



# **ANNUAL REPORT**

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

by

**National Focal Point**  
National Development Agency

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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.

The first project proposals were submitted in December 2005; there of these projects were already approved and one is even being implemented.

The call for proposals divided into two application periods per year 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. Project selected in the first period of application were submitted to the FMO in 25 January, 21 February 2007; the evaluation process of these is ongoing.

Based on the experience gained during the first two periods of application it can be concluded that the program is popular, the priorities are well set at the same time there is a definite need for the decrease the number of the rejected applications and to minimize the administrative burden on the applicants.

Considering these experiences the call for proposal to the third round of applications (from 1 Oct 2006 to 31 March 2007) was suspended and a much more simplified, applicant-friendly, much less time- and money-consuming procedure has been elaborated that is to be launched in May.

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 cut-off date of the latest report 31 July 2006 until 30 April 2007.

The purpose of the report in general is to present the progress made towards the achievement of the overall objective of the EEA and Norwegian Financial Mechanisms, the implemented activities for the reason of project identification in Hungary.

## **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
NDA	National Development Agency
NDO	National Development Office
NFP	National Focal Point
R&D	Research and Development
TA	Technical Assistance
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 10<sup>th</sup> of June 2005 and the *Memorandum of Understanding on the implementation of the EEA Financial Mechanism* in Brussels on the 7<sup>th</sup> July 2005.

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

The *call for proposal* has been announced on the 25<sup>th</sup> 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 1<sup>st</sup> April 2006 with the same available amount. The evaluation procedure of the applications submitted in the first round is ongoing.

A *Government Decree regulating the Hungarian implementation of the financial mechanisms* no. 242/2006 (XII. 5.) have been issued in December 2006., including detailed rules enabling the smooth and applicant-friendly implementation of the mechanisms adjusted to the Hungarian system. Due to the revision of the Hungarian application procedure and to the changes to the relevant state aid provisions a modification is necessary that is under preparation. 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 Irregularities; compliance on legal issues***

Based on the report of NAO the NFP states that no irregularities in the framework of the Financial Mechanisms were detected.

Implementation of the Financial Mechanisms is in line with all relevant laws and regulations, no legal problems are expected either during the application procedure or during projects' implementation..

### ***1.3 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***

##### **1<sup>st</sup> 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

##### **2<sup>nd</sup> 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

##### **3<sup>rd</sup> 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

#### **4<sup>th</sup> 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

#### **5<sup>th</sup> 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

#### **6<sup>th</sup> 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

#### **7<sup>th</sup> Priority sector: Academic research**

Focus areas:

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

#### **B) Block Grants**

**1<sup>st</sup> Focus area:** Promoting the involvement of NGOs in the field of environmental protection

**2<sup>nd</sup> Focus area:** Environment-awareness training

**3<sup>rd</sup> Focus area:** Scholarship and mobility programmes

**4<sup>th</sup> Focus area:** Healthcare and preventative measures

**5<sup>th</sup> Focus area:** Anti-discrimination, advocacy

**6<sup>th</sup> Focus area:** Childcare

**7<sup>th</sup> Focus area:** Promoting the accessibility of public buildings

**8<sup>th</sup> Focus area:** R&D



In the Hungarian call for proposals no applications for programmes can be submitted. The reasons for this decision is that in the sectors defined by the priority areas grant can be used by implementing projects and block grants much more effective in Hungary.

#### 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. After several consultations between the Focal Point and the donor side concerning the structure of implementation and timing of the fund, the Focal Point to deleted the facility from the original call.

As a consequence, the FMO decided to appoint and contract an external body to implement the facility and started consultations with the “Regionális Támogatásközvetítő Kht.”

In the meantime the application procedure has been revised and in the new system the open call for seed money became a part of the open call for the first round. Responsibilities regarding seed money will probably be divided between the “Regionális Támogatásközvetítő Kht.” as intermediary and the Focal Point as institution publishing the call.

Seed Money facility provides small grants to end-recipients for the preparation of proposals for individual projects. Seed money is intended to facilitate the development of promising project ideas of high relevance to the Financial Mechanisms’ priorities and to support the preparation of applications that are to be submitted to the Financial Mechanisms, in particular to support innovative approaches, complex project themes and the establishment of new partnerships created for the purpose of designing new projects. Seed money grants provided from a seed money facility should generally be in the range from €5.000 to € 20.000 per end-recipient.

Eligible actors and activities under the Seed Money facility are:

- Applicants from the less wealthy regions
- NGOs applying for project support
- Projects containing bilateral partnership with donor country(ies)

#### **1.4 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 was issued on the management of the EEA and the Norwegian Financial Mechanisms. Due to the revision of the Hungarian application procedure and to the changes to the relevant state aid provisions a modification is necessary that is under preparation.

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 1<sup>st</sup> 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 and Norwegian Financial Mechanisms' 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 for the first and second round of calls 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 National Focal Point delegates 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 and Norwegian Financial Mechanism in its field of responsibility for 10 years after the completion of projects;

A Manual 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. Projects financed under the 2004 allocation**

### ***2.1 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:

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

The National Korányi 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 hoped 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 was to help to decrease the mortality from lung cancer and tuberculosis in Hungary.

The application was unfortunately refused in its original form due to the methodology and technology chosen and the applicant decided not to revise and submit it again.

#### 2.1.2. 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 will 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 will 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 beneficiary received some questions from the FMO for which the clarifying answers were sent on 2<sup>nd</sup> March 2006.

The FMO sent the Grant Offer letter of the project to the NFP on 17 Nov. 2006, which was accepted by the beneficiary. The opening conference was held on 19 February 2007. After submitting the checked Project Implementation Plan, the signed Grant Agreements were received by the NFP and signed by the president, Dr. Márton Vági

#### 2.1.4. HU-0010 Re-granting programme benefiting Hungarian environmental NGO projects in order to improve the implementation of the 2nd National Environmental Program (*block grant*)

The Ministry of Environment and Water intends 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 and conservation among their main goals.

Around 1000-1200 applications are expected, of which a maximum of 100 are to be supported. The total programme duration is 36 months.

The intermediary is the Budgeting Department of the Ministry of Environment and Water.

The grant agreement on the project was signed by both parties, the implementation contract – to be signed by the Hungarian institutions and the beneficiary (Ministry of Environment and Water) is under preparation.

#### 2.4.5. HU-0011 Noise protection of residential area along Public Road No. 3 (*Individual project*)

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.

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.

A detailed appraisal report has been prepared on the proposal; however some questions remained still open. To clear up these questions an on the site visit was carried out by an independent expert in April.

#### 2.1.6. HU-0013 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.

The proposal was submitted to FMO on 6 November 2006; we are looking forward to receive a final decision.

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

#### ***3.1 Call for proposals relevant for the period***

The National Focal Point (NFP) has prepared the call for proposals and an application form user guide in close cooperation with the Financial Mechanism Office (FMO). After having closed the conciliation negotiations, on 25<sup>th</sup> 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 (FMs).

Although, the FMs offer several different types of assistance, Programmes and Seed Money funds were not available in Hungary in the first round based on the decision of the Hungarian National Focal Point.

The call for proposals was published in Hungarian language and applications had to be submitted in Hungarian.

Applications submitted (mailed) before 31st March were assessed in the first round.

***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 intermediaries should be independent legal entities 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 has to 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 having no adequate institutional system could not be a Block grant intermediary.

***The amount of grant assistance*** applied for from the sources of the Financial Mechanisms could not be less than 250,000 EUR and 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 was 2,000,000 EUR. The maximum and minimum sums that could 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.

### ***3.2 Analysis of the applications (figures concern both Financial Mechanisms combined)***

For the first round of call for proposals 292 applications were registered.

