

# **Strategic Report on the implementation of Norwegian Financial Mechanism 2009-2014 in Hungary**

**1 March 2012 – 31 December 2012**

Prepared by the Hungarian National Focal Point

March 2013



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## 1. List of abbreviations

AA	Audit Authority
CA	Certifying Authority
CC	Cooperation Committee
DPP	Donor Programme Partner
EEA	European Economic Area
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
NFP	National Focal Point
NMFA	Norwegian Ministry of Foreign Affairs
PA	Programme Agreement
PIA	Programme Implementation Agreement
PO	Programme Operator
PWG	Planning Working Group
RAI	Request for additional information
TA	Technical Assistance

## 2. Executive summary

The **purpose of the Report** is to give updated information on the preparation works executed and the status of the programmes under the Norwegian Financial Mechanism 2009-2014 in Hungary. The report covers first of all the programmes belonging under the responsibility of the Focal Point, i.e. not operated by Donor State entities according to Article 5.13. of the Regulation. Chapter 4 provides however information on the latter programmes as well, based on information received from the respective Programme Operator (Innovation Norway). The period covered by this report is 1 March 2012 – 31 December 2012.

The milestones of the reporting period are summarized herewith.

By early 2012 the Programme Operators established **Planning Working Groups (PWG) and Cooperation Committees** for the preparation of the Programme Proposals. The **first drafts** of the programme proposals were submitted by mid-February 2012 to the Focal Point by the POs. The Focal Point reviewed the documents and has let prepared a **quality check assurance** by professional independent experts. After a **final review** of the Focal Point during the summer of 2012 all of the **Programme Proposals were submitted** to the FMO. After the submissions, the appraisal phase executed by the FMO was launched. For most of the Programmes the **requests for additional information** were received during autumn 2012. Until the end of 2012 **two programmes** received the draft **Annexes of the Programme Agreement for consultation**.

At the beginning of 2012 the **Focal Point established a working group** consisting of representatives of the national entities, i.e. the Focal Point, the Certifying Authority, the Audit Authority and their supervisory Ministry for the preparation of the government decree on the implementation of the Financial Mechanisms 2009-2014. **The legislation** incorporating provisions of the Regulation into the national law and regulating further details of the FM in Hungary **came into force as Government Decree 326/2012. (XI.16.), on 16 November 2012.**

The Government Decree forms the basis of the **management and control systems (MCS)**. The description of MCS at national level was completed by the FP in November 2012 and **was submitted to the Audit Authority on 30 November 2012**. The Audit Authority launched the compliance assessment in December and issued its opinion on the description of the MCS in January.

The **Communication strategy** was prepared and submitted to the FMO in February 2012, and **was approved on 4 July 2012** by the Donor States.

The Focal Point established the **Monitoring Committee**, prepared the rules of procedure of the Committee and held the **first statutory meeting in May 2012**. Following the Monitoring Committee meeting the Focal Point organized the **Annual Meeting on 15 May 2012**. The FP presented the status of the Financial Mechanisms based of the first Strategic Report and the POs gave overviews on the status of their programmes.

The tender procedure for the **selection of the Implementing Agency (IA) was concluded by the end of May**. The deadline for submission of the final bids was 11 May 2012. Afterwards the Focal Point carried out the evaluation of bids. Based on the decision

of the National Focal Point the Consortium lead by MAG Zrt. was announced as the winning tenderer. The **Focal Point officially informed the FMO and Donor States on 30 May 2012** about the major steps of the selection procedure and the final decision made by the FP on the selection of the tenderer. The **Donors approved** the decision of the Focal Point relative to the candidate as the Implementing Agency **on 6 July 2012**. The Focal Point called upon the awarded Consortium to set up a separate legal entity for the performance of the IA tasks. The new company, the **International Development and Fund Coordination Agency as the Implementing Agency was founded on 20 September 2012**. The Focal Point and the IA entered into a subsidy **contract on 31 October 2012**, in order to ensure the IA's participation in the final stage of the programme preparation phase, as well as to ensure financing for the IA from the TA budget for the establishment of a website and a monitoring IT system.

The TA budget was submitted by the Focal Point to the FMO in February 2012. The budget was approved and the **TA Agreement was concluded on 7 July 2012** between the Donors and the Focal Point.

In the meantime the Focal Point prepared the **work plan and implementation system for the National Bilateral Fund** and **submitted it on 17 August 2012** to the FMO. The Donors provided their comments to the work plan and implementation set-up by mid November. Taking into consideration the remarks of the Donors **the revised document was submitted to the FMO on 1 December 2012**.

As **general tasks** the Focal Point **shared any new information**, guidelines and modifications of regulation documents issued by the Donors with the Programme Operators. The FP keeps close contact and shares the main information on the preparation works, important news and expected meetings with the Financial Mechanism Office and the Norwegian Embassy.

### 3. Assessment of impact at national level

#### 3.1. Cohesion

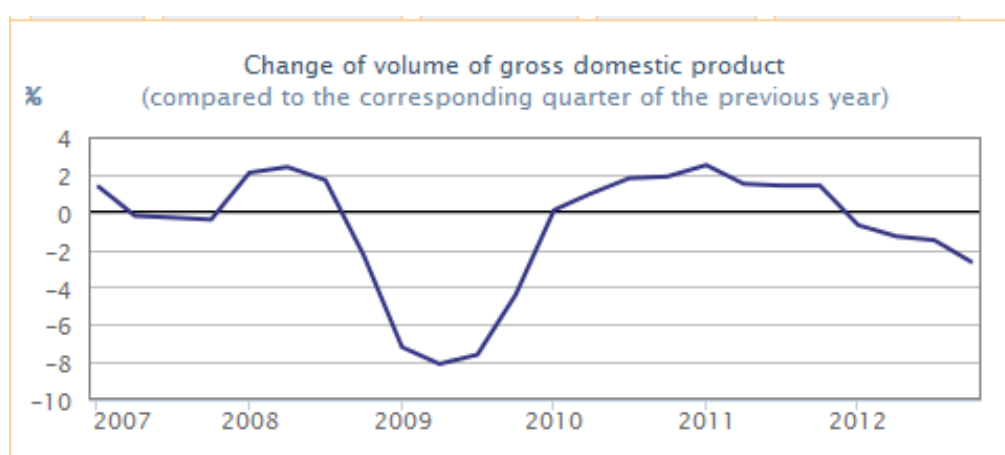
##### 3.1.1. Economy and society of Hungary in 2012

##### 3.1.1.1. Gross domestic product of Hungary in 2012

The **gross domestic product of Hungary** was down by 1.3% in the first three quarters of 2012 compared to the same period of the previous year. On the expenditure side, external trade – changing favourably despite the deteriorating external environment – could only partly compensate the economic recession caused by the **decreasing consumption and investment activities**. On the production side, **only the performance of the section information and communication could somewhat offset** the decrease in GDP. Based on the change of economic performances, Hungary was in the last third of the ranking of EU member states, and – among countries having accessed to the EU in 2004 – only Cyprus and Slovenia had a weaker performance.

Indicator	2012	Q2 2012	Q3 2012	Q4 2012
	volume change, compared to the corresponding period of the previous year, %			
Gross Domestic Product (GDP)	-1.7 <sup>+</sup>	-1.5	-1.5	-2.7 <sup>+</sup>
Investment	-5.2	-4.0	-1.5	-7.9
Actual final consumption of households	..	-1.7	-3.9	..

Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

Indicator	2012	Nov 2012	Dec 2012	Jan 2013
	change compared to the corresponding period of the previous year, %			
Industrial producer price	4.3	-2.9	-1.8	-0.9
Volume of industrial production	-1.7	-6.9	-7.6	-1.4 <sup>+</sup>
Volume of domestic sales of industrial production	-3.9	-12.0	-6.4	..
Export sales of industrial production	-0.7	-4.9	-9.6	..
Volume of total new orders of manufacturing	-	45.7	-8.7	..
Volume of construction	-5.9	-11.7	-3.1	..
Agricultural producer prices	15.4	18.5	18.1	..
Volume of retail trade turnover	-2.1	-4.1	-2.1	-4.1
Total tourism nights of public accommodation establishments	4.8	6.1	8.2	..
Number of employees	-0.6	-0.9	-0.7	..
Gross average monthly earnings, nominal	4.6	5.4	4.9	..
Volume of import	0.0	-4.6	-7.4	..
Volume of export	0.9	-4.3	-9.9	..
Inflation (consumer price)	5.7	5.2	5.0	3.7

Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

### 3.1.1.2. Unemployment rate of Hungary in 2012

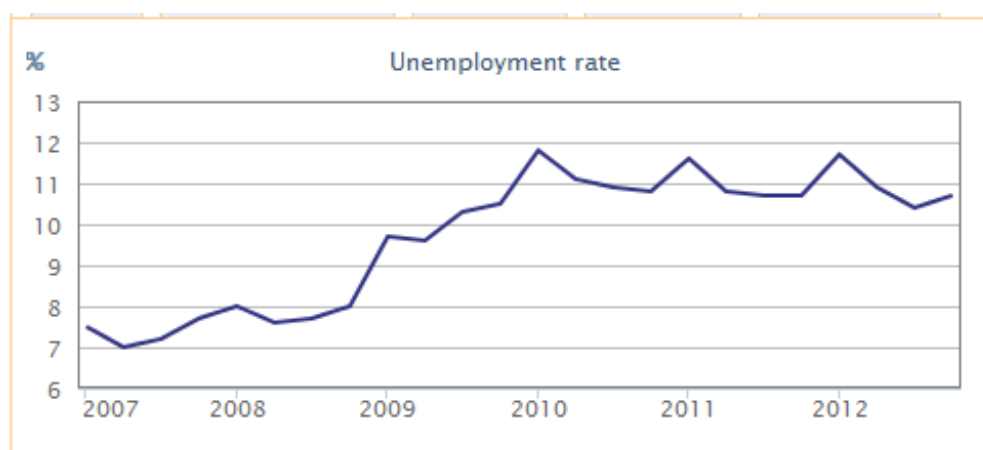
In September–November 2012, the number of 15–64 year-old employed persons was 3 million 891 thousand, 56 thousand (1.5%) more than a year before. The employment rate calculated for this age group grew by 1.4 percentage points to 58.1% compared to the corresponding period of the previous year. (First of all, the expansion of public employment played a role in this rise.) The number of employed women grew by 32 thousand, while that of employed men by 24 thousand over one year, and their employment rates amounted to 52.7% and 63.7%, respectively. The increase of employment was observed for young people aged 15–24 years (19.7%) present in low numbers in the labour market, people in the 'best working age', i.e. the age group 25–54

(75.4%) and the older, 55–64 age group (37.6%) as well. The **unemployment rate** – also among the 15–64 year-old population – did not change (10.7%), and the number of unemployed persons (467 thousand) grew within the limit of sampling error (by 7 thousand). The unemployment rate was 10.8% for men and 10.6% for women. The unemployment rate of **15–24 year-old people (29.0%)** – **affected the most** by unemployment – continued to increase compared to the previous year, that of people aged 25–54 years (9.6%) did not basically change, while a decrease was measured among the 55–64 year-olds (7.1%). 48.0% of unemployed people had been looking for a job for one year or longer, and the **average length of unemployment** was 17.5 months.

The average net earnings amounted to HUF 142,900 per month (ca. 470 EUR per month), 2.0% more than in the corresponding period of the previous year. In 2012, consumer prices were 5.7% higher than in 2011.

Indicator	2012	Sep 2012–Nov 2012	Oct 2012–Dec 2012	Nov 2012–Jan 2013
	%			
Unemployment rate	10.9	10.6	10.7	11.2
Employment rate	50.6	51.3	51.1	50.4

Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

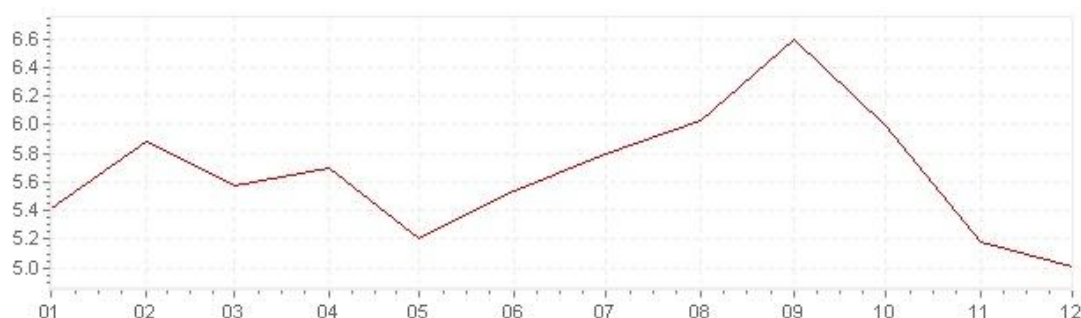
### 3.1.1.3. Inflation rate of Hungary in 2012

The inflation charts below feature an overview of the Hungarian inflation in 2012. The **inflation rate** is based upon the consumer price index (CPI). The first chart presents the CPI inflation rates during 2012 on a monthly basis (compared to the month before). The second chart presents the CPI inflation rates from 2007 to 2013 on a yearly basis



(compared to the same month of the year before).

