

PRIME MINISTER'S OFFICE
HUNGARY



Strategic Report
on the implementation of
EEA Financial Mechanism 2009-2014
in Hungary

1 January 2016 – 31 December 2016

March 2016

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LIST OF ABBREVIATIONS

AA	Audit Authority
APR	Annual Programme Report
ARS	Automatic Reimbursement Scheme
CA	Certifying Authority
CC	Cooperation Committee
DIICP	Department for Implementation of International Cooperation Programmes
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
MCS	Management and Control System
MoU	Memoranda of Understanding
NFBR	National Fund for Bilateral Relations
NFP	National Focal Point
NMFA	Norwegian Ministry of Foreign Affairs
PA	Programme Agreement
PIA	Programme Implementation Agreement
PMO	Prime Minister's Office
PO	Programme Operator
R&D	Research and Development
SC	Selection Committee
SMEs	Small and Medium Enterprises

1. EXECUTIVE SUMMARY

The Hungarian government is committed to successfully implement the EEA and Norwegian Financial Mechanisms 2009-2014, including the overall objectives.

Being aware of the importance of the FMs, the NFP, together with the POs and with the support of the IA made every effort in order to implement the Grants in Hungary. After the successful agreement regarding the continuation of the Grants, with the coordination of the NFP the POs have revised the necessary **professional content** of the programmes and ensured the necessary **human capacities** for the implementation. Since the Programme Operator of the HU12 changed during the reporting period, the MoU had to be amended with exchange of letter between the Donor States and Hungary.

There have been some changes in the **national trends** and legal background in Hungary during the reporting period, but these changes did not result in significant differences as it can be seen in this report.

Meanwhile the necessary legal background was revised due to the modification of the MoU in November, 2015, and to the change of the PO of HU12 in 2016, namely the **Government Decree** for implementation of the Grants had to be modified, furthermore in accordance with these changes, the **Programme Agreements** and **Programme Implementation Agreements** were also modified during the reporting period.

The **management and control system description at national level** was approved by the Audit Authority and the audit opinion was sent to the FMO in February, 2016.

The NFP provided template for the POs to facilitate the elaboration of **management and control system description at programme level**. The descriptions were approved by the Audit Authority and the audit opinion was sent to the FMO in November, 2016.

Parallel to these activities, there has been ordinary operation in one programme (HU09) and the process of evaluation has taken place in the other two programmes (HU11, HU12).

The Hungarian party has fulfilled the conditions determined by the Donor States regarding **project extensions**: the requests of the projects to be extended have been submitted to the FMO until 30 April, 2016 and the signed Project Contracts were uploaded into the DoRIS system until 31 May, 2016. Altogether (EEA and Norway Grants) almost 200 projects will expectedly be implemented during the implementation period under the responsibility of the NFP in Hungary.

The **main risk** is the short implementation period. To achieve the identified outcomes and outputs, intense efforts and high quality work are necessary from the Hungarian institutional system.

At **national level** the NFP supported the implementation with several tools, carried out mostly in cooperation with the FMO.

Trainings were organized regarding the DoRIS system, irregularities, communication and Webinar for the POs with the assistance of the FMO. In addition, the NFP organized some events to contribute to the successful implementation: **workshops** on bilateral relations on programme level; and on communication and publicity requirements; **conference** on risk management. In order to present the status of implementation and experiences of the Grants, the NFP organized a **Mid-term Conference** for the interested parties in November, 2016 which was very successful.

The NFP pays particular attention to the efficient and orderly implementation. **Biweekly meetings** are organized for each PO with the participation of the IA to measure the progress of the programmes. In addition, the IA visits NFP also biweekly in order to review the implementation, identify the issues and give solutions in time if it is necessary. The NFP is informed about all milestones in the programmes, **participates in the Selection and Cooperation Committee meetings** and other key negotiations.

At **programme level** the POs carry out their tasks responsibly. In addition to the on-the-spot-checks made by the IA, the POs visit the projects more frequently. According to the reports every projects were monitored personally during the reporting period.

The development of bilateral relations was continuous in the reporting period. The NFP has revised the Work Plan for Bilateral Relations at National Level and submitted to the FMO in December, 2016. **The National Fund for Bilateral Relations** will be implemented according to the approved document. Expected related activities in the future: two calls for proposals will be published and a conference on bilateral research cooperation will be organized. The content of activities has been elaborated with the agreement of the Royal Norwegian Embassy in Budapest.

Each concerned PO started to design their **bilateral activities at programme level** during the reporting period. The DPPs played active role during these activities. The expected results will be seen in 2017.

Each **programme has been audited** by the companies appointed by the FMO. The NFP, as well as the concerned institutions are waiting for the result of the audits.

The NFP pays particular attention to the **publicity of the Grants**. In addition to support the POs in their tasks in communication and publicity, the NFP has made efforts to fulfil the requirements. The official homepage of the Grants (www.norwaygrants.hu through the www.norvegalap.hu) is updated continuously, including the English webpages. The PO responsibility on communication and publicity is monitored regularly by the NFP.

The NFP restarted the **Facebook page** of the Grants in Hungary and achieved more than 2000 followers in short period with several tools (news, sharings, games etc.) by the end of the year.

2. ASSESSMENT OF THE EFFECT OF THE GRANTS

2.1 Cohesion

2.1.1 Economy and society of Hungary in 2016

The performance of the Hungarian economy started to follow a path of growth, and the increase continued in the year of 2016. Growth was recorded in the global economy in the course of 2016, the trends were affected by the decrease in raw material prices and low levels of return.

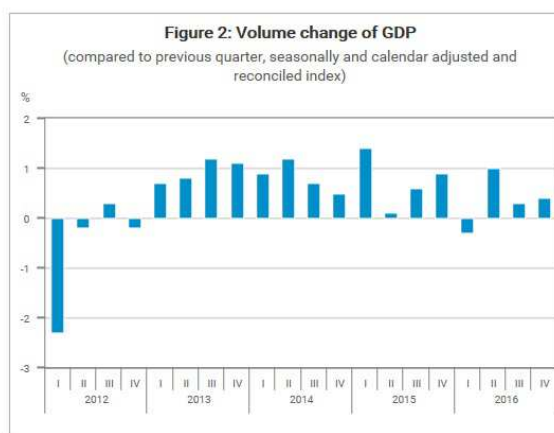
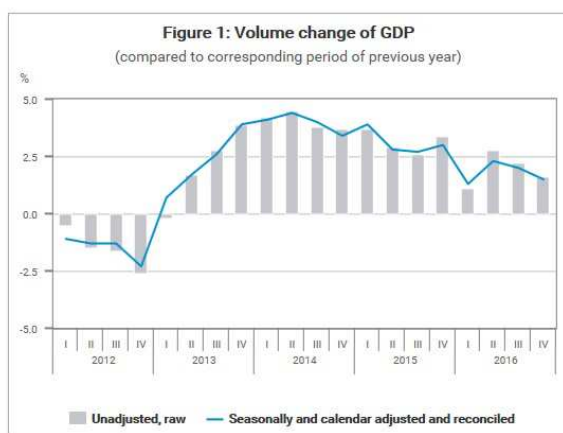
In external trade in goods the value of exports amounted 3.1% larger than in 2015, and the value of imports was 1.7% more than one year earlier. The rate of increase of the trade was the lowest in respect of the last three years in exports and the last four years in imports. The balance improved in 2016 as well as in 2015.

The hot and rainy weather in the growing season of 2016 brought outstanding harvest results. 18% more cereals were produced on a 5.4% smaller area. Record production of rape and sunflower was harvested, 49% and 22% more than in the previous year.

2.1.1.1. Gross domestic product of Hungary in 2016

The gross domestic product of Hungary (hereinafter: GDP) increased by 1.6% in the fourth quarter of 2016 compared to the same period of the previous year. The growth was considerably influenced by the performance of market-based services and agriculture, while that of industry stagnated, and the performance of construction lowered the growth.

The volume of GDP, calculated for the OECD as a whole, was 1.7% higher on average in 2016 than a year earlier, along with a continuous rise. The rise of the volume of GDP lost the impetus observed for previous years (gross domestic product was 4.0% higher in 2014, and 3.1% higher in 2015 than a year earlier). In 2016, GDP rose by 2.0%.



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

Hungary is an OECD high-income mixed economy with a very high human development index. From the beginning of 2016, the significantly shrunk base of available EU-funds had an immediate impact on the country's performance. The disappointing quarterly data showed a sole 0.9% hike beating most expectations. Therefore, the government might need to revise its year-on-year growth in the year of 2016.

