

Strategic Report

on the implementation of

EEA Financial Mechanism 2009-2014

in Hungary

1 January 2013 – 31 December 2013

March 2014

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LIST OF ABBREVIATIONS

AA	Audit Authority
APR	Annual Programme Report
ARS	Automatic Reimbursement Scheme
CA	Certifying Authority
CoE	Council of Europe
CC	Cooperation Committee
DPP	Donor Programme Partner
EC	European Commission
EEA	European Economic Area
EU	European Union
FC	Fund Committee
FM	Financial Mechanism
FMC	Financial Mechanism Committee
FMO	Financial Mechanism Office
IA	Implementing Agency
KSH	Hungarian Central Statistical Office
MAICP	Managing Authority for International Co-operation Programmes
MCS	Management and Control System
MoU	Memoranda of Understanding
NDA	National Development Agency
NFBR	National Fund for Bilateral Relations
NFP	National Focal Point
NMFA	Norwegian Ministry of Foreign Affairs
PA	Programme Agreement
PIA	Programme Implementation Agreement
PO	Programme Operator
PWG	Planning Working Group
R&D	Research and Development
SMEs	Small and Medium Enterprises
SZPO	Széchenyi Programme Office

1. EXECUTIVE SUMMARY

The **purpose of the Strategic Report 2014** is to give updated information on the preparation works executed and the status of the programmes under the EEA Financial Mechanism (FM) 2009-2014 in Hungary. The report covers only the programmes belonging under the responsibility of the Hungarian National Focal Point (NFP) granted by the EEA FM. The report does not contain information on the programmes operated by Donor State entities, since due to the institutional changes the relevant summaries could not be provided to the newly dedicated NFP. According to the information of the Financial Mechanism Office (FMO), the summaries are going to be provided in a later stage.

The period covered by this report is **1 January 2013 – 31 December 2013**. The milestones of the reporting period are summarized herewith.

In the first quarter of 2013 the conciliations on the Programme proposals submitted in July-August 2012 were still proceeding between the FMO and the Programme Operators (POs). Finally **between March and May 2013 each programme operated by the NFP was approved by the Donors**. After the approvals of the programmes the **conciliations were launched on the Programme Agreements (PAs) between the FMO and POs**. The first PA was signed in August 2013, while until the end of the year all five PAs were concluded between the Donors and the NFP. After the conclusion of the PAs, the elaboration of the programme specific parts of the Programme Implementation Agreements (PIAs) and conclusion processes were started. Until the cut-off date of the reporting period two out of five PIAs were concluded between the three parties, NFP, PO and the Implementing Agency (IA). **In 2014** anticipatedly **the PAs should be amended** in line with the under-mentioned institutional changes, due to the additional amounts originated from the reserve and some technical issues came up during the first steps of the implementation phase.

In line with Article 1.10 of the Regulation, the **NFP submitted its proposal on the use of the reserve until 30 January 2013**. NFP proposed to utilize the reserve as an additional resource to existing Hungarian programmes **which were progressing well** at that time. Accordingly the HU07, HU08 and the NGO Fund/ programmes received additional grant amounts.

In line with the conciliations on the PAs, POs started to elaborate the calls for proposals with the help of the Hungarian Planning Working Groups (PWGs), the Cooperation Committees (CCs) and Donor Programme Partners (DPPs), whereas **the NFP elaborated the programme and project level regulating documents for the calls for proposals and contracting procedures**. The **first calls for proposals were ready for the summer**. After the control of the FMO, the DPPs, the NFP and the State Aid Monitoring Office (where it was relevant) the calls could be launched. **The first call was published in October** and the first applications were received during autumn 2013. Accordingly the evaluation process of the first few applications started, however **in most of programmes at the end of the year still the preparation of the calls are on the agendas of the POs**.

Government Decree 326/2012. (XI.16.) which came into force on 16 November 2012 forms the basis of the **national management and control system (MCS)**. The description of MCS at national level was completed by the NFP in November 2012 and was submitted to the Audit Authority (AA) on 30 November 2012. AA launched the compliance assessment in December and **issued its opinion on the MCS in January 2013**. After several requested and answered clarifications from May to October, the **MCS was acknowledged by the Donors on 17 October 2013**.

At second half of 2012 the national regularity framework was established and started its operation afterwards. Although a **well-functioning, accurate and adequate system was set up**, it is seen that **some improvements need to be placed** in the Government Decree and the relating guidelines in the near future mainly in connection with calls for proposals, management of proposals and monitoring system. These improvements will be handled by the **modification of the Government Decree**, together with the necessary changes occurring from the institutional changes and in line with the modification of the Memorandum of Understanding (MoU) and the description of the MCS.

The implementation of the **Communication Strategy** approved by the Donor States on 4 July 2012 was **continuously implemented during 2013**. The main publicity action of the year was the **launching event** which was successfully held **on 25 April** with approximately 180 participants and with over 1000 stakeholders reached through the press releases. At **programme level several events** were held in 2013, such as programme launching event, partnership seminars, information days, etc. In 2013 the **official website of the FMs in Hungary was also created**. The website is continuously updated by the IA with news and up-to-date information on the programmes, calls and events. Another important step to find and insure the best communication ways and actions regarding the FMs is that an **external expert team** was entrusted in September to elaborate the **detailed communication steps with the appropriate actions** along the official communication strategy of the NFP.

On 12 April 2013 the NFP held the second **Monitoring Committee meeting** where the developments of the programmes were presented for the representatives of the Hungarian ministries, local and regional authorities, civil society, the social partners and private sector. Following the Monitoring Committee meeting the NFP organized the **Annual Meeting on 24 April 2013, one day before the above-mentioned official launching event of the FMs in Hungary**. NFP presented on the Annual Meeting the status of the FMs based of the second Strategic Report and the POs gave overviews on the status of their programmes.

At the beginning of 2013 **the IA**, the International Development and Fund Coordination Agency **assisted the POs in their preparation work** at the final stage of the preparation phase. IA established the official website of the FMs in Hungary as it was mentioned above and elaborated the application surface and started to create the monitoring IT system. IA contributes to the preparation of the programme level documents, publishes the calls, participates in the answering the applicants' inquires, treats the submitted application and starts their evaluations.

According to the **decision** of the Financial Mechanism Committee (FMC) made on **26 June 2013**, a pre-defined project was defined in the framework of **National Fund for Bilateral Relations (NFBR)**. The **subject** of the project is the **Hungarian media legislation**; the project promoter is the National Media and Infocommunication Authority, while the donor project partner is the Council of Europe (CoE). The **implementation period** of the project will be **terminated at 31 January 2014**. In the NFBR further **calls were published on 24 November 2013**. Regarding the COOPER modality the **submission deadline** for the applicants is **31 January 2014**, whilst the submission of the application **in the PIERO is continuous**. The fourth part of the NFBR, the implementation of the *Automatic Reimbursement Scheme* (ARS) had to be re-scheduled for 2014.

Preparing for the upcoming EU financial period (2014-2020), the Hungarian Government decided to reorganize the institutional structure dealing with development policy in Hungary. As a consequence of these **institutional changes**, the **National Development Agency (NDA) ceased its operation by 31 December 2013**. The tasks along with the colleagues responsible for the NFP tasks have been transferred to the **Széchenyi Programme Office Non-profit Ltd. (SZPO)** with legal succession. The **main and most important goal** of SZPO is **to ensure the continuous implementation of the FMs** during the transition period and afterwards as well. Hungary **deems it crucial that the re-negotiation of the MoU and the conciliation on the amended description of the MCS could start and be finalized at the earliest convenience in 2014**.

As **general tasks** of the NFP, it **shared all relevant new information**, guidelines and modifications of regulation documents issued by the Donors and the FMO with the POs. NFP keeps close contact and shares the main information on the preparation works, important news and expected meetings with the FMO and the Norwegian Embassy.

2. ASSESSMENT OF THE EFFECT OF THE GRANTS

2.1 Cohesion

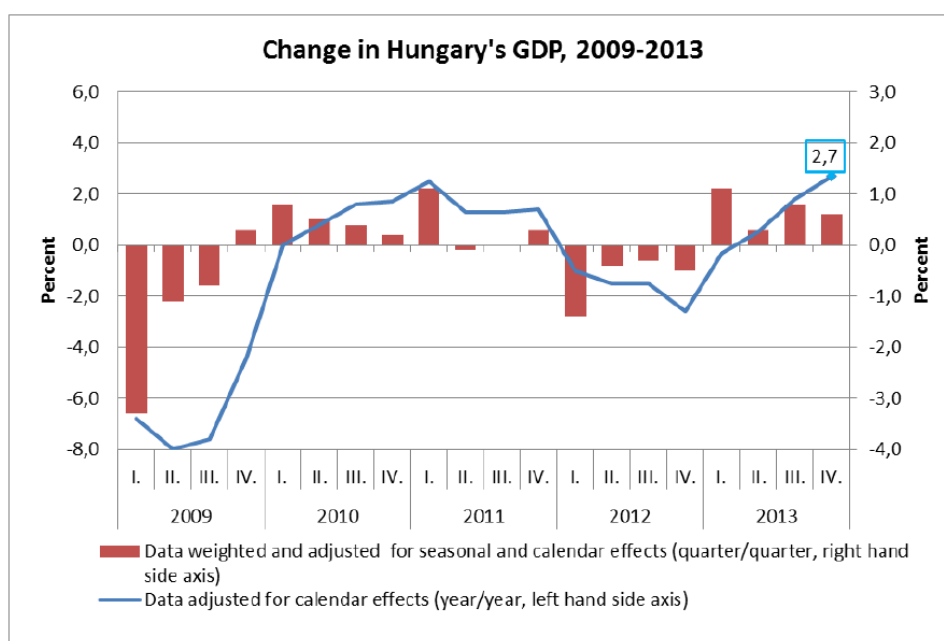
2.1.1 Economy and society of Hungary in 2013

2.1.1.1 Gross domestic product of Hungary in 2013

Hungary emerged from recession in 2013 with GDP growing by 1.1%. After re-entering into recession in 2012, with a 1.7% decline, Hungary experienced a real GDP growth of 1.1% in 2013, partly reflecting the correction of one-off adverse developments in agriculture. In 2013 investment turned positive mainly as a result of public investment, but corporate investment also started to accelerate on the back of the acceleration in the absorption of EU funds and to some extent the central bank's extended Funding for Growth Scheme (providing subsidised lending to SMEs). A sharp decline in inflation contributed to increasing households' real disposable income, but the still high unemployment and ongoing deleveraging continued to put a drag on consumer spending.

Indicator	2013	Q2 2013	Q3 2013	Q4 2013
	volume change, compared to the corresponding period of the previous year, %			
Gross Domestic Product (GDP)	1.1	0.5	1.8	2.7
Investment	7.2	4.6	9.8	14.9
Actual final consumption of households	-0.1	0.1	-0.1	0.5
	%			
Net lending/borrowing of general government (as % of GDP)	0.0	-1.6	-2.4	..
	thousand			
Dwelling constructions	7.3	1.6	1.4	3.2

Source: Hungarian Central Statistical Office, KSH, www.ksh.hu



Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

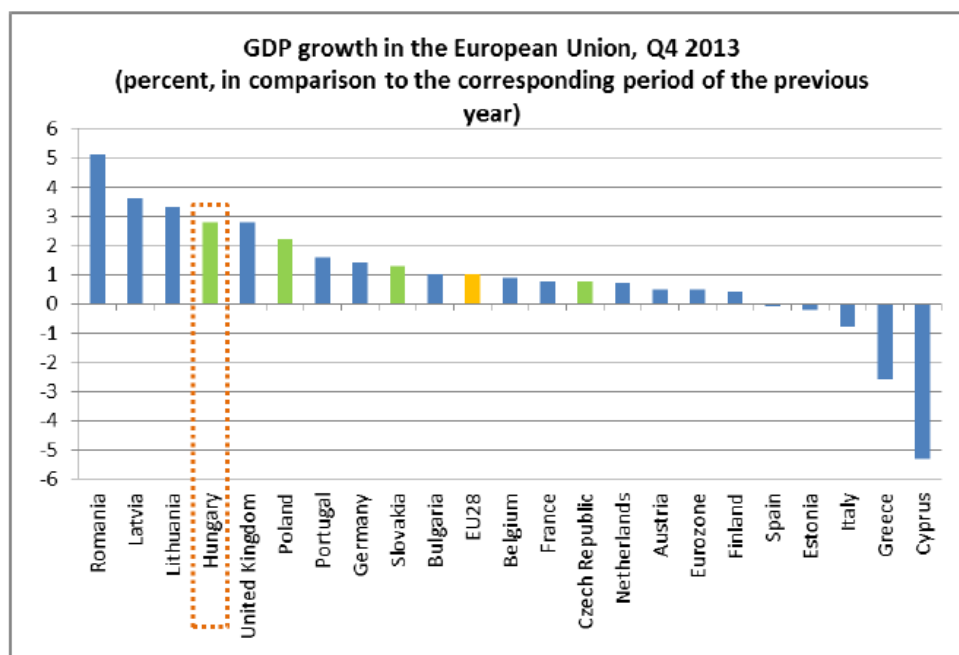
Indicator	2013	Nov 2013	Dec 2013	Jan 2014
Live births	88,700	7,246	7,394	7,540
Deaths	126,800	10,114	11,333	10,735
Natural increase/decrease	-38,100	-2,868	-3,939	-3,195
billion forint (HUF)				
External merchandise trade				
Import value	22,154.0	1,964.8	1,688.7	1,852.1 ⁺
Export value	24,244.0	2,200.8	1,779.9	1,992.6 ⁺
Balance	2,089.9	236.0	91.1	140.5 ⁺
change compared to the corresponding period of the previous year, %				
Industrial producer price	0.7	0.6	0.5	-0.1
Volume of industrial production	1.4	3.8	6.8	6.1
Volume of domestic sales of industrial production	-1.8	1.7	-2.0	-5.5
Export sales of industrial production	4.9	4.9	12.9	9.3
Volume of total new orders of manufacturing	-	-40.5	84.9	-3.3
Volume of construction	9.6	18.9	11.4	15.9
Agricultural producer prices	-7.8	-14.5	-13.2	-13.4
Volume of retail trade turnover	0.9	4.3	2.3	3.9 ⁺
In all accommodation establishments				
total tourist arrivals	5.3	6.7	3.6	15.7
total tourism nights	4.6	7.1	4.6	13.5
Number of employees	0.9	3.5	5.6	8.2
Gross average monthly earnings, nominal	3.4	4.1	-1.1	0.9
Volume of import	5.0	3.2	12.6	..
Volume of export	4.8	6.0	14.4	..
Inflation (consumer price)	1.7	0.9	0.4	0.0

Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

3. Gross domestic product				
Denomination	Structure in 2013 (%)	Same period of the previous year = 100.0		
		2012	2013	Q4 2013
GDP, total	100,0	98,3	101,1	102,7
\$The production of GDP				
agriculture, hunting, forestry and fishing	4,8	81,1	122,0	122,2
industry	26,0	98,7	99,8	103,3
construction	4,1	93,7	107,4	110,4
trade, repair of vehicles and household goods; hotels, restaurants	11,2	98,3	99,7	102,0
transport and storage	6,3	98,5	101,8	104,3
information and communication	5,1	103,3	100,4	101,8
financial and insurance activities	4,9	96,4	98,5	98,3
real estate activities	8,6	98,1	96,8	97,3
professional, scientific and technical activities; administrative and support service activities	8,4	99,9	100,9	101,9
public administration and defence; compulsory social security; education; human health and social work activities	17,6	101,6	101,4	101,5
arts, entertainment and recreation, repair of	2,9	95,3	103,5	103,8

Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

As seen from the tables Hungary’s economic growth has gathered speed. **GDP gained 2.7 percent in the last quarter of 2013.** Among the Visegrád Four, Hungary achieved the best result while Hungarian economic growth was 2.8 percent; the same indicator was 2.2 percent in Poland, 1.3 percent in Slovakia and 0.8 percent in the Czech Republic.