*Inflation rate in Hungary during 2012 (monthly basis)*



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

*Inflation rate in Hungary from 2007 to 2013 (yearly basis)*



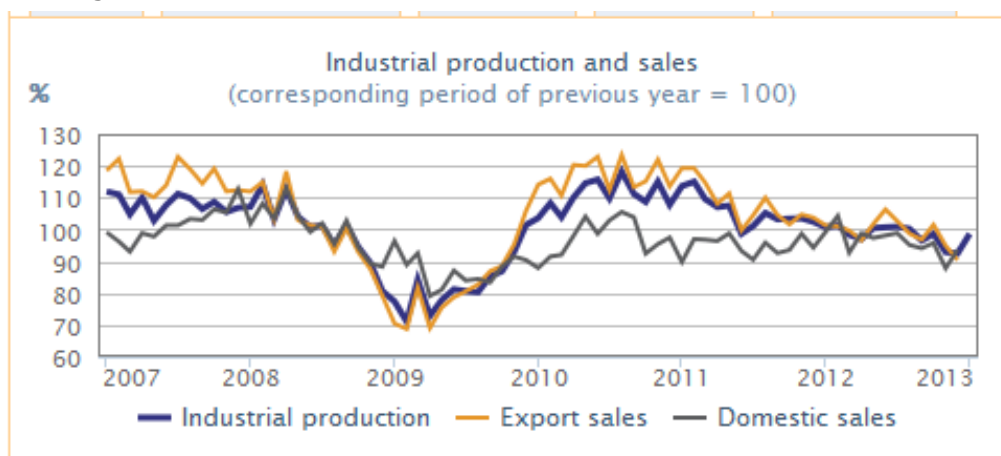
Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

#### 3.1.1.4. Gross output of industry of Hungary in 2012

According to the most recent available sector data, in January–November, the **gross output of industry** was less by 1.5% (within this, by 6.9% in November) than a year before. In addition to the base effect, the fall in demand in both sales directions played a role in the decline as well. The **volume of industrial production fell in numerous EU member states**, so, a decrease has been observed in the average of the 27 EU member states since December 2011. At the same time, it is remarkable that in November the volume of new orders in the observed manufacturing sub-sections increased considerably, by 46% compared to the twelve months earlier. **New domestic orders** fell by 19%, while **new export orders** grew by 55% year-on-year due to a large, one-time order covering a longer period. Consequently, the total stock of orders at the end of the month was 49% higher than at the end of November 2011.

Within the **service sector**, the volume of **retail trade turnover decreased** by 2.1% in the first eleven months, while the number of tourism nights spent at public accommodation establishments showed an increase of 4.6% year-on-year. The estimated euro value of external trade in goods in January–November was not quite higher than in

the same period last year. In the period of January–November, the number of births was 2.8% higher than in the corresponding period of 2011, while that of deaths was basically unchanged.

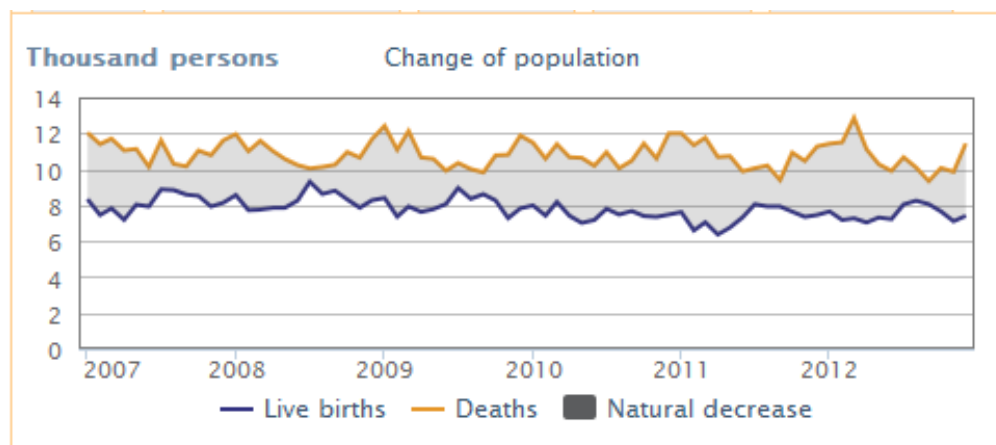


Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

### 3.1.1.5. Population and population pyramid of Hungary

According to preliminary data in 2012 more children were born but the number of deceases also increased slightly compared to the previous year. The **number of live births** exceeded the level of the previous year in eight months, and in four months it was lower than last year. The most significant increase of an average of 9.4 percent was in April and May, while in November a nearly 3 percent drop was observed compared to the number one year before. On the whole, 90,300 children were born in 2012, 2,251 (2.6%) more year-on-year. The **number of deaths** was lower in five months, while in seven months there was an increase compared to the corresponding months last year. The pace of natural decrease slowed down somewhat due to the higher rise in the number of births than in that of deceases and as opposed to 40,746 in 2011, it was 39,200 persons in 2012.

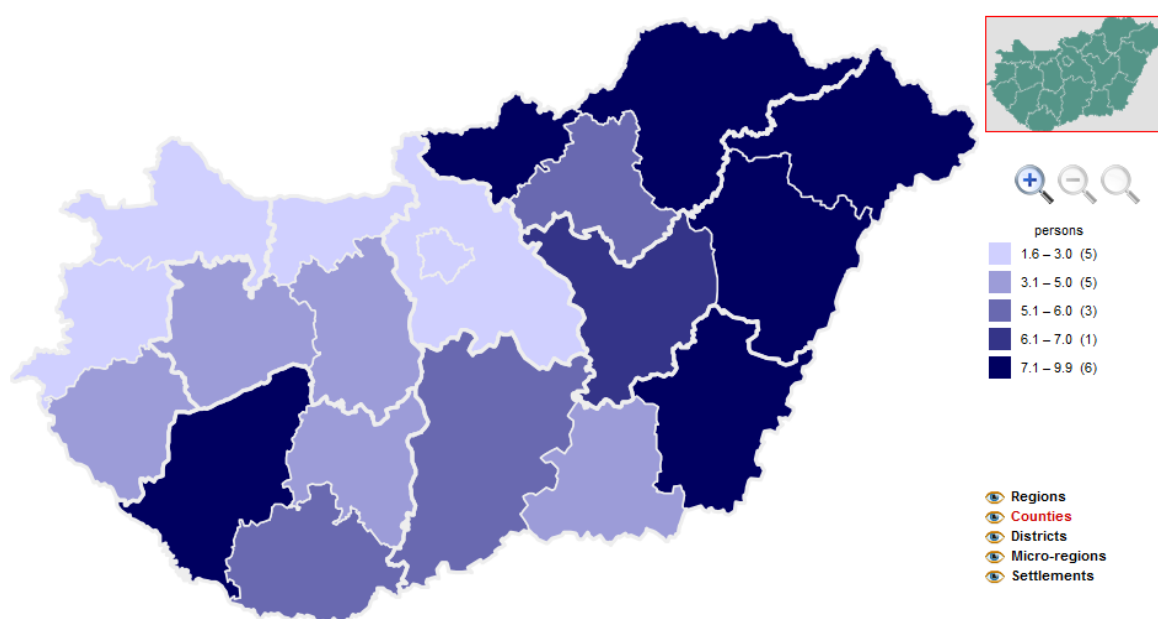
In 2012, the number of 36,200 registered marriages was by 388 (1.1%) couples more than in 2011.



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

### 3.1.1.6. Social status in Hungary in 2012

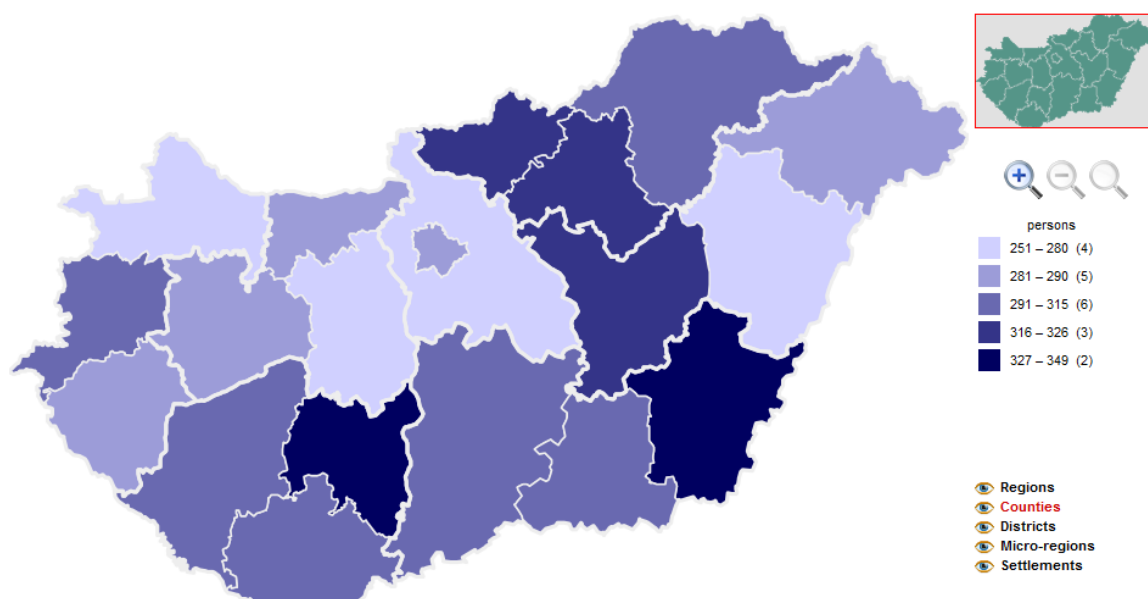
The **number of people in need of social subsidy** grew constantly in the past twenty years. The elderly, the long-term unemployed, families with low-income, the disabled or persons with reduced capacity became the most disadvantaged groups. The **key elements of the social security** in Hungary are employment-supporting or unemployment benefits, social security, the system of family-care, social and child-care benefits and services. Northern Great Plain and Northern Hungary have the highest number of underprivileged small regions. The amount of money expended by municipalities on the needy in form of benefits in 2011 corresponds to the 0.55% of the GDP.



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

The **ageing of the population** of Hungary is accelerating because of the low fertility and the growing life expectancy. The Central Administration of National Pension Insurance (NYUFIG) spent nearly 258 billion HUF for 2 million 291 person in January 2011 in form of pension, supplies or others. The number of supported totalled up the 29% of the population; it was less than in the year before by 2%, whilst the average of the granted benefit grew by 5.3%. Major part (almost 6/10) of the supported is old-age pensioners. Amongst the regions of Hungary, the average of younger age groups receiving pension or benefit is higher than the overall average in Great Plain, Northern Hungary and Southern Transdanubia. The smallest average of people receiving pension or benefit compared to the population is in Pest County (one quarter of the population), smaller than the average in Fejér, Győr-Moson-Sopron and Hajdú-Bihar counties. At the same time more than the third of the population of Békés County receives some kind of pension or benefit.

According to EUROSTAT data, pension in Italy, Austria and France were 3000 PPPS (on purchasing power parity per person) while in Hungary it was 1000 PPPS, it was only the half of the EU 27 average.



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

### 3.1.2. National trends related the programme areas of the Norwegian Financial Mechanism

The National Focal Point took into consideration the national development trends, and show below **how the FMs 2009-2014 can contribute to the main strategic objectives of the Hungarian government**. 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. 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 Memoranda of Understanding **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 Norwegian 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 <b>sustainable economy</b>	Equal access to public services and cultural values in a <b>sustainable society</b>
Programme areas	Bilateral research cooperation	Capacity Building and Institutional Cooperation
	Green Industry Innovation	Decent Work and Tripartite Dialogue
		Public Health Initiatives

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.**

Hereby please find statistics and national trends concerning the fields of the programmes financed by the Norwegian FM 2009-2014, as well as a brief description on other funding sources related to these programmes and institutional and legislative processes that might affect the implementation of these programmes and the achievement of the objectives and outcomes.