In 2016, the decrease in industrial producer prices stopped, the industrial export sales prices fell by 1.0% compared to 2015. The prices of goods (e.x. medicaments, housing, household and body care articles as well as cultural goods) were lowered to the highest extent.

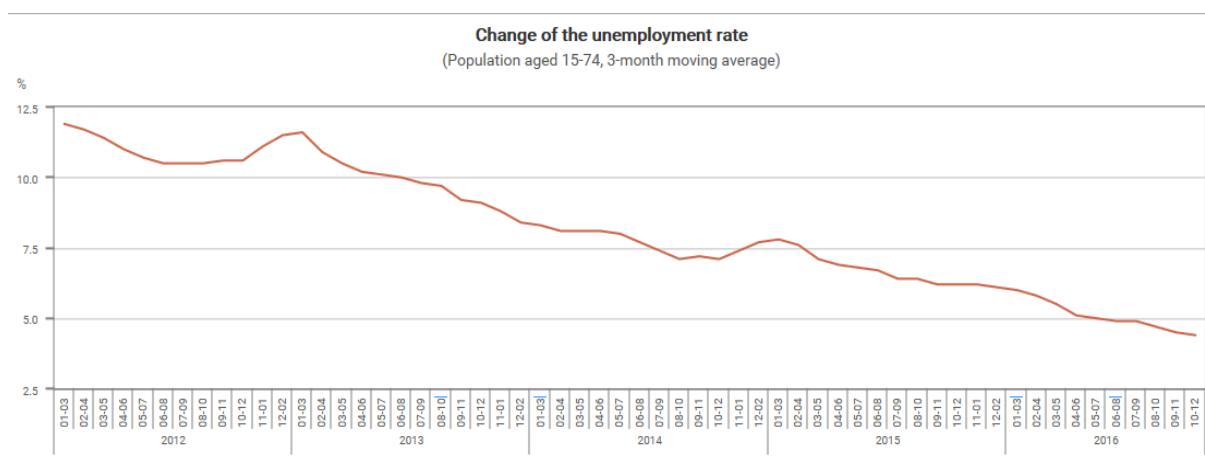
- The price level of household energy was reduced by 0.1%, within which the major overhead prices remained unchanged;
- the price rises of consumer durables were slightly higher (0.5%);
- the price level of services rose by 1.5%, within which prices of cultural and leisure services increased by 1.7%, those of rents and housing by 1.4%;
- in 2016, similarly to the previous four years, the highest price rise (2.3%) was observed for alcoholic beverages and tobacco products.

From the expenditure approach, the actual final consumption of households was up by 4.2%, and the actual final consumption of the government practically stagnated. As a result of these two items, actual final consumption increased the GDP growth rate, and gross capital formation slowed down the growth of economic performance.

2.1.1.2. Unemployment rate of Hungary in 2016

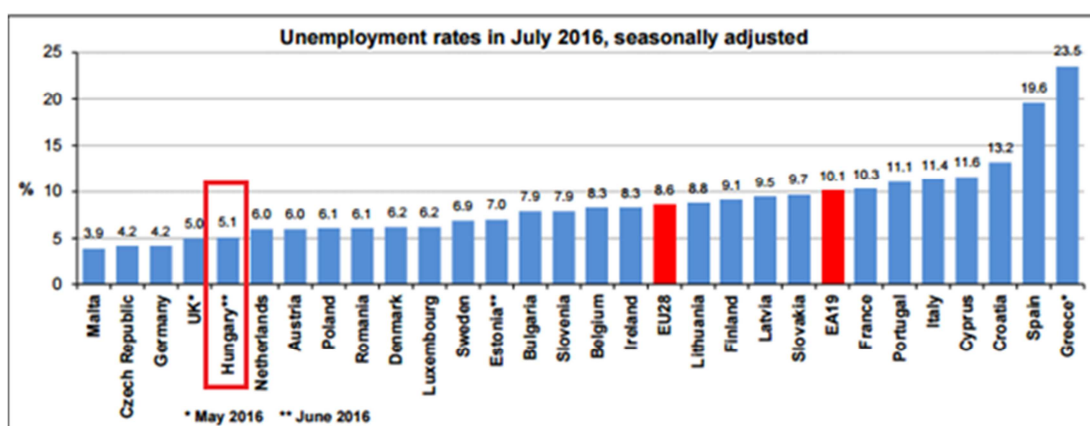
The annual average number of the unemployed was 235 thousand in 2016, 73 thousand fewer than in 2015. The unemployment rate decreased by 1.7 percentage points to 5.1% compared to the previous year.

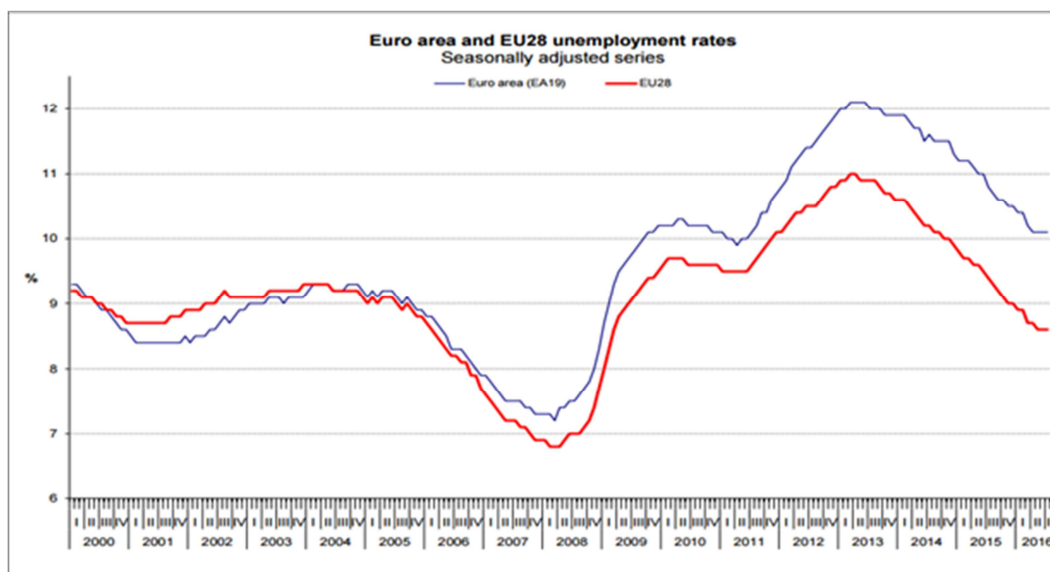
In the last quarter of the year 2016, the number of unemployed people was 205 thousand, 76 thousand fewer, than a year earlier, and the unemployment rate decreased by 1.7 percentage points to 4.4%. Men and women were characterized by almost the same level of unemployment, the improvement was higher in the case of women.



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

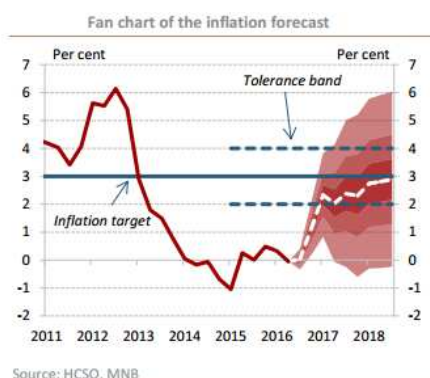
According to the latest, seasonally adjusted data compiled by Eurostat, in July 2016, the unemployment rate averaged 10,1% within the euro-zone (19 member states), 8.6% within the EU (28 member states), while it was only 5.1% in Hungary.





Source: EUROSTAT

2.1.1.3. Inflation rate of Hungary in 2016



Source: HCSO, MNB

Source: HCSO, MNB

In 2016 the average inflation rate was -0,45 %. Comparing 2016 with the previous year consumer prices went up by 0.4% on average, and, within this, food prices by 0.7%. The highest price rise (2.3%) was recorded for alcoholic beverages and tobacco. The prices of services rose by 1.5%, those of consumer durables by 0.5% and the prices of clothing and footwear by 0.4% on average. Consumers paid 2.2% less for other goods, and the prices of electricity, gas and other fuels were reduced by 0.1%.