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

<b>Region</b>	<b>Type of assistance</b>		<b>Total</b>
	<b>Individual projects</b>	<b>Block grants</b>	
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
<b>Total</b>	<b>248</b>	<b>44</b>	<b>292</b>

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

<b>Priorities</b>	<b>Individual projects</b>
1 <sup>st</sup> Priority sector: Protection of the environment	42
2 <sup>nd</sup> Priority sector: Sustainable development	39
3 <sup>rd</sup> Priority sector: Conservation of European heritage	49
4 <sup>th</sup> Priority sector: Human resource development, education	41
5 <sup>th</sup> Priority sector: Health care	27
6 <sup>th</sup> Priority sector: Children and youth	23
7 <sup>th</sup> 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
<b>Total</b>	<b>248</b>

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

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

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

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

### ***3.3 Project selection process***

The evaluation of the projects submitted for the 1st round of calls for proposals for the EEA and Norwegian Financial Mechanisms ended on 22<sup>nd</sup> September 2006 by the meeting of the Project Selection Committee, however, after that several technical steps were taken in order to ensure a profound and prudent procedure of project selection.

The submitted 292 projects were registered and checked in the aspect of administrative compliance and eligibility by Promei Kht. This process consisted of an examination of completeness (submitted application form and all relevant annexes) and eligibility (eligibility of the applicant and the application). Results:

- 2 projects could be accepted immediately (no call for completion of documents was necessary);
- 197 was rejected (186 automatically and 11 after the call for completion of documents);
- 3 were withdrawn by the applicants;
- 90 was accepted after call for completion of documents, among which 1 was withdrawn by the applicant during the evaluation procedure.

Finally, 84 individual projects and 6 block grants were forwarded for technical evaluation.

Technical evaluation was accomplished during June and July. The company providing the assessors was selected through public procurement procedure by Promei Kht. The selected company accomplished the evaluation by its expert pool. (Both the company and the experts had to declare their impartiality.) The projects were distributed among a group of 3-4 assessors, according to the priority sector / focus area they belonged to. Each project was assessed by two independent assessors, based on previously defined evaluation criteria. These criteria (separate for individual projects and for block grants) were published in the Application Form User Guide, therefore applicants had already been aware of the aspects according to which the experts had to assess the applications. During the technical evaluation process, the relevance, correspondence with overall objectives and priorities, efficiency, risks, economic feasibility and other professional aspects were examined. A written summary and evaluation was made about each application. These evaluations contain the scores, a consistent justification and a statement of whether the given project has achieved the minimum score of approval.

The maximum available score is 100 points and projects receiving less than 60 points were rejected. Moreover,

- if a project got less than 15 points (from the available 20) for the criterion “Compliance with the priority sectors / focus areas”; or
- for the criterion “Feasibility of the budget, cost effectiveness”, less than 12 points (from the available 20) were given in the case of individual projects; or
- if in the case of block grants, for the criteria “The planned method of re-granting” and “Financial, personal and technical background”, less than 5 points were given from the available 10,

the projects also had to be rejected.

The completed evaluation grids consisting of both numerical and written parts were sent to the members of the 4 working committees:

- 1<sup>st</sup> working committee: projects related to environment protection and sustainable development;
- 2<sup>nd</sup> working committee: projects related to conservation of European heritage, regional development and cross-border co-operation, justice and home affairs;
- 3<sup>rd</sup> working committee: projects related to human resource development, education, healthcare, children and youth;
- 4<sup>th</sup> working committee: projects related to academic research and R&D.

Working committee meetings were held between 6<sup>th</sup>-8<sup>th</sup> September 2006 with 10-12 invited members, however usually 6-8 members were present. The invited experts were representatives of the following institutions, organisations:

- professionally competent ministry or organisation with nationwide scope of authority,
- local governments (delegated by the Associations of Local Governments),
- regions (delegated by the Regional Development Councils),
- civil societies,
- social partners.

Representatives of the embassies of the donor countries and of the National Focal Point could also take part as observers, without voting right.

Meetings of the working committees were held in accordance with the Rules of procedure previously set out by the National Focal Point. The members had received the application forms, as well as the evaluation grids of the assessors, and they had had the right to examine any of the related background documents at the premises of Promei Kht. They had 10 days to form their opinion about the evaluations. If they did not agree with the evaluation, the filled-out evaluation datasheets with the comments had to be submitted to the secretariat of the working committee just before the meeting. The secretariat aggregated the comments and in case more than half of the members present did not agree with the points given by any of the independent assessors, the given application had to be re-evaluated and a new score had to be agreed upon. The task of the members was also to decide on the sequence in case of score-equality.

The 1<sup>st</sup> working committee (8<sup>th</sup> September 2006) discussed 25 individual projects and 2 block grants. The sequence had to be decided in two cases, and the members agreed with the scores of the independent assessors in the case of each project.

At the meeting of the 2<sup>nd</sup> working committee (7<sup>th</sup> September 2006) 31 individual projects were discussed. No projects were given new points and the sequence had to be decided in 5 cases.

Members of the 3<sup>rd</sup> working committee (6<sup>th</sup> September 2006) discussed 27 individual projects and 3 block grants. In the case of 5 projects, more than half of the members present did not agree with the scores of the assessors, therefore new scores had to be agreed upon, and decision had to be made on the sequences in 3 cases.

In the 4<sup>th</sup> working committee meeting (8<sup>th</sup> September 2006), only 1 individual project and 1 block grant was discussed, and there was no need to give new points to any of them. Unfortunately, although there was only one individual project discussed by this working committee, it received only 13.5 points for the criterion “Compliance with the priority sectors / focus areas“, therefore it had to be rejected.

According to the comments of the members of the working committees, and since re-evaluation was necessary only in a few cases, the assessments of the independent assessors can be regarded appropriate.

Each working committee created a list of projects based on the given scores and sequences. The project with the highest received point achieved the first place. The four lists were presented to the Project Selection Committee, which held its meeting on 22<sup>nd</sup>

September 2006. The Project Selection Committee is composed of representatives from the National Development Agency, the European State Secretariat of the Ministry of Foreign Affairs, the Ministry of Foreign Affairs, the Ministry of Finance and the EFTA Working Group within the Ministry of Economy and Transport. Its members decided upon the amount of grant that could be allocated (26 119 340 €) and prepared the final list of projects to be recommended for assistance.

The Project Selection Committee had to make a decision of modifying the requested grant in the case of two projects. Based on the opinion of the experts, the grant requested by Székesfehérvár Town (“Baroque heritage, prosperous community”) was decreased because some costs of the original budget were found ineligible. In the case of the project of Szaktudás Kiadó Ház Plc. (“Development of a Geothermal Heating-Cooling System for Demonstration and Education Purposes in the Kék Duna Wellness Hotel”), some activities of the project were found ineligible according to the EC directive on state aids for environmental protection (HL 2001/C 37/03), therefore the State Aid Monitoring Office suggested to decrease total eligible costs.

All applications were examined by the Central Finance and Contracts Unit in terms of technical implementation / feasibility. The State Aid Monitoring Office checked whether the projects are in compliance with state aid regulations of the European Union, and the National Development Agency contacted each Managing Authority of the Structural Funds in order to keep a check on whether the application had been submitted for other programmes.

The final list of the projects proposed to be granted by the Project Selection Committee can be found in Annex 12.5.

### ***3.4 Projects in the pipeline***

The documentations of the applications proposed to be granted were translated by a translator agency financially covered by the budget of the National Development Agency. The translations were checked and corrected through continuous negotiations with the beneficiaries. As the last step of the Hungarian evaluation procedure, the approved and signed translated documents of the 17 individual projects and of the 5 block grants proposed to be granted were sent to the Financial Mechanism Office on 25<sup>th</sup> January and 21<sup>st</sup> February 2007.