### 3.1.2.1. Programme HU09 - Green Industry Innovation

#### Statistics and trends

*Net income of environmental industry [HUF million]*

	2008	2009	2010	2011
Production of products and provision of services for direct pollution reduction				
products	51 275	35 509	27 891	25 992
services	343 793	306 535	324 025	381 224
construction	8 068	10 084	9 499	8 023
total	403 136	352 128	361 416	415 239
production of products and technologies for integrated pollution reduction	3 142	2 891	2 955	2 069
Total income of environmental industry	406 278	355 019	364 371	417 308

Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

The net income of the environmental industry is around HUF 400 billion showing some growth in the recent years.

*Environmental investments [HUF million]*

	2008	2009	2010	2011
Air quality protection	20 825	14 276	12 397	19 007
Sewage treatment	39 808	22 248	62 670	39 887
Waste management	30 176	45 460	32 190	17 716
Hazardous waste	5 158	10 741	2 491	3 430
Ground-water quality protection	15 710	19 012	15 874	21 052
Noise reduction	3 294	2 211	3 018	6 791
Nature conservation	6 912	3 692	3 870	2 270
Research and development	502	736	998	870
Others	19 478	16 646	21 937	20 976
Total	136 704	124 281	152 953	128 568

Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

The **environmental investments** are around yearly HUF 130 billion. The amount of spending for research and development is low so the program can boost the innovation in the area.

### Other funding sources

For the time being **there is not available public funding for enterprises to implement innovation and technology development activities**. Ongoing calls on green industry support are related to only renewable energy and solid waste disposal.

The Green Industry Innovation programme will provide funding according to the **regional aid map**, so enterprises with registered seats in less developed regions can receive higher grant rate, thus the programme could contribute to the reduction of the social and economic disparities. The investments will contribute to create green jobs in the granted regions as well.

### Institutional and legislative framework

**New law CLXXXV of 2012 on waste** changed the regulations for communal solid waste management, since 2013 this public service is performed by the state. Until 2015 selective waste collection in households should be ensured. Until 2020 the utilisation rate should be increased in case of metal, paper, plastic, glass to 50%, regarding construction waste to 70%. Waste deposit fee was introduced from 1 January 2013. Many decrees changed related to the Law on waste. The non-profit National Waste Management Agency was established to organise and manage selective waste collection, treatment and utilization of the waste products which fall under the Law LXXXV of 2011 on

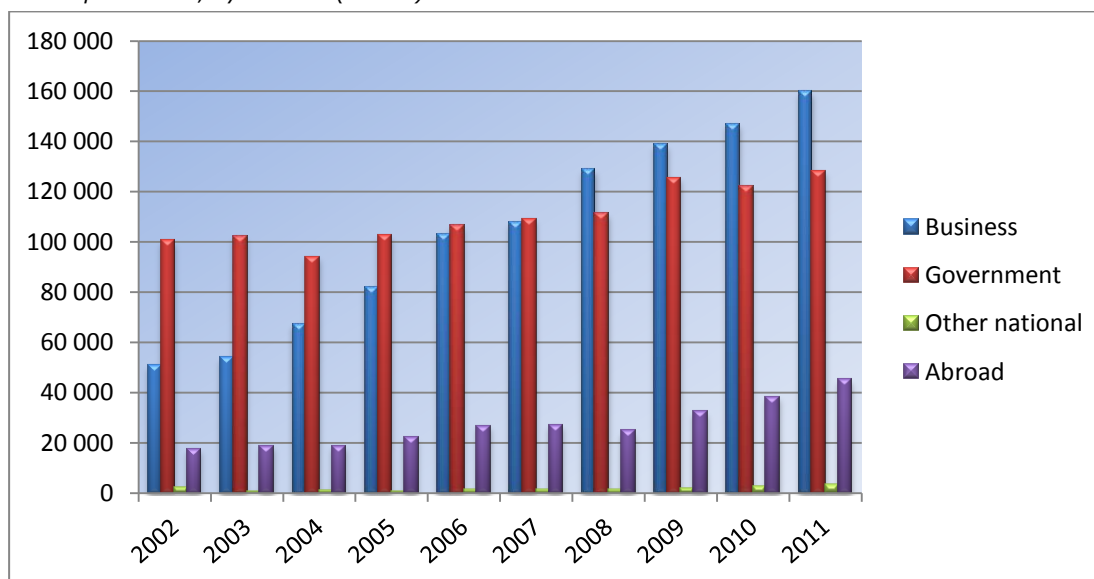
Environmental Product Fee.

### 3.1.2.2. Programme HU10 – Bilateral research cooperation

#### Statistics and trends

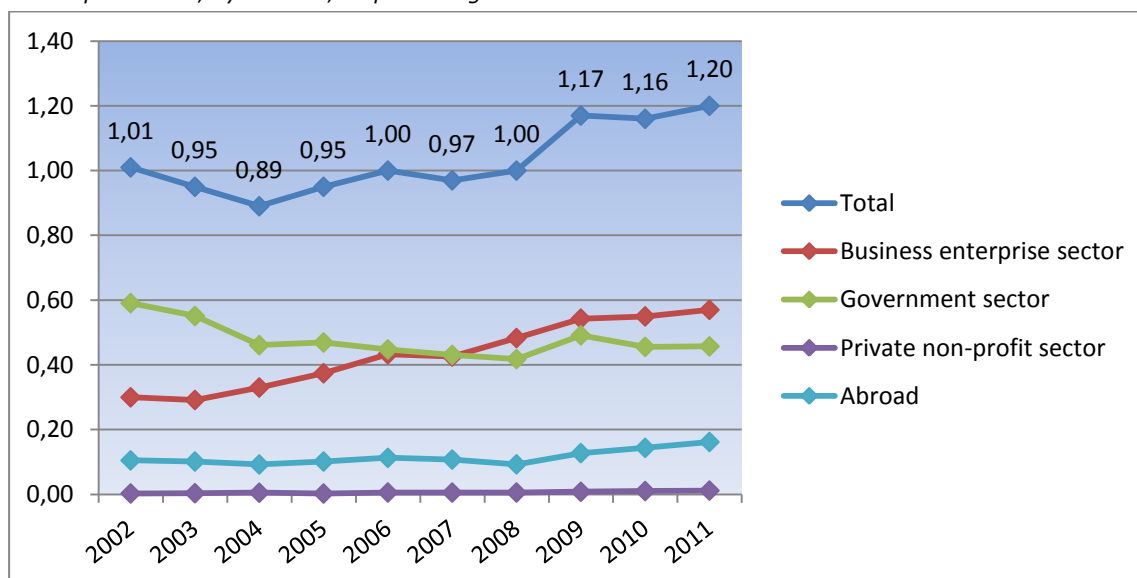
Despite the financial crisis, Hungary recognizes the need for and the importance of boosting RDI expenditures for competitiveness and economic growth. Today RDI expenditures amount to merely 1,2% of GDP in Hungary, and are still below the two thirds of the EU average (1.9%). Due to tight budgetary conditions in Hungary, RDI expenditures have grown at a rather slow rate, and are still below the two thirds of the EU average (1.9%).

R&D expenditures, by sources (M HUF)



Source: Hungarian Central Statistical Office, KSH, [www.ksh.hu](http://www.ksh.hu)

R&D expenditures, by sources, as percentage of GDP



Source: KSH, [www.ksh.hu](http://www.ksh.hu)

Despite the relatively slow pace of the increase of R&D expenditures, a positive tendency is the growth of the proportion of business expenditures on R&D within the overall gross expenditure in R&D. It is noteworthy, that since 2007 the business expenditure in R&D has exceeded the governmental expenditure in R&D. Part of this change is explained by the decrease of governmental expenditures on R&D. The availability of EU funding in this area has also contributed to this trend.

In line with the National Innovation Strategy, the Programme aims to contribute to this positive trend, by encouraging academy-industry cooperation in the priority focus areas of health and environment.

### Other funding sources

The programme expects to enhance future cooperation in the Framework Programme and other European programmes, where both Hungary and Norway participate (eg. EUREKA, Joint Technology Initiatives, Joint Programmes etc.)

In the area of **health** and **environment** research proposals submitted together for these two thematic areas in the **EU Seventh Framework Programme** enjoy a success rate of 30% and 31% respectively, the highest in the Framework programme. In the fields of health, environment and social sciences and humanities research groups from the two countries submitted over 140 proposals, out of which over 35 were retained for funding, offering a strong basis for further cooperation.

### 3.1.2.3. Programme HU11 – Capacity building and institutional cooperation

#### Statistics and trends

Inequalities concerning regional gross domestic product can be observed on the table below Central Hungary's highest GDP (PPS per inhabitant) is 2.5 times bigger than the two regions with the lowest GDP, also twice or almost twice bigger than the middle section. Particularly on the countryside, in the rural area high unemployment rate is a major problem that contributes to the strengthening of social tension and to the deepening of poverty.

*Regional gross domestic product (PPS per inhabitant) by NUTS2 regions, Hungary*

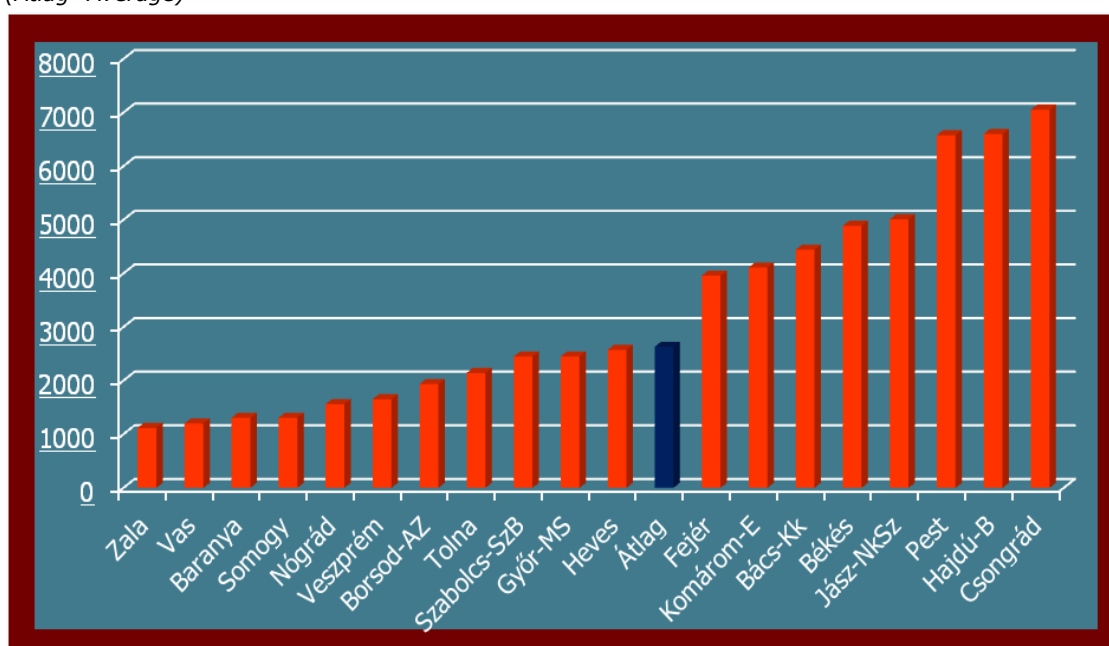
	2007	2008	2009
Central Hungary	25400	26300	25500
Central Transdanubia	14200	14500	12600
Western Transdanubia	15000	15600	14200
Southern Transdanubia	10500	11000	10500
Northern Hungary	9800	10000	9300
Northern Great Plain	9700	10100	9900
Southern Great Plain	10200	10800	10100

Source: Eurostat

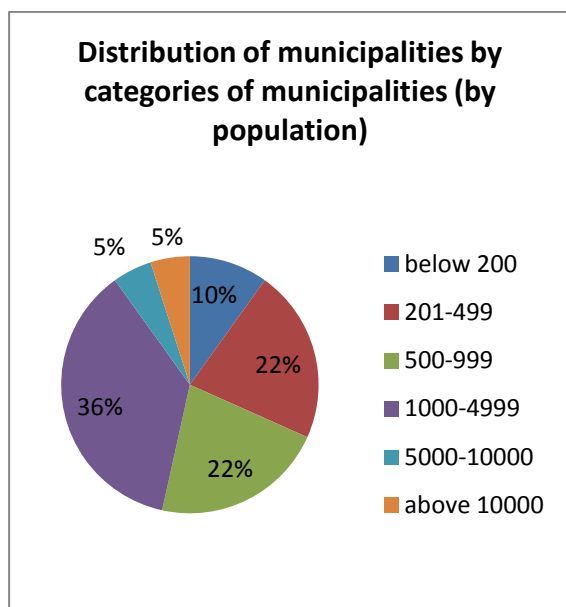


As we can see on the charts below the number of municipalities with small population and low income is high. Due to the small size of municipalities, they have limited resources to effectively organize the local communities and provide public services in an adequate quality. The HU11 Programme particularly aims to support cooperation and capacity building of these municipalities in order to raise their effectiveness through cooperation and human resource development. In order to reach these goals, the Programme aims to encourage municipalities to cooperate regionally and to utilise the help, know-how and experience of Norwegian project partners.