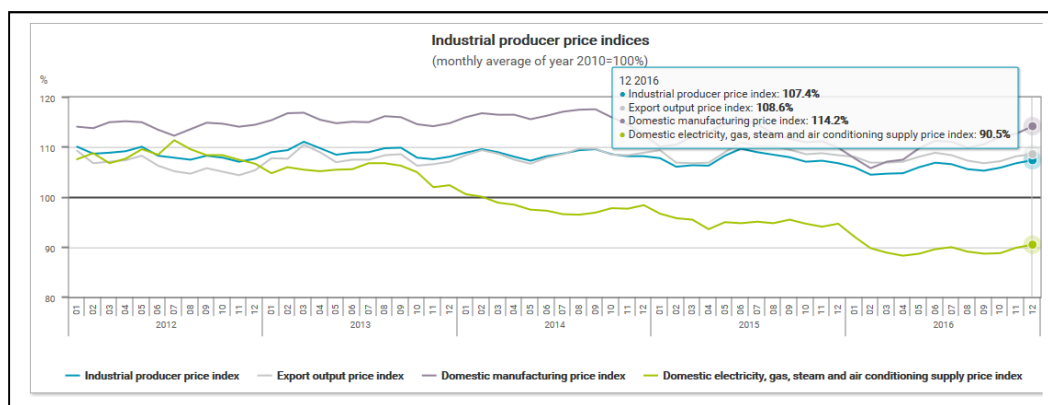
2.1.1.4. Gross output of industry of Hungary in 2016

The volume of gross domestic product was 1.6% higher in Hungary in the 4th quarter of 2016 compared to the corresponding period of the previous year.

Industrial producer prices as a whole were 1.7% lower. Domestic sales prices were 3.0% lower on average, within which prices were 2.0% lower in manufacturing and 5.8% lower in electricity, gas, steam and air conditioning supply, – as an effect of a decrease in the world market prices of energy sources, lasting for a long time – than a year earlier.

Out of the end-use groups of the producer branches of industry, industrial domestic sales prices were reduced by 4.8% in energy and intermediate producer branches due to price developments of energy sources. At the same time, prices rose by 1.8% in capital goods producer and by 0.9% in consumer goods producer branches.

Industrial export sales prices were cut by 1.0%. Within this, manufacturing prices were 0.6% and – also due to a decrease in the world market prices of energy sources – prices in electricity, gas, steam and air conditioning supply, representing small weight, 11.1% lower.



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 regard to that there are not any significant change in 2016 Hungary at the socio-economic at the national level please find the detailed description in the Annual Strategic Report 2014.

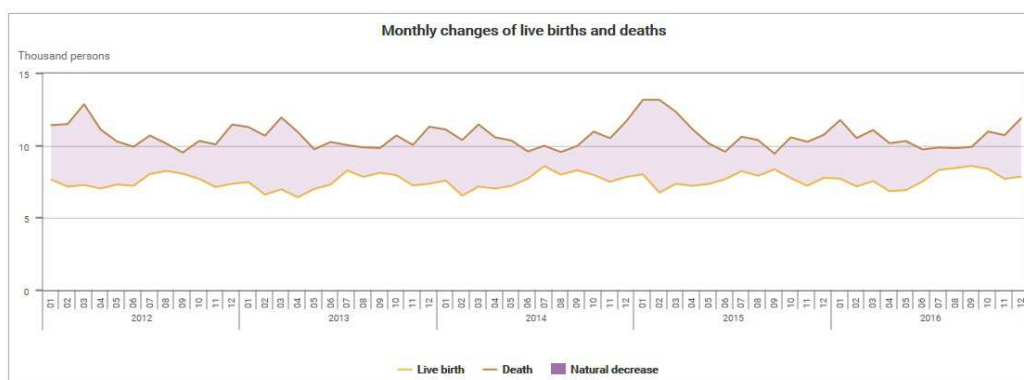
2.1.1.6. Social status in Hungary in 2016

The estimated population number calculated based on the 2011 population census data and taking into consideration international migration was 9.799 thousand at the end of 2016. According to preliminary data, the number of born children in 2016 is 1.5% more than a year earlier. The number of deceases was 126.900 which meant a decrease compared to 2015.

Main data of vital events, January–December 2016

Vital event	Number	Change compared to the same period of the previous year, %	Per thousand inhabitants	Change compared to the same period of the previous year, %
Live birth	93 100	1.5	9.5	1.8
Death	126 900	-3.6	12.9	-3.4
Infant death	365	-4.7	3.9 ^{a)}	-6.1
Marriage	51 800	12.3	5.3	12.6
Natural decrease	-33 800	-15.5	-3.4	-15.3

a) Per thousand live births.

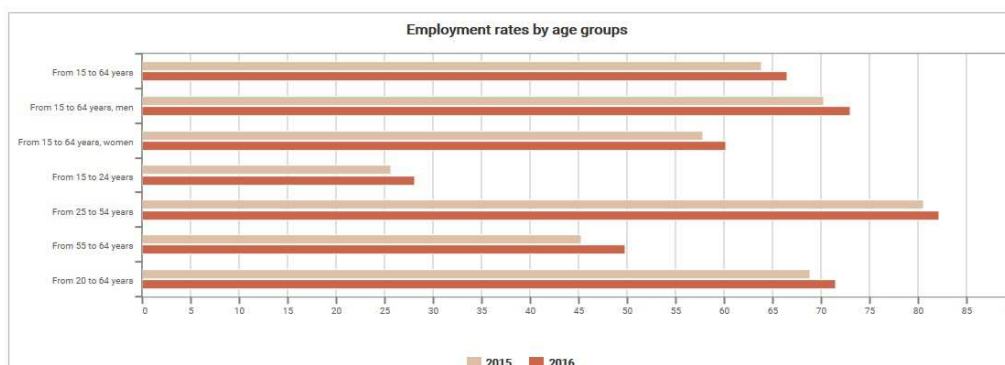


Source: Hungarian Central Statistical Office, KSH, www.ksh.hu

In 2016, employment grew and unemployment was reduced compared to the previous year. The number of 15 – 74 year-old employed people was 141 thousand more than in 2015. The number of employed people in 2016 is one of the highest values of the 24 year-old history of the labour force survey. The growth of employment was higher among men than women.

The level of employment of the population aged 15 – 64 increased in all of the regions, the growth was the most significant in Northern Great Plain. The employment rate was the highest in Central Hungary (71.7%) and the lowest in Northern Hungary (62.4%). In Central Transdanubia, which is characterized by high employment rate, the level of employment slightly increased, and in Western Transdanubia the growth was also much lower than the average.

The observed age groups were characterized by different growth rates. The employment rate of young people increased, and that of those in the 'best working age', the 25 – 54 age group grew to 82.2%. The highest increment occurred among the elderly population aged 55 – 65.



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

In the 15 – 64 year-old population the number of unemployed people was 234 thousand on average, a quarter fewer than in 2015. The number and rate of employed people increased in the group of young people aged 15 – 24 years, being present in low number on the labour market, people in the best working age. The unemployment rate was slightly lower for women than for men, at the same time unemployment fell to a higher extent among women. The unemployment indicators of 15 – 24 year-old young people, 25 – 54 year-olds and 55 – 64 year-olds all decreased year-on-year. 48.4% of unemployed people were unemployed long term (for at least one year, their rate became higher than in 2015, while the average length of job search was unchanged over a year, it was approx. 18 months.

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

Programme HU02 - Energy Efficiency

According to the Article 7 of the **Directive 2012/27/EU** of the European Parliament and of the Council on energy efficiency Hungary shall set up energy efficiency measures that result **at least 1,5% new savings** relating to the end-users **between 2014 and 2020**.

This 1,5% energy saving obligation requires improvement of energy efficiency not only with regards to households, but in relation with enterprises, local governments and governmental institutions. Achievement related to energy savings and energy efficiency are not only obligations set by the EU but also one of the main goals of Hungary.

The National Action Plan for Energy Efficiency stipulates the planned measures by sectors, resulting energy savings with regards to achieve the energy efficiency goals.

Improvement of energy efficiency in buildings contributes the most to **achieve the energy efficiency objectives**. Within this besides the construction of the new low-energy performance buildings, the improvement of energy efficiency in already existing buildings is also a priority. Therefore National Action Plan for Energy Efficiency includes the National Building Energy Strategy.