The following projects are to be financed from the EEA Financial Mechanism:

HU0031	The Renovation Programme of the Carmelite Monastery in Sopronbánfalva
HU0032	Funicular Railway on Gellért Hill
HU0022	Development of the Partium Knowledge Centre
HU0017	Integration of Multiply Disadvantaged Children
HU0020	Production of organic plant and creation of permanent jobs in the Szuha Valley

Block Grants will be financed by contribution from both the EEA and the Norwegian Financial Mechanisms:

	HU0025	Promotion of anti-discrimination and advocacy in Budapest
	HU0016	Support the R&D co-operations for agricultural innovation and renewable energy sources in the Észak-Alföld Region
	HU0027	Encouraging the involvement of non-governmental organisations (NGOs) in the field of environmental protection in the Lake Balaton Region
	HU0029	Equalisation of Opportunities of Access for Disabled Persons in the Social Sector
	HU0014	Protection in the Szarvas Micro-Region in the Name of Sustainable Development

Until the cut-off date of this report the NFP has received requests for additional information in the case of 11 individual projects and 3 block grants that have been answered by the beneficiaries and the answers have been forwarded to the FMO. According to information by the FMO, initial review has been performed in 11 cases, while external detailed appraisal started in case of 9 projects. For the details please see Annex 12.5.

## **4. Application period of the second call for proposals (1st April 2006 – 30th September 2006)**

### ***4.1 Call for proposals relevant for the period***

Individual projects and block grants could be submitted for the second round of calls for proposals for the EEA and Norwegian Financial Mechanisms between 1<sup>st</sup> April 2006 and 30<sup>th</sup> September 2006. Programmes and Seed Money funds were not available. When updating the Application Form User Guide, experiences of the first round were taken into consideration, as well as comments, opinions and critiques of the applicants.

Applications had to be submitted in Hungarian, however the translation of those projects that will be forwarded to the FMO will have to be done by the applicants and not by the NFP, as in the first round.

***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 intermediaries should be independent legal entities 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 has to 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 having no adequate institutional system could not be a Block grant intermediary.

***The amount of grant assistance*** applied for from the sources of the Financial Mechanisms could not be less than 250,000 EUR and 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 was 2,000,000 EUR. The maximum and minimum sums that could 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.

#### ***4.2 Analysis of the applications (figures concern both Financial Mechanisms combined)***

For the second round of call for proposals 570 applications were registered.

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

<b>Region</b>	<b>Type of assistance</b>		<b>the types of assistance is not indicated and not obvious</b>	<b>Total</b>
	<b>Individual projects</b>	<b>Block grants</b>		
<b>South Great Plain</b>	70	9		79
<b>South Transdanubia</b>	36	5	1	42
<b>North Great Plain</b>	61	8		69
<b>Northern Hungary</b>	62	6		68
<b>Mid-Transdanubia</b>	41	4		45
<b>Central Hungary</b>	171	33	1	205
<b>Western Transdanubia</b>	52	10		62
<b>Total</b>	493	75	2	570



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

<b>Priorities</b>	<b>Individual projects</b>
<b>1st Priority sector: Protection of the environment</b>	<b>71</b>
<b>2nd Priority sector: Sustainable development</b>	<b>46</b>
<b>3rd Priority sector: Conservation of European heritage</b>	<b>74</b>
<b>4th Priority sector: Human resource development, education</b>	<b>101</b>
<b>5th Priority sector: Health care</b>	<b>66</b>
<b>6th Priority sector: Children and youth</b>	<b>50</b>
<b>7th Priority sector: Regional development and cross-border co-operation</b>	<b>14</b>
<b>8th Priority sector: Justice and home affairs</b>	<b>4</b>
<b>9th Priority sector: Academic research</b>	<b>28</b>
<b>E*:priority sector not indicated</b>	<b>39</b>
<b>Total</b>	<b>493</b>

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

<b>Priorities</b>	<b>Block grants</b>
<b>1st Focus area: Promoting the involvement of NGOs in the field of environmental protection</b>	<b>8</b>
<b>2nd Focus area: Environment-awareness training</b>	<b>3</b>
<b>3rd Focus area: Scholarship and mobility programmes</b>	<b>8</b>
<b>4th Focus area: Healthcare and preventative measures</b>	<b>10</b>
<b>5th Focus area: Anti-discrimination, advocacy</b>	<b>8</b>
<b>6th Focus area: Childcare</b>	<b>6</b>
<b>7th Focus area: Promoting the accessibility of public buildings</b>	<b>11</b>
<b>8th Focus area: R&amp;D</b>	<b>6</b>
<b>9th Focus area: Cross-border cooperation**</b>	<b>0</b>
<b>E*: priority sector not indicated</b>	<b>15</b>
<b>Total</b>	<b>75</b>

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 second round of applications see Annex 12.2

#### ***4.3 Project selection process***

Until the deadline of this report, 30 April 2007, formal checking and submission of the missing documents of the applications were performed. The submitted 570 projects were registered and checked in the aspect of administrative compliance and eligibility by Promei Kht. Results:

Acceptance	<b>2</b>
Call for completion of documents	<b>304</b>
Acceptance after completion of documents	226
Rejection after completion of documents	38
Rejection because of not submitting the missing documents	19
Withdrawal of application after call for completion of documents	2
Completion of documents is still to be expected	2
Rejection because of submitting the missing documents after deadline	10
Completion of documents pending	7
Withdrawn applications	<b>7</b>
Rejection	<b>257</b>
<b>Sum</b>	<b>570</b>

Finally, 493 individual projects and 75 block grants were forwarded for technical evaluation.

The selection of the projects proposed for assistance will be performed in the same way as in the first round of call for proposals, however for the technical evaluation 2 independent companies were selected, the experts of which will receive the applications in May 2007.

## **5. Revision of the application procedure – the two round system**

Based on the experience gained during the first two rounds of application it can be concluded that the program is popular, the priorities are well set at the same time there is a definite need for the decrease the number of the rejected – due to formal reasons – applications and to minimize the administrative burden on the applicants.

Considering these experiences the call for proposal to the third round of applications (from 1 Oct 2006 to 31 March 2007) was suspended from 02/02/2007 on.

The suspension aimed to elaborate and introduce a much more simplified, applicant-friendly, much less time- and money-consuming procedure.

This new system is a two round application process meaning that first potential applicants have to fill in an application template (about 5-10 pages maximum) containing the most important project-data only. Based on this template project concepts are selected and only those successful in the first round may enter the second round and are to be developed further in details – similar as in the former procedure. Through this approach the rate of successful applications will grow significantly and rejections on formal grounds will diminish, while transparency remains.

During the suspension applicants are provided a possibility to put their questions regarding the new system by e-mail to the Focal Point. From the e-mails received can be concluded that the revision and simplification of the application procedure is highly welcomed by almost all applicants.

The application template, user guide, call for proposal and all relevant connected documentation after FMO approval have been published on the Focal Point webpage for public consultation; comments could be made till 22 April. In the frame of this public consultation about 70 comments were received and most of them also incorporated. The finalized documentation is ready for being published and the call re-opened after have been checked by FMO again.