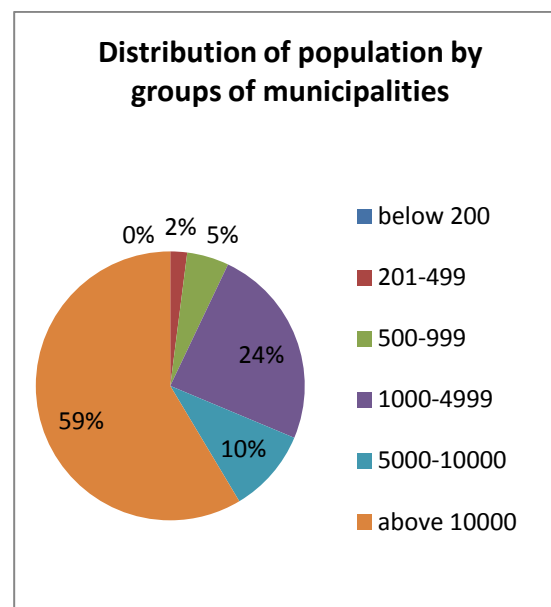
*Distribution of the municipalities by counties based on number of inhabitants/municipality  
(Átlag=Average)*



The above chart shows, that the average population of a municipality in Hungary is about 2.500 people. Differences among the counties are quite significant, ranging from on average less than 1000 inhabitants / settlements in Zala County and close to 7000 inhabitants / settlements in Csongrád County.



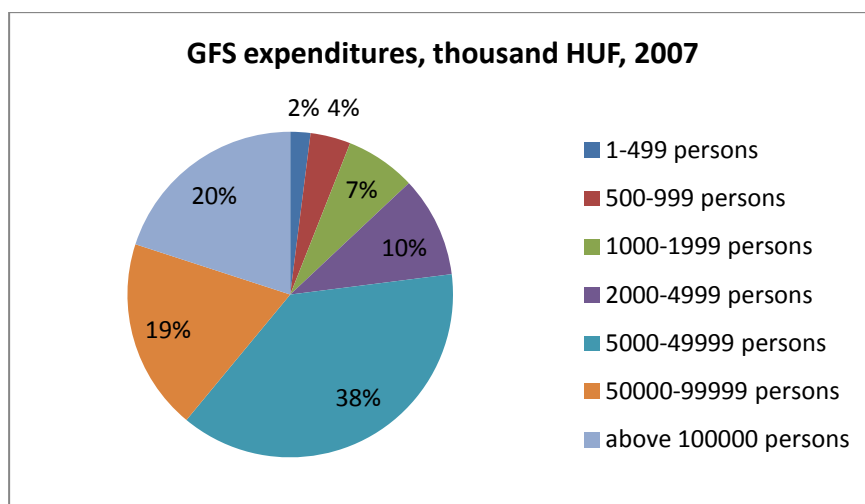
Source: Ministry of Finance



Source: Ministry of Finance

The first chart above presents, that only 10 % of municipalities in Hungary have a population above 5000 inhabitants. More than 50 % of the municipalities have a population less than 1000 people. According to the second chart, only 7 % of the population lives in such settlements. 69 % of the population lives in the 10 % of municipalities where the number of inhabitants exceed 5000 people.

According to Government Finance Statistics (GFS), 77 % of expenditures in the municipal system belong to the 10 % of settlements having a population over 5000 people.



An ongoing trend also related to the programme area is, that while long-term development opportunities and possibilities of a settlement are determined by the **business units** located in their areas, several municipality does not have a strategy for economic development, they do not communicate with business units, their primary relationship is about taxation. The population awaits the intervention of local governments in order to revive local economies, but they do not have the needed

innovative solutions, tools and financial possibilities to address and effectively manage the complex economic challenges and the social challenges linked to them.

**EU policies show synergies** and comply with the HU11 Programme. EU2020 has two strategic points that supplement each other with the Programme. The “Combat on poverty and social exclusion” has to be harmonised with economic and employment policies according to the EU2020 policy. Hungary’s pledge is to help half million people out from poverty. The other bullet point, “Employment, educational and social inclusion” consists of ameliorating the employment rate of the 20-54 age group by 75%, decreasing the percentage of early school leavers to 10%, decreasing the number of people living in poverty and exclusion by half a million.

### Other funding sources

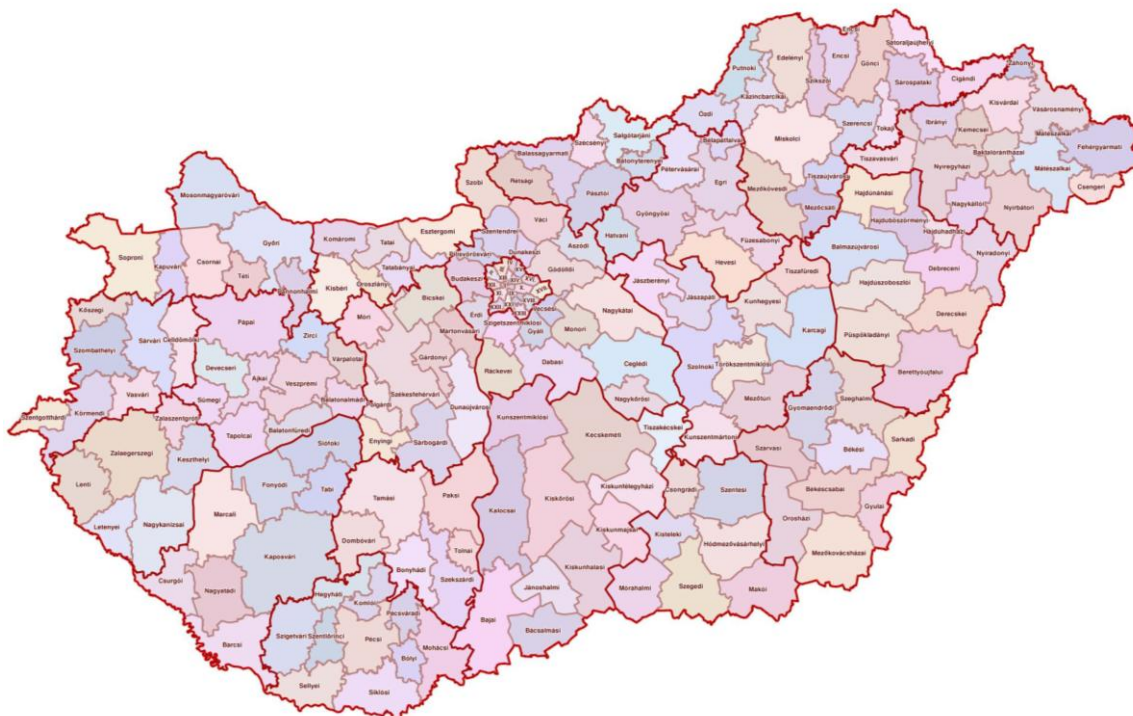
The European Commission adopted legislative proposals for cohesion policy for 2014-2020 in October 2011 that focuses on specific sub-regional territories, that is community-led by local action groups composed of representatives of local public and private socio-economic interests. Accordingly, initiatives shall be carried out through integrated and multi-sectoral area-based local development strategies, that is designed taking into consideration local needs and potentials, and that includes innovative features in the local context, networking and cooperation when appropriate. It aims to develop integrated bottom-up approaches, to build community capacity and stimulate innovation, to promote community ownership and assist multi-level governance.

The Programme is complementary to the above objectives, it helps municipalities in order to revive local economies, to gain the needed innovative solutions, tools and financial possibilities to address and effectively manage the complex economic challenges and the social challenges linked to them that is clearly **connected to the EEA/Norway FM’s overall objective of decreasing inequalities**. The two main areas of the programme are local economy and business development and cooperation of local governments for public service provision, innovative social organisation and social inclusion. Both of them have the intention of increasing the standards of public services – quality, speed, consumer-centrism; of building up a modern, cost-effective, task oriented system with relying municipalities; of exploring opportunities, utilizing resources, strengthening the ability of a municipality of being self-sufficient.

### Institutional and legislative framework

Concerning **legislative, structural and organisational changes related to the Programme area**, a major public administration reform has been taking place in Hungary since the change of government in 2010, affecting national, regional and local levels. There is a need to strengthen institutional capacities and human resource development in public institutions, in particular as regards changes related to the reform, but also more generally. On the 1<sup>st</sup> of January, 2012 out of the 142 article only 18 came into force. The most of the regulations is applicable starting from January, 2013 meanwhile 22 articles will come into force in 2014 on the day of the local governmental elections. The new administrative level called townships can be seen on the map below.

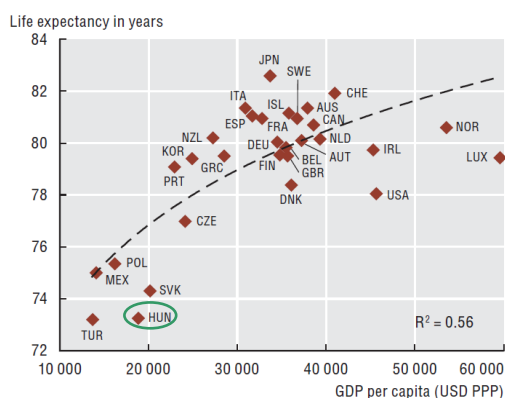
The new administrative level – townships within counties



### 3.1.2.4. Programme HU12 – Public health initiatives

#### Statistics and trends

The status of health in the population is significantly influenced, directly or indirectly, by social and economic factors. There is a definite connection between life expectancy at birth and the economic development of a country. When the life expectancy of a certain country is significantly lower than it could potentially be according to its economic achievement, this unambiguously indicates the insufficiency of public health policy and/or activity. In Hungary, the life expectancy indicator at birth – which is a global indicator reflecting the health status of the entire population and is derived from death statistics, lags significantly behind the value that could be expected based on the economic performance of the country (Figure 1).



The relation of average life expectancy at birth and its expected value based on GNP corrected by purchasing power parity per capita in OECD countries in 2007 Source: OECD Health Data 2009

The structure of early mortality in Hungarian adult women indicates the dominance of malignant tumorous diseases (42.2%), whereas in men, the likeliness of circulatory system diseases (31.9%) and malignant tumours (31.0%) as causes of death are almost equal. In

addition to these two categories of death causes digestive system diseases (men 13.8%, women 11.9 %) and external causes (men 12.6 %, women 7.0 %) are also notable.

Chronic non-communicable diseases have been the main factor in the mortality and morbidity of the Hungarian population. The main reasons of these diseases are lifestyle factors (smoking and alcohol consumption, adverse nutrition habits, physical inactivity). Psychosocial factors are predominantly the main reasons for unhealthy lifestyle.

Statistical data, epidemiological examinations and the results of sociological research studies of the last decade have found significant evidence concerning the relation of mortality and morbidity with social inequalities in risk factors and the role of socioeconomic factors of health. The Hungarian population's health status is highly differentiated, compared to income inequalities in the society. The health status differences are becoming even greater despite the declared intention of health and social policies to narrow this gap. Targeted researches show the poor health status and unhealthy lifestyle of the population of disadvantaged regions and socially discriminated social groups (the Roma population, the poor, the unemployed, single elderly people, etc.).

The first internationally standardised European Health Interview Survey (EHIS) was conducted in Hungary in autumn 2009 under the direction of the Hungarian Central Statistical Office. Individuals above the age of 15 living in private households were questioned concerning subjective health status (self-evaluation of health, presumed health), responsibility for the status of health, limits due to health status, prevention, illnesses, medication use, accidents, the use of the health care system. The survey made the following findings:

The status of health normally deteriorates with the increase of age. 87% of younger persons (15-35) claimed to be in good health, the same indicator was much lower for older persons.

Half of the adult population (49.7%) does not make intensive (regular, matching with his age and abilities) physical exercise at all, one third (33.4%) does not even take moderate physical exercise and one fifth (21%) does not even walk ten minutes per day, More than half of the population above the age of 15 (53.7%) is overweight, and every fifth adult is obese,

Almost one third of the population in and above the age of 15 (31.4%) smokes on a daily basis,

Considering alcohol consumption, it has been found that 17-19% of adult men are heavy drinkers (every thirtieth women) (Source: National Survey on Addiction Problems in Hungary (NSAPH) 2007 got drunk at least once in the last 30 days.),

The status of the population's mental health is traditionally special problem in Hungary. The prevalence of the reduction of mental health and depression/anxiety are also high among women and men under the age of 65. It is even higher among individuals above the age of 65 (with the exception of the prevalence of depression/anxiety of men above the age of 65),

Although the number of suicides has been decreasing since the end of the Eighties, the relative risk of mortality caused by suicide is still twice as high as the general risk of suicide in the EU-15 countries.