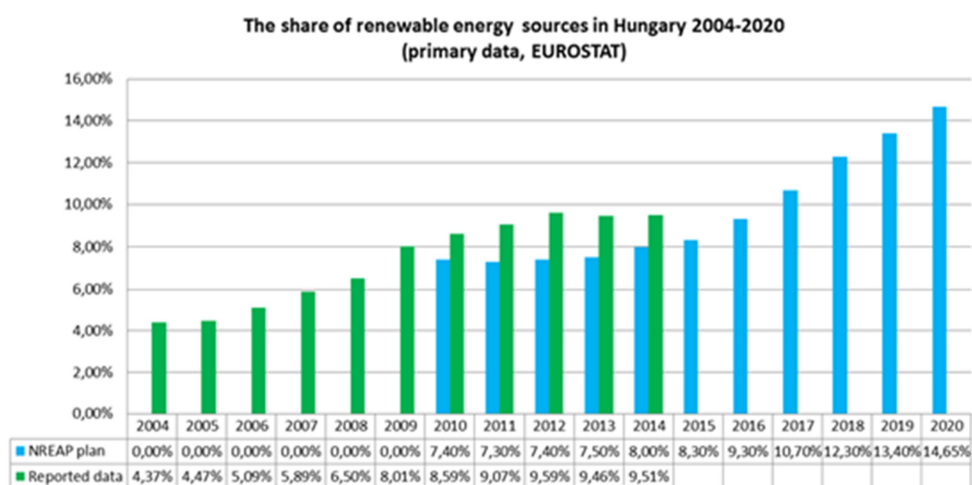
The National Building Energy Strategy includes a detailed assessment of the Hungarian buildings. The assessment targeted not only the household buildings but also the public buildings with regards to the year of the construction, typical building structures, building services equipment and the energy consumption. Based on this assessment the energy consumption of schools (and kindergartens) constructed by prefabricated elements method are above the average. According to calculations an average **55% reduction of energy consumption** can be reached by the cost-optimal level reconstruction in the most public building.

Programme HU03 – Renewable Energy

Hungary has set an ambitious target of 14,65% for its share of renewable energy use by 2020 in the **National Reform Programme in 2015** as well as in the **National Renewable Energy Action Plan**, with the definite aim to contribute to the diversification of conventional energy supply and to promote renewable energy sources. This target is over the obligatory ratio of 13%, which is prescribed for Hungary by the **Renewable Energy Directive** of the European Union.

According to the latest statistics, the gross final **consumption from renewable energy** sources has been **increasing**. It has reached 9.51% in Hungary. Thus there is a positive trend, according to which our country has over performed the pro rata commitment towards the EU to a growing extent each year. According to the National Renewable Energy Action Plan, the share of renewables will reach 14,65% in the gross final energy consumption by 2020.

The latest EUROSTAT statistics of the share of renewable energy in the gross final energy consumption in Hungary can be seen in the following table.



Programme HU07 – Cultural heritage

The national trends and the regulatory environment in Hungary are extremely rich in cultural heritage, although heritage sites are in a critical state and the local communities have limited access to these assets because of lack of resources. In 2016, **numerous programmes** have targeted conservation of cultural heritage and tourism development, but in the same time they enable to preserve and protect couple of Hungary's outstanding monuments. In the sector, some changes occurred in the year of 2016 do not endanger the implementation of the Programme.

According to the **National Hauszmann Plan** (2014-2024) in 2016, the major goal is the development and strengthening of the representative, cultural and touristic functions of Buda Castle District with the step by step overall reconstruction of the Palace District and Civil Town. The reconstruction is not only significant from the cultural and infrastructural viewpoint, but it can greatly contribute to the strengthening of the Hungarian national identity and the variety of the European cultural scene. These measures have also been taken to move the government functions (Ministry of the Interior and Ministry of National Economy) to the Buda Castle District, and the central entities of Prime Minister's Office shall be moved to the Carmelite Monastery of the Castle, which implies heritage reconstruction as well. The construction of parking garages can also be found among the measures aimed at developing touristic infrastructure.

In the year of 2016, the government has continued to support and consider the accomplishment of the **National Castle Programme** (2014-2018) as a national priority. This programme includes the development and maintenance of 45 castles of high importance covering the whole country - being part of the national cultural heritage -, and aims the extensive reconstruction of economically significant Hungarian castles, ensemble of castles, and exploitation of economic-tourism potential of castles. The preparation and implementation of the investment both from European Union Funds and the national budget support the accomplishment of the programme.

In Hungary, there are two major institutions having a decisive role in the funding of cultural activities. On the one hand, the **National Cultural Fund** acts as an allocated state fund, and on the other hand, the **Hungarian Artistic Academy**, which has a separate chapter in the budget. State culture funding continuously follows the fluctuation of the country's economic status, thus the distribution of the budgetary cultural expenditure is constantly under change.

It is necessary to make a difference between the EEA Grants and the European Union Funds in the heritage area. The fundamental differences of the two main funding opportunities are still prevailing: while the European Union Funds still support conservation of cultural heritage through promoting tourism development, and the amounts aimed at culture support partly from the budget and partly from the Structural Funds, EEA Grants enable to promote the protection and renewal of cultural and natural heritage on its own logic, tools and objectives. EEA Grants provide adequate tool for filling this gap concerning renovation focusing more on cultural values rather than touristic attractions, strengthening local communities and multicultural identities than supporting for-profit tourism development.

EEA Grants fill the niches in the funding of cultural sector by the community- and value-based support of urban and rural cultural heritage conservation and revitalisation, supporting bilateral contemporary performance arts and intercultural dialogue.

Programme HU08 – Scholarships

During the year of 2016, the Scholarship Programme was continued to enhance human capital in the form of mutual mobility activities and project based inter-institutional work related to the field of education in Hungary. The importance of this sector is given by a high priority on national and international levels as well. It is a key element of modern society regarding the wide range of benefits of education and research (enhanced skills, improving health conditions, developing infrastructure, etc.).

Hungary is committed to reduce the rate (aged 18-24) of early school leavers to 10% by 2020 while in the field of tertiary education to increase the rate (aged 30-40) of those having tertiary or equivalent qualifications to 34%. These goals are determined in the National Reform Programme (NRP) with several measurements, especially regarding the vulnerable, disadvantaged and multiply-disadvantaged – including Roma – learners.

As a continuation of the reform in the VET system, the secondary vocational schools have been transformed into vocational grammar schools and vocational schools into secondary vocational schools from September 2016. One of the declared purposes is that these transformations should increase the number of students in the area of marketable professions.

The strategy on higher education was reinforced by a Hungarian government decision in December 2016. The key areas are as follows: “promoting higher education; encouraging applications to fields of study relevant for the labour market; increasing student preparedness; supporting student success and thereby reducing drop-out; and preparing people to work in a corporate environment and find a job in the labour market”¹. Internationalisation of higher education is a high priority at governmental level which is in accordance with the strategy of EU to support the international student mobility.

In addition to the above mentioned, further programmes support mobilities, e.g. a new mobility programme, Campus Mundi and the governmental Stipendium Hungaricum programme.

¹ http://ec.europa.eu/europe2020/pdf/csr2016/nrp2016_hungary_en.pdf

2.2 Bilateral relations

Overall progress within the four outcome areas

The EEA and Norway Grants have two overall objectives: contributing to the reduction of economic and social disparities in the European Economic Area and strengthening the bilateral relations between the EEA EFTA states Iceland, Liechtenstein and Norway and the 16 beneficiary states.

We distinguish different types of results or outcomes for both the donor and beneficiary states, falling within different groups: extent of cooperation; shared results; knowledge and mutual understanding; wider effects.

After the suspension period the National Focal Point with the Programme Operators did the **necessary measures** in order to optimize the bilateral relations and maintain the programmes with the Donor States. Thanks to the common intensive cooperation, the institutions could **start the implementation**.

The activities related to the bilateral relations enriched in 2016. The events were not only in order to **strengthen the bilateral relations**, but they contributed to the **effective implementation**. It should be emphasized, that the FMO supported the restarting process with providing trainings for POs.

Please find below the most important events and workshops in 2016 between Hungary and the Donor States.

Events in 2016 in Hungary

Name of the event	Donor Partner	Date
DoRIS training	FMO	January 2016
Communication Workshop	FMO	February 2016
DoRIS training II.	FMO	April 2016
Onsite visit by the National Focal Point	HU03 DPP	June 2016
Irregularity training	FMO	September 2016
Communication Workshop	FMO	September 2016
Mid-term conference	FMO, DPPs	November 2016

In addition to the above mentioned, the representatives of National Focal Point participated in other events organised by FMO.

After the re-starting of implementation, in accordance with the MoU, the Annual Meeting was held in Brussels in July, 2016, where the Annual Strategic Report and the status of the implementation were reviewed, and the report was approved by the donors.

Furthermore the National Focal Point **participated in** all programme level events (e.g. meetings of Cooperation Committee, Selection Committee and international and other conferences). Please find the detailed descriptions in the relevant chapters.

Cooperation with the Royal Norwegian Embassy

Besides 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 on most of the events organized by the concerned institutions/entities of the Grants, e.g. POs, Project Promoters, as well as NFP (Cooperation and Selection Committees, Mid-term conference, opening or closing events of projects).