## 6. NGO representation in the Financial Mechanisms

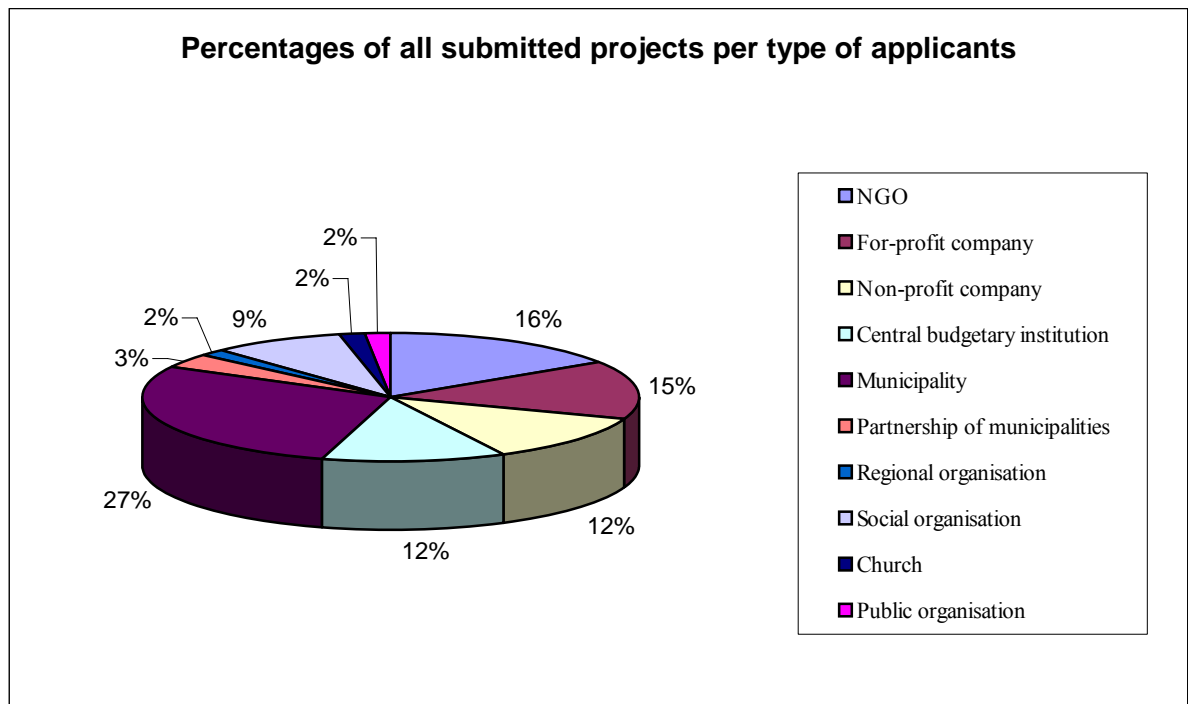
Among the projects financed from the 2004 allocation, there is one NGO project HU-0010 “Re-granting programme benefiting Hungarian environmental NGO projects in order to improve the implementation of the 2nd National Environmental Program”. (For the detailed description of this projects please see point 2 of the present report.)

After consultation with FMO the NFP committed itself to set up an NGO fund with an allocation of 6,500 000 Eur to further encourage these organizations to take part in the mechanisms. The details and conditions for this fund are under elaboration.

### 6.1 Application procedure

In the first call for proposals (25 January 2006 – 31 March 2006) out of the 292 project proposals 46 were submitted by NGOs that represent 16% of total applications. However, if we take social and public organisations also into consideration, it turns out that 27% of the applications were submitted by such institutions. Social organisations are associations, unions, alliances, leagues and clubs. Public organisations include the different chambers and the Hungarian Academy of Sciences.

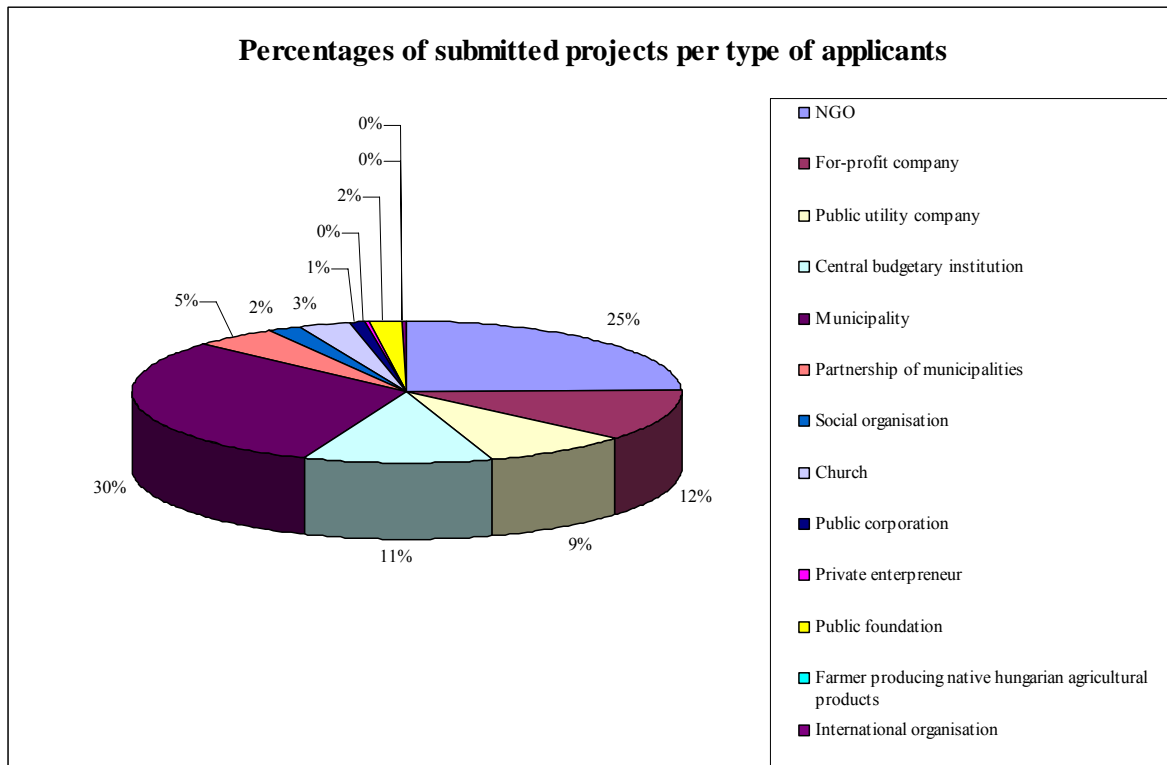
The share of different types of project promoters represented in the applications is shown in the next diagram:



In the second call for proposals (1<sup>st</sup> April 2006 – 30<sup>th</sup> September 2006) 140 applications from NGOs were received and another 73 from other institutions active in the social

sector (churches, public utility companies, public corporations) showing some increase in applications submitted by institutions of social nature.

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



## 6.2 Project implementation

## **7. Projects under implementation**

HU-0002 International Mobility Programmes - Placements, study visits, partnerships (block grant) – for details please see point 2.

HU-0010 Re-granting programme benefiting Hungarian environmental NGO projects in order to improve the implementation of the 2nd National Environmental Program – for details please see point 2.

## **8. Technical Assistance**

The National Development Agency submitted to the FMO its project entitled “Technical Assistance for the Management of the EEA and Norwegian Financial Mechanisms in Hungary” on 18 September 2006 requesting 3 201 168 €. After correspondence with the FMO dated 7<sup>th</sup> November 2006, a Grant Offer Letter dated 9<sup>th</sup> January 2007 was received offering a grant amount of 2 854 746 €.

The implementation of the Technical Assistance fund will be performed in partnership, the National Development Agency (NDA) being the main applicant and the Central Finance and Contracts Unit (CFCU) and the National Authorising Officer's (NAO) Office within the Ministry of Finance, as its partners.

The support available from the Technical Assistance will enable these institutions to effectively manage and coordinate the EEA and Norwegian Financial Mechanisms, and contribute to the achievement of their objectives, namely to the reduction of economic and social disparities in the European Economic Area.

For the effective coordination of the mechanisms, the following activities will have to be performed and the following costs will be covered:

- Project managers and financial administrators
- Overhead and administrative costs
- Updating of the call for proposal
- Independent assessors
- Quality assurance of public procurement
- Book-keeping
- Audit trails and a procedures manual
- Communication activities
- Financial audit
- Meetings with the FMO, the Norwegian Ministry of Foreign Affairs (NMFA) / Financial Mechanism Committee (FMC)
- Project monitoring visits and on-the-spot checks

Currently a new budget of the TA is under preparation which includes the costs related to the revised system of application. The Project Implementation Plan of the project will be prepared based on the new budget.