The status of health is influenced by the accessibility of the care system and its

spectrum. The high anomalies of the care system have an especially adverse effect, primarily on endangered social groups.

### **Other funding sources**

The primary objective of the developments financed by the Structural Funds is the revitalisation of the public health system, making it suitable to provide adequate responses to today's most important public health challenges. All the past and current fundings available in the field of public health are related to one or more sub-measures of the National Programme, the proposed programme under the Norwegian Financial Mechanism is no exception. Future projects financed from the Norwegian Financial Mechanism will contribute to these sub-measures without overlaps.

In the programme Public Health Initiatives the proposal was elaborated on development concepts that can reduce inequality, which can contribute the overall objective of the Grants. The proposal has initiatives to develop health capacity on areas that face deficiencies, on fields where there are no services, or are not fully at the disposal of people (for prevention, for screening, or for doing exercise free of charge). The main objective is to get closer to the EU member states with regard to Public Health rates.

### **Institutional and legislative framework**

Regarding the challenges and changes connected to the programme in the legal, organisational, structural environment it has to be noted that the management and maintenance structure of schools and social and childcare institutions have changed: centralised background institutions of the ministries took charge. Primarily, this means that local governments as former maintainers shifted responsibility for management and/or maintenance to designated central institutions.

## **3.2. Bilateral relations**

As the overall objectives of the FMs and the Memorandum of Understanding stated, bilateral relations between the Donor States and Hungary shall be strengthened with the aim of stimulating long-term cooperation.

### **3.2.1. National statistics on bilateral relations**

The data of the under mentioned tables show the strengthening bilateral relations as well as the rising, but still relatively low amount of interactions between the Donor State and Hungary at various levels. Improvement can be read from the tables about the growing migration rates between the two states, the table about diplomatic representation as well as the list of the key event or meetings at national level.

## Diplomatic Representation/State

Beneficiary State	Norwegian in Beneficiary State			Beneficiary State in Norway		
	Embassy	Consulate	Honorary Consul	Embassy	Consulate	Honorary Consul
Bulgaria	1	0	1	1	-	
Cyprus	0	0	0	1	1	2
Czech Republic	1	0	-	1	1	3
Estonia	1	0	-	1	0	5
Hungary	1	0	-	1	1	3
Latvia	1	0	0	1	0	7
Lithuania	1	0	1	1	0	9
Malta	0	0	0	0	0	2
Poland	1	4	4	1	0	3
Romania	1	1	1	1	1	4
Slovakia	1	0	-	1	0	1
Slovenia	0	0	1	0	0	0

Hungarian population in Norway, by Norwegian/foreign citizenship, duration of residence and country background1.1 January 2012

Total	Foreign citizenship				Norwegian citizenship				Norwegian citizenship, per cent
	Length of stay, in years								
	0- 4	5-9	10-19	-20	0- 4	5-9	10-19	-20	
2 474	1 248	179	176	51	8	13	36	763	33.1

Source: Statistics Norway, [http://www.ssb.no/a/english/kortnavn/innvbef\\_en/tab-2012-04-26-07-en.html](http://www.ssb.no/a/english/kortnavn/innvbef_en/tab-2012-04-26-07-en.html)

As we can see from the table above and below, the number of Hungarian people living in Norway for 0-4 years is higher than people there for more years, which may suggest that in the past few years the migration and population exchange between Hungary and Norway increased. The underlying reason may also however be, that the long-term settlement of people is rare, temporary stay among immigrants is a more common pattern.



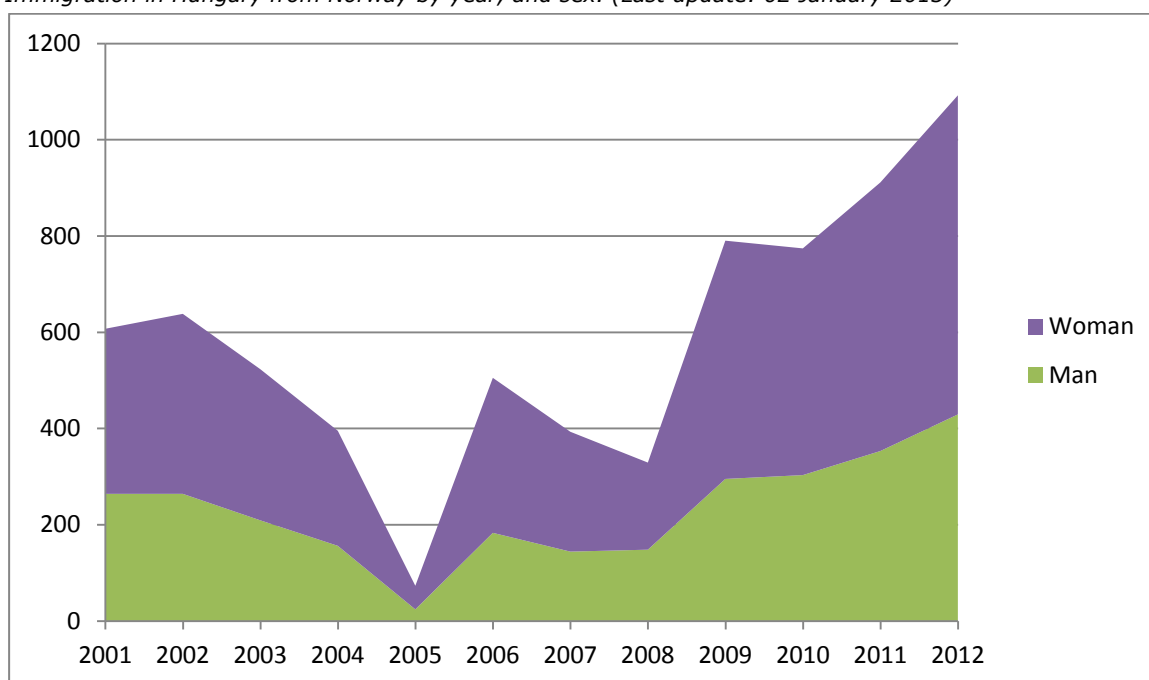
Immigrants in Norway, by duration of stay, sex and country background. 1 January 2012 (Corrected 27 April 2012)

Country / sex	Total	Length of stay, in years							
		0-4		5-9		10-19		≥20	
		Men	Women	Men	Women	Men	Women	Men	Women
Hungary	2474	683	573	73	119	57	155	481	333

Source: Statistics Norway, [http://www.ssb.no/a/english/kortnavn/innvbef\\_en/tab-2012-04-26-13-en.html](http://www.ssb.no/a/english/kortnavn/innvbef_en/tab-2012-04-26-13-en.html)

On the below chart we can see the number of Norwegian people living in Hungary. A constant and quite significant increase can be observed since 2008. The increased number of Norwegian people living in Hungary suggests strengthening bilateral contacts and relations between the two countries.

Immigration in Hungary from Norway by year, and sex. (Last update: 02 January 2013)



Source: Hungarian Central Statistical Office (KSH), <http://statinfo.ksh.hu/Statinfo/haDetails.jsp?query=kshquery&lang=hu>



### 3.2.2. Key events, meetings at national level in Norway and Hungary

From this table below we can see high-level meetings in Norway seem to focus on exchange of experience and know-how, mostly concerning social or social science related topics, for example minority issues, like Roma inclusion, and education policy.

Date	Delegation	Main subjects of the visit
2012.06.26.	Dr. Csaba Hende, Minister of Defence; Zoltán Orosz, lieutenant-general, Deputy Chief of the Defence Staff of the Hungarian Armed Forces; Gyula Keszthelyi, Director General for Hungary's Armament and Quartermaster Office; Tas Kelemen, Head of Defence Policy Department (Ministry of Defence); Lawani Alex, interpreter	Dr. Csaba Hende visited Norway because of the signing ceremony of the modification of the contract between the Ministry of Defence and Kongsberg Defence&Aerospace participating also Espen Barth Eide, the Minister of Defence.
2012.09.25-26.	Zoltán Balog, Minister of Human Resources; Katalin Novák, Chief of Staff	Mr. Zoltán Balog participated and gave lecture at the "Conference on Roma Inclusion". At the ambassadorial residence, he consulted with Ingrid Schulerud, Deputy Director General for Central Europe and EEA-financing, especially about the programme areas concerning improving the situation of the roma population.
November 2012	State Secretary Torgeir Larsen (Norwegian Ministry of Foreign Affairs)	Torgeir Larsen visited Budapest and had bilateral meetings with the Hungarian Ministry of Foreign Affairs and others. Mr Larsen participated at the Hate Speech Conference organised by the Norwegian Ministry of Foreign Affairs and the Council of Europe.
2012.12.09-11.	Dr. Zoltán Gloviczki, Deputy Minister of State Human Resources; Dr. Viktor Szantner, Chief of Staff	The delegation participated at the "Informal Conference of European Education Ministers" in Oslo.

On the field of education and academy we shall mention certain events, when observing and presenting the visibility and image of Norway and Hungary towards each other. The Embassy of Hungary in Oslo initiated an international conference to be held at the University of Oslo on strengthening the rights of national minorities. The Ambassador of Hungary in Norway, Mr Géza Jeszenszky gave a lecture second time on the current situation in the region and Hungary for inquiring students at the University of Oslo (May 2012). Janne Haaland Matlary, professor of political science of the University of Oslo gave

a lecture at a conference in the Parliament of Hungary on the so called Scandinavian model. In October 2012 László Karsai, Holocaust researcher participated at the Wallenberg Conference at the Centre for Studies of Holocaust and Religious Minorities, and was keynote speaker of the event. Also, The Embassy came into contact with several Norwegian science institutions during the preparation period of the FMs, e.g. The Research Council of Norway, NOVA Norwegian Social Research.

Concerning cultural exchange, during holidays, Hungarian artists have performances for Norwegian and Hungarian mixed audience. Also, in September 2012, the Media and Communication Institute of the University of Oslo, the Hungarian Embassy in Oslo and the Norwegian-Hungarian Association organised a display of works of Marcell Jankovics, famous Hungarian graphic artist, cartoon director, animator and author; and in June 2012 Réka J Ferencz, Hungarian painter had an exhibition at the S9 Galleri.

Concerning cooperation and getting acquainted with the two countries' know-how on the field of life sciences, therapeutics and wellness tourism, a round-table discussion has been held with participation of the Hungarian Tourism, Inc. The Hungarian Embassy in Oslo tends the business and research relationships, partly in connection with the FM's bilateral research cooperation programme. Also, about 800 Norwegian medical students attended to Hungarian higher education institutions, e. g. medical, veterinarian, dentist, pharmacist students.

### **3.2.3. Contribution of the Grants to the achievement of bilateral outcomes**

All Programme level bilateral activities, progress, Donor State involvement of 2012 is discussed and detailed under this point of the Strategic Report.

#### **3.2.3.1. Extent of cooperation**

Certain programme areas particularly aim this objective; the programme areas with a donor programme partner and especially those where partnerships with entities from Donor States at project level are not only preferred but required. Concerning programmes with DPP involvement below, formal partnership has been shaping between POs and DPPs.

Programme areas with DPPs of Norwegian Financial Mechanism 2009-2014:

- **HU09** Green Industry Innovation – DPP: Innovation Norway
- **HU10** Bilateral Research Cooperation – DPP: The Research Council of Norway
- **HU11** Capacity Building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities – DPP: Norwegian Association of Local and Regional Authorities (KS), Norwegian Agency for Lifelong Learning (VOX)
- **HU12** Public Health Initiatives – DPP: Norwegian Institute of Public Health

In all programme areas bilateral relations are supported in accordance with the aim of stimulating long-term cooperation, in particular in the programme areas listed above with

donor programme partners. Two programme areas of the Norwegian Financial Mechanism are explicitly and exclusively dedicated to developing bilateral relations and cooperation with Norway. The aim of HU11 is enhancing research-based knowledge development in Hungary through enhanced research cooperation between Norway and Hungary. The HU11's objective is strengthened institutional capacity and human resource development in public institutions, local and regional authorities in Hungary through cooperation and transfer of knowledge with similar institutions and authorities in Norway. The cooperation between POs and DPPs in the preparation period in 2012 worked properly, the Cooperation Committees serve as an excellent forum to increase extent of cooperation between Hungarian and Donor State entities.