The NFP endeavors to organize regular informal meetings with the Embassy, therefore some meetings were held in 2016 to inform each other on several aspects of the implementation of the Grants.

Main risks and mitigation

The main risk is the short implementation period until the deadline which concerns not only the project implementation, but also the activities regarding the bilateral cooperation. The National Focal Point **supported** the Programme Operators to **achieve the bilateral aims**, therefore a meeting was organized by the NFP on bilateral relations on programme level for POs in October, 2016. On the meeting after the information of NFP on the general principles of tasks, the POs shared their experience and plans with each other to facilitate the further activities in the near future regarding the bilateral cooperation.

Reporting on the implementation of the NFBR

According to the provisions set in the Work Plan and Implementation Set-up for the National Fund for Bilateral Relations (NFBR) of the EEA and Norway Grants 2009-2014 the NFP shall draft an annual Work Plan each year in which expected actions under NFBR shall be described. Regarding the fact that there was **no updated Work Plan** because of the suspension period, the National Focal Point **revised** the latest one with the cooperation of the Financial Mechanism Office. Regarding the Work Plan several meetings and negotiations were held in writing and in phone conferences, as well as on the occasions of other meetings, e. g. in July and December, 2016. According to the negotiations the National Focal Point refined the Work Plan several times and finally sent the final version of the Work Plan for Donor approval in December 2016, with the following key priorities:

- European fundamental values, social welfare and gender equality
- Environment
- Research conference
- Reserve

Two different open calls will be launched to select projects and initiatives to be funded within the first two priority areas:

“Equal opportunities for women” – Encouraging cooperation between Donor States and Hungary with the aim of strengthening gender equality and elimination of violence against women

“Tackling climate change” – Encouraging cooperation between Donor States and Hungary in the field of environmental protection.

Taking into account that the deadline of the implementation of the activities of the National Fund for Bilateral Relations is **30 April 2018**, the National Focal Point will try to take advantage from the activities to further increase and deepen the bilateral cooperation between Hungary and the Donor States. Furthermore the NFP expects that the bilateral activities will cause **significant added value** to the networking between Hungary and the Donor States.

3. REPORTING ON PROGRAMMES

3.1 Overview of Programme status

Due to the lifting of suspension of Grants the implementation process accelerated at the beginning of 2016. The Programme Operators with the coordination of NFP have revised the programmes and have prepared the feasible content for the remaining implementation period. In this period the POs have negotiated with their professional experts as well as with FMO, their DPPs, NFP and IA. In the first quarter of 2016 the evaluation and decision making process has continued in some programmes (HU02, HU03, HU07).

Meanwhile the POs have prepared for the project extension. Together with the IA and with assistance of NFP the POs have measured the status of projects already under implementation and the willingness for the implementation in the short remaining period of newly selected projects. In addition, the NFP has organized a meeting for POs to discuss the appropriate process of extension on 20 April, 2016.

Finally, the extension process has been finished until the deadline 30 April, 2016. During the next month the preparation and signature process of project contracts have taken place and the project level information have been uploaded into the DoRIS system until 31 May, 2016. Altogether – including the Programme HU08, where the extension process has lasted until September, 2016 – 113 projects have been extended.

The intensive work has continued from June, 2016. The POs and IA have assisted the Project Promoters in the implementation with daily consultation orally and in writing if it has been necessary and information events have been organized per programmes with participation of POs and IA to facilitate the implementation.

The programme progress has been supported intensively by the NFP with personal consultations and with organization of several events as follows:

- DoRIS trainings provided by FMO, organized by NFP twice in 2016 (January and April);
- Communication workshop provided by FMO, organized by NFP in February, 2016;
- Organization of a risk conference for POs in June, 2016;
- FMO's Webinar events have supported directly by NFP, with ensuring places and accessibility for POs in several times in 2016;
- Irregularity training provided by FMO, organized by NFP in September, 2016;
- Meeting on bilateral relations on programme level for POs in October, 2016;
- Meeting on publicity and communication for POs in December, 2016.

In addition to the above mentioned, the NFP organizes meetings with POs and IA every two weeks, where the programme status is presented and questions raised are negotiated.

To ensure the appropriate implementation, the NFP has encouraged the POs to intensively monitor the implementation, which have taken place in several programmes during the second half of 2016. Almost all projects have been monitored in programmes HU02, HU03, HU07 and sample monitorings have taken place in programme HU08.

During the second half of 2016 the preparation of the bilateral cooperation activities on programme level has been started in programmes. Several POs have negotiated the bilateral activities with their DPPs and organized Cooperation Committee meetings where the initiatives could be consulted.

Calls published in 2016

Programme area	OPEN Calls			Pre-defined projects approved in 2016
	Title of the call	Date of launching	End of submission	
HU07- Cultural Heritage	Promoting bilateral cooperation in contemporary performing arts (B1)	26.02.2016	27.03.2016	n r
	Promoting intercultural – Roma/non-Roma – dialogue (B2)	26.02.2016	27.03.2016	
HU08 - Scholarship	Professional Visits	29.09.2016	01.12.2016	n r

3.2. Individual Programme summaries

3.2.1 Programme area HU02 – Energy efficiency

Overall progress

The year 2016 was very **intensive** and **full of challenges** for the Ministry of National Development as a new Programme Operator (PO) of the Energy Efficiency programme area of Hungary (HU02). In the beginning of 2016 negotiations have outline for re-design the Energy Efficiency Programme Area by updating a project proposals, deleting call for proposals that are not viable anymore and by including pre-defined projects. This made it necessary to revise the Programme's outcomes, output indicators and targets **and modify the Programme Agreement** in the first quarter of **2016**. Despite all of the challenges the implementation of the EEA Financial Mechanism 2009-2014 with eight project contracts concluded (see it in DoRIS).

Progress towards expected outcomes and outputs achieved

Negotiations have outlined the need for **re-designing the Energy Efficiency Programme Area** mainly by updating project proposals, deleting call for proposals that are not viable anymore and in order to strengthen and widen the original goals of the programme, seven pre-defined project proposals and an additional outcome have been included to the Programme Agreement: Increased renewable energy production.

Related to the original outcomes of the programme (1. Improved energy efficiency in buildings, 2. Improved capacity at national, regional and local level to undertake energy-efficiency measures, 3. Increased awareness of and education in energy efficiency) the limitation of the target group results a little bit different indicators, which were stipulated in the Programme Agreement.

Regarding the fact of the late beginning of the implementation, the results of the expected outcomes could not have been measured yet.

Major deviations from the plan

During the implementation of the projects there were some problems incurring. In order to **reduce the burdens of the project promoters** and to share the information **monitoring visits** and **on-the-spot visits** were carried out in the same time by different experts of Programme Operator and the Implementing Agency. Also in order to share the information regarding the implementation of the projects and programme, PO, IA and NFP organized Regular monitoring meetings in every 2 weeks. Summarizing the year 2016 in the perspective of deviation of the plan, it can be said that there were **no significant difference** from the plan.

Potential risks

As expected, under particularly tense circumstances resulting from the substantial delay of the programme implementation, the difficulties of the legal and institutional succession and changing legislative background in Hungary, the PO had to face with major risks including:

- the time frame of project implementation significantly shortened and in some cases it makes projects particularly difficult or even impossible to implement;
- the fact that the project proposals submitted earlier have to be re-considered by all parties and potential beneficiaries may have lost interest;
- the fact that the Hungarian legislative background including the public procurement regulation has been changed which may cause further serious delay.

Regarding the risks of programme level a high effort is necessary to ensure the successful implementation in the remaining short period. The necessary human resource can be ensured and a regular monitoring activity is essential with the professional work of IA.

Use of funds for bilateral relations at programme level

Energy Efficiency programme area has no donor programme partner. However the 'Improving Energy Efficiency Public Schools' call for proposals emphasised the possibility of involving donor project partners (without limitation relating to the number of the involved donor project partners) there wasn't any interest for donor partnership projects.

One activity relating to strengthen the bilateral relations was organized during the reporting period (15-18 September 2016) at governmental level.

An **extraordinary bilateral activity** was organized in order to strengthening Norwegian-Hungarian bilateral relations on Ministerial level, by promoting mutually fruitful cooperation, joint results, exchanging know-how, best practice and experience as well as **improving knowledge** and **mutual understanding** between donor and beneficiary states.