## 9. Publicity activity

The main communicational channel between the potential applicants and the NFP are the websites ([www.nfu.gov.hu](http://www.nfu.gov.hu); [www.promei.hu](http://www.promei.hu)) which are regularly updated. They contain all the documents needed for the application, general information on the Mechanisms, up-to-date news, a collection of Frequently Asked Questions and statistics. There is also a link to the documents and guidelines of the central website [www.eeagrants.org](http://www.eeagrants.org). The contact details 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.

The latest versions of the documents necessary for the application could be downloaded from these websites until the suspension of the programme on 2<sup>nd</sup> February 2007.

The helpdesk, through which questions of the potential applicants were answered was operated by Promei Kht. continuously. Questions sent in written form via e-mail or fax were answered at the latest in 10 working days.

In September 2006 the Project Selection Committee decided on the final list of the projects proposed to be granted in the first round of call for proposals. The list was published on the websites and a press conference was held, whereby Mr. Gordon Bajnai, government commissioner for development communicated the results in the presence of HE Ms. Bente Angell-Hansen, ambassador of the Kingdom of Norway to Hungary, journalists and project promoters.

Projects promoters were informed about the results of their projects through direct mails.

In August and September 2006 as well as in January and February 2007, members of the NFP held consultation hours: on Wednesdays from 2 to 5 p.m. applicants had the possibility to consult about their planned project on a previously agreed date. Altogether 180 potential applicants took part on these consultations.

On 26<sup>th</sup> October, the National Focal Point and the Royal Norwegian Embassy in Hungary organised a conference on addiction (drugs and alcohol) prevention. The main objective of this workshop was to mobilize those potential project promoters that are suffering of disadvantages the most or represent fields whereby more proposals would be desirable and to encourage them to build partnerships. The conference proved to be successful with more than 80 (Hungarian and Norwegian) participants.

Until 1<sup>st</sup> December 2006, applicants had the possibility to receive the written evaluation of their project proposals through direct mail.

The NFP and Promei Kht. Received some appeals concerning the technical evaluation of the project proposals. Each case was examined and handled. In case of unresolved questions, the National Development Agency (NDA) clarified the case and took up a position.



The project promoters of the 570 applications that were submitted until 30<sup>th</sup> September 2006 were informed about the status of their proposals through direct mails, i.e. they received letters about the registration of their applications, about the results of the formal evaluation and information about the need for completion of documents and finally about whether their application could be forwarded to technical evaluation or was rejected. The list of accepted projects will be published on the websites in May.

Appr. 30 appeals have been received by the NFP and Promei Kht. related to the formal rejection of applications. All of these appeals have been examined and handled.

Potential applicants and the wide public were informed about the suspension of the programme on 2<sup>nd</sup> February 2007 on the websites and the newest information are also published there continuously. A new e-mail address (nepf@meh.hu) was created in order to answer questions related to the suspension and to the new application system.

In order to create a useful, understandable, applicant-friendly call for proposal of the revised system, in April 2007 the NFP decided to publish the relevant documents for public consultation on the website of the NDA. Several opinions and suggestions have been received, many of which proved to be useful and have been taken into consideration when finalising the documents. Those potential applicants who had taken part on the personal consultation were informed about this possibility in e-mails.

On 14-15<sup>th</sup> May a conference on the social participation and undertaking activity of young people will be organised by the NFP, the Royal Norwegian Embassy, the Hungarian Ministry of Social and Labour Affairs, the Norwegian Ministry for Youth and Equal Opportunities and the Norwegian territory North-Trøndelag.

Besides the means of communication mentioned above, members of the National Focal Point are ready to give information and make presentations about the Financial Mechanisms on conferences and workshops, as well as give interviews for radio and television channels. Between September 2006 and May 2007 the National Focal Point was invited to present the Financial Mechanisms in several occasions in conferences in Budapest and in other towns reaching all segments of potential applicants:

<b>Date</b>	<b>Place</b>	<b>Target group</b>
22.08.2006	Budapest	NGOs
12.09.2006	Budapest	Advisors
19.09.2006	Tatabánya	Journalists
16.10.2006	Budapest	Potential applicants
25.10.2006		Radio audience
26.10.2006	Budapest	Potential applicants
7.11.2006	Budapest	Advisors
16.11.2006	Budapest	Potential applicants
23.11.2006	Szeged	Local governments
24.11.2006	Füzesgyarmat	Mayors
28.11.2006	Budapest	Advisors
04.12.2006	Budapest	Call centre operators
16.01.2007	Budapest	Advisors

19.02.2007	Budapest	Tempus Foundation
12.04.2007.	Budapest	NGOs

## **10. Horizontal (cross-cutting) issues**

Horizontal issues will be applied on the one hand relating to all procedures carried out by the Focal Point and on the other hand during the evaluation process project proposals ensuring these principles will be preferred.

### ***10.1 Sustainability***

In the past few decades sustainability has played a more and more important role. Sustainability relates to the continuity of economic, social, institutional and environmental aspects of society, as well as the non-human environment. It is widely accepted that sustainable development has three pillars like sustainable operation of economy, realisation of acceptable and flexible social relations (political systems, international legal and economical systems) and preservation of environment and natural resources.

During project selection emphasise is put on all aspects of sustainability; only proposals considered to be sustainable in the long term will be selected and submitted to FMO for approval.

Ensuring that development projects are sustainable can reduce the possibility of collapsing after they have just finished. It also reduces the financial cost of development projects and the subsequent accidentally emerging problems. All development assistance should be designed and implemented with the aim of achieving sustainable benefits.

To assess sustainability, in project selecting process we endeavour to fully consider the effect of every part of the process - not just in direct terms, but with regard for the consequences in the long term.

### ***10.2 Gender equality***

One of the main key objectives is to eliminate inequalities, promotes equality between women and men in matters of employment and occupation and put an end to sex discrimination within and outside the work place. It means the promotion of equal participation of women and men in decision-making, support that women can fully exercise their rights and reduction of the gap between women's and men's access to and control of resources and the benefits of development. It is widely known that all aspects of equality is essential for sustainable development.

In one hand, gender equality will be ensured both by the Focal Point and all other institutions involved in the implementation of the Financial Mechanisms during the recruitment of personnel.

On the other hand, applicants ensuring the principle of gender equality in their procedures will be preferred.

### ***10.3 Good governance***

Lessons from the first two rounds of application procedure have been learned. Based on the experience gained from the previous applications, it can be concluded that the project opportunities are very popular and the priorities are highly attracting. However, there was a definite need for decreasing the number of the rejected applications and minimizing the administrative burden on the applicants, therefore a new application system fit to the needs of applicants was elaborated.

The main documentation of this new system was published on the Focal Point's webpage for public consultation; comments could be made via e-mail by anybody interested. All useful comments received from applicants were incorporated when finalising the documents.

The structure of the call for proposal is adequately elaborated and inter-institutional conciliation has been started to set up a consolidated regulation of implementation rules.

We have provided relevant information to the potential applicants and also for the support system so that it becomes as transparent as possible. Thus, we have enabled the potential applicants to receive the widest possible range of information on the opportunities provided by the Financing Mechanism.

### ***10.4 Bilateral relations***

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

We deem it important to increase the level of social consciousness, enhance the transparency of the development activities that will affect several regions. Together with other possible sources we try to further provide the public with a comprehensive overview of the assistance rendered by the Financing Mechanisms. Therefore, we will take further measures in order to ensure publicity and access to information, including e-assistance provided by Donors.

Consequently, it is becoming more and more clearly seen to all stakeholders of possible development programs that the projects can only be implemented using the financial support provided by the EEA and the Norwegian Financial Mechanisms.

In the first round of the new system during the evaluation of project concepts 10% of the total points is given for different partnership issues. This will probably result that most applications sent to the FMO for approval will be carried out in partnership.

## 11. Work Plan for the next year

### *11.1 Timing of the application procedure*

The current Annual Report covers the period from the cut-off of the latest report 31 July 2006 till 30 April 2007. The following indicative work plan contains indicative timing of application and evaluation procedure till the next Annual Meeting.