Source: Eurostat

2.1.1.2 Unemployment rate of Hungary in 2013

Despite a continuous increase in the participation rate, **unemployment dropped below 10%** by the fourth quarter of 2013, as Labour Force Survey based employment increased by 1.6% in 2013. The continuous expansion of the Public Work Scheme, the increasing number of frontier workers and the whitening of the economy contributed to the improvement in the labour market. As the economy recovers, domestic employment in the private sector is also expected to pick up and the unemployment rate is projected to fall further below 10% over the forecast period. Because of the growth of employment and the decrease of unemployment, labour market indicators changed favourably in 2013 compared to a year earlier. The number of 15–74 year-old employed persons came to 3,938 thousand, of whom 3,906 thousand belonged to 15–64 year-olds. **The number of employed people** in this latter age group was 64 thousand (1.7%) **higher than in 2012**, and the employment rate rose by 1.2 percentage points to 58.4%. The increase of employment occurred predominantly for men, and a more moderate increase was observed for women. Employment rates were 64.3% for men and 52.8% for women. The employment rate of young people aged 15–24 years, present in low number on the labour market, improved to 19.8%, that of people of the best working age, i.e. 25–54 year-olds, to 75.5% and that of older people aged 55–64 years to 38.5% year on year.

Indicator	2013	Sep 2013–Nov 2013	Oct 2013–Dec 2013	Nov 2013–Jan 2014
		in the population aged 15–74, %		
Unemployment rate	10.2	9.3	9.1	9.1
Employment rate	51.6	52.6	52.7	52.7

Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

Unemployment rate [%]						
Countries	Jan–Dec	Q3	Q4	Oct	Nov	Dec
	2013	2013				
EU-27	10,9	10,9	10,7	10,8	10,8	10,7
Bulgaria	12,9	12,8	12,9	12,9	12,9	13,0
Czech Republic	7,0	6,9	6,8	6,7	6,8	6,8
Estonia	..	8,5	..	9,1	9,3	..
France	10,8	10,9	10,8	10,8	10,8	10,8
Germany	5,3	5,3	5,1	5,2	5,1	5,1
Hungary	10,2	10,1	9,2	9,5	9,3	..
Lithuania	11,8	11,5	11,0	11,2	11,1	11,4
Poland	10,3	10,2	10,1	10,1	10,1	10,0
Portugal	16,5	16,1	15,5	15,6	15,4	15,3
Romania	7,3	7,3	7,3	7,4	7,4	7,3
Slovakia	14,2	14,3	14,0	14,1	14,0	13,8
Slovenia	10,2	9,8	9,9	9,7	9,9	10,1
Spain	26,4	26,5	26,1	26,3	26,2	10,1

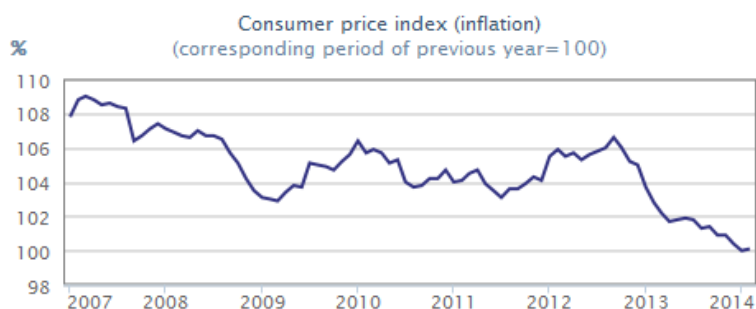
Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

22. Regional labour data, 2013				
Region	Employed	Unemployed	Employment	Unemployment
	thousand		rate (%)	
Central Hungary	1 273,7	122,1	62,8	8,7
Central Transdanubia	448,3	43,6	61,0	8,9
Western Transdanubia	419,9	35,6	62,0	7,8
Southern Transdanubia	347,3	35,1	55,7	9,2
Northern Hungary	399,8	59,6	51,7	13,0
Northern Great Plain	528,4	89,4	53,3	14,5
Southern Great Plain	488,9	63,0	56,9	11,4
Total	3 906,3	448,4	58,4	10,3

Source: Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

2.1.1.3 Inflation rate of Hungary in 2013

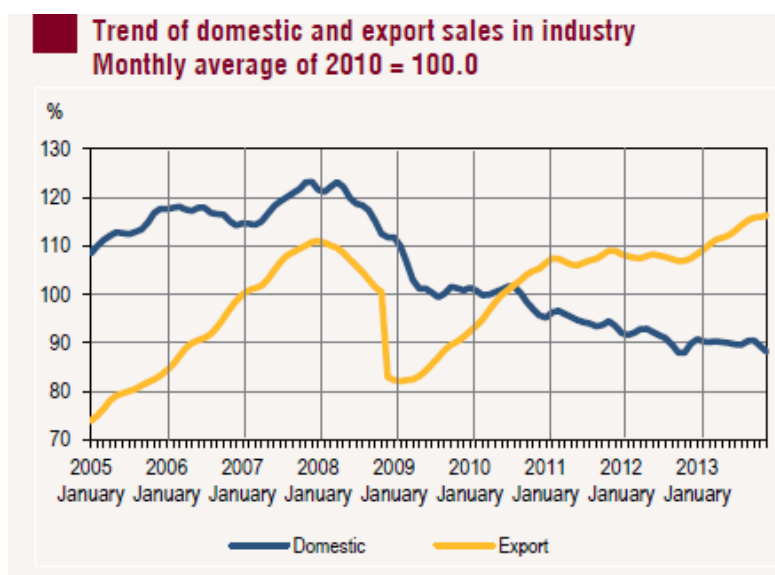
Inflation reached a historically low rate of 0.7% in the last quarter of 2013 reflecting three successive waves of cuts in regulated energy and other utility prices. Underlying inflation has also been on a downward trend, due to a negative output gap and declining imported inflation. However, as the output gap closes and the effect of utility price cuts fades away, inflation is expected to increase gradually towards the central bank's 3% target by 2015. The recent depreciation of the Forint entails some upward risk to the inflation projections.



Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

2.1.1.4 Gross output of industry of Hungary in 2013

In 2013, the volume of manufacturing output rose year-on-year by 2.0% (in 2012 a decrease of 1.7% was measured). The production of manufacturing did not reach the level of the previous year in the first half year, whereas it exceeded that by 5.3% in the second half year. The greatest growth was observed in December (8.6%), while the nadir of the year was in February (-4.9%). In 2013, increases were recorded in six out of the thirteen subsections of manufacturing, volume decreases of 0.3% to 12.3% were measured in other subsections compared to 2012. Out of the three greatest subsections, the production of transport equipment raised by an outstanding 19%, contrary to this the output of computer, electronic and optical products fell by 12.3%. In 2013, industrial export sales grew year-on-year by 4.9% (a 0.7% decline in exports was recorded a year ago), the growth rate of export sales has been accelerating from quarter to quarter. Regarding the whole year exports accounted for 57.8% of total industrial sales and for 72.2% of manufacturing sales. In 2013, manufacturing exports grew by 3.7% in 2013 compared with a year earlier. Two manufacturing subsections gave nearly half of export sales. The export of transport equipment, representing almost one third of manufacturing exports, rose by 18.4% compared to the previous year. Similarly to the production data, the peak was in the last month, when the exports of this subsection were one and a half fold higher than a year ago.



Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

2.1.1.5 Trends in socio-economic and territorial disparities, including inter regional disparities below national level

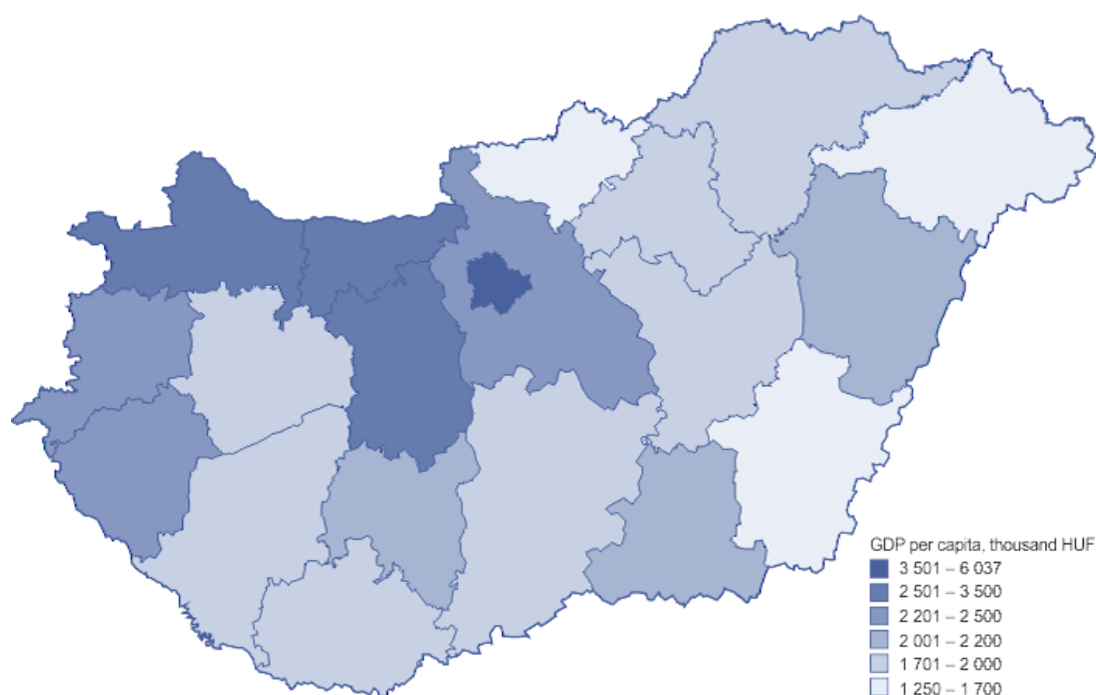
In socio-economic development significant disparities evolved between the many different parts of the country, which were influenced by the different natural endowments of various areas as well as by historical effects. The most developed part of Hungary is the region of Central Hungary, comprising the capital. Western areas are usually more developed than the eastern regions, and a north-south split can also be detected. These disparities are apparent in settlement structure, demographic trends, the state of economic development and circumstances of life.

Central Hungary is the part of the country with the smallest area but with the highest population, where 30% of the population is concentrated. In the remaining six regions the distribution of the population is more even (9–15%) but inhabitants live in essentially differing settlement conditions. In the settlement structure of the regions of Transdanubia and Northern Hungary there are typically small villages with

less than 1,000 inhabitants. The two regions in the Great Plain consist of settlements with long boundaries and larger population, where settlement density is considerably lower than in other areas of the country. Following Central Hungary the share of urban population is the highest in the regions of the Great Plain (68%–73%), although this level of urbanisation is still coupled with a relatively high number of inhabitants living in farmsteads, which is mainly characteristic of Bács-Kiskun, Csongrád and Békés counties in Southern Great Plain (9%).

The population decline in the last few years has affected all the regions in the country with the exception of Central Hungary. Natural decrease, characteristic of all the country, is the most intensive in the ‘oldest’ regions: Southern Great Plain and Southern Transdanubia. In economically more developed areas of Hungary positive net migration offset or moderated the negative impacts of vital events. Internal migration is directed from the eastern parts of the country mainly to the central and western areas: in addition to the region of Central Hungary, traditionally having a positive net migration, Central Transdanubia and Western Transdanubia increasingly become areas of destination, while a negative net migration of 64–65 thousand people is recorded in each of the regions of Northern Hungary and Northern Great Plain in the period of 2001–2011. The biggest loser of migration is Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties. A specific feature of internal migration is the restructuring of population within Central Hungary from the beginning of the 1990s. Owing to outflows from the capital mainly to the agglomeration, the population loss of Budapest was 45 thousand following the turn of the millennium, however since 2006 the population of the capital increases again. In the last few years the main source of the positive internal net migration in Pest county was already those coming not from the capital but from other areas of the country.