3.2.2 Programme area HU03 – Renewable energy

Overall progress

The year of 2016 was quite intensive and full of challenges for the Ministry of National Development as a new Programme Operator (PO) of the Renewable Energy programme area of Hungary. The Donor Programme Partner (DPP) – Orkustofnun (OS), the National Energy Authority of Iceland provided a great assistance and guidance during the implementation. Despite all challenges and obstacles from legal succession, changing legislative background and the substantial delay of the programme implementation, the Ministry of National Development could start the implementation with five project contracts concluded.

Progress towards expected outcomes and outputs achieved

Due to the challenge of the shortened time frame available for the implementation, the Ministry of National De had to re-consider the Programme' outputs and adjust them to changed circumstances.

According to the changes, the **Programme Agreement** was **modified** after the re-launch of the Renewable energy programme area **in April 2016**, including revision of Programme outputs, output indicators and targets.

The Programme Operator made strong effort to fulfil the indicators through the implementation of the projects.

Major deviations from the plan

Due to the substantial delay, the measures of the programme, the planned developments to be supported, and the requirements need to be reconsidered and furthermore it is likely that the period of eligibility of expenditures in the projects will need to be extended: instead of 30 April 2016, it would be 30 April 2017, with the following conditions: PO awards the project grant no later than **30 April 2016** and the grant contract is signed no later than **31 May 2016**.

During the implementation of the projects there were some problems incurred, but usually in order to reduce the burdens of the project promoters and to share the information monitoring visits and on-the-spot visits were carried out in the same time by different experts of Programme Operator and the Implementing Agency. Also in order to share the information regarding the implementation of the projects and programme, PO, IA and NFP organized regular **monitoring meetings** in every 2weeks. Summarizing the year 2016 in the perspective of deviation of the plan, it can be said that there were **no significant difference** from the plan.

Potential risks

As expected, under particularly tense circumstances resulting from the substantial delay of the programme implementation, the difficulties of the legal and institutional succession and changing legislative background in Hungary, the PO had to face with major risks including:

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- the fact that the project proposals submitted earlier have to be re-considered by all parties and potential beneficiaries may have lost interest;
- the fact that the Hungarian legislative background including the public procurement regulation has been changed which may cause further serious delay.

Regarding the risks of programme level a high effort is necessary to ensure the successful implementation in the remaining short period. The necessary human resource can be ensured and a regular monitoring activity is essential with the professional work of IA.

Use of funds for bilateral relations at programme level

In case of the Renewable Energy Programme Area the work of the Programme Operator is assisted by Orkustofnun (OS), the Icelandic National Energy Authority as Donor Programme Partner (DPP).

In order to launch the bilateral activities, **Cooperation Committee Meeting** was held on 28-30 **November 2016** in Reykjavík, Iceland, with the participation of the DPP and the Implementing Agency. The National Focal Point and the Norwegian Embassy participated through phone as well.

As a very first step, the Cooperation Committee members unanimously agreed on the fact that Programme Operator had to find a solution to be able to finally **reimburse the participation costs** (originally EUR 2,000 per person) of the Launching and Matchmaking Conference held on 2 December 2013 in Budapest. **Further bilateral ideas** were discussed during the meeting, but the implementation did not start during the reporting period.

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

Overall progress

The responsible body for governance of cultural heritage protection in Hungary is the Prime Minister's Office, Deputy State Secretariat Responsible for Cultural Heritage. It took over the role of the Programme Operator of the HU07 Programme

Under the framework of the HU07 Programme, there were **4 open Calls of Proposals** published, 257 applications submitted, 31 projects included Donor Project Partners. Altogether 45 applications were eligible for granting.

Progress towards expected outcomes and outputs achieved

In the Programme document, the baseline values set for the indicators are '0' in every case. The zero value was set up in order to focus on developments financed from EEA Grants, and there was no reliable database on national level to the output indicators specified in the programme.

As a result of the Programme, the following table reports on outcomes and outputs:

Outcome	Output	Indicator value		
		Baseline	Actual	Target
Cultural heritage restored, renovated, and protected	Number of restored, renovated buildings of urban heritage	0	2	4
	Area of indoor facilities with cultural functions made accessible to public	0	856,53	1200
Cultural history documented	Number of items of tangible cultural heritage value made available to the public in electronic format	0	0	300
	Number of items of intangible cultural heritage value made available to the public in electronic format	0	0	25
Cultural heritage made accessible to the public	Number of rural cultural and natural heritage sited made accessible to the public	0	0	10
	Area of indoor facilities with cultural functions made accessible to public	0	0	800
Contemporary art and culture presented and reaching a broader audience	Number of cultural products created in bilateral cooperation	0	9	13
	Number of bilateral capacity building activities	0	7	10
Awareness of cultural diversity raised and intercultural dialogue strengthened	Number of projects stimulating intercultural dialogue	0	12	10
	Number of capacity building activities focusing on promotion of cultural diversity	0	12	10

Potential risks

The highest risk factor regarding the achievement of expected outcomes is the delay in the programme implementation.

The delay in time arising from the suspension of the Grants in Hungary had negative effects on the implementation of the Programme. Notable general risks regarding the Conversation and revitalisation of cultural and natural heritage programme area were the delay in public procurement, delay in implementation, late signing of subcontractor agreements and the rise of implementation costs which were originally calculated in 2014.

Notable general risks regarding the Promotion of diversity in culture and arts within European cultural heritage programme area were weather related difficulties, summer holidays, expert-related difficulties, social risks, liquidity and quality risks.

The potential risk on programme level the change of legal environment and human capacity issues at PO but its likelihood is low.

In 2016, the Programme Agreement has been modified under which the Preservation of Jewish cultural heritage as an independent call has been cancelled and integrated along with the preservation of its original output indicators.

Major deviations from the plan

After the temporary suspension, the cooperation were re-opened at the end of 2015, the Financial Mechanism Office confirmed that the period of eligibility of all projects had been extended. After the Programme Operator's decision on granting, all Project Contracts were concluded with the awarded Project Promoters on the 31st of May, 2016. In 2016, during the implementation of the projects, there were some problems incurred on on-site monitoring visits and progress reports of projects, and the major risk emerged from the fact that long public procurement processes and late conclusion of subcontractor agreements could endanger timely project implementation. Another risk under the project implementation shows difficulties in recruiting participants and maintaining the interest of the target groups.

From re-start of the implementation, the Programme Operator had several bilateral meetings to consult with the Donor Program Partner to support project implementation and successful project closure.

Regarding the sharing of the information between the Programme Operator, National Focal Point and Implementing Agency - to who are delegated several tasks from the Programme Operator - there are organized regular meetings in every 2 weeks to keep the regulation exactly.

Use of funds for bilateral relations at programme level

On project level originally in the projects under 'Promoting bilateral cooperation in contemporary performing arts' bilateral cooperation would have been mandatory but given the short application period it has been changed to worth plus points during the evaluation to preserve the original output indicators. After the Program Operator's decision on awarded projects the Program Operator with the insurance of the Donor Project Partner to support the conclusion of the Donor Partnership Agreements. Based on the feedback from both the Project Promoters and their Partners this solution to mitigate risks created by the short time to contract was efficient and 13 Donor Partnership Agreements were concluded.

There were two Cooperation Committee Meetings with the participation of the representatives of the Financial Mechanism Office, Donor Program Partner, Implementing Agency and National Focal Point in March and December, 2016.

The use of the Funds for bilateral relations at Programme level is connected to these events:

1. Financing the participation of 2 Program Operator's representatives at the Cooperation Committee Meeting in Oslo (18th March, 2016)
2. Organization of a Donor Project Partner Meeting in Budapest (24th May, 2016):
3. Financing the Catering cost of the 2nd Cooperation Committee Meeting in Budapest (7th December, 2016)

In November Program Operator Meeting organized by the Ministry of Finance of the Czech Republic. In addition the representatives of the Program Operator gained useful experiences about project implementation problems and solutions encountered in other countries (Romania, Estonia, Greece, Slovakia, Slovenia, Lithuania).

3.2.4. Programme area HU08 – Scholarships

Overall progress

The year of 2016 was successful for HU08 Scholarships Programme regarding the implementation. Although Measure 2 had to face with challenges due to the suspension, but the progress of Measure 3 and Measure 4 projects was quite significant. Project Promoters were encouraged to collaborate with more than one donor institutions. As a result, the involvement of donor project partners was higher than expected – many projects started off with two dpps. Although, Project Promoters in all measures reported that it was difficult to establish these co-operations.

Due to Programme Agreement amendment the number of supported projects increased and a wide range of further supported activities could appear. More Measure 3 applications were managed to support than originally planned and opened a new call for proposals for Measure B purposes (namely Professional Visits action).

