2 Financial status of implementation

Since Hungary is not having projects approved yet, this chapter of the Annual Report is not relevant for the period concerned.

8.3. List of project proposals submitted until 31 March 2006 (see attached)