Concerning projects of the 1<sup>st</sup> round of call for proposals, decisions will be made by the donor countries and therefore - in the period until the next Annual Meeting - Grant Offer Letters will be sent, Grant Agreements and Implementation Agreements will be concluded separately related to each project.

Time schedule related to the 2<sup>nd</sup> round of call for proposals:

Date	Activity
May-July 2007	Evaluation of projects
August 2007	Working group meetings and decision by the Project Selection Committee
September - October 2007	Translation of projects by the beneficiaries
October-November 2007	Submission of projects to FMO
November 2007-April 2008	FMO evaluation procedure

Time schedule related to the 3<sup>rd</sup> round of call for proposals:

Date	Activity
May - August 2007	Open call for project concepts
September - October 2007	Evaluation of project concepts
November - December 2007	Submission of full applications for mature concepts
January – March 2008	Evaluation of applications handed in till December 2007
January – March 2008	Submission of full applications for concepts (not mature)

April – May 2008	Evaluation of applications handed in till March 2008
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Time schedule of the NGO Fund:

Date	Activity
July 2007	Agreement on the framework document of the NGO Fund
December 2007	Selection of the NGO Fund operator
January 2008	Launch of call for proposal

### ***11.2 Audit plan***

The Internal Audit Department of the NDA carried out an audit for the functioning of the FMs from 8 June till 11 August 2006, the final audit report is dated 12 October 2006.

Regarding the FMs the audit report contains the following *findings*:

- *Deadlines for the coming evaluation periods have to be defined based on the experiences of the first period; deadlines have to be indicated in all relevant guides* - based on the experiences of the former application rounds the application system has been revised (see point 4)
- *Government decision no. 102/2006 on Monitoring shall be supplemented with the FM matters* – modification of the Gov. Decision mentioned is in force already
- *Preparation procedure of the Gov. Decision on the implementation of the FMs is to be speeded up* – Gov. Decision 242/2006 was issued in December 2006

The Internal Audit Department of the NDA does not plan any audit on the FMs for 2007.

The Government Control Office plans to carry out an audit on the FMs in November 2007.

## 12. Annexes

### 12.1 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)**

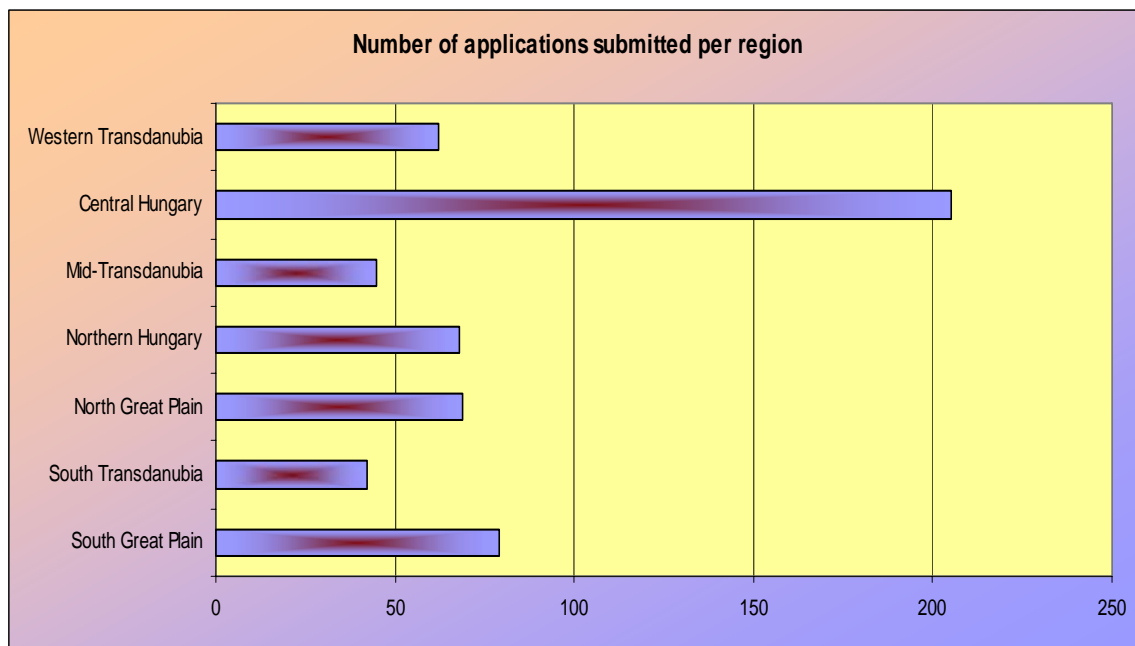
**Act CXXIX of 2003 on Public Procurement (2003. évi CXXIX. törvény a közbeszerzésekről)**

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

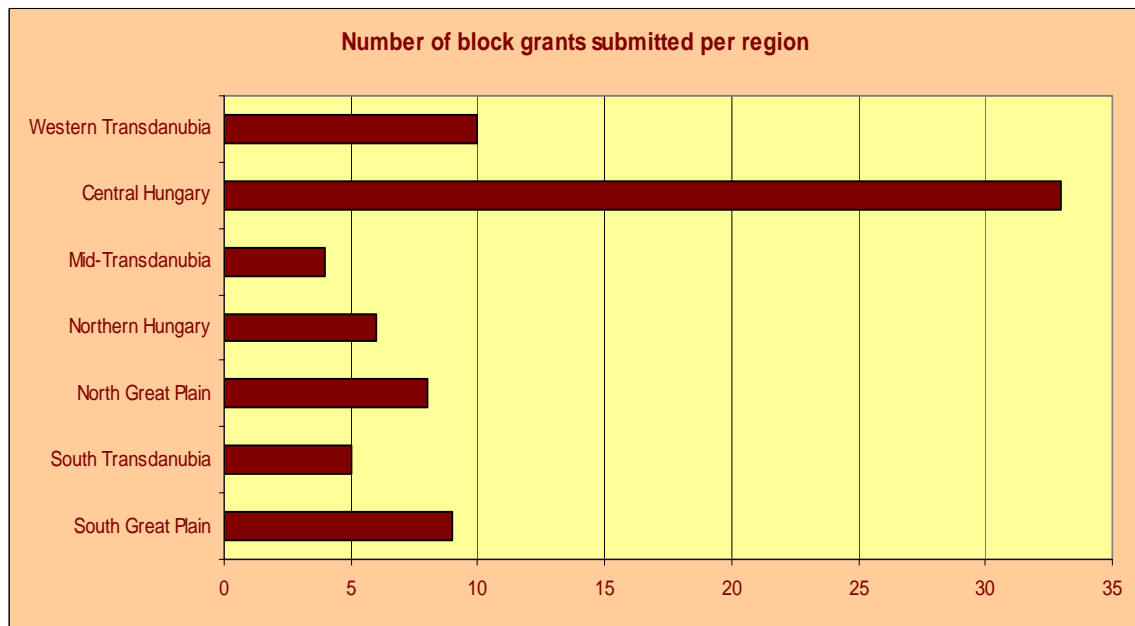
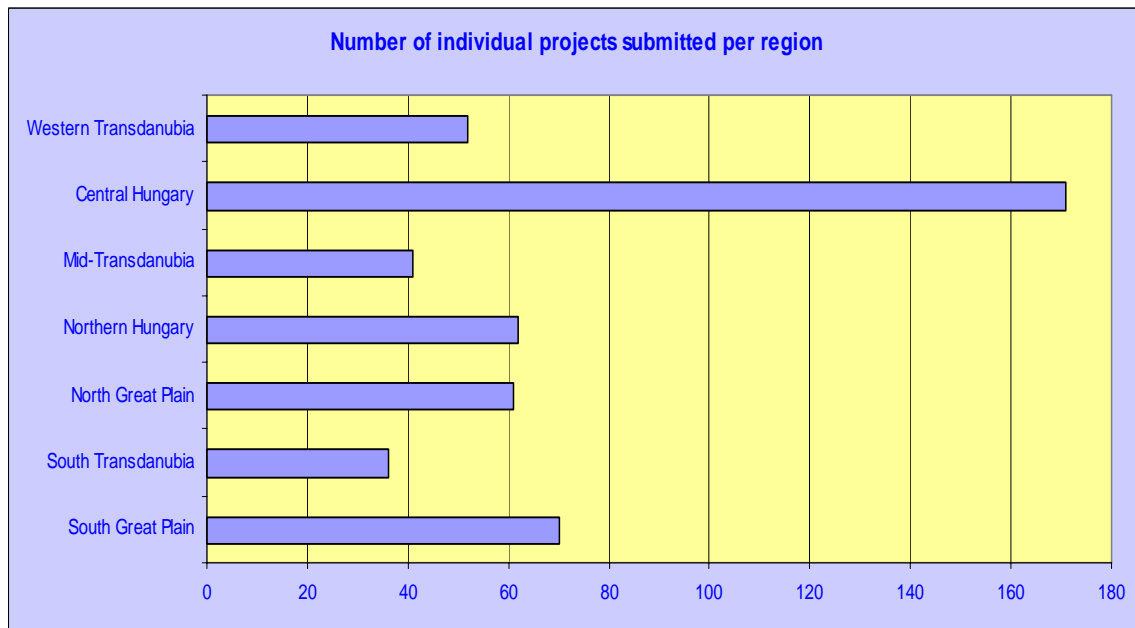
**Government Decree No. 242/2006 (XII.5.) on the implementation of the Norwegian Financial Mechanism and the EEA Financial Mechanism (242/2006 (XII. 5.) Korm. rendelet az EGT Finanszírozási Mechanizmus és a Norvég Finanszírozási Mechanizmus végrehajtási rendjéről)**