Progress towards expected outcomes and outputs achieved

According to the Annual Program Report, most of the set indicators are achieved, however some of the projects have suffered some serious drawbacks due to the loss of time. **In Measure 2 all projects applied for an extension.** These projects will close on 30th April 2017. In M2 the second round of call for proposals was severely hindered by the suspension. In case of **Measure 3** the achieved indicators are significantly higher than the target indicators and 9 projects are under implementation currently. In case of **Measure 4** most of the projects are in the final stage and 6 projects are still on going.

Major deviations from the plan

The interest was increased in **Measure 3** activities more than it was originally planned, therefore reallocation was needed to be able to support as many proposals as possible. In order to manage this process, the Program Agreement amendment and Program Implementation Agreement modification was necessary. Consequently, the budget was increased with an additional € 1.4 million (from reallocating the reserve), the indicators were amended and the budget heading as well accordingly.

Potential risks

Under-motivated donor institutions and the lack of applicants for scholarships indicate a potential risk regarding the successful implementation. In order to support the collaboration between the parties, there are different promotions for professional visits and targeted information campaign with active involvement of the DPPs.

Use of funds for bilateral relations at programme level

In the frame of HU08 programme, **Measure 1** contains activities to facilitate bilateral relations. Due to Program Agreement amendment and Program Implementation Agreement modification a new call for proposals was drawn to support **Measure B** purposes, namely the Professional Visits Action. It contains a wide range of eligible activities for the following purposes: developing institutional cooperation and planning joint projects; maintaining, developing inter-institutional partnerships related to on-going or closed projects; assessing closed projects, ensuring their sustainability; other professional activities related to international cooperation.

4. MANAGEMENT AND IMPLEMENTATION

4.1 Management and control systems

According to the guidance of the FMO the NFP has prepared the management and control system description in 2015 and after several negotiations the finalized document has been submitted to the Audit Authority for opinion in January, 2016. The Audit Authority has provided the official audit opinion in February, 2016, which has been sent to the FMO.

The NFP, in accordance with common position with Audit Authority, has prepared a management and control system description template for the Programme Operators. According to the template the Programme Operators have sent their descriptions in May, which have been commented by the NFP. After the finalization the documents have been submitted to the Audit Authority in June, 2016. The POs have been requested some additional documents and information, and the draft audit opinion has been prepared in October, 2016. The final audit opinion has been received by NFP in November, 2016, which has been sent to the FMO.

The management and control system of the institutions concerned in the implementation of the FMs – including Audit Authority, Certifying Authority and IA - has remained unchanged in 2016 essentially.

Since the main challenge is the short implementation period, the NFP has paid particular attention to the activity of POs in order to ensure the appropriate implementation (see the list of organized events and other monitoring activities by the NFP). Thanks to the efforts made by the NFP and the other concerned institutions, the implementation has proceeded as planned during the reporting period.

The human capacities of the NFP have been expanded during 2016, the sufficient staff has been available by the end of the year.

4.1.1. Support of the implementation, risk management by the NFP

In the year 2016 all the institutions had to face some risks regarding the remaining short implementation period. First of all the institutional and management system must have been set up again by the NFP. In the beginning of the second quarter of the year there were PA and PIA modifications as well (see the information in relevant Chapters). At the end of the year every new PIA were signed.

In parallel with the administration tasks the POs continually prepared for the selection procedures involving the NFP and the representatives of the donor states (FMO and DPP). The Rules and Procedures were reviewed by the POs and the NFP, and the representatives of NFP have been participated in every Selection Committee Meeting.

Regarding the Regulation the projects must have been physically completed at latest until 30th of April in 2016, but in exceptional cases the POs could request for extension for one year. The NFP had examined the submitted requests and after that on 29th of April 2016 the extension requests have been forwarded to the FMO. (All the requests were approved by the FMO.)

On 27th and 28th of June the NFP organized a **Risk Management Workshop** for the POs and the horizontal institutions too, where POs having more experiences could share their best practices, and also the horizontal institutions could present the administration tasks, payment flows etc. In this occasion the potential risks and risk mitigations regarding the implementation have been reviewed and shared with each other. After the presentations section consultations were held about the relevant topics.

Supporting the implementation, the NFP has applied several monitoring tools. The most important tool is the biweekly meetings with the POs and the IA. (See it in details in Chapter 4.4.)

In the 3rd quarter of the year the NFP started to assess the status of the bilateral activities on programme and national level and organized a consultation to the POs in December 2016 involving the representative of the Royal Norwegian Embassy.

In connection with publicity and communication there were two workshops in 2016, one of them organized by the FMO in January and the other one in December by the NFP.

4.2 Compliance with EU legislation, national legislation and the MoU

It can be emphasized that the EU has accepted the Hungarian institutional changes in the field of development policy. The institutional system established in 2014 can manage the tasks of current phase and the preparatory works regarding the 2014-2021 period.

The **MoU** was approved by the Hungarian Government and promulgated in the Hungarian official journal as Government Decree Nr. 235/2011. (XI.15.) and modified with Government Decree Nr. 433/2015 (XII.28). The modifications of the MoU are in accordance with the Art. 2.1 of the Regulation.

Due to the modifications of the MoU which resulted in the making of different Government Decrees, the promulgation of the MoU in one integrated legal framework has been required. It does not affect the content of the MoU and the Government Decrees, it is merely a technical issue which has to be handled in the Hungarian legal environment. The process of making the aforementioned integrated legal framework was started in November 2016.

The responsibilities, functions and rights of the PO, IA, NFP, CA and AA related to the implementation of the Programme are detailed and regulated in the national legislation by the **Government Decree Nr. 326/2012. (XI. 16) on the implementation of the EEA and Norwegian Financial Mechanisms 2009-2014** (hereinafter: Implementation Decree).

In 2016 the Implementation Decree was modified and amended by the Government Decree Nr. 35/2016. (II.29.) and Government Decree Nr. 293/2016 (IX.27.).

The first modification of the Implementation Decree had become a necessity due to the institutional changes in the field of development policy of Hungary and the preceding modification of the MoU.

The second modification of the Implementation Decree was merely technical. The new public procurement act of Hungary – which entered into force in November 2015 – defined new rules which had to be transmitted into the Implementation Decree, in order to make the further implementation of the projects unimpeded.

The further modification and amending of the Implementation Decree was started in December 2016. The POs, IA, NFP, CA and AA have been involved in the preparatory process of the modification. Their recommendations and remarks have been taken into account.

The legal changes will establish the legal basis of the following issues:

- a) the durability of projects;
- b) facilitation of the reallocation of the grants that have been cancelled due to irregularities or for other reasons in accordance with the Regulation;
- c) clarifications of the rights and liabilities as well as the tasks of the institutions in certain processual questions.

These legal changes are in compliance with the Regulation.

It can be said that the regulatory environment of Hungary can fulfil the requirements of the EU norms and the implementation of Financial Mechanism.

4.3 Irregularities

In the framework of the EEA FM only 1 suspicion of irregular project activity has been reported in Hungary. An irregularity procedure has taken place and closed till 31st December 2016. The estimated irregular amount (which is the entire irregular amount of the whole EEA FM) is HUF 2.000.000 (ca. EUR 7.057).

As the irregularity was merely connected to technical aspects of public procurement but not affected the grant and the achievement of the objectives of the project contract, financial corrections were not applicable with regard to the project. Nevertheless the Hungarian Public Procurement Arbitration Committee obliged the Project Promoter to pay a fine from its own budget.

In the aforementioned case the irregularity can be originated from the infringement of the Hungarian Public Procurement Act, the reason of which is probably the lack of experience in the execution of public procurement procedures of the Project Promoters and the complexity of these rules.

It is also important to mention that during the entire programme period there was no suspected systemic irregularity.

4.4 Audit, monitoring, review and evaluation

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.

In the **framework of the monitoring activities**, in 2016 the NFP followed closely the programme implementation work of the POs as well as IA. The NFP **provided comments, opinions to the draft documents** prepared by POs and IA, made **recommendations** for the POs related to their requests and necessary additional information.

The National Focal Point used to have **meetings** in every **two weeks** with the **POs** one by one with participation of IA, where the status of programmes were revised. Furthermore the NFP has separate meetings with the Implementing Agency every two weeks. According to the opinion of NFP, it is much more efficient to meet personally, and solve together the problems encountered. Furthermore, this regularly meetings contribute to the **follow-up of the programme implementation** process.

Since implementation has to be carried out in a very tight schedule the NFP joins to POs through regular **monitoring visits, particularly regarding risky projects**.