Gross domestic product (GDP) per capita, 2011



Sources: Hungarian Central Statistical Office, KSH, www.ksh.hu

30. Regional data							
County, region	Distribution of the population (%)	Performance value of investments of enterprises, 2013		Industrial production, 2013	Output of construction, 2013	Net nominal earnings, 2013	
		billion HUF	per capita (thousand HUF)	same period of the previous year = 100.0		HUF	same period of the previous year = 100.0
Budapest	17,5	1 382,0	794,7	96,1	95,8	192 118	105,2
Pest	12,5	275,1	225,7	97,5	113,3	139 938	105,6
<i>Central Hungary</i>	30,0	1 657,2	560,2	96,6	99,5	181 431	105,3
Fejér	4,3	139,4	331,9	95,8	108,4	144 821	105,1
Komárom-Esztergom	3,1	162,6	538,5	98,5	154,6	148 923	106,8
Veszprém	3,6	110,6	316,1	98,1	137,2	128 693	106,5
<i>Central Transdanubia</i>	11,0	412,7	384,9	97,4	130,5	141 381	106,0
Győr-Ménfőcsanak-Sopron	4,5	351,3	782,4	104,5	108,8	154 029	106,0
Vas	2,6	124,9	489,8	109,7	123,5	131 575	106,3
Zala	2,9	40,3	143,3	91,7	128,0	118 130	105,0
<i>Western Transdanubia</i>	10,0	516,5	524,3	103,5	117,5	139 751	106,1
Baranya	3,9	86,0	228,6	99,2	117,2	124 356	103,8
Somogy	3,2	52,4	165,4	95,0	122,1	121 404	105,5
Tolna	2,3	54,7	238,9	107,9	113,8	136 505	105,8
<i>Southern Transdanubia</i>	9,4	193,1	209,4	100,1	118,1	126 100	104,9
Borsod-Abaúj-Zemplén	6,8	142,4	209,8	104,8	126,0	117 681	102,7
Heves	3,1	72,9	238,9	108,6	135,4	140 087	106,8
Nógrád	2,0	21,6	108,3	102,7	109,2	111 672	101,1
<i>Northern Hungary</i>	11,9	236,9	200,2	105,7	127,0	122 467	103,5
Hajdú-Bihar	5,4	142,0	262,4	92,4	121,6	124 055	103,5
Jász-Nagykun-Szolnok	3,8	91,9	238,6	97,1	127,5	117 769	104,0
Szabolcs-Szatmár-Bereg	5,5	110,5	196,2	97,8	131,6	109 650	103,7
<i>Northern Great Plain</i>	14,7	344,3	231,2	95,8	126,3	117 363	103,7
Bács-Kiskun	5,2	123,3	237,6	139,5	137,6	121 766	104,9
Békés	3,6	60,3	169,0	101,0	133,3	110 052	104,3
Csongrád	4,2	101,3	247,6	104,9	118,9	125 604	104,7
<i>Southern Great Plain</i>	13,0	284,9	221,7	121,9	130,2	120 036	104,7
Total	100,0	3 645,4	368,4	101,4	109,6	151 085	104,9

Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

2.1.1.6 Social status in Hungary in 2013

The monthly average gross earnings of full-time employees were HUF 230,700, while the net amount was HUF 151,100 in 2013. The former was 3.4% and the latter 4.9% higher than in 2012. Net wages and salaries rose by 5.2% in the business sector, by 7.1% in the public sector – after eliminating the effect of public employment – and by 4.2% at non-profit organisations.

The rate of rise of consumer prices slowed down considerably compared to the previous year: consumer prices rose by 1.7% in 2013 as a whole. The deceleration of inflation was influenced by cuts in overhead costs as well as the decrease in the price level of durable consumer goods. Alcoholic beverages and tobacco prices continued to increase at the highest rate, while the price rise of food was lower. The price index for pensioners (1.5%) was lower than those for all other groups of the population.

Although in the recent decades, it became more and more evident that economic development is not by all means synchronized with social processes and the improvement of life quality. A number of studies urged to reconsider the traditional concepts of living conditions and well-being and highlighted subjective indicators measuring the satisfaction and well-being of people. According to the recent survey of Eurostat in Hungary more than half of young people aged 16–24 years (50.9%) are very satisfied with their lives. Overall life satisfaction is gradually diminishing with advancing age, so, among people aged 75 years and over, the proportion of those who are very satisfied with their lives is below 20% (19.9%). Among women aged 16–64 years, the proportion of those very satisfied is higher than

among men of corresponding age, while this reverses in the older age groups, and the proportion of those who are very satisfied with their lives is 4.4 percentage points higher among 65–74 year-old men and 6.1 percentage points higher among men aged 75 years and over than that of women of corresponding age.

The proportion of people who are very unsatisfied is 6.2% in the total population and it is below 10% in each age group. This proportion is the highest (9.62%) among 55–64 year-old men followed by 45–54 year-old women (9.43%). Young men are in general more unsatisfied with their lives than young women, while in older ages, the proportion of women, while older ages, the proportion of women unsatisfied with their lives is higher.

The table below gives an international outlook.



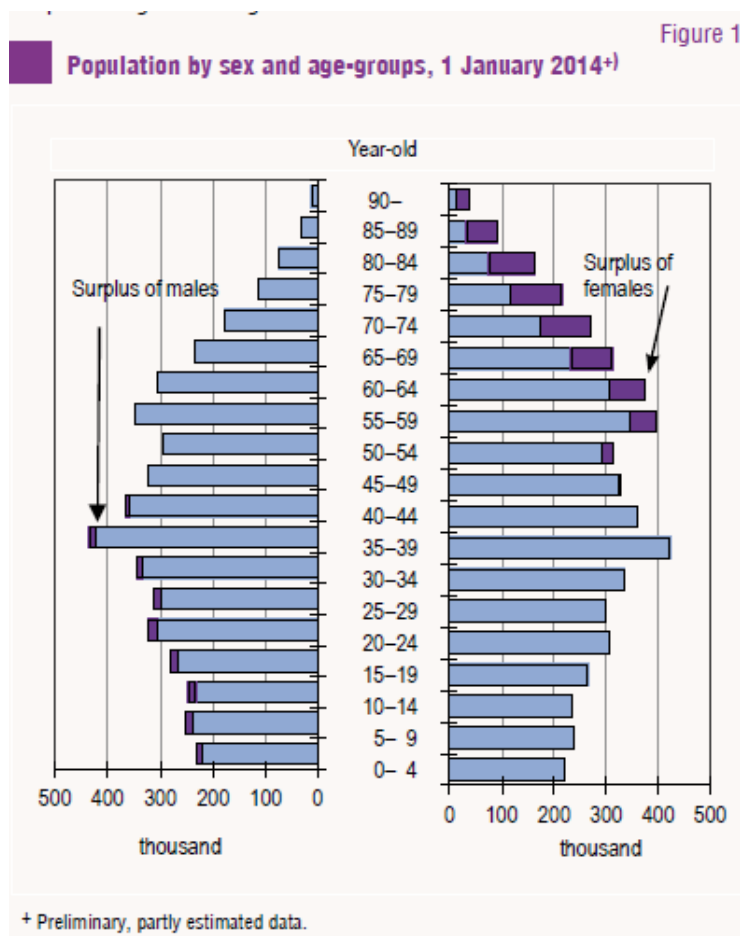
Source: OECD

On 1 January 2014, the number of the population was 9 million 879 thousand in Hungary, 30.1 thousand less than a year earlier. Among major vital events, the number of births and deaths decreased, there were more new marriages and less divorces, while the number of induced abortions considerably fell. According to preliminary data, in 2013, 88,700 children were born, 126,800 people deceased and the positive net international migration was 8,000 persons.

Vital event	1990	2011	2012	2013 ⁺	2013 ⁺ /2012 2012=100,0
Live birth	125 679	88 049	90 269	88 700	98,3
Death	145 660	128 795	129 440	126 800	98,0
Infant death	1 863	433	438	450	102,7
Marriage	66 405	35 812	36 161	36 900	102,0
Divorce	24 888	23 335	21 830	20 000	91,6
Induced abortion	90 394	38 443	36 118	35 000	96,9
Natural decrease	-19 981	-40 746	-39 171	-38 100	97,3
Actual decrease	-1 670	-27 991	-23 127	-30 100	130,2

+ Preliminary, partly estimated data.

Source: Hungarian Central Statistical Office, KSH, www.ksh.hu



Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

2.1.2 National trends related the programme areas of the EEA Financial Mechanism

NFP took into consideration the national development trends, and listed **how the FMs 2009-2014 contribute to the main strategic objectives of the Hungarian government** in several sectors. The **New Széchenyi Plan** is the cornerstone of the Hungarian development policy, that highlights the importance of a knowledge based society, and the greening of the economy. Besides, the aim of reduction of social inequalities throughout the country, a sustainable and equal society is also reiterated in governmental strategies. The **National Spatial Plan Hungary** determines the conditions of the utilization of the land in the different areas of the country and the spatial order of coordinated technical and infrastructural networks in accordance with the principle of sustainable development and with the aim of preserving regional, natural ecological and cultural facilities and values and protecting resources. The **National Strategy for Innovation 2020** the strategy focuses on enterprises. It concludes that R&D expenditure will reach 1.8% of the GDP by 2020, and by 2030 it will be increased to 3% of the GDP. (In 2011 the state and enterprise expenditure of R&D altogether grew to 1.2 % of the GDP). It marks as a supplementary target that R&D expenditure of enterprises will grow to 1.3% by 2020. The **National Environmental Technology Innovation Strategy** foresees the renewal and implementation of the country's research and development and innovation programme. The government's vision is to foster environmental industries and technology, to focus on environmental innovation, to reduce primary material use and encourage reuse and recycling, and to ensure a paradigm shift from an “end-of-pipe” approach to environmental issues to prevention of problems. The **National Development and Territorial**

Development Concept, which is based on the social, economic, sectoral as well as regional development needs of the country, the concept defines the long term vision for the future as well as sets targets and principles of the Hungarian development policy and defines the national focuses of the development policy for the time frame 2014-2020.

These objectives coincide with the overall objectives of the Grants, and enable to identify specific objectives reflecting national priorities. The **programme areas** agreed in the MoU **will contribute to the following specific objectives:**

- ❖ contribution to a knowledge based, green and **sustainable economy**;
- ❖ equal access to public services and cultural values in a **sustainable society**;

The above mentioned objectives reflect the contents of the programmes of the EEA Grants in Hungary, and it can be showed in the following table:

Overall objectives of the FMs	Contribution to the reduction of economic and social disparities & Strengthening bilateral relations	
Specific objectives reflecting national priorities	Contribution to a knowledge based, green and sustainable economy	Equal access to public services and cultural values in a sustainable society
Programme areas	Adaptation to climate change	Children and Youth at Risk
	Energy Efficiency	Civil Society (NGO Fund)
	Renewable energy	Cultural Heritage
	Scholarship	

Highlighting clearly the linkage and added value of the Grants to national policies shows that **the Grants will be used based on the existing needs of the country.**

National trends concerning the fields of the programmes financed by the EEA FM 2009-2014

Programme HU02 - Energy Efficiency

In Hungary besides industrial production, transportation and energy production, households and the **public sector** have the highest greenhouse gas emission levels, which is mostly due to the energy demand of buildings.

Today, buildings consume 40% of all energy used in Hungary and roughly two-thirds of that can be accounted to heating and cooling. **Almost 70% of residential and public buildings are not in line with functional technical and heating technology requirements**, and there are only a few hundred buildings with 0 energy demand. Among the 27 EU Member States, Hungary is one of the top ten countries with the highest specific heat energy use: in **comparison to the European average (220 kWh/m²/year)**, heat energy use of **public institutions is 340 kWh/m²/year**, so the goal of the programme is the building energy modernisation of public buildings.

The Programme proposal targeting public institutions, however due to the negotiation of the PA, the target group is finally limited to public schools.

However the goal of the programme is the energy modernisation of public schools and the indicators were determined considering the approach of the ideal European average value, the main risk in the programme is not to achieve the determined indicators related to the CO₂ reduction. Probably the reason of the low interest of potential applicants is the ambitious target value. Therefore the solution

can be the survey on the intention of the interested but not applied potential applicants and the modification of the indicator value in agreement with the Donor States if it is necessary.

Programme HU03 - Renewable Energy

Hungary has set an ambitious target for its renewable energy use by 2020 based on the National Renewable Energy Action Plan; therefore the implementation of the Renewable Energy Programme Area is important to contribute to the diversification of conventional energy supply and to promote renewable energy sources. Since the submission of the Programme proposal no significant influence arose in the renewable energy sector in Hungary, therefore the relevance of the programme is up-to-date and essential. The following table shows the share of renewable energy in gross final energy consumption.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	TARGET 2020
Hungary	4.4	4.5	5.0	5.9	6.5	8.0	8.6	9.1	9,57	14.65

As the renewable energy sector is fairly wide and innovative, the legislation framework developed dynamically in 2013 in Hungary, but major effects related to the programme development are not expected.

It should be mentioned that the rules of the EU related to this field will be changed in the middle of 2014; therefore the main risk is the delay of the procedure of the calls for proposals which may cause the change of the conditions of the main call for proposals, not to mention the shortened project implementation period. The acceleration of the processes can mitigate the risk.

Programme HU06 - Children and Youth at risk

As it was already described in the previous year’s APR as well as in the Programme proposal, the main trends are the followings, which are valid until now:

According to the Hungarian census in 2011, the population under age of 17 was 1,797,955 in 2010. There were 341 000 admissions into the kindergartens, 741,000 into the elementary schools in the 2011/2012 school year. Altogether 567,000 student learnt in the secondary education in the above mentioned period, out of this 139,000 in trade school, 195,000 in grammar school, 233,000 in technical college. The number and rate of the children/youth with special educational needs were similar to the previous year, almost 52,000. 32,516 children were admitted into crèches in 2010.

The **number of children at risk has increased** in the last years in Hungary. The number of children altogether is decreasing, the natural increase/decrease of the population is -4,1 per thousand inhabitants. Also the number of children in childcare institutions has increased.

The targets of the programme can serve the improvement of the quality of child welfare systems, the protection and efficient measures in several health and social services in order to increase the equal access of stakeholders and reduce the number of children and youth at risk. The trend level risk which may affect the achievement of objective is the possible changes in national legislation and regulatory framework, and/or the change in political commitment towards the implemented projects. The tools to mitigate these risks may be the regular information of the stakeholders, including public health institutions, the line ministry, the monitoring of the implementation and immediate intervention if necessary.