Also, **certain programmes have pre-defined projects**, involving donor project partners. Such project partnerships are being formed in the programmes HU11 and HU12 of Norwegian FM.

**HU11** Capacity-building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities includes four pre-defined projects, all having partners from the Donor states. One pre-defined project is "Revealing the Economic and Social Potentials of Cultural Heritage". Its Norwegian partner is the Norwegian Ministry of Environment. Its main objective is to reveal the socio-economic benefits of cultural heritage (CH) and to develop methodologies and tools to further enhance such benefits. The project builds on Norwegian models and further develops Norwegian-Hungarian inter-institutional cooperation in order to elaborate together cutting-edge methodologies for the management of CH that during the project as well as subsequently will help to build human and institutional capacities both in the central public administration and in local/regional environments including civil society. The second pre-defined project is called "Capacity building of the disaster management system at local level". Its Norwegian partner is The Directorate for Civil Protection and Emergency Planning (DSB) and the Norwegian Water Resources and Energy Directorate (NWRED). Its main objective is capacity building and human resource development in prevention and disaster management system, joint action on the elaboration of new institutional system in disaster recovery and damage control in Hungary. In the framework of the project 65 local disaster management unit will be developed, covering the whole area of the country. The third pre-defined project is called "Capacity building of the national and regional inspectorates to inspect and handle illegal transfrontier transport of waste". The Norwegian partner institution is Climate and Pollution Agency (KLIF). Its main objective is to strengthen the compliance to community environmental law and the consistent implementation and enforcement of community environmental law by member states, done by awareness raising, capacity building, facilitating inter-agency and operational enforcement activities. The fourth pre-defined project is called "Capacity-building in municipalities through Norwegian-Hungarian cooperation". Norwegian partners for this project are Norwegian Association of Local and Regional Authorities (KS) and Norwegian Agency for Lifelong Learning (VOX). The project's main objective is the reduction of disparities in the EEA economically and socially by increasing the knowledge and professionalism of local governments, sharing experiences and examples between Hungarian and Norwegian local governments and public institutions, and by supporting

local democracy with building the capacity of local governments associations in Hungary with support from Norwegian Association of Local and Regional Authorities (KS). The project aims to provide assistance for local government and its public servants to face the challenges due to the financial crises and public administration reform.

**HU12** Public Health Initiatives programme' pre-defined project is "Mental Health and Health Workforce Capacity Building in Hungary". Its Norwegian partner is the Council of Mental Health, Norway. The pre-defined project consists of eight work-packages (WP) and more general activities expected to serve the overall programme aims. Its main objective is to contribute to a significant degree to the reinforcement of international cooperation and to the sharing of good practices, as well as the implementation of those practices into the national environment, the public thinking and the system of political decision making.

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 (Cooperation Committees) and NFP. The National Focal Point also has working relationship with the Hungarian Embassy in Oslo, Norway. The cooperation and relationship with both entities is proficient and well functioning, moreover both embassies give continuous assistance in the development and improvement of the bilateral relations both at programme and national level. The Hungarian Embassy in Oslo, which represents Hungary in Iceland also, contributes to the search for potential donor partners. For example for the sake of that the Embassy came into contact with several Norwegian science institutions during the preparation period of the FMs. It actively participated in programme areas of the FMs concerning economy, especially in the areas of green industry innovation, bilateral research cooperation and renewable energy. When working out the bilateral work plan, the NFP worked together closely with both Embassies and the NFP could rely on their experiences for identifying target areas. The NFP hopes the bilateral work plan will have significant value addition to other outcomes as well after its implementation started.

### **3.2.3.2. Shared results**

Since the FMs in 2012 were in preparation period, bilateral cooperation in projects and programmes could not result in a contribution to solving a particular issue. Sharing experience, knowledge, know-how and technology and working together materialized however in the joint work of POs and DPPs. In 2013, when the FMs enter into the next phase, the NFP can report on more results in accordance with the progress of the programmes and projects.

### **3.2.3.3. Improved knowledge and mutual understanding**

Related to the planning and preparation works, the Programme Operators and Donor Programme Partners improved knowledge and mutual understanding amongst the countries. POs received valuable professional input from DPPs by getting acquainted with

Norwegian methods and know-how in various areas. The work of DPPs for finding potential partners for future possible projects improves the possibility to achieve further results during the programme implementation related to this outcome.

**HU09 - Green Industry Innovation:** The Programme Operator and Donor Programme Partner agreed on the sub-programmes and the framework of the cooperation. Norwegian companies are interested in the cooperation with Hungarian partners, thus the Programme Operator with its DPP participated on a study visit to Norway in March and met with Norwegian organisations and companies. The Programme Operator will organize a partnership seminar for the potential project promoters and its possible Norwegian partners in April 2013.

**HU10 – Bilateral research cooperation:** The Programme Operator prepared the Programme Proposal in close cooperation with the Donor Programme Partner, RCN. They agreed on the main fields of the programmes in the framework of the regular consultations and Cooperation Committee meetings. During the preparation phase the Programme Operator participated at a workshop, held in Oslo, Norway on 24-25 April 2012. Since the programme is dedicated to the partnerships, the Programme Operator with its DPP will organize a partnership seminar for the potential project promoters and their potential Norwegian partner organisations in 2013.

**HU11 – Capacity building and institutional cooperation:** Since in the open call of this programme it is a requirement for the project promoters to have a Donor Project Partner, the NFP considers the continuous conciliations, mutual assistance and the strengthening of bilateral relations essential. In order to facilitate the DPPs' and the pre-defined project promoters' matchmaking, networking and cooperation, the NFP organized a workshop on development of pre-defined project proposals on 10 May 2012. Several entities participated in this event, such as the Norwegian Association of Local and Regional Authorities (KS), the Norwegian Agency for Lifelong Learning (Vox), the Royal Norwegian Embassy, Association of Hungarian Municipalities (MÖSZ), Hungarian National Association of Local Authorities (TÖOSZ), Trade Union of Hungarian Civil Servants and Public Employees (MKKSZ), Association of Life Long Learning (ALLL), Hungarian Village Association (MFSZ), National Association of Small Cities (KÖÖÉSZ), Ministry of Public Administration and Justice (KIM), Ministry of Interior (BM).

**HU12 - Public Health:** At the Q4 of 2012 several meetings and consultations of planning working group and Cooperation Committee were held with involvement of the Donor Programme Partner and a consultation was organized in Brussels with participation of the FMO. The Programme Operator is working with cooperation of Donor Programme Partner, particularly regarding the pre-defined project. A further international institution will be involved in the programme based on the strong recommendation of the donors, regarding the secure mental health unit programme element.

Regarding the programme, Decent work and tripartite dialogue the programme information is provided in the Chapter IV.

#### **3.2.3.4. Wider effects**

Although future fields of cooperation were identified during planning, since the FMs in 2012 were in preparation period, bilateral cooperation could not be extended beyond projects and programmes. In 2013, when the FMs enter into the next phase, the NFP can report on more results in accordance with the progress of the programmes and projects.

#### **3.2.4. Risk assessment**

One of the overall objectives of the Financial Mechanisms is strengthening bilateral relations between the Donor States and Hungary. The responsibility of the National Focal Point is to contribute to achieve this objective. The NFP reckons it is essential that it is ensured that Donor State entities being donor project partners or potential donor project partners also understand the significance of strengthening bilateral relations.

Because of perceiving low-intensity of bilateral relations' the NFP is concerned about the possibility of lack of capacity or interest of the donor states' institutions. It is important to note, that bilateral relations between Hungary and the Donor States have started from a relatively low level. A few specific sectors with existing contacts and mutual interest proved to be successful with regard to bilateral relations. Such sectors were the above mentioned research and education. There are also other sectors where the bilateral relations should be expanded to, ranging from cultural heritage through public health issues to cooperation of local authorities, where the cooperation would bring added value. Partnership projects should be not only based on a simple letter of intent, but on established contacts and identified mutual benefits, in order to contribute to strengthened bilateral relations among our countries on the longer term. In order to achieve our objectives to the fullest, the NFP welcomes all assistance of the FMO, the FMC, the NMFA, the Embassies and DPPs, and encourages the above mentioned institutions to take on an active role in developing bilateral relations, for example in the search and recommendation of potential donor project partners, and their encouragement for building bilateral relations and for openness for cooperation.

## 4. Management and implementation

### 4.1. Management and control systems

During the reporting period, the elaboration of the management and control system (MCS) took place, and the description of the MCS at national level was prepared.

At the beginning of 2012 the **Focal Point established a working group** consisting of representatives of the national entities, i.e. the Focal Point, the Certifying Authority, the Audit Authority and their supervisory Ministry for the preparation of the government decree on the implementation of the Financial Mechanisms 2009-2014. The aim of the creation of the national legislation was to incorporate provisions of the Regulation into the national law and also describes further procedures to that need regulation at national level.

Following broad consultation with stakeholders, **the legislation** of the FMs in Hungary **came into force as Government Decree 326/2012. (XI.16.), on 16 November 2012.** It consists of the following Chapters:

- Chapter I - General provisions
- Chapter II - Institutions
- Chapter III - Process of the preparation and implementation of programmes
- Chapter IV - Embedded controls (verification procedures)
- Chapter V - Financial implementation
- Chapter VI - Monitoring of the implementation
- Chapter VII – Audits
- Chapter VIII - Handling of irregularities
- Chapter IX - Claim management
- Chapter X - Rules on state aids
- Chapter XI - Special dispositions on specific funding sources
- Chapter XII - Final provisions

The Government Decree forms the basis of the **management and control systems (MCS)**. Considering the size of the EEA and Norway Grants, a quite complex management and control system had to be established in the Beneficiary States with many different players and levels. In order to ensure that still an effective management and control system can be established, the created set up is a combination reflecting the requirements of the Regulations, and the well functioning system of the EU Structural Funds, that is familiar to all the players of the national implementation set-up (NFP, CA, AA).

A major **deviation from the Regulation** concerns the financial implementation. According the established management and control system, financial flows will follow the procedures applied under the EU Structural Funds. The system's cornerstone is pre-financing from central state budget and reimbursement of actual incurred expenditures from the Donor State contribution. The National Development Agency, the institution hosting the Focal Point is responsible for central budgetary planning of the Grants and the necessary national co-financing. The FP will therefore play an active role in the financial management and control of the Grants. A Central Financial Unit ensures the



planning of necessary central state budget sources, and makes the payments to all beneficiaries of the Grants, including project promoters, Programme Operators, the Implementing Agency, etc.

Deviations from the Regulations related to certain responsibilities of the national authorities and the payment flow was described in the description of MCS at national level. Such deviations were proposed in order to meet requirements of national legislation, to adapt to the existing national institutional structures and with respect to the principles of economy, efficiency and effectiveness. The description of MCS at national level was completed by the FP in November 2012 and **was submitted to the Audit Authority on 30 November 2012**. The Audit Authority launched the compliance assessment in December and issued its opinion on the description of the MCS in January.

Draft **implementation set-up for the National Fund for Bilateral Relations** was completed and submitted by the FP to the Donors in August 2012. Following receipt of several comments on the draft document in November, the FP submitted the final version of the implementation set-up for the National Fund for bilateral relations on 1 December 2012. The implementation set-up proposed for the National Fund for bilateral relations is in line with the MCS at national level and with the Government Decree 326/2012. (XI.16.).

## 4.2. Compliance with EU legislation, national legislation and the MoU

The FP has ensured to transpose the MoU and the Regulations into the national law. The issued Government Decrees ensure that the **provisions of the MoU and the Regulations are enforceable under the national law**. The Government Decree 326/2012. (XI.16.) includes a specific Chapter on the applicable State Aid rules within the programmes of the FM. The FP has ensured that notification obligations regarding state aid schemes are fulfilled.

According to the Article 9 of the Commission Regulation (EC) 800/2008. of 6 August 2008 - **General block exemption regulation**, the operative government decree should be notified towards the Commission in 20 working days following the entry into force of the aid scheme, in this case the entry into force of the government decree. This posterior notification was submitted via the established Commission IT application (SANI) in November and was approved **in early December 2012**.

On 20 November 2012 the Focal Point notified to the European Commission the **cultural state aid measure**. The notification was **accepted** by the Commission **on 21 December 2012**.

The above Government Decree also includes a separate sub-chapter on control of public procurements. In case of project promoters, the IA will be in charge for control of public procurements (ex ante or ex post, depending on the estimated value of the procurement). In case of procurements carried out by POs, IA or TA beneficiaries, the FP will ensure control of public procurements as described in the MCS at national level.

As the rules and procedures required by the MoU, Regulation, or EU legislation are transposed into national law through separate pieces of legislation, it is a potential risk,



that all modification of the above legal framework shall be also transposed into the national legislation. This procedure is often time-consuming and needs additional efforts and capacities from the FP and other entities of the management and control system. Frequent changes of the above legal framework thereby cause a potential risk.