Generally the representatives of the NFP participated at the meetings of the Selection and Cooperation Committees as an observer and assisted their work if it was necessary. **All programme areas had minimum one CC Meeting in 2016**, except in the Energy Efficiency Programme Area, because there is no DPP. Please find the detailed text in the relevant chapters.

Furthermore the NFP **organised and participated** in several meetings in order to give information to the institutions (POs, IA, CA and AA) and to support their activities. The following events were organized by the NFP, mostly of them took place with participation and active support of FMO:

- Two DoRIS trainings, January and April, 2016;
- Communication workshop, February, 2016;
- Organization a risk conference for POs, June, 2016;
- FMO's Webinar events have supported directly by NFP, with ensuring places and accessibility for POs in several times in 2016;
- Irregularity training, September, 2016;
- Meeting on bilateral relations on programme level for POs, October, 2016;
- Meeting on publicity and communication for POs, December, 2016.

These events provided occasions to the NFP for the measurement of PO activities and status of programmes, while the workshops and trainings supported the programme implementation.

The most successful event was on 27-28 June, 2017, when the National Focal Point organized a **Risk management workshop** in order to knowledge exchange.

The main aims of the conference were:

- Analysis of the process of the programmes
- Issues in cooperation in the institutional system
- Risk management and risk mitigation
- Problems and solutions

According to the opinion of the participants the **Mid-term conference** with donor representatives in November 2016 was also very successful.

The agenda contained:

- Monitoring and Evaluation
- Communication and publicity
- Reporting
- Bilateral relations

In 2016 there were **several audits** initiated by the FMO within all the programmes. Due to the fact that the reports are not provided for the Hungarian institutions yet, the NFP does not have any information on the results.

At the beginning of 2016 the Audit Authority completed the review of the management and control system at national level and provided audit opinion on the proper operation. During 2016 the Audit Authority examined the management and control system at programme level in every programme and provided audit opinion.

4.5. Information and publicity

In Hungary the Communication Strategy for the EEA and Norwegian Financial Mechanisms 2009-2014 was prepared in 2012. After the start of the implementation due to significant changes in development structure, the Communication Strategy remained a static document despite the fact that the content is current and feasible today as well.

After the suspension was lifted, besides focusing on the project implementation, there were significant measures to develop the communication of the Grants.

In order to renew the communication activities and to encourage the Programme Operators to put a special emphasize on the publicity of the Grants, the NFP organized a communication workshop for the representatives of the Program Operators with the FMO in February 2016, where the FMO provided us guidance for the tasks ahead.

In accordance with the Communication Strategy, the NFP organized a workshop in June 2016, for the representatives of the Program Operators, Implementing Agency and the Hungarian State Treasury with the aim to exchange experience and to summarize good practices, with particular attention to the risk management and risk mitigation. The additional goal was to strengthen the internal communication between the institutional system participated in the implementation.

In September 2016, the representatives of the National Focal Point participated in the Communication Workshop of the FMO in Riga, where the Communication Strategy was introduced and the arisen issues were clarified.

To inform the official side of the Grants on the progress the NFP organized a **Mid-term conference** in November 2016, where the representatives of the donor states and Hungarian institutional system participated.

In the second half of 2016, we have tried to reach an extensive provision of information in different communication channels in order to reach most of the people about the grant opportunities and the success of the realized projects.

The **official Hungarian homepage for the EEA Financial Mechanism** (www.eeagrants.hu) is always up to date to provide all of the necessary information regarding the calls for proposals and news.

The National Focal Point of Hungary restarted its **official Facebook page** (<https://www.facebook.com/NorwayGrantsHungary>), so the programmes are promoted in this communication channel too. Our Facebook page gives information not only of official events but also draws the attention of wider public with some stories, other information on the donor states and organization of online game with small prizes for public. We proudly experienced that more than 2000 people like our official facebook page in the end of 2016 when this data was approximately 200 in the beginning of the restarting period.

The most difficult requirements to follow up is to develop an independent website by every concerned institution. The most of the beneficiaries (at national, programme and project level) are central public institutions and they are in a joint structure with joint websites, where the establishment a new web-page and publishing information is very difficult with several administrative burdens. Therefore the emphasis in Hungary is on the official website operated by the Implementing Agency, which contains every national and programme level information on the Grants. The operation of the website is supported by a colleague of the Implementing Agency. Every Program Operator has a communication officer, as well as the Focal Point, who coordinates and takes care of the publicity and communication tasks.

Regarding the communication requirements at project level the biggest problem is the lack of professionals, therefore their communication plans are to be controlled during the implementation. In addition the usual control by Program Operator and Implementing Agency the project promoters have the possibility to turn to the POs or NFP to get advices on the communication activities.

In conclusion, the year of 2016 was successful for Hungary regarding the information and publicity, and currently there are a lot of exciting events in front of the NFP, for example the closing events of the projects around the first two quarters of the year and afterwards the closing programmes. These events are under planning by stakeholders.

The NFP is planning some additional activities in connection with the publicity the main tool for the promotion the publicity of the Grants to create a **promotional campaign** which will be presented in 15 counties in Hungary with a three-part film.

4.6 Work plan

The indicative work plan outlining the main milestones of the implementation of the FM in Hungary during 2017 is summarized below. The table contains the main activities that the NFP is in charge for.

Action	Planned timing	Responsible entity
Review and comment the Annual Programme Reports	January, 2017	NFP
Modify the Implementation Decree on FMs 2009-2014	March 2017	NFP
Submission of the Annual Strategic Reports	March, 2017	NFP
Revision of HU01 TA budget and submission of the reallocation request to FMO	March, 2017	NFP
Supporting the POs in the closing procedure of the projects	April, 2017	NFP, PO, IA
Necessary modification of the PIAs	April 2017	NFP, PO, IA
Evaluation	October, 2017	NFP
Monitoring Committee Meeting	October, 2017	NFP
Annual Meeting	November, 2017	NFP and Donor States
Closing conference	November, 2017	NFP
Implementation of NFRB	continuous	NFP
Participation in the Selection Committee Meetings and the Cooperation Committee Meetings of programmes as an observer	continuous	NFP
Review and comment the calls (additional activities and bilateral cooperation) for proposals of programmes	continuous	NFP
Ensure visibility and communication regarding FMs	continuous	NFP
Monitoring and audit activities on national level	continuous	NFP

5. SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

During the reporting period the Hungarian institutional system made strong efforts to ensure the proper implementation after the suspension of the Grants. Being aware of the fact that the main risk is the short remaining period for the implementation, flexible measures have been required from the POs', the IA's, as well as from the NFP's side.

The NFP is pleased to have been experienced the **flexible approach from the donor side** which allowed the successful extension process during the first half of 2016. Nevertheless the mentioned flexible approach was not perceptible in all areas. The NFP appreciates that in order for the successful implementation there was a way to deviate from the Regulations. At the same time this flexibility has not been experienced regarding the management cost of HU12, even though the donor side agreed on the possibility in the Annual Meeting and a professional justification has been provided. According to the assessment of the NFP there is more scope for flexibility in case of donor initiatives. Nevertheless the continued flexible approach from the donor side is kindly expected in the near future since the intensive support of the FMO regarding the actual period is essential.

According to the experience, the Donor States have been establishing the new period of FMs (2014-2021), therefore the capacity for the present period is reduced. Some delays are experienced regarding the reactions of the donor side.

Success of development of **bilateral relations** depends on the cooperation of DPPs as well as the willingness of the donor project partners in the donor states. During the reporting period the DPPs have cooperated with the POs intensively. The question is whether there will be receptiveness for the implementation of the current initiatives in the near future from the donor side in the bilateral relations on programme and national level. According to the NFP, these activities demand more efforts from both in Hungary and in the donor states. In the future, clear rules are to be recommended in the bilateral initiatives, because now some DPPs encourage the POs to develop future cooperation, while it is not recommended by other DPPs.

As it was intended in Chapter 4.4, the FMO organized **audit and monitoring** regarding the programmes in Hungary. Although the colleagues of the company who carried out the audit of the programme HU11 were cooperative and flexible in some occasions, the NFP would like to emphasize some important issues regarding these visits. The representatives of the audit company were not completely aware of the Hungarian institutional system despite having the necessary documentation (MoU, PAs, PIAs, Management and Control System Descriptions) long before the audit. This situation led to a very time-consuming interpretation by the PO and the IA and unfortunately the draft report sent to the PO of HU11 for recommendation reflects these shortcomings in some points, including their indications regarding some "missing documents" which were presented during the audit. Taking this opportunity to indicate the opinion of the NFP for the Donor States, it should be emphasized, that the quality and the preparedness of an audit company commissioned by the FMO is very important.