As it is known, in the last years institutional changes were implemented in Hungary which affected the scope of the eligible applicants. Management and maintenance structures of schools, health services,

and social and childcare institutions changed: centralised background institutions of the ministries took charge. Primarily, this meant the local governments as former maintainers shifted responsibility for management and/or maintenance to designated central institutions. These changes also may affect the achievement of targets but the monitoring tools indicated above can mitigate this risk.

Programme HU07 – Cultural heritage

In the field of cultural heritage management in the year of 2013 forward-looking policy measures have been prepared that was finalized and introduced in the beginning of 2014.

Regarding **legal background and strategic public policy measures in 2013 several changes and development succeeded** in the field of cultural heritage management. Regarding the public policy of built and tangible cultural heritage according to the **Act CCXVII of 2013 on the modification of certain Acts addressing culture** several modifications were applied. The Act will enter into force in the beginning of 2014, but the preparatory work was going on in 2013.

The most important change regulated by Act CCXVII of 2013 concerning the programme area Conservation and revitalisation of cultural and natural heritage is the introduction of new categories of protection. From 15 March 2014 there will be **two additional category of cultural heritage protected as the (i) public collection of national interest and (ii) cultural value of public interest**, the assets will be registered by Gyula Forster National Centre for Cultural Heritage Management in both categories. The legal and administrative changes were supported by the recent social and economic changes that transformed the schemes of cultural heritage management. In addition to the existing public collections, other collections could be opened maintained by churches, foundations and other private actors. According to the legal changes these collections will be registered and recorded centrally in researchable data base. **Public collection of national interest** as a category mainly refers to non-state owned public (museum-like) collections that will be registered and recognized with simpler and more flexible administrative prescriptions. **Cultural value of public interest** is an innovative category to cover those cultural assets that are not qualified as cultural asset in themselves but they represent cultural value in a collection.

PO has been keeping track of these legal and policy changes and involves all the relevant stakeholders from the public administration in the programming process to its PWG, paid attention to involve all the relevant beneficiaries that are eligible according to the PA in the public consultation of the calls and thus they are able to provide anyway the reach of the overall objectives, programme outcomes and outputs.

Programme HU08 – Scholarship

In 2013 in the Hungarian education sector the following trends are experienced and changes were executed. The **government control of public schools was widened** with the increasing role of the **Klebelsberg Institution Maintenance Center**. In higher education a new state secretariat was established on the national level with the objective of enhancing the quality of higher education in Hungary. Besides this, the **internationalisation of higher education is also on the agenda, to which the EEA Grants Scholarship Programme can contribute in the near future**.

European Commission (EC) launched the new programme generation of the Lifelong Learning Programme, the **Erasmus+** in which the preparatory visits are not eligible activities in the Erasmus+ anymore. The field of **school education underwent a significant structural change**. The Klebelsberg Institution Maintenance Center was established in order to have one central authority that is responsible for education with the needs of the local authorities. School education institutions are subject to central maintenance since 1 January 2013 in line with the Hungarian law 2012/CLXXXVIII. As the Center has the sole responsibility for School education institutions, **we can expect administrative**

procedures to become longer than before. The mitigation actions are that the calls of the EEA Scholarship programme should be launched as early as possible and more targeted communication towards possible applicants should be put in place.

In March 2013 the State Secretariat for Education has been divided into two parts and since then the **State Secretariat for Higher Education and the State Secretariat for Public Education** operates separately and decisions regarding higher education are made at a higher level. The new secretariat has set a goal of enhancing higher education. Furthermore, international mobility got a boost by various government programmes: Campus Hungary (building on EU funds) finances short-term student mobility, while Stipendium Hungaricum aims to attract foreign students coming to Hungary.

The **new Erasmus Plus programme was announced in 2013 as well**, which will lead to structural changes of the former Life Long Learning programmes. Although the main mobility forms will remain the same, some cooperation forms will be no longer available, i.e. Preparatory Visits. **Therefore these needs might shift towards EEA Grants.**

2.2 Bilateral relations

Overall progress within the four outcome areas

One of the overall objectives regarding the EEA and Norway Grants is **strengthening the bilateral co-operations** between the Beneficiary and Donor States. Both the NFP and POs regard the bilateral relations as priority in the implementation. National statistics which characterize our countries and the bilateral relations between Hungary and the Donor States were showed in the previous Annual Strategic Report. Since 2012 significant progress can be seen in the activities related to the bilateral relations, however difficulties can be also detected during the reporting period.

Considering the experience of the Hungarian and donor sides the results show that **the four outcome areas** – extent of cooperation; shared results; improved knowledge and mutual understanding; wider effects – can provide mutually beneficial cooperation for both parties, if the necessary **conditions** are met. Such necessary condition first of all the **mutual interest** of the stakeholders: the cooperation has to be able to give advantages for both participants. The establishment of the bilateral relations needs an intensive preparation work **to arouse the interest** mainly at the donor institutions and to **find the appropriate cooperation field**. In addition, **the distance of the concerned countries and the cultural differences** make the building up an operating relation difficult. **In order to overcome the difficulties** a long and founded preparation and a close cooperation between the institutions of Beneficiary and Donor States are needed from the earliest time, especially where the bilateral partnership is mandatory condition of the implementation. Reviewing the four outcomes regarding the current implementation phase of the Grants, the following progress can be shown in this field.

The **extent of cooperation** developed further in the reporting period. As it is known, in Hungary in the framework of EEA Grants, except for one programme area (HU02 – Energy Efficiency), all programmes under the responsibility of the NFP have **DPPs**.

DPPs participate in the preparation and implementation as advisory capacity and assist the POs not only in the elaboration of the programme, including the preparation of the implementation at project level, but also in enhancement of the bilateral aspects of programme areas. Considering the fact that most programme areas are in the implementation period, the preparation phase of the development of bilateral cooperation through the Grants is closed more or less at the end of 2013 at programme level. Most of **DPPs invited the representatives of POs** to their countries to several events and/or organized

meetings with the concerned donor institutions to promote the establishment of bilateral co-operations during the programme implementation.

The POs – in agreement with their DPPs – developed their own system to achieve the goals of bilateral relations. Where the preparation or the launching of calls for proposals is ongoing, the possibilities for the enhancement of cooperation will be implemented in **two ways**. According to the criteria of PAs and in consistency with the Guideline for strengthened bilateral relations the POs facilitated or will facilitate **with funds** on the one hand the search for partners for donor partnership projects for the applicants prior or during the preparation of project applications (e.g. HU02 – Energy Efficiency), and on the other hand the networking, exchange, sharing and transfer of knowledge, experience and best practice at the later stage.

In the framework of EEA Grants there are no programme areas which are **explicitly and exclusively dedicated** to developing bilateral relations and cooperation with the Donor States, but the HU06 programme area (Children and Youth at Risk) has **pre-defined projects with donor project partners**.

Besides the programme level cooperation, **bilateral relations were also intensive between the NFP and Donor State entities**, especially with the Royal Norwegian Embassy in Budapest. The Embassy was represented at most of the events organized by the concerned institutions/entities of the Grants, e.g. POs (CCs) and NFP. With assistance of the **Royal Norwegian Embassy** in Budapest the NFP can increase the effectiveness of the bilateral relations. The opinion of **Hungarian Embassy in Oslo** was requested regarding the opportunities of bilateral relations particularly in the future use of the national fund, and their assistance was availed through the diplomatic relations in the possibilities given by the Grants. The cooperation and relationship with both entities is well functioning in the development and improvement of the bilateral relations both at programme and national level.

In the field of **shared results** the concrete achievement of effects in bilateral cooperation in projects and programmes will incur in the near future. During the reporting period the preparation of the implementation was in progress, and the NFP and the POs **together with DPPs** were working on the development of bilateral cooperation. NFP prepared the calls for proposals based on the Work Plan approved by the Donors and the POs elaborated the base of the successful bilateral relations at programme level in agreement with the DPPs with preparation of calls for proposals. Actual results will be achieved in the next phase of the implementation of the Grants.

In this reporting period the POs and DPPs further **improved knowledge and mutual understanding** amongst the countries. POs received valuable professional input from DPPs and sometimes from donor project partners of pre-defined projects by introducing methods and know-how in various areas from the Donor Countries. In addition to the **direct cooperation** with Donor Countries some indirect connections can serve the long-term relations between countries, e.g. the initiative of the Hungarian PO of programme area HU06, namely the first organization of Biannual PO Meeting in Budapest (see the Annual Programme Report (APR) for further information). The bilateral meetings and other mutual events can serve the mutual understanding between our countries.

Strengthening bilateral relations ideally serves broader impacts related to the concerned countries, which is one of the main goals of the cooperation. Although to achieve **wider effects** with bilateral connections is a very ambitious target the mutual efforts provide the further cooperation. Considering the current implementation phase, concrete results will be reported at the later stage of the implementation.

Key events and meetings at national level

Besides the bilateral activities mentioned above, in 2013 the following **key events and meetings at national level** between Hungary and the Donor States contributed to the bilateral relations:

Date	Delegation	Aim/Main subjects of the visit
23 January 2013	Dávid Szesztai, Head of Department (Ministry of Foreign Affairs), Tove Skarstein Ambassador for the Kingdom of Norway in Budapest	Dávid Szesztai received Ambassador Tove Skarstein. Her Excellency has spoken of the EEA and Norwegian FMs in detail.
27 February 2013	György Kozma Deputy State Secretariat for Ministry for National Economy, Tove Skarstein Ambassador for the Kingdom of Norway in Budapest	György Kozma had an appointment with Ambassador Tove Skarstein.
5-8 March 2013	Attila Imre Horváth Deputy State Secretariat for Ministry for National Development as a leader of the Hungarian Delegation and other Hungarian professionals and experts	Iceland Geothermal Conference, Reykjavík, Iceland, where the representative of the HU03 PO gave a presentation.
25 April 2013	Iván Bába, Deputy State Secretariat for Ministry of Foreign Affairs, Bente Angell-Hansen, Deputy State Secretariat for the Norwegian Ministry of Foreign Affairs, former Ambassador in Budapest (2005-2007), Tove Skarstein Ambassador for the Kingdom of Norway in Budapest, Marianne Berg Haaland Chief Advisor, Arild Moberg Sande Chief of Staff, Zsófia Trombitás Head of Secretariat, Dávid Szesztai Head of Department and Rezső Vadász country rapporteur (Ministry of Foreign Affairs)	Iván Bába received Bente Angell-Hansen in a frame of a complimentary visit. Tove Skarstein Ambassador also represented at the event. Bente Angell-Hansen visited Hungary on the occasion of the opening ceremony of the EGT and Norwegian FMs II cycle.
14 October 2013	Gábor Szentiványi North-Baltic Coordinator (Ministry of Foreign Affairs), Tove Skarstein Ambassador for the Kingdom of Norway in Budapest, Moberg Sande Chief of Staff	Gábor Szentiványi received Ambassador Tove Skarstein and Arild Moberg Sande Chief of Staff. Her Excellency provided information about the current status of the implementation of the EEA and Norwegian FMs.

Main risks and mitigation

Regarding the **main risks** that the programmes will not contribute to this overall objective, as touched upon earlier in the first part of this Chapter, the **lack of mutual interest and cooperation area** is one of the significant obstacles of the operating cooperation. Nevertheless the most emphasized deficiency perceived in the last period is **the insufficient human capacity** in the institutions of the Donor States

which endangers the achievement of defined outcomes.

The actions needed **to mitigate** these main risks are **the well-founded and early preparation** of establishment and development of bilateral relations and the **continuous consideration** of the activities and **necessary intervention** by the POs with the assistance of DPPs. NFP will make every necessary effort to contribute to the achievement of this overall objective.

Reporting on the implementation of the NFBR

In the framework of the NFBR on the whole the implementation of the following activities was executed in the reporting period:

Key priorities	Budget (EUR)
1. European fundamental values–Pre-defined project – Media legislation	99,462.46
2. Social welfare and gender equality – Open call	150,000
3. Environment – Tackling of climate change – Open call	150,000
4. Reinforcing the bilateral elements of programmes – “ARS”	166,500

According to the **decision** of the FMC made on **26 June 2013**, a pre-defined project was defined in the field European fundamental values. In line with the above-mentioned decision the project promoter of the pre-defined project is the National Media and Infocommunication Authority, while the donor project partner is the CoE. The **subject** of the project is the **Hungarian media legislation**. After the submission of the project proposal, the eligibility and administrative checks, the professional evaluation and the necessary conciliation regarding the partnership with the CoE, the grant award recommendation was sent to the Fund Committee (FC) by NFP on 29 November 2013. The full members of the FC **approved the project proposal on 6 December 2013**. The **grant amount** of the project is **99.462,46 EUR**. According to project plan **two round-table discussions and one conference** will be organized and **dissemination activity** will be executed in the framework of the project. The **implementation period** of the project will be **terminated at 31 January 2014**, accordingly with the help of **the reports on the achieved results and indicator values** preparing by the project promoter the **assessment of the final results, effects and impacts of the project will be due in the following reporting period**.

During the reporting period the NFP, fully in line with the agreed schedule of Annual Working Plan 2013, executed the preparation and publication of two open calls on the **second and third professional fields of NFBR**. For the determination of tighter specific thematic focus areas, target groups and eligible activities, the NFP had recourse to the support of **external experts**. In line with the Work plan and taking into account the proposals of the Hungarian Embassy in Oslo and the recommendations of the expert study, NFP elaborated the call texts in August. In line with the comments of the relevant entities provided at the beginning of October, NFP finalized the call texts. The first FC meeting was held on 17 October 2013 which approved the call texts with the agreed modifications, thus the **calls were published on 24 November 2013** with 150,000-150,000 EUR total grant amounts. Regarding the COOPER modality the **submission deadline** for the applicants is **31 January 2014**, whilst the submission of the application **in the PIERO is continuous** until funds are available. In regard to the anticipated overwriting on both fields, **the reach of the undertaken overall and specific objective and the expected outcomes** - increased number of cooperating partners and increased level of cooperation among partners – **is provided**, however the assessment of the reached results and effects could be reported in the following Strategic Reports.