### **4.3. Status of Programmes**

#### **4.3.1. Programme HU09 - Green Industry Innovation**

Information on programme preparation: The Programme Operator was prepared and submitted the Programme Proposal until the official deadline in July 2012. The first Request for additional information was sent in October by the FMO to the PO. Several conciliations were conducting during the autumn and winter of 2012. The appraisal process for the programme was concluded and the Annexes of the Programme Agreement were sent on 20 December 2012. On the whole the preparation of the programme and the related conciliations went smooth. In the face of the slight delay, the programme expectedly will start among the first programmes.

Upcoming activities: The approval of the programme is expected during early 2013. After the signing of the Programme Agreement and the Programme Implementation Agreement the implementation phase of the programme will expectedly start in the 2<sup>nd</sup> quarter of 2013.

#### **4.3.2. Programme HU10 – Bilateral research cooperation**

Information on programme preparation: During the preparation of the programme the Programme Operator had to execute several conciliations with the representatives of the Hungarian line ministries and other stakeholders of the Hungarian Planning Working Group, and with the DPP. The Programme Operator was prepared and submitted the Programme Proposal in July 2012. The first Request for additional information was sent in early November by the FMO to the PO. Due to the new condition laid down to the PO by the Donors in the RAI, the Programme Operator had to execute several conciliations during the winter of 2012. The conciliations caused some delay in the approval procedure of the Programme.

Upcoming activities: After a long negotiation process the FMO concluded the appraisal phase and sent the Annexes of the Programme Agreement on 18 February 2013. In the face of the delay the implementation phase of the programme expectedly will start at the beginning of the 3<sup>rd</sup> quarter of 2013.

#### **4.3.3. Programme HU11 – Capacity building and institutional cooperation**

Information on programme preparation: The Programme Operator prepared and submitted the HU11 Programme Proposal on 12 July 2012. The FMO sent the PO the Request for additional information in early December 2012 and the answer to the RAI was sent on 28th December 2012.

Upcoming activities: The appraisal process of the programme was concluded during the

first quarter of 2013 with sending out the Programme Agreement on 7 February 2013. The approval of the programme is expected during early 2013. After sending the FMO the Annexes of the Programme Agreement and after the signature of the Programme Agreement and the Programme Implementation Agreement, the phase of implementation of the programme will start expectedly in the second quarter of 2013.

#### **4.3.4. Programme HU12 – Public Health Initiatives**

Information on programme preparation: The Programme Operator has requested an extension for the submission of the programme document and finally has sent it to the FMO in August, 2013. The FMO has sent the first request for additional information (RAI) in September, 2013. Meanwhile an external appraisal visit had been carried out at the end of September, 2013 with participation of the appraisal team appointed by the FMO. After the appraisal visit the Programme Operator has sent the answers to the RAI with slight delay and additional information based on the requests and recommendations of the appraisal team to the FMO. At the Q4 of 2012 several meetings and consultations of planning working group and Cooperation Committee were held with involvement of the Donor Programme Partner and a consultation was organized in Brussels with participation of the FMO.

Upcoming activities: The FMO has sent the Annexes of Programme Agreement in January, 2013. After several conciliations with the planning working group, with the Cooperation Committee and with the FMO in connection with some programme elements, namely with the components of the health visitors and secure mental health unit regarding the involvement of an international institution the negotiations are still ongoing. The implementation of the health visitors' element in the frame of a pre-defined project will be approved by the FMO. The grant recommendation from the FMO is expected soon.

Regarding the programme, Decent work and tripartite dialogue information is provided in the Chapter IV.

#### **4.4. Irregularities**

Since during the reporting period there hasn't been significant progress in the field of implementation of the Hungarian Programmes, thus there was not any irregularity to be reported regarding the year, 2012.

#### **4.5. Audit, monitoring, review and evaluation**

The main tasks of this reporting period were the preparation works of the Programmes Proposals, appraisal of the documents and the completion of the Government Decree and the Management and Control system.

Accordingly the Hungarian Focal Point organized numerous meetings for the Programme Operators to assist them in launching and coordinating the programme planning phase

and to ensure that they understand deeply the framework and detailed regulation of the Financial Mechanisms.

The **Focal Point monitored closely the programme preparation work of the POs**. Representatives of the FP have been participating at the meetings of the CC and PWG as an observer. The NFP requested monthly reports from the POs on the progress of the programme preparation work.

The first drafts of the programme proposals were submitted by mid-February 2012 to the Focal Point. The Focal Point reviewed the documents and has let prepared a quality check assurance by professional independent experts. The FP distributed guidance note to all the POs in April 2012 on the requirements for finalization of the programme proposals.

The final proposals were sent to the FP during the summer 2012 when the FP executed the final review of the documents before the submission the proposals to the FMO through DoRIS. The FP checked and commented all the programme proposals prior to submission. The FP prepared a report on the programme preparation procedure that was approved by the Government Committee for Developments on 11 July 2012.

The FP has also followed closely the programme appraisal procedure, provided its comments to the draft responses prepared by the Programme Operators, ensured coordination between the PO and the IA, arranged for and attended meetings related to the provision of additional information on programmes.

The Focal Point with the consultation of the working group elaborated the government decree on the implementation of the Financial Mechanisms 2009-2014 that incorporates the Regulation into the national law. **The legislation came into force on 16 November 2012** as Government Decree 326/2012. (XI.16.).

The Government Decree forms the basis of **the management and control systems**. The Government decree and the description of MCS at national level define the audit tasks at national level and at programme level. At national level the Focal Point is responsible for the execution of monitoring task, and the Audit Authority is responsible for the audit activities. At programme level the Programme Operator in cooperation with the Implementing Agency will be carried out monitoring activities such as monitoring visits and on-the spot checks.

The description of the MCS was completed in November 2012 and **was submitted to the Audit Authority on 30 November 2012**. The Audit Authority launched the **compliance assessment procedure** in December and issued its opinion on the description of the MCS in January.

For the upcoming period the FP plans to ensure monitoring and audit of the programmes through means to be regulated in the Programme Implementation Agreements. The PIA will 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 PIA will be 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 FP on the implementation of the programme.

## 4.6. Information and publicity

The information and publicity activity at national level is based on the Communication Strategy for the EEA and Norwegian Financial Mechanisms 2009-2014. The Strategy was prepared and submitted to the Financial Mechanism Office in February 2012 by the NFP, and it was approved on 4th 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. Since the FMs in 2012 were in preparation period, there were fewer news or information on progression that were presentable to the general public. In 2013, when the FMs enter into the next phase, more publicity-related measures can be taken in accordance with the communication strategy.

The status of implementation of the main objectives set within the Communication Strategy is summarized herewith:

### a) Communication of the overall objectives of the Grants:

As the 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 and experienced by the widest possible audience.

At meetings with organizations during the preparation procedure, such as line-ministries, POs, IA, the NFP represented and stressed the importance of the overall objectives. The NFP participated most of the planning working groups sessions and Cooperation Committee meetings as an observer. Also, in case of need the NFP informed the governmental bodies of the status of the FMs, and also of the significance of the overall objectives.

The following activities are connected also to the development of general communication:

- In order to raise effectiveness, the representative of the NFP participated in an FMO-organized Communication workshop on 1 March, 2012.
- The NFP gave a lecture at the Information day of the Corvinus University of Budapest on the general information on the Grants on 15 November, 2012.
- The Monitoring Committee meeting was held on 3 May 2012, providing an overview to the MC members on the progress of the preparation for the implementation of the FM.
- The NFP provides all information regarding the subject by means of a dedicated mailbox ([norvegalap@nfu.gov.hu](mailto:norvegalap@nfu.gov.hu)).

### b) Promoting and facilitating bilateral cooperation

In order to promote and facilitate the establishment of bilateral relations and to contribute to extensive cooperation between the Donor States and Hungary, the NFP has working relationship with the Royal Embassy of Norway in Hungary and also with the Hungarian Embassy in Oslo, both of which function excellently. During 2012 the NFP cooperated with the representatives of the Donor States, especially with the Royal

Norwegian Embassy in Budapest which was represented on most of the events organized by the stakeholders of the Grants, e. g. POs (Cooperation Committees) and NFP. During the elaboration of the Work Plan for the National Fund for Bilateral Relations, the NFP also worked together closely with both Embassies and all POs and involved them into the planning procedure.

Also, the NFP organized and participated at events partly targeting this objective:

- 8 May 2012 - Meeting for POs on programme preparation, bilateral relations and financial management.
- On 13 April 2012 the NFP participated at a meeting organized for the Focal Points of the Visegrad (V4) countries to exchange experiences and concepts on financial management, bilateral relations, planning and measuring results, small grant schemes and DoRIS.

The NFP is fully aware of the significance of strengthening bilateral relations, and has made efforts for furtherance of cooperation. Nevertheless, henceforth the donor institutions', including DPPs' proactive support is strongly needed in order to ensure productivity and efficiency.

### **c) Identifying and communicating specific objectives reflecting national priorities**

In accordance with the objective, the NFP shall consider national trends and show how FMs can contribute to the main strategy objectives of the Hungarian government. In order to communicate more positive messages and making the wider public more enquiring towards the FMs, the NFP shall show how the FMs accommodate to the national priorities, such as the New Széchenyi Plan's goals of knowledge-based society, greening of economy, reduction of social inequalities, sustainable economy and equal society, etc.

So as to fulfill this objective, at the NFP-organized events or at those in which it participated, the NFP stressed how the Grants fit and contribute to the general national targets, but at the same drew attention to uniqueness of the Grants and how they differ from the national programs. The workshop organized by FMO for the Focal Points on the Strategic report proved to be particularly useful for working out methods how to put the FMs' achievements into broader context.

### **d) Giving individual image to the EEA Grants to distinguish it from other grant opportunities**

The NFP is aware of the importance of communicating the difference between the Grants and other EU funds, including formal components as well. In order to meet this intent the NFP uses the visual image of the Grants in all its official communication.

Furthermore, the NFP updated its website regularly, including all relevant information specific to the Grants. For easier access, in February 2012 "eeagrants.hu", in June "norwaygrants.gov.hu" domain names were created and directed to the FP's website. The website is also available in English since June 2012.

The Implementing Agency takes over some parts of the communication tasks: the IA is working on establishing and launching a separate webpage operated by them. This future

website is considered to contain programme level information and also available general information about the FMs.

The NFP got some promotional materials prepared, e. g. brochures, roll-ups, which can be used not only for the events at national level, but also for using them on programme related events.

**e) Sharing information on an aggregate, overall level on the achievements of the FMs 2009-2014 in Hungary**

The NFP works closely with the POs and monitors their operation by aggregating all data on progress. After the FM enters into the next phase, more actions can be taken in accordance with the strategy. The NFP provides information, prepares reports and summaries on the Grants for the governmental institutions if necessary.

**f) Ensuring transparency of application procedures and the regulations of project implementation, and clearly communicating them**

The task will be relevant from 2013, once the call procedures will start. In 2012 the NFP paid special attention to meeting all transparency, regularity, efficiency and functionality criteria particularly during its procurements or the course of the IA selection procedure. The NFP has ensured that all planning procedures, both related to programmes and the management and control systems have been conducted with involving relevant stakeholders, in a transparent and open manner.

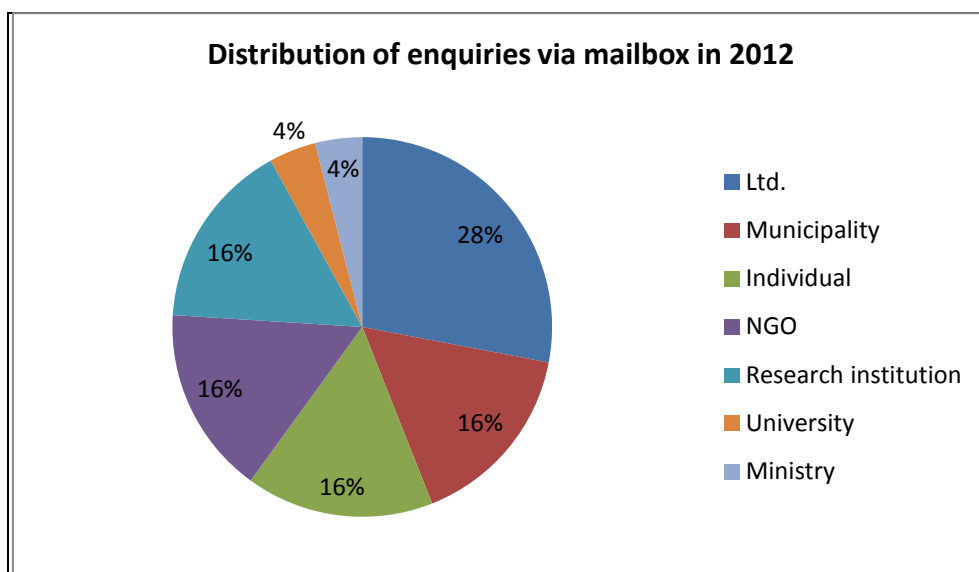
The FMO organized the Risk Management and Good Governance Seminar in September 2012 at which the NFP not only participated, but also gave a presentation on its experiences and lessons learnt.