*12.2 Statistics of the latest application period, the second call for proposals: 1st April 2006 – 30th September 2006 (figures concern both Financial Mechanisms combined)*

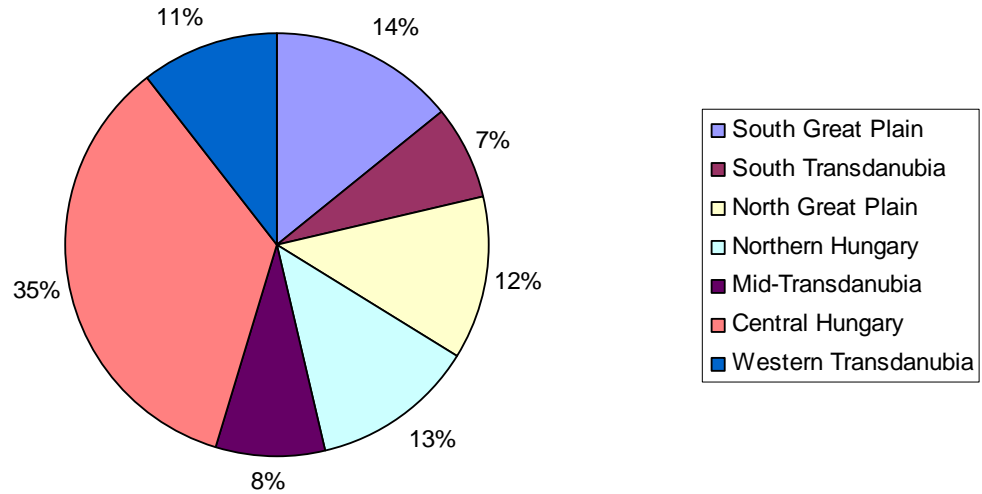
Region	Type of assistance		The types of assistance is not indicated and not obvious	Total
	Individual projects	Block grants		
<b>South Great Plain</b>	70	9		79
<b>South Transdanubia</b>	36	5	1	42
<b>North Great Plain</b>	61	8		69
<b>Northern Hungary</b>	62	6		68
<b>Mid-Transdanubia</b>	41	4		45
<b>Central Hungary</b>	171	33	1	205
<b>Western Transdanubia</b>	52	10		62
<b>Total</b>	493	75	2	570



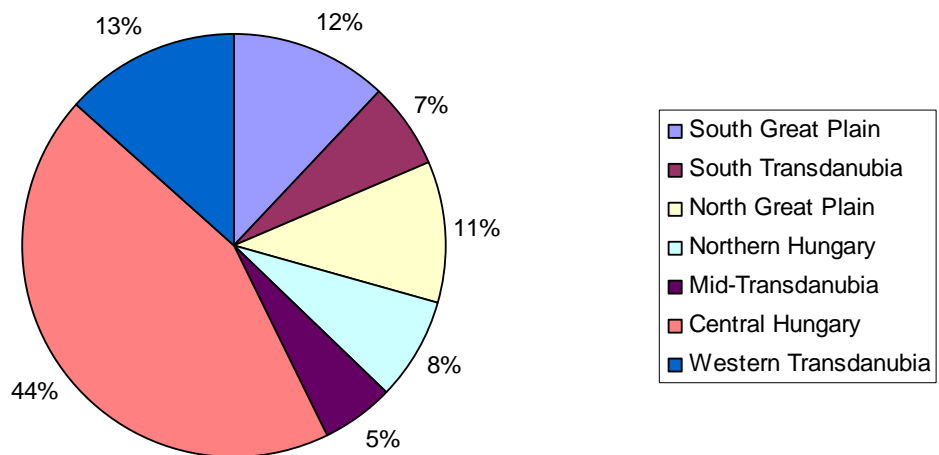




**Percentages of individual projects per region**



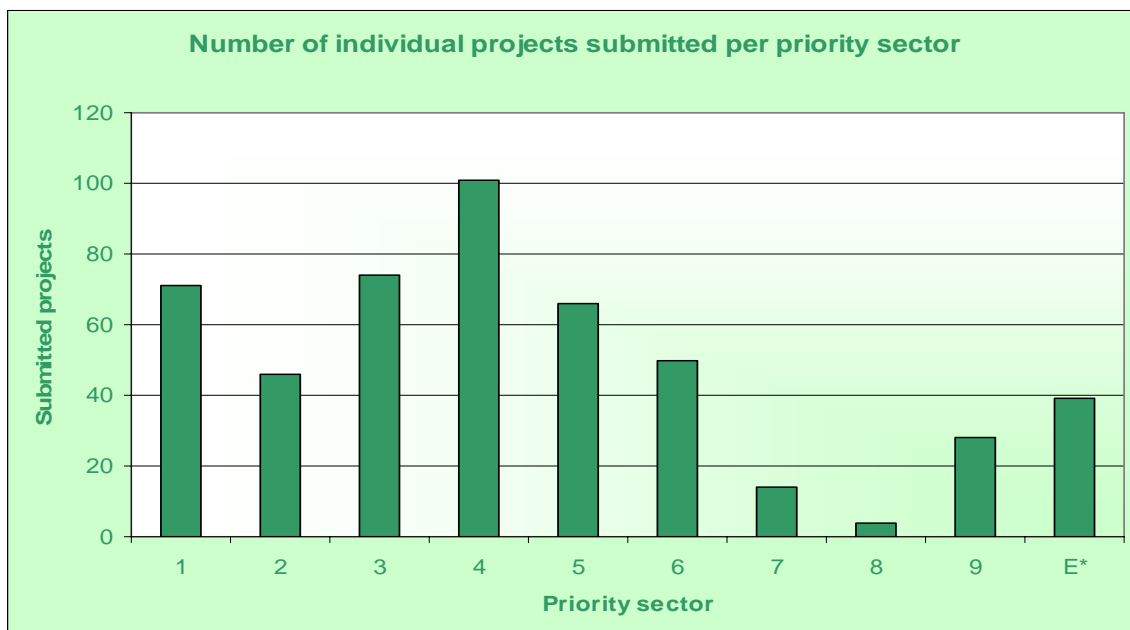
**Percentages of block grants per region**