Since the preparation and implementation of the pre-defined project specified by the Donors got into the focus, due to the heavy workload, the NFP had to re-schedule the implementation of the ARS. This meant that the reimbursement of the preparation costs in connection with the bilateral activity of the POs **had to be re-scheduled for the first half of 2014**. Accordingly reporting on the implemented activities and its results and impacts could be provided in the following report.

3. REPORTING ON PROGRAMMES

3.1 Overview of Programme status

The year 2013 can be evaluated as a good start of the implementation phase of the EEA FM 2009-2014, because all Programme proposals were approved by the Donors and the PAs were concluded for all of them. However, only two programmes (HU02 - Energy efficiency and HU08 – EEA Scholarship programme) published its open calls in 2013. Parallel, the implementation phase has already started with one pre-defined project in HU06 - Children and Youth at Risk programme.

After a good start the work has slowed down somewhat due to various factors (evaluation and approval of the programmes by Donor States, long conciliation process between the stakeholders, changes in the conditions of PAs, etc.), that is why several programmes need to be further re-scheduled.

In general, it should be mentioned that the long preparation processes cause the shortening of the remaining phase, therefore it seems to be necessary to extent the implementation period at project level; otherwise the successful project completion would be jeopardized.

Calls published in 2013

Programme area	OPEN Calls			Pre-defined projects approved in 2013
	Title and amount of the call	Date of launching	End of submission	
HU02 - Energy efficiency	Improved energy efficiency in buildings / EUR 8,708,894	30/09/2013	06/01/2014	NO
HU03 - Renewable energy	-			NO
HU06 - Children and Youth at Risk	-			YES (Pre-defined project 1)
HU07 - Conservation and Revitalisation of Cultural Heritage and Natural Heritage	-			NO
HU08 - Scholarship	Preparatory visits EUR 44.562	10/10/2013	Continuous	NO

According to the above in the reporting period, considering the following commitments as grant decisions were made. A pre-defined project, namely “New approaches on the social integration area” was submitted to the NORA system, of which the maximum grant amount is EUR 753,358. In the framework of Preparatory visit call of the EEA Scholarship programme the first grant decisions were made with altogether EUR 8000. The project contracting and the first disbursements towards the project promoters will be executed in 2014. Thus the problems related to absorption did not arise in 2013; it

will be summarised in the next report. (However, in programme HU02 the submitted applications are less than expected, but considering the submission deadline the drawing of conclusions is due in 2014.)

3.2 Individual Programme summaries

3.2.1 Programme area HU02 – Energy efficiency

Overall progress

One of the main steps of 2013 was that the appraisal process for the programme was concluded and **the programme was approved by the Donors on 22 April 2013**. Proceed to this the **PA was concluded on 20 September 2013**. During this period with the help of the NFP the PO worked on preparing all programme related documents which were necessary to the approval.

Meanwhile the preparation phase of the call for proposals has started. The PO elaborated the call for proposals related to the **Outcome 1** (Improved energy efficiency in buildings) during the second quarter of the year and submitted it for approval to the NFP, to the State Aid Monitoring Office and to the FMO. The finalized **call for proposals was launched on 30 September 2013** with the submission deadline of 6 January 2014.

Regarding the **Outcome 2** (Improved capacity at national, regional and local level to undertake energy efficiency measures) and **Outcome 3** (Increased awareness of and education in energy efficiency) the planned calls for proposals have been elaborated until November 2013 and submitted for approval to the NFP, to the State Aid Monitoring Office and to FMO. After the approval **the calls for proposals were launched on 20 December 2013**. Date of submission of applications is 20 April 2014.

With the assistance of IA the **application surface was worked up** and the planned calls for proposals were published for public consultation on the official website of the EEA and Norway Grants 2009-2014 in Hungary. The finalized **calls were published on this official website**. In order to better reach the target groups, the PO also sent newsletter for the potential stakeholders about the launch of the calls for proposals.

Progress towards expected outcomes and outputs achieved

During the elaboration of the calls for proposals and the finalization of the PA, the PO continuously informed the stakeholders about the programme. Two workshops were organized **for potential applicants** to give information on the call for proposals and several meetings were organized for the **PWG** at every milestones of the preparation phase. The Royal Norwegian Embassy in Budapest has been also involved.

As it was already presented in Chapter “Overall progress” above, the calls for proposals have been elaborated and launched according to the 3 outcomes of the programme area and the contents of the calls were defined to cover all expected outputs.

Since the calls for proposals will be closed in 2014, the results to achieve the outputs will be shown at the later stage of the programme implementation.

Potential risks

Considering the total amount of the call for proposals related to the Outcome 1 (8 578 262 EUR), unlikely to the intended 8-22 applications to be supported, only 7 applications have been submitted until the given deadline (6 January 2014), and the requested grant is less than the half of the available amount. Thus, in order to achieve the set targets and to allocate the total available budget, it will be necessary to launch another call for proposals during 2014. According to the opinion of the PO **the demand of improvements of public school buildings shall be reconsidered**.

The **institutional changes** foreseen for the beginning of 2014 could cause some delays in this programme as well.

Major deviations from the plan

Due to the long preparation phase of the programme, the **implementation phase started** only in April 2013, **later than it was originally planned**; moreover a **second call for proposal will be necessary** to cover the total grant amount regarding Outcome 1, accordingly the original schedule of the implementation of the programme had to be revised and the **milestone activities had to be postponed to 2013 and to 2014**.

In addition, although **the signature of the PIA** was planned in 2013, it will take place only in 2014.

Need for adjustments of plans, including risk mitigation actions

Since fewer applications were submitted to the call for proposals related to Outcome 1 than expected, a second **call for proposals has to be launched** in 2014 to cover the total available grant amount.

The targets of the programme (related to CO₂ reduction and/or avoidance and energy savings) are really ambitious, and based on the experience of the first call for proposals seem to be difficult to achieve, therefore **reconsideration of the eligible measures** (PA Annex 2 1.1) will be necessary.

In addition, as **further risk mitigation actions**, in case of further delay the PO and NFP have to **reconsider and modify the schedule of the programme** again. Regarding the **institutional changes** the relevant institutions **will take every effort** to execute the changes as smooth as possible.

Use of funds for bilateral relations at programme level

The Energy efficiency programme area does not have DPP. Nevertheless the strengthening of bilateral cooperation is a very important field in this programme as well. According to the PA the main part (90%) of bilateral fund at programme level is made available for **two calls aiming improvement of bilateral relations** in line with the measure “b” of the Guideline for strengthened bilateral relations “Networking and exchange of experience”:

- Exchange of experience for Public Schools
- Exchange of experience for non-governmental organisations

The rest of the budget contributes to strengthen cooperation between PO and similar entities within the Beneficiary and Donor States, to exchange experiences and best practices in the future.

The PO is in connection with the Royal Norwegian Embassy in Budapest; the representative of the Embassy is invited to the meetings of the PWG and informed about the main steps of the programme.

3.2.2 Programme area HU03 – Renewable energy

Overall progress

Regarding the HU03 – EEA Renewable energy programme one of the main steps of 2013 was that the appraisal process for the programme was concluded and **the programme was approved by the Donors on 24 May 2013**. Proceed to this the **PA was concluded on 20 December 2013**.

According to the PA the **structure of the programme slightly changed**: new elements were included such as a restructured small grant scheme and a pre-defined project. After the approval of the programme the elaboration of the **content and structure of pre-defined project** took place. Since regarding this project the PO is the project promoter, IA took over the tasks of PO. Meanwhile the **preparation of the necessary programme related documentation** and the **shaping of the application procedures** also started, as well as the **elaboration of the open calls** in close cooperation with the DPP, namely the Icelandic National Energy Authority. At the end of 2013 the consultations with the donor side on the calls for proposals were ongoing. In the meantime the planning calls were published for **public consultation on the official website of the EEA and Norway Grants 2009-2014** in Hungary.

The **launching and bilateral matchmaking event** of the programme area was held on 2 December 2013 with active donor participation, where the importance, relevance and essence of the programme were introduced.

Progress towards expected outcomes and outputs achieved

During the preparation of the programme, as well as in connection with the slightly changed structure and calls for proposals the PO executed the necessary **conciliations with the DPP, the NFP, the State Aid Monitoring Office and the CC.**

The outcomes and outputs of the programme are clear and well-structured. The two **outcomes** of the programme are:

- Increased renewable energy production
- Increased awareness of and education in renewable energy solutions

These outcomes will be achieved **through open calls for proposals**, which are under preparation, waiting for the approval of the donors during the reporting period.

The actual progress related to the achievement of outputs will begin in 2014.

Potential risks

If the **approval of the calls for proposals** by the donor side will take longer than expected, it could cause further delays, thus the implementing period of projects gets shorter and the achievement of outcomes can be threatened.

The further delay in **conclusion of the PIA** may cause problems in the programme implementation.

The **institutional changes** foreseen for the beginning of 2014 could cause some delays in this programme as well.

Major deviations from the plan

Due to the long preparation phase of the programme, the **implementation phase started** only in May 2013, **later than it was originally planned**, accordingly the original schedule of the implementation of the programme had to be revised and the **milestone activities** of the programme **had to be postponed to 2013 and to 2014.**

Need for adjustments of plans, including risk mitigation actions

The **PA needs to be amended** because of the date of the launching of calls for proposals changed from Q3 2013 to Q1 2014 and the definition of the applicants has to be modified with consent of the FMO and DPP.

As risk mitigation actions, in case of further delay the PO and NFP has to **reconsider and modify the schedule of the programme and** make further efforts to accelerate **the conclusion of PIA.** Regarding the **institutional changes** the concerned institutions **will make every effort to execute the changes as smooth as possible.**

Use of funds for bilateral relations at programme level

The use of fund for bilateral relations at programme level **had been further defined by the PO in cooperation with the DPP** in the second half of 2013 and will be finalized and approved in 2014.

During the reporting period in the framework of bilateral relations at programme level **the most important milestone was the launching and bilateral matchmaking event** which was held in December 2013. The event had been carried out successfully with active donor participation from the Kingdom of Norway and Republic of Iceland. The event gave opportunities for potential project promoters and partners to meet and exchange information between possible technological/business partners. The extent of cooperation and improved knowledge and mutual understanding increased based on the feedback about the event.

Preparatory visits will be enhanced by a separate call for proposals related to each main call for proposals to strengthen bilateral relations between the Beneficiary and Donor State entities.

3.2.3 Programme HU04 – Adaptation to climate change

Information and data regarding the progress of the programme area will be provided by the FMO at a later stage.

3.2.4 Programme HU05 – Civil society – NGO Fund

Information and data regarding the progress of the programme area will be provided by the FMO at a later stage.

3.2.5 Programme area HU06 - Children and Youth at Risk

Overall progress

Regarding the Children and Youth at Risk programme area, the reporting period of 2013 proved to be successful in many aspects; the programme area moved from the preparatory to the implementation phase with the **approval of the program by the Donors on 23 May 2013**, followed by the **signing of the PA on 2 October 2013**, moreover the PIA was also prepared and eventually signed by the end of the year. The programme consists of **two pre-defined projects** and **four open calls** corresponding to the programme's expected outcomes.

After the programme approval the preparation phase of the call for proposals for the pre-defined projects has started. The **Pre-defined project 1** (New approaches to social integration) was notified by the NFP on the positive assessment of PO on 12 July 2013. The project will be implemented in partnership with the CoE to include provision of the conceptual and methodological background as well as recommendations for project activities to be carried out under call for proposals 1 and call for proposals 3. According to the call for proposal prepared by the PO the project was uploaded to the NORA system of the official website of the EEA and Norway Grants 2009-2014 in Hungary.

The preparation of **Pre-defined project 2** (Enhancement of childcare and child protection service) is **in progress**, however the potential donor project partner, the Centre for Child and Adolescent Mental Health decided not to proceed with the partnership. The project shall include provision of the conceptual and methodological background as well as recommendations for project activities to be carried out under call for proposals 2 and call for proposals 4. (Regarding the potential partner's withdrawal of cooperation, the pre-eligibility condition of PA related to the partner changed with approval of the FMO in January 2014, and should be ensured only at later stage.)

In connection with the programme implementation, in 2013 the PO organised two **CC meetings**, held the first **biannual PO meeting** and the official **launching event of the programme** together with the HU12 - Public Health Initiatives programme area supported by the Norwegian Financial Mechanism 2009-2014.

Progress towards expected outcomes and outputs achieved

According to the PA four open calls are planned to be announced in the first quarter of 2014, but the delay of the pre-defined projects could affect these calls as well, because they are pre-requisite for the open calls to be prepared.

Major change was implemented in connection to **Outcome 1** (Quality of child welfare systems and protection measures effectively improved, relaying the views of relevant stakeholders and society at large through high quality and participatory debate) of the programme, instead of the originally planned open calls, two pre-defined projects will establish the methodological background for the open calls. As it indicated in the Chapter "Overall progress" above, the Pre-defined project 1 could start on 12 July 2013 and the main aspects of the methodologies are already elaborated, experts and institutions are already involved and also some inter-institutional co-operations are established non-formally.

Regarding **Outcome 2** (Effective and efficient measures addressing vulnerable groups of children and youth facing particular risks implemented) and **Outcome 3** (Health and social care services provided to

ensure equal access for children and youth) in 2013, except for the pre-defined projects indirectly, no activities were done as both of them are connected to the open calls.

In the programme **four open calls** (1. Programme of Sport integration, 2. Prevention of early school leaving (ESL) of disadvantaged, multiple disadvantaged children, mostly Roma girls, 3. Programmes targeting education on leading an independent life and to assist in starting such a life, and 4. The improvement of the care system of children and youth with special needs) **are planned to be announced in the first quarter of 2014:**

A major interest is expected in the first two calls as those will be open for a wider range of possible applicants (elementary and secondary schools and NGOs etc.) the latter two are for social, childcare and child protection institutions. In the programme, approximately 100-120 projects will be supported. The drafts of the calls are under elaboration with the assistance of the stakeholders.

Potential risks

The **delay in the conclusion of the PIA** could cause delay in the implementation phase.

The pre-defined projects **still do not have project contracts**; therefore they are only able to contribute to the outcome on their own risk. The delay in the signature of the project contracts may lead to further slowing down in the achievement of the concerned outcomes, since these projects are fundamental for the whole programme.

The **institutional changes** foreseen for the beginning of 2014 could cause further delays in the administrative processes in case of this programme as well.

Major deviations from the plan

Due to the long preparation phase of the programme, the **implementation phase started later**, than it was originally planned; accordingly the original schedule of the implementation of the programme has to be revised.

Need for adjustments of plans, including risk mitigation actions

PA needs to be amended due to several reasons (institutional changes, cancelling the pre-eligibility condition regarding the obligatory partnership of Pre-defined project 2, some modification related to measure (a) of funds for bilateral relations, the expanding deadlines of the open calls from Q1 2014 to Q2 2014, etc.)

As risk mitigation actions, in case of further delay the **schedule of the programme has to be reconsidered and modified**.

Regarding the institutional changes the **concerned institutions will take every effort** to execute the changes as smooth as possible.

Use of funds for bilateral relations at programme level

The **programme is a donor partnership programme**. DPP is the **CoE**. The contribution of the DPP can be seen so far in the elaboration of the programme as a whole, **in the Pre-defined project 1 as a donor project partner**, providing assistance in EU level trends and expectations in the field of integration, human rights, education and the situation of the Roma. CoE participates in CC meetings and recommends several possibilities for the enhancement of the situation of children and youth at risk in Hungary such as conferences, organisations, experts.

In case of Pre-defined project **1** the PO received approval from the donors to support the project **from the Bilateral Fund at programme level directly** in order to ensure more effective results on strengthening bilateral relations.

The funds for bilateral relations at programme level will be used for measure (a) and measure (b) at the later stage.

3.2.6 Programme HU07 – Conservation and Revitalisation of Cultural Heritage and Natural Heritage

Overall progress

In 2013, in this programme area the most prominent events were the approval of the **Programme document** on 22 April 2013 and the signature of **PA** on 28 November 2013.

After the approval of the Programme document **PWGs** were launched with the most important public actors of the target area in order to design jointly the first session of calls for proposals.

In the reference period the PO in cooperation with the PWG and the DPP has **elaborated the first calls for proposals** related to conservation and revitalisation of built heritage. After the signature of the PA the first session of calls were published for **public consultation**. During the public consultation one **info day was organised on 13 December 2013** in order to promote the upcoming calls for proposals, the partner search programme and the possibility for making comments on the calls. The PO in cooperation with the IA handled all the comments arrived and answered the suggestion received, and finalized the calls according to the reviews sent by the FMO and NFP.

With the decision made on 21 May 2013 by the NFP and the Donors, the programme received additional grant from the reserve, exactly EUR 1,649,412 (donor contribution and national co-financing). The PA of HU07 was concluded with the increase amount on the above-mentioned date.

The **calls for proposals will be launched in the first term of 2014**; therefore the expected contribution of awarded projects to programme outcomes is still based on estimations. For the achievement of target strategic objectives, measures have been made in the text for the calls ensuring transparent, objective and pre-defined criteria for the selection of the projects that are in line with programme strategic objectives.

Progress towards expected outcomes and outputs achieved

In the Programme document the baseline values set for the indicators are '0' in every case, the target values therefore marks not cumulative values but net changes. The zero value was set up in order to (i) focus on developments financed from EEA Grants, and (ii) there was no reliable database on national level to the output indicators specified in the programme. Therefore, Project Promoters will have to report on their progress related to EEA granting in the indicator data sheets; in addition in the text part of the project proposal/final progress report they shall provide information on existing/earlier values.

As all calls for proposals will be published in 2014, only the main principles of project selection have been set up so far.

The contribution of awarded projects to programme outcomes and outputs could be reported only in a later stage, after the launching of the implementation of the granted projects.

Potential risks

Regarding the achievement of expected outcomes three main risk factors have been identified.

- ❖ **Isolated developments not appropriately linked to the presentation of other current features and values and to the target group**
- ❖ **Delay in the project implementation.**
- ❖ **Lack of resources at the maintenance phase of the developments.**

These risk factors are relevant for all outcomes expected and planned to be achieved therefore these risk factors shall be monitored and handled continuously during the programme implementation.

Risks related to the professional content of the projects and **programme outcomes** are already treated in the prepared draft calls for proposals A1 and A2, further calls will be elaborated in the same manner. Risk regarding **delay in time** is even stressful, the late signature of PA caused delay in the programme implementation as a whole and project promoters may have even tighter timeline for implementing their project proposals. Projects containing infrastructural development may have more time need

mainly in the field of cultural heritage, therefore the feasibility of projects proposed will be severely examined during the selection procedure.

Major deviations from the plan

Due to the long preparation phase of the programme, the **implementation phase started** only in March 2013, **later than it was originally planned**, accordingly the original schedule of the implementation of the programme had to be re-scheduled and the **milestone activities** of the programme **had to be postponed to 2013 and to 2014**.

Need for adjustments of plans, including risk mitigation actions

The PA was signed in the end of 2013, the launch of the calls for proposals were delayed to 2014.

The relevant clarification need was handled before the signature of PA. The postponement of the PA's signature caused delays in the timetable of the programme implementation therefore the **timeline of the launch of calls for proposals shall be updated**. **Institutional changes** foreseen in the PO and the NFP side will further have modification need in the PA in 2014. As the NDA ceases as of 31 December 2013, the Managing Authority for Regional Operational Programmes will be transferred to the Ministry for National Economy with **legal succession**.

Use of funds for bilateral relations at programme level

Funds for bilateral relations at programme level are used according to the point 5.1 of the PA. 70% of the total Bilateral Fund will support activities under Measure A for promoting bilateral partnership project preparation and 30% of the Fund will support establishing and maintaining bilateral networks for projects already awarded. In the framework of **Measure A** two calls for proposals planned to be launched for promoting partnership project in the following calls:

- ❖ A2 Preservation of rural cultural and natural heritage
- ❖ B1: Promoting bilateral cooperation in contemporary art

The text of Bilateral Call for Measure A was elaborated in close cooperation with the DPP.

Regarding **Measure B** the call for proposal will be open after the contracting of all main projects, its professional content will be elaborated in the light of projects awarded in close cooperation of the CC as in case of Measure A.

3.2.7 Programme area HU08 - Scholarship

Overall progress

Regarding the HU08 – EEA Scholarship programme one of the main steps of 2013 was that the appraisal process for the programme was concluded and **the programme was approved by the Donors on 26 March 2013**. Proceed to this the **PA was concluded on 13 September 2013**. Accordingly the implementation phase of the programme could start with information days, awareness raising campaign and with the publishing of the first call in 2013.

In line with and following this procedures in 2013 Tempus Public Foundation with the help of the NFP, as the PO of the HU08 programme mainly worked on **preparing all necessary programme related documents**, (calls for proposals and its necessary annexes, application guidelines, project contracts, etc.) as well as **shaping the application procedures** for all four measures implemented in the framework of the programme (Preparatory Visits, Mobility Projects in Higher Education, Mobility Projects in Other Educational Institutions and Education Related Institutions, Inter-institutional Cooperation Projects between Higher Education Institutions). IA established the **official website of the EEA and Norway Grants 2009-2014 in Hungary** where the first call of the programme was published and worked up the **application surface where the applicants could submit their applications**. As it is foreseen in this programme area there are a **high number of interests among educational and education related institutions to build a partnership with institutions located in the Donor States** as the two information

events held by the end of the year were very popular.

Progress towards expected outcomes and outputs achieved

During the preparation of the calls for proposals the **PO executed conciliations with the DPPs, the NFP, the State Aid Monitoring Office and the stakeholders of the Hungarian PWG.**

The **outcomes** of the programme have been defined to **cover all sectors of education** and that is why the achievement of the programme main objective is ensured. Outputs and indicators were selected by the PO based on the Scholarship Guide and also in a manner to set easy-to-monitor criteria.

There is no outcome set in the PA for Measure 1 called Preparatory Visits (funded from bilateral relations funds at programme level), the only measure where call for proposals has been published in 2013. The call for proposals of **Preparatory Visits (M1) was published on 10 October 2013.** Altogether fifteen applications were submitted during the reporting period by applicants from all eligible fields related to education. The **projects** have not been started yet; they **are expected to contribute to programme outputs in an indirect way.** The aim of Measure 1 projects is to get in touch with possible partner institutions and to develop further cooperation projects within the framework of EEA Grants.

These **projects will contribute to develop further projects** in the other field of the programme - Mobility Projects in Higher Education, Mobility Projects in Other Educational Institutions and Education Related Institutions, Inter-institutional Cooperation Projects between Higher Education Institutions – **with which the achievement of the defined outcomes and outputs of the programme is ensured.**

Potential risks

If the **approval of the calls for proposals** by the FMO and DPPs will take long it could cause further delays in the programme. The calls for M2, M3 and M4 should be published in March 2014 at latest to be able to provide the smooth implementation of the projects in timely manner.

The **institutional changes** foreseen for the beginning of 2014 could cause some delays in this programme as well.

Major deviations from the plan

Due to the long preparation phase of the programme, the **implementation phase started** only in March 2013, **later than it was originally planned**, accordingly the original schedule of the implementation of the programme had to be re-scheduled and the **milestone activities** of the programme **had to be postponed to 2013 and to 2014.**

Need for adjustments of plans, including risk mitigation actions

In spring 2013 the FMO and NFP agreed to **increase the budget of the Scholarship programme by additional EUR 1,442,353 (Donor contribution and national co-financing)** from the reserve as a consequence of the PO's professional work and the advanced status of the programme, thus the total amount of the programme is EUR 3.5 million (including Hungarian national co-financing). Accordingly, the **PA needs to be amended** (e.g. increased amounts, modifications of indicators and call dates). Other necessary technical changes of the PA also came out during the preparation of the calls. The **amendment procedure has already been officially initiated by the NFP** in December 2013. **Further amendment** – such as the modification of the indicators according to the guidance to be agreed by the FMO and DPPs - **will also be necessary at a later stage.**

As risk mitigation actions, in case of further delay the PO and NFP has to **reconsider and modify the schedule of the programme** again. Regarding the **institutional changes** the relevant institutions **will take every effort to execute the changes as smooth as possible.**

Use of funds for bilateral relations at programme level

Within the framework of the Scholarship Programme, **bilateral funds at programme level are made available for the project promoters to finance preparatory visits** (Measure 1). In the framework of this call – mainly on the two information events held by the end of the year which were very popular – **high**

number of interests was learnt among educational and education related institutions **to build a partnership** with institutions located in the Donor States.

In 2013 seven projects were accepted in M1 until the cut-off date of the report. The bilateral indicators for the HU08 programme are determined to indicate the number of project partnership agreements in the beneficiary civil, private or public sectors. **Six of the approved projects belong to public and one to civil society.** Therefore 7 out of the 40 expected cooperation have been accomplished. As the reporting period has not been terminated for these projects, further conclusions cannot be drawn from bilateral indicators.

4. MANAGEMENT AND IMPLEMENTATION

4.1 Management and control systems

Following broad consultation with the relevant stakeholders (NFP, CA, AA, supervisory ministries), the legislation of the FMs in Hungary came into force as Government Decree 326/2012. (XI.16.) on 16 November 2012. Based on the Government Decree the description of the MCS at national level was completed by the end of 2012. AA as the body responsible for drawing up the report and compliance opinion in accordance with Art 4.8 (3) and (4) of the Regulation has examined the MCS in December 2012 and delivered its final report and opinion on 28 January 2013. **NFP submitted the description of the MCS accompanied by the report and the opinion of the AA to the Donor States on 30 January 2013.** After the required clarifications and complements, the **FMO confirmed the compliance of the MCS** with paragraph 1 of Article 4.8.1 of the Regulations with its letter of **17 October 2013.**

The system started its operation accordingly, based on the experience of the year 2013; a regular, effective and well-functioning system was set up, however it turned out that there are still room for improvement. The problems which have surfaced so far are operational issues, primarily related to calls for proposals, management of proposals and monitoring system, therefore minor changes are needed in Government Decree 326/2012. (XI.16.) from this point of view. NFP has also started to work out a template for the management and control system at programme-level in 2013 which will help POs to elaborate their own description of management and control systems.

NFP submitted the final version of the **Work plan and the implementation set-up for the NFBR** to the FMO on 1 December 2012, which was formulated in line with the description of the MCS at national level and the Government Decree 326/2012. (XI.26.). The document was **approved by the FMO on 13 March 2013.**

In 2013, by preparing for the upcoming financial period of the EU, the Hungarian Government decided **to reorganise the institutional system of the development policy** in which the NDA is also concerned. The aim of the transformation is to set-up an increasingly effective and transparent system that supports the efficient use of the EU and international funds, moreover to move towards a less centralized but efficiently coordinated solution.

One of the first steps of the institutional reorganisation was the acceptance of Government Decree 273/2013. (VII.15.), wherewith the **supervision of the NDA has been transferred from the Ministry of National Development to the Prime Minister's Office as of 1 August 2013.**

An important milestone of the institutional changes was the Government Decision 1545/2013. (VIII.15.) on the way to set up the institutional system that supports the implementation of EU programmes. This government decision reinforces the intention of the Hungarian Government to build on the capacities and human resources of the Managing Authorities implementing in 2007-2013 also during the 2014-

2020 period, this ensuring the **smooth transition between the two programming periods and developing available human capacities further.**

Government Decree 475/2013. (XII. 17.) concerning to the certain issues related to the **elimination of the NDA** was issued on 17 December 2013. As the NDA took the role of several functions in the implementation of the FMs, the institutional reorganisation, which will take effect **from 1 January 2014**, affects their implementation as well. According to Government Decree 475/2013. (XII.17.), the Managing Authorities of the operational programmes will be transferred to organisations strategically responsible for the different development areas, namely to ministries or other state-owned organisations. The units performing the horizontal tasks such as human issues, legal remedies, financial chapter management, procurement control, IT monitoring and communication will be taken over by the Prime Minister’s Office.

SZPO has been appointed as the **legal successor** of the Managing Authority for International Co-operation Programmes (MAICP) regarding its tasks of the FMs, namely **to fulfil the tasks of the NFP from 1 January 2014**. SZPO is a 100% state-owned company operating under the supervision of the Prime Minister’s Office.