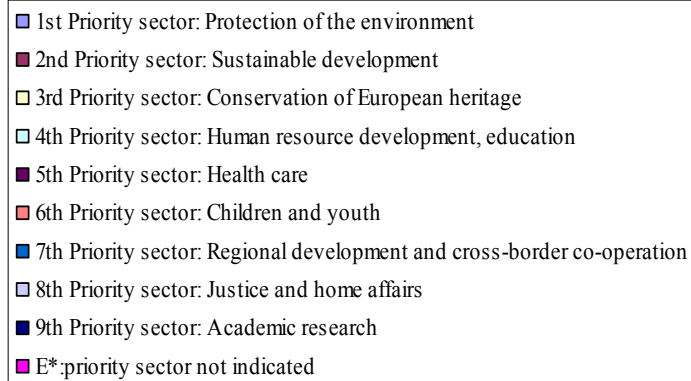
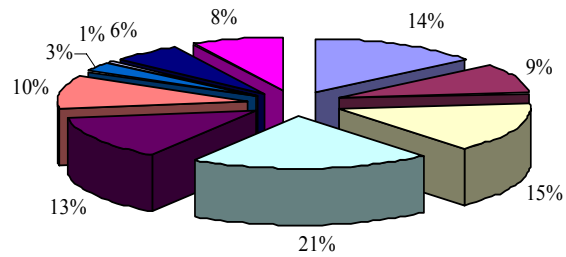
Priority Sector	Individual Project	Block Grant
1	71	8
2	46	3
3	74	8
4	101	10
5	66	8
6	50	6
7	14	11
8	4	6
9	28	0
E*	39	15
<b>Total</b>	<b>493</b>	<b>75</b>

E\* = projects submitted without indicating the priority sector

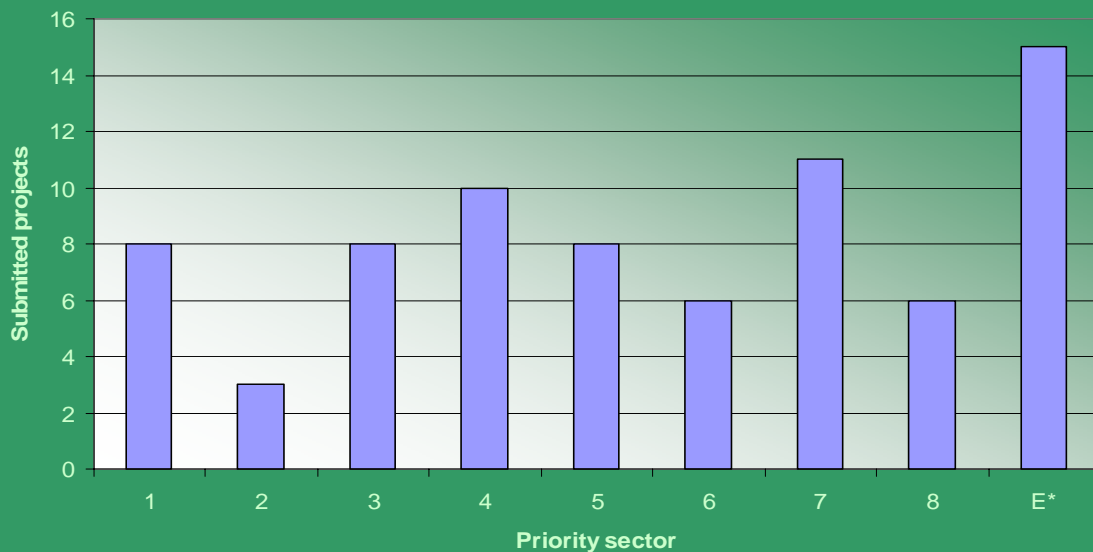
In case of 2 projects the type of assistance is unknown but the priority sector is number 4.



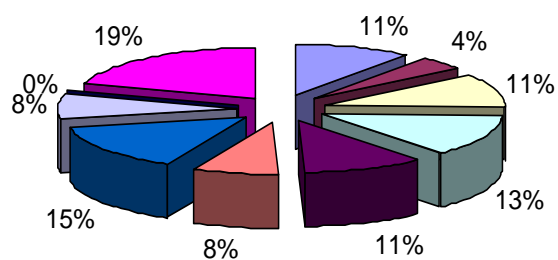
**Percentages of individual projects per priority sector**



**Number of block grants submitted per priority sector**



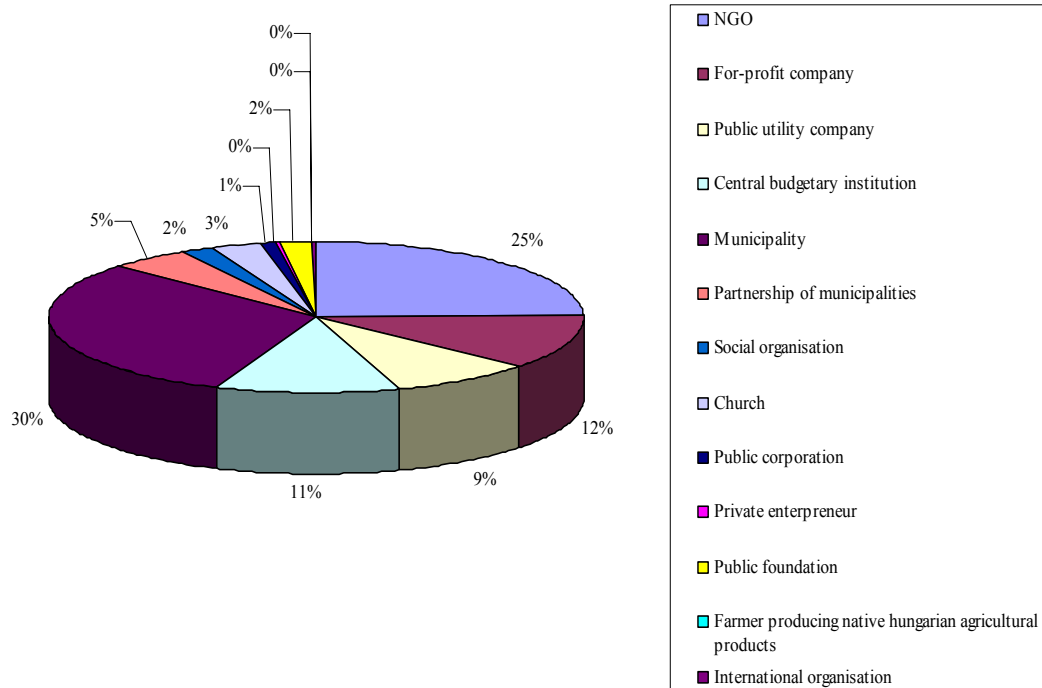
### Percentages of block grants per priority sector



- 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
- 9th Focus area: Cross-border cooperation\*\*
- E\*: priority sector not indicated

Type of Applicant	Nr.
<b>NGO</b>	140
<b>For-profit company</b>	67
<b>Public utility company</b>	50
<b>Central budgetary institution</b>	63
<b>Municipality</b>	174
<b>Partnership of municipalities</b>	29
<b>Social organisation</b>	11
<b>Church</b>	17
<b>Public corporation</b>	4
<b>Private entrepreneur</b>	2
<b>Public foundation</b>	11
<b>Farmer producing native hungarian agricultural products</b>	1
<b>International organisation</b>	1
<b>Total</b>	<b>570</b>

**Percentages of submitted projects per type of applicants**



### ***12.3 Financial status of implementation***

Since no payment have been made yet, this chapter of the Annual Report is not relevant for the period concerned.

### ***12.4 List of project proposals submitted until 30 September 2006 (see attached)***

### ***12.5. List and status of project proposals submitted to FMO for approval***