The organisational changes will effect further Managing Authorities of the NDA acting as POs in the implementation of the EEA FM, namely the **Managing Authority for Human Resource Development programmes (PO for HU06), the Managing Authority for Regional Development Programmes (PO for HU07) and the Managing Authority for Environmental Operative programmes (PO for HU02)**. The following table shows the **newly assigned institutions**:

Programme area	PO until 31 December 2013	PO from 1 January 2014
HU02 Energy Efficiency	NDA, Managing Authority for Environmental Programmes	Ministry of National Development
HU06 Children and Youth at Risk	NDA, Managing Authority for Human Resources Programmes	Ministry of Human Resources
HU07 Conservation and Revitalisation of Cultural and Natural Heritage	NDA, Managing Authority for Regional Operational Programmes	Ministry for National Economy

Since the taking over process is due in the beginning of 2014, the implementation of the FM will somewhat slow down. The staff which was responsible for the Grants at national and programme level fortunately will remain mostly the same, thus the knowledge and experience can guarantee the appropriate implementation.

Because of the above institutional changes **the re-negotiation of the MoU and the description of the MCS will be necessary**. In addition to the necessary modification of the legislative frames, regular negotiations with the representatives of the Donor States, permanent review of the processes and acceleration of the progress can handle the new situation.

Hungary as Beneficiary State makes **great efforts to diminish the negative impacts of the transition period** on the implementation of the programmes as much as possible and to ensure the proper human capacity and environment for the smooth operation.

4.2 Compliance with EU legislation, national legislation and the MoU

As mentioned in point 4. 1., the national regulation, the Government Decree 326/2012. (XI.16.) on the implementation of the EEA and Norwegian Financial Mechanisms 2009-2014 was approved at the end of year 2012 in line with the MoU, the Regulations and the national regularity framework, and the system started its operation accordingly. Although **a regular and well-functioning system** was set up, some improvements need to be done in connection with calls for proposals, management of proposals and monitoring system. These changes will be handled by the modification of the Government Decree, together with the necessary changes occurring from the institutional changes and in line with the modification of the MoU and the description of the MCS.

Based on the Government Decree, **the national legislation and relevant documents in detail was elaborated in 2013**, such as the PIA and its annexes and its appendix, General application guide and its annexes – the most important of these is the Eligibility guideline, General terms and conditions template, Partnership Agreement template, Project Contract template, etc. EU environmental directives were taken especially into account by the elaboration of documents and guidelines because more programme areas are connected to environment or energy use. As the Government Decree will be modified in 2014, so should all these documents and materials amended according to the new implementation environment.

All notifying obligation (according to the General block exemption regulation and cultural state aid) was completed regarding state aid in 2012, such commitment does not apply for 2013. **State aid rules were taken into consideration by preparing national legislation and relevant documents in detail as well.** The NFP and the concerned POs are aware that the new state aid rules will come into effect in 2014. The colleagues are in close contact with the State Aid Monitoring Office in Hungary, thus as soon as the new rules become current all relevant documents will be modified accordingly.

4.3 Irregularities

Since during the reporting period there hasn't been significant progress in the field of implementation of the Programmes, thus **there was not any irregularity to be reported** regarding the year 2013.

4.4 Audit, monitoring, review and evaluation

In the framework of the monitoring activities the **NFP followed closely the programme preparation and implementation work of the POs as well as IA.**

Representatives of the NFP participated at the **meetings of the CC and PWG** as an observer and assist their work if it was necessary.

NFP requested **monthly reports** from the POs on the progress of the **programme preparation** work and revert to the issues of the report if it was needed.

NFP has **followed closely the programme appraisal procedure**, provided comments to the draft responses prepared by the POs, ensured coordination between the PO and the IA. After the approval of the Programme, proposals the NFP **reviewed the drafts of PAs, made recommendations** for the POs related to their documents, provided NFP opinions and necessary additional information.

During the reporting period the preparation of **PIAs** started, where the tools of programme monitoring and audit were regulated. According to the PIAs NFP will fulfil the following tasks

- monitor and assess the progress of programmes with special regard to the fulfilment of the obligations undertaken in the MoU and in the PAs,
- control the regularity of the operation of the POs and the IA with regard to the applicable laws,

- contracts, regulations and rules of procedure,
- make recommendations to the POs and IA for the documents to be elaborated by them and check and assess them,
 - review the settlements submitted by the IA and the verification of the incurred expenditures, prepare a verification report and submit it to the Certifying Authority (CA) through the POs on the verification activity performed in relation to the expenditures of the IA,
 - check the progress report of the POs,
 - ensure the necessary actions in case of irregularities, may apply financial correction from the grant, may reclaim any unlawfully used grant, may suspend the disbursement of the grant within the framework of the programmes,
 - inform the Monitoring Committee on the progress of the programme.

The PIAs contain provisions that ensure that the NFP has **sufficient measures in order to monitor, control, audit and evaluate the progress** and quality of the implementation of the programme, and **to apply the necessary measures** in order to ensure that the programme contributes to the set objective, expected outcomes and outputs to be delivered. An important element of the PIAs is for that reason the right of the NFP to access to information and documents related to the programmes, and the obligation of the POs to submit **regular progress reports** (every 2 months) to the NFP on the implementation of the programme. According to the PIAs NFP may make **comments on the APR** of POs which have to be taken into account before submitting the report by the POs to the Donors. The POs shall prepare and submit to the NFP an **Annual Work Plan** for the subsequent year by 15 December annually after the conclusion of the PIAs and has to take into account the comments of the NFP.

NFP supports the professional operation of the POs with other means, like **forwarding guidelines, information, templates from the Donors** and organizing meetings and workshops in order to contribute to the successful implementation of the programmes.

During the reporting period the following **events were organized by the NFP** for the POs and IA:

Event	Topics	Date
PO workshop	Programme preparation issues, financial flows, calls for proposals, PIA, bilateral fund at national level, Monitoring Committee and Annual Meeting, regulation issues	9 April 2013
Launching event	Parallel introductions of the programme areas with presenting the programmes by POs at stands	25 April 2013
PO workshop	Issues of the audit and irregularities in the framework of the Grants	25 October 2013
PO workshop	Preparation of APR, Information on financial flows, Publicity of the Grants – cooperation at national and programme level	10 December 2013

NFP **monitored closely the activities of IA** with several tools. First of all the **documents** prepared by IA in connection with the procedures regarding the Grants at implementation level **were checked** by the NFP. The **representatives of IA were invited** to every events and meetings related to their tasks. The activities of IA were also monitored through the check of the **submitted progress report** on the eligible activities and eligible expenditures. In order to assist the IA’s appropriate implementation, after the first

submission of the progress report related to the expenditures incurred in the preparation period, the NFP held an **on-the-spot monitoring** visit at IA's place on 7 March 2013 and made statements on the operation of the IA, the existing rules on procedures, the methodology on the settlement of incurred expenditures etc.

For the upcoming period NFP plans to ensure monitoring and audit of the programmes through means regulated in the PIAs. Since recently the preparation of calls for proposals and the selection procedures are ongoing in the programme areas, the actual implementation period will start in 2014 at the later stage.

In the first half of 2014 the main tasks of NFP are the same as before according to the followings:

- control the regularity of the operation,
- make recommendations to the documents prepared by POs and IA.

In the second half of 2014, when the actual implementation will start in the programme areas, in addition to the continuous tasks determined above, NFP plans to monitor of POs' activities through on-the-spot checks. The exact tasks regarding the on-the-spot monitoring will be determined according to the Monitoring Guide of EEA and Norwegian Financial Mechanisms 2009-2014 focusing on tools of result-based monitoring.

4.5 Information and publicity

The information and publicity activities at national level are based on the Communication Strategy for the EEA and Norwegian Financial Mechanisms 2009-2014. The Strategy was prepared and submitted to the FMO in February 2012, and it was approved on 4 July 2012. The assigned main objectives in it cover areas in need of raising awareness of the FMs and of communicating the results of the programmes clearly to the wider public.

Implementation of the Communication Strategy

As NFP bears overall responsibility for the FMs 2009-2014, it is crucial that the NFP ensures that the overall objectives of the FMs are known, understood by the stakeholders and experienced by the widest possible audience. NFP also considers informing governmental entities and POs not only on demand basis, using different forms, e.g.: forwarding templates and guidelines; organizing workshops for POs (see chapter 4.4 for more details).

The following main activities have been implemented in 2013, concerning general communication:

- procurement of external experts to assist in the implementation of communication activities – September 2013;
- launching event for the EEA and Norway Grants with a press event - 25 April 2013;
- establishing an individual web-site for the EEA and Norway Grants and ensuring its regular update (through the IA) – first quarter of 2013;
- publishing news, advertisements and press releases - continuous.

Due to the delays in the programmes the modification of the Communication Strategy is also needed. According to the original plan the acceptance of the programmes were supposed to happen approximately in the same time, which would allow a unique communication in timely manner. Consistent with the Communication Strategy the measurement of the public awareness was originally planned during 2013, but due to the above, it had to be postponed. Since it will be realised on the course of 2014, it would serve as a mid- term evaluation of the programmes in the light of communication and visibility.

Results of the information and publicity measures in terms of visibility and awareness of the FM

On 15-16 April 2013 a communication workshop was organised by the FMO in Warsaw, Poland, where the representative of the Hungarian NFP participated as well. The aim of the workshop was to raise effectiveness and learn from the best practises utilised in the beneficiary countries of the FMs.

On 25 April the launching event was successfully held in Budapest with approximately 180 participants. According to the estimations more than 1000 stakeholders could be reached through the press releases. The target group of the launching event were the main potential applicants such as public institutions, local governmental bodies and civil society organisations. In the meantime the members of the PGWs and CCs were also present together with the concerned line ministries, the representatives of the Donor States, FMO and the Royal Norwegian Embassy. Practically thinking the main success rate was raising interest, while numerous positive feedback and questions were received from the potential applicants via telephone and via e-mail inquiries.

In order to successfully meet the requirements and execute the communication activities an external expert team has been contracted by the NFP on 26 September 2013. The experts are fulfilling horizontal communication tasks as well as organising separate meetings for POs on quarterly basis. Such meeting was organised on 3 December 2013, which is significantly contributing to the unified appearance of the FMs in Hungary. Once the implementation of the projects starts, the visibility of the FMs will significantly increase.

NFP participated at the launching and information events of the programmes and in most cases gave presentation on the implementation status and funding opportunities of the FMs.

Information and publicity activities implemented by the POs

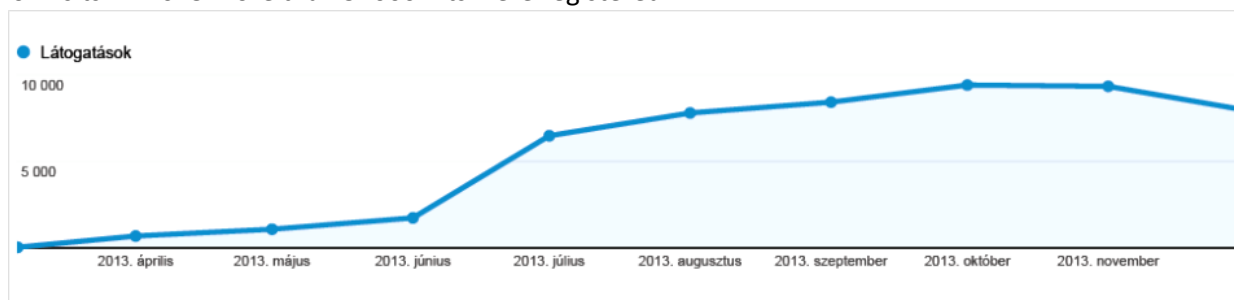
NFP closely follows the work – including the communication activities - of the POs and the IA and monitors their operation by aggregating all data of progression. NFP participates in the meetings of PWGs and CCs as observer and provides information to the POs and IA in order to assist their regular operation and to contribute to the effectiveness and adequacy. NFP together with the external experts’ organise meetings for POs on a quarterly basis in order to facilitate the unified communication. Such meeting was organised in December 2013. The outcome of this meeting was an agreement between the concerned parties about the future communication strategy and on the distribution of the tasks.

In 2013 the following events took place, organised by the POs:

Programme area	public consultation / title of the call	launching event	information day / workshops	partner search event	meetings organised by DPPs for POs	other
HU02 - Energy efficiency	Public consultation of Exchange of experience for Public Schools and Exchange of experience for non-governmental organisations; Improving Energy Efficient Public Schools call for proposals	25 April 2013	for potential beneficiaries: 4 July 2013, and for potential contractors: 25 June, 2013	-	-	2 newsletter for about 200 stakeholders

Programme area	public consultation / title of the call	launching event	information day / workshops	partner search event	meetings organised by DPPs for POs	other
HU03 - Renewable energy	public consultation for 4 calls for proposals	2 December 2013	-	2 December 2013	-	1 article in December in the Hungarian Geothermal Association's newsletter about the scholarship possibility in the programme, participation at several events and conferences
HU06 - Children and Youth at Risk	-	5 December 2013	5 December 2013	-	-	biannual program operator meeting -28-29 November 2013
HU07 - Conservation and Revitalisation of Cultural Heritage and Natural Heritage	public consultation on the first session of calls for proposals	-	13 December 2013	-	-	-
HU08 - Scholarship	public consultation for 4 calls for proposals	-	2 events: in October and in November 2013	-	-	first brochures were released

Concerning the EEA and Norway Grants' website operated by the IA, the chart below shows the number of visits. In 2013 more than 52000 hits were registered.



NFP pays special attention to the communication activities both at national and at programme levels, moreover, continuously examines the effectiveness of the Communication Strategy, and takes the necessary steps if needed.

4.6 Work plan

The indicative work plan outlining the main milestones of the implementation of the FM in Hungary during 2014 is summarized below. The table contains activities that the NFP is in charge for.

Action	Planned timing	Responsible entity
Establishment of the new institutional structure of the NFP	1 st quarter of 2014	NFP
Review and recommendation of APRs	February 2014	NFP
Submission of the Annual Work Plan of the National Fund for Bilateral Relations	March 2014	NFP
Submission of the Annual Strategic Report	March 2014	NFP
Monitoring Committee Meeting	April 2014	NFP
Annual Meeting	April 2014	NFP and Donor States
Signing the rest of PIAs	May 2014	NFP, POs and IA
Participation in CC, FC and Selection Committee meetings of programme areas as observer	continuous	NFP
Review and recommendation of calls for proposals of programmes	continuous	NFP

5. SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

Overall assessment of the implementation – challenges, risks and recommendations

Set-up of the new institutional system of 2009-2014 FMs

Having ensured the further successful implementation of the overall FMs and the programmes and for fulfilment of the duties arising from the increased responsibility of the Beneficiary State due to the programme level approach, the NFP **continued the set-up of the new institutional system of the new FMs** in this reporting period.

It is still a challenge to create an effective and efficient implementation set-up, considering the size of the Grants, its complexity and novelty, including many institutions at many levels. **In line with the MoUs, the Regulations and the main national legislations, the relevant documents in detail – contracts, guidelines and templates - were elaborated during the reporting period.** (For the details please see Point 4.2. of the Strategic Report.) For the mitigation of the risk which could be turned up from the newness of the system, during the last year, 2013 **all the Hungarian institutions** (NFP, POs, IA, CA, AA) **got familiar with the new management and control system of the FMs** and due to the detailed regulations, the **implementation set-ups** created at **national level and programme level** are **well elaborated** at present.

Programme and project approaches, short implementation period for projects

However, the newly defined approach in the EEA and Norwegian FMs is the programme level approach, according to the decisions of the Donor States, it is seen that the **Donors still would like to closely follow the progress of the FMs also beyond the programme level** - i.e. at the level of specific calls and selected projects – caused several difficulties in the programme preparation work, and the very detailed requests for additional information and clarification **slowed down the consultation process in the finalization of PAs**. Whilst the Programme proposals were submitted in July and August 2012, and

according to the Regulations the donors have 4 months for the evaluation, the programmes were expected to be approved by the end of 2012, early 2013. Finally, after detailed conciliations between the FMO and the POs **each of the programmes was approved between March and May 2013**. The set requirements beyond the programme level sometimes seem to confront the foreseen strategic approach and may be not in line with the needs and challenges revealed by the PO in its programme proposal. Some examples for this are listed below:

- Requirement for very detailed description of the conditions, eligibility rules, selection criteria, the actual content of the foreseen projects and the process of the call for proposals.
- The modification of the Regulations providing the new possibility to the Donors to comment on the call texts prior to the publication of the call for proposals.
- Exact determination, also limitation of the grant rate in some cases, although the Regulations do not exclude the higher intensity.

This on the one hand **might negatively affect the responsibility that a PO or the NFP can bear for the implementation of the programme**. On the other hand, the NFP is also concerned, that the FMO and Donor State entities may also be in **lack of capacity to follow such closely the implementation in each of the Beneficiary Countries beyond the programme level**.

Fully acknowledging this newly shaped approach, according to the standpoint of the NFP the **most important mitigation action** to speed up the conciliations and approval processes is **the enlargement of the human capacity at both sides**.

The elaboration of the calls for proposals could only start after the closure of the appraisal process of the Programme proposals. The amendment of the Regulations which provides the Donors the possibility to comment on the call texts prior to the publication of the call for proposals also prolongs a bit the preparation phase of the Calls.

The accumulated delay and the time-consuming processes could endanger the successful and efficient implementation of the programmes and projects as well. Accordingly the NFP deems it crucial to **speed up the approval processes** relevant for 2014 such as the approval of the calls and launch the calls as soon as possible. For the **speeding up the processes NFP provides** and in 2014 will provide further **additional human capacity, prepare guidelines and template documents** for the POs at programme level and project level as well, **keeps track of the elaboration of the calls and programme documents** continuously.

NFP is also concerned about the **decreased implementation period**, since because of the tight schedule of the forthcoming period at project level until 30 April 2016 it is not entirely insurable that the granted projects and thereupon the programmes could reach the defined impacts, results. Accordingly the NFP would like to draw the Donors' attention to consider the opportunity of the **extension of the implementation period** of programmes as **the most solid mitigation action**, in order to ensure that objectives are achieved and expected outcomes are delivered.

Institutional changes

Preparing for the upcoming EU financial period (2014-2020), the Hungarian Government has previously decided to reorganize the institutional structure dealing with development policy in Hungary. These **institutional changes** in Hungary regarding the set-up for EU funds which were highly on the agenda at the end of 2013 **influences the set-up created for the implementation of the FMs**.

The aim of the transformation is to set up a **more transparent, better structured and client-friendly institutional system** which can guarantee a more efficient and better use of the EU and international

funds, moreover to move towards a less centralized, but efficiently coordinated solution. As a consequence of this reform, the **NDA ceased its operation by 31 December 2013**. The succession of duties was covered by the relevant designated institutions according to the various issues the NDA managed. MAICP of the NDA was divided into the relevant parts according to the tasks of the different programmes. The tasks along with the colleagues responsible for the NFP tasks have been transferred to the SZPO with legal succession. SZPO is a 100% state-owned non-profit organization operating under the supervision of the Prime Minister's Office. The Managing Authorities acting as POs will be taken over by the respective line ministries without any delay and major change in human resources at the beginning of 2014, thus the continuity of staff and work on the programmes are ensured.

It is important to mention that the **main and most important goal** of the newly appointed NFP is **to ensure the continuous implementation of the FMs** during the transition period and afterwards as well. The necessary first steps regarding the modification of the MoU have been taken at national level according to the relevant Hungarian Act about the proceeding of international treaties at the end of 2013 and will be executed at the beginning of 2014. In the meantime the review of the description of the MCS and the PAs affected by the institutional changes has also been started and will be handled as soon as possible. Hungary **deems it crucial that the re-negotiation of the MoU and the conciliation on the amended description of the MCS could start and be finalized at the earliest convenience in 2014**.

The Hungarian institutions are aware that this year is crucial from implementation point of view, that the launches of the calls for proposals should not suffer further delays. Therefore they make great efforts to minimize the negative effects of the re-structuring of the institutional system.

Fulfilment of overall objectives

NFP is committed to contribute to the overall objective of **reducing social and economical disparities in Hungary**. Nevertheless, conditions and requirements determined during the appraisal phase of the programmes and not known prior to or during the programme preparation process (for the examples please see the Strategic Report 2012), and however these newly defined requirements were handled during the conciliations executed relative to the PA and will be ensured by the calls for proposals, these requirements caused severe delays regarding the launching of the programmes and calls. The mitigation actions to be able to provide the entire fulfilment of the overall objectives could be the **additional human capacity**, the **continuous control of the programmes** and the prolongation of the implementation period.

NFP is also committed to contribute to the other overall objective, namely to **strengthening bilateral relations** between the Donor States and Hungary. Nevertheless according to the experience during the preparation period, the completion of the calls for proposals and execution of partner search the low level of existing relations, the lack of capacity on the donor side may present difficulties in deepening the bilateral cooperation and make difficulties in the effective work and jeopardize the achievement of the goals. However, NFP declares the commitment to strengthen the bilateral relations, the **proactive approach** from both the Hungarian and Donor State entities will have to be taken to find the common interest and to encourage partnerships. The **close cooperation at national level** between the FMO and the NFP and **at programme level** between the DPPs and the POs will surely potentiate the realization of the effective project level partnerships. Further motivating actions are the **partnership seminars**, the **bilingual webpage dedicated to the partner search** and the **promotion and assistance of the Royal Norwegian Embassy in Budapest and the Embassy of Hungary in Oslo**.

Overall assessment of the implementation – Good practices and positive points

NFP appreciates the **helpfulness of the Donor States**, especially of the staff of FMO. During the preparatory period and the completion of programme level regulations, documents and the calls, as one of the most important ones, the **flexibility of the FMO** promoted the progress and contributed to the adequate content of the necessary documents. NFP and the POs could receive **appropriate answers for their questions** raised in the reporting period.

NFP highly appreciated the **Donors intervention in some cases**, when issues seemed to be stuck at national level, or when the progress in some programmes was not considered satisfactory. NFP also welcomes in the future any form of support from the Donor States in order to ensure that the implementation stays on the right track, and contributes to the expected results.

The Hungarian institutions are **pleased to learn the professionalism and helpfulness of the DPPs** dedicated to the programme areas. The experience and promotion of the DPPs contributed to the quality of the programme documents and hopefully will raise the effectiveness of the implementation.

The **cooperation between the NFP and the Royal Norwegian Embassy in Budapest and the Embassy of Hungary in Oslo was very well, the NFP reckon** on the well-based, **professional and helpful advices** of the Embassies in the future as well.

NFP is aware that in the implementation period a number of questions will have to be treated by the Donors as well as the Beneficiary States. It is important to emphasize that the **key of effectiveness is the pro-activity and rapid reaction capability**, which are expected from each party responsible for the Grants.

6. ATTACHMENTS TO THE STRATEGIC REPORT

1. For each Programme, a table showing the breakdown in respect of applications received and projects selected / contracted, as well as the types of intervention supported.
2. For each Programme, a table providing information in respect of donor partnership projects (names of Donor State entities, number and proportion of partnership projects).
3. A summary table on Donor partnership projects on the Beneficiary State level.
4. A list of irregularities detected at the Beneficiary State level and at Programme level during the reporting period and financial corrections made.
5. For each Programme, a list of irregularities detected at project level during the reporting period and financial corrections made.
6. A plan setting out the monitoring and audit activities in the Beneficiary State for the coming reporting period (non-public attachment).
7. A risk assessment at the national and programme levels (non-public attachment).

Annex 7/a: Risk assessment at the national level

The risk assessment at the national level regards risks to the two overall objectives and overall operations of the Grants.

Type of objective ¹	Description of risk	Likelihood ²	Consequence ³	Mitigation planned/done
Cohesion objective:	Delays of the preparation and implementation progress due to the long decision-making processes both of Hungarian and Donor sides	3	2	Acceleration of the Hungarian decision-making processes with several means, e.g. preparation of legal and other necessary documents; preparation of regular reports on the overall progress of the Grants, encouraging the stakeholders, monitoring the implementation and taking necessary measures in time
Bilateral objective:	Lack of capacity, interest and motivation of the donor institutions	4	4	Review the opportunities of the bilateral relations; establishment of the proper cooperation with the donor institutions with assistance of Donor States
Operational issues:	Institutional changes in the organization of the development policy, including the NFP and several POs which slow down the professional and financial implementation of the Grants	4	2	Elaboration of the new system, ensuring the necessary human resources, elaborated documents for the operation, assistance to change the regulation framework and participation in the negotiations with the representatives of donors to solve the existing situation

¹ The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue.

² Each risk should be described as to whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue, where 4 = Almost certain (75 – 99% likelihood); 3 = Likely (50 – 74%); 2 = Possible (25 – 49%); 1 = Unlikely (1 – 24%)

³ Assess the consequence(s) in the event that the outcomes and/or crucial operations are not delivered, where 4 = severe; 3 = major; 2 = moderate; 1 = minor; n/a = not relevant or insignificant.

Annex 7/b: Risk assessment of the programmes

The table shows the most prominent risks of the programme areas. The detailed risk assessment of each programme can be seen in the APRs.

Programme #	Type of objective ⁴	Description of main risk	Likelihood ⁵	Consequence ⁶	Mitigation planned/done
HU02 Energy efficiency	Cohesion (Programme) outcomes: Improved energy efficiency in buildings	Indicator targets related to CO ₂ avoidance and/or reduction are not achieved	2	3	1. Based on the detailed research on the reasons of few submitted applications an analysis and reconsideration of the requirements of the call for proposal and a second launch are necessary 2. Proposal of modification of reducing indicator targets
HU03 Renewable energy	Cohesion (Programme) outcomes: Increased renewable energy production and Increased awareness of and education in renewable energy solutions	The achievement of the outcomes can be threatened by further delays in the implementation of the Programme as the implementing period for the projects gets shorter	3	3	Assessment of the risk factor and indication of it to the relevant stakeholders
HU06 Children and Youth at Risk	Cohesion (Programme) outcomes: Outcomes 1-3	The Hungarian legislation does not allow to record ethnic data on the population.	4	2	PO plans to strengthen activities concerning Roma involvement: <ul style="list-style-type: none"> the calls for proposals will be subject to public consultation in the project selection process, expert of Roma will be involved procure an expert of Roma issues who would help in the different levels of programme implementation
HU07 Cultural Heritage	Cohesion (Programme) outcomes: Cultural and natural heritage restored, renovated and protected and Cultural history documented	Issues of maintenance and sustainability due to the lack of necessary costs or funding	2	3	Requirement of planning already in the application phase; long term strategy is to be prepared
HU07 Cultural Heritage	Cohesion (Programme) outcomes: Cultural and natural heritage restored, renovated and protected	Projects are delayed due to unexpected issues arising the restoration process	3	4	All the necessary permits have to be attached to the project proposals and the timeline will be evaluated (end dates and feasibility).
HU08 Scholarship	Cohesion (Programme) outcomes:	Delay in publishing the calls	4	4	More targeted communication towards possible applicants
All programmes	Bilateral outcome(s):	Lack of interest or capacity for cooperation	4	4	Assistance to find the appropriate field of cooperation for the potential applicants and project partners; giving possibility to the establishment of bilateral relations; requesting assistance from the donor side (DPPs, representatives of donor countries)
HU02 Energy efficiency HU03 Renewable energy HU06 Children and Youth at Risk HU07 Cultural Heritage	Operational issues:	Organisational changes foreseen at POs concerned with restructuring can slow down the programme implementation	4	3	Acceleration of the reorganization process with contribution to the establishment a proper organization; preparing the necessary documentation and participating in the negotiations to mitigate possible legal and financial problems

⁴ The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion outcomes, the bilateral outcomes, or is more of an operational issue.

⁵ Each risk should be described as to whether it poses a risk to the cohesion outcomes (programme outcomes), the bilateral outcome or crucial operational issues 4 = Almost certain (75 – 99% likelihood); 3 = Likely (50 – 74%); 2 = Possible (25 – 49%); 1 = Unlikely (1 – 24%)

⁶ Assess the consequence(s) in the event that the outcomes and/or crucial operations are not delivered, where 4 = severe; 3 = major; 2 = moderate; 1 = minor; n/a = not relevant or insignificant.