**g) Reaching not only stakeholders, but the general public as well with information on the contributions of the FMs 2009-2014**

Although the task will actually be relevant from 2013, after the calls will be open, the NFP already received many enquiries about the FMs in 2012 in various forms, e.g. in forms of contacting via telephone or email and personal contacts during certain events.

The main channel of communication is however the mailbox established specifically for receiving enquiries on the Grants (norvegalap@nfu.gov.hu). The address is displayed on the website of the FP. The FP staff regularly checks and answers the received enquiries.

Based on the interests received by mail, this chart shows the enquiries by institution types:



#### **h) Observing and supervising the activities of the Programme Operators and Implementation Agency with regard to communication on the FMs 2009-2014**

The NFP works closely with the POs and the IA, and monitors their operation by aggregating all data of progression. The NFP participates in the meetings of working groups and Cooperation Committees 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. In June 2012 the NFP organized a DoRIS training for POs.

After the FM enters into the next phase, more actions can be taken in accordance with the strategy.

Planned actions of the communication activity at national level in 2013, in accordance with the Communication Strategy:

- procurement of external expert to assist in the implementation of communication activities;
- launching event for the EEA and Norway Grants (25 April, 2013) with a press event;
- establishing an individual web-site for the EEA and Norway Grants and ensuring its regular update (through the IA),
- creating promotional materials,
- publishing news and advertisements
- operating a mailbox, also for ensuring an adequate complaint mechanism.

## **4.7. Work plan**

The indicative work plan outlining the milestones of the implementation of the FM in Hungary during 2013 is summarized below. The table contains activities that the FP is in charge for (and not programme level activities).

Action	Planned timing	Responsible entity
Monitoring Committee meeting	April 2013	NFP
Approval of Programme Proposals	March-June 2013	Donor States
Signing the Programme Agreements	April–August 2013	NFP and Donor States
Signing Programme Implementation Agreements	May-September 2013	NFP, Programme Operators and Implementing Agency
Approval of the Work Plan and Implementation system of the National Fund for Bilateral Relations	April 2013	Donor States
Annual Meeting	April 2013	NFP, Programme Operators, Donor States
Launching event	April 2013	NFP in cooperation with the Embassy
Launching open calls for the National Bilateral Fund	3rd quarter of 2013	FP with the assistance of the Implementing Agency
Submission of the description of the management and control systems of programme	from November 2013 on	NFP, POs

The work plans regarding the planned calls for proposals and Cooperation Committee meetings by Programmes can be found at in the following chapter, Chapter 4 detailed.



## 5. REPORTING ON PROGRAMMES

### 5.1. Programme Decent work and tripartite dialogue

#### Overall progress

The objective of the Fund for Decent Work is to promote the decent work agenda and improve tripartite cooperation between employers' organisations, trade unions and public authorities in supporting equitable and sustainable economic and social development.

The Fund has launched a **call for proposals** simultaneously in the 12 newest member states in October, 2011. The deadline for submitting proposals was 22 April 2012.

Innovation Norway, the Programme Operator, selected the projects. Projects must be finished by 31 December 2014 with a maximum duration of 24 months.

Partnership projects between Hungarian and Norwegian entities were encouraged.

After an **information day** organized by the PO to the potential applicants in February, 2012, from Hungary 13 applications were submitted and from them **5 projects were awarded**. All of supported projects have partnerships.

The supported projects in Hungary:

- National Confederation of Hungarian Trade Unions
- Forum for the Co-operation of Trade Unions
- Democratic League of Independent Trade Unions – LIGA
- Hungarian National Association of Local Authorities
- Confederation of Hungarian Employers and Industrialists

On 21 November, 2012 a **"Practical workshop"** was organized by the PO and the Royal Norwegian Embassy in Budapest for the project promoters to contribute the successful implementation with providing information on the followings: project activities, bilateral component, objectives and expected results, synergies nationally and cooperation among projects, practical guidelines (financial and programme reporting, experience, lessons learned etc.).

The **programme aims to achieve** the following outcomes:

1. Improved social dialogue and tripartite dialogue structures and practices
2. Enhanced understanding of the benefits of decent work

In addition, other five aims were identified, all varying in accordance with the specific priorities defined for each call for proposals in the beneficiary countries. These are the followings:

3. Enhanced access to employment and participation in the labour market
4. Enhanced focus on the social dimension of workforce mobility
5. Advancement of gender equality and non-discrimination in the workplace
6. Improvement of work, family and private balance.
7. Worker adaptability and improvement of lifelong learning opportunities/new skills.

**No outputs are achieved to date**, since the implementation is in progress.

### Potential risks

The Programme Operator identified risks in connection with the two outcomes, which may threaten the achievement of the objectives. The identified risks may arise in the beneficiary states:

- increasing tensions in social dialogue of beneficiary states cause problems in identifying promoters able to build up solid project partnerships;
- widespread austerity measures and lay-offs hamper the general interest of social partners to collaborate in joint projects;
- sudden labour market changes (e.g. stark increase in illegal and non-formal labour) impedes the outreach to project promoters most able to advance the Decent Work Agenda;
- sour labour relations, along economic recession and a conflictious domestic political climate in the Beneficiary States, hinder the national capacity for keeping Decent Work high on the agenda.

The Programme Operator has prepared a mitigation plan and can take measures involving the National Focal Point if it is necessary.

### Bilateral relations

The programme will contribute to strengthening cooperation with Norway, the Norwegian associations and institutions. The partnership projects were encouraged and promoted by the Programme Operator in the preparation period as well as during the implementation. All of Hungarian projects supported by the programme have partners in the donor state.

## 5.2. Programme HU09 - Green Industry Innovation

### Overall progress

The program proposal for green industry innovation has been approved in March 2013. The program will be introduced during the national launching event in April 2013.

### Potential risks

Potential risks that may threaten the achievement of the objectives set out in the Programmes are the followings:

- changing legal environment;
- lack of interest of donor entities as potential project partners;
- weak financial strength of potential applicants to provide own sources.
- Major deviations from plan are the following:

### Major deviations from the plan

The approval of the program took more time than previously planned. The calls for proposals (green industry innovation and bilateral matchmaking) will be launched in April or May 2013, however the submission deadline for project applications will not change providing less time (cc. 5 months) for applicants to prepare their projects and find Norwegian partners. This time still can be enough to receive well-elaborated project

proposals.

The Programme Operator does its best to launch the calls as soon as possible to be able to provide enough time for the applicant to elaborate their applications. If it will be necessary, further calls will be launched in 2014.

### Work plan for 2013

Action	Planned timing
Finalisation of program proposal and the related Annex I. and II. of the program agreement	January and February
Cooperation Committee meeting to discuss bilateral cooperation	4 March 2013
Approval of the green industry innovation programme	8 March 2013
Discussion on the trilateral agreement on program implementation then signing by NFP, PO and Implementing Agency	March 2013
Organisation of program launch event, sending invitations for speakers, potential applicants, professional organisations and representatives of Norwegian clusters identified by Innovation Norway, arranging the trip for Norwegians, the interpretation, printing leaflets about the program	March and April 2013
Preparation of the call for proposal for bilateral matchmaking and the call for green industry innovation	March and April 2013
Program launch event: introduction of the program and matchmaking possibilities	25 April 2013
Content development of program website and electronic application forms	April and May 2013
Participating in events to provide information about the program, organising publicity, answering phone calls and e-mails	from January to October 2013
Cooperation Committee meeting	June 2013
Advising on partner search and evaluating matchmaking applications in collaboration with Innovation Norway, collecting and checking travel reports and supporting documents, authorising for payment	from April until October 2013
Cooperation Committee meeting	September 2013
Participating in Ökoindustria international trade fair to reach potential participants and to organise matchmaking with them	25-27 September 2013
Establishing the independent expert pool	September 2013
Receiving project applications	31 October 2013
Checking eligibility, organising evaluation of	November and December 2013

Action	Planned timing
applications by independent external experts, making first ranking, arranging Selection Committee meeting(s)	
Preparing reports	In every two months

### 5.3. Programme HU10 – Bilateral research cooperation

#### Overall progress

The overall objective of the Hungarian – Norwegian Research Programme is to enhance research-based knowledge development in Hungary through enhanced research cooperation between Norway and Hungary.

The Hungarian-Norwegian Research Programme (hereinafter the Programme) will receive a contribution of **24,128,000 €** from the Norway Grants, a Hungarian national contribution of **4,257,882 €**, and thus the total funding for the Programme will be **28,385,882 €**.

The Programme will contribute to the achievement of the overall objectives by:

- strengthening bilateral research cooperation between Norway and Hungary,
- ensuring sustainable development in the selected priority fields of research,
- focusing on science for solving societal challenges,
- contribution to the development and better use of human resources,

The Programme will also contribute to the overall objective of the Norway Grants to reduce economic and social disparities, through:

- Strengthening research capacity and competence building
- Production of new knowledge and the creation of economic value, that can be exploited through applied research, licensing, or design of new products, processes and services.
- The exploitation of research results will enhance competitiveness and economic growth in Hungary, thus reduce the economic disparities in the European Economic Area.
- Promotion of sustainable development to pave the path for sustainable economic growth in Hungary.
- Enhancing gender equality to overcome economic and social disparities.

The Programme defines a set of thematic priority areas - including **environment and health** - which are in line with the strategic sectorial priorities defined by the New Széchenyi Plan, the national strategy designed to steer Hungary on a path of sustainable development<sup>1</sup>. The Programme is also in line with the science and innovation pillar of New Széchenyi Plan, and contributes to its horizontal priorities, as developing human resources, and restructuring the fragmented national innovation system.

Furthermore, the Programme – including its small grants scheme – addresses the **key**

<sup>1</sup> New Széchenyi Plan <http://ujszechenyiterv.gov.hu> (full text in Hungarian, and abstract in English <http://ujszechenyiterv.gov.hu/?lang=en>)

**objectives identified in the National Innovation Strategy**<sup>2</sup>. The overall aim is to increase the expenditures on research and development to 1,8% of the GDP by 2020. In particular, it is a strategic aim to increase business expenditures on research. The Programme also responds to the key challenges identified in the strategy, including strengthening research capacities by creating new jobs, supporting innovative, high growth potential companies, and reinforcing world renown research centers of excellence in Hungary.

The Programme Proposal – as agreed by the National Innovation Office, the National Focal Point at the National Development Agency, and the Research Council of Norway was submitted in July 2012, and a request for clarifications was received in November 2012. A first Programme Agreement draft was prepared and commented upon. However, a number of main obstacles remain on which agreement is needed for the signing of the Programme Agreement:

This request **of the Donors to dedicate 20% of the budget available for calls to research on social sciences and humanities** was not formally agreed in the MoU between Hungary and Norway, and arrived long after the programme preparation process, after the extensive consensus building within the programme planning committee and the open consultation. In accordance with the MoU the programme had already foreseen support of research in these fields, however, such a budgetary restriction has effects on the objectives of other priority focus areas. Arriving at consensus on this issue is time consuming. Furthermore, both Hungarian and Norwegian participants have obtained a total of 9 M EUR funding, over the nearly 7 years' duration of the European Framework Programme. In contrast, this expectation to disburse 4 M EUR in a single call is disproportionately high.

**According to the standpoint of the Programme Operator** some public entities that are key actors in research in Hungary may not meet the definition of **the** research organisations which was in the **request of donors to restrict eligibility** of programme promoters. In particular, these limitations would exclude central budgetary institutions that are key research actors in the focus areas of the programme. This has considerable effects on the objectives and the potential impact of the programme. As reference, the Seventh Framework Programme, does not include such limitations to eligibility.

## Potential risks

Potential risks that may threaten the achievement of the objectives set out in the Programmes are the followings:

- Delays in the Programme – the prolonged process for reaching the Programme Agreement has consequences on every milestone. 36 month research projects can no longer be realised.
- Interest in the call topics is not in line with funding available per topic (some thematic areas are oversubscribed, others undersubscribed)
- The forthcoming update of the regulations includes further elements which may necessitate longer time periods than originally planned for certain activities (eg.

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<sup>2</sup> To be published soon

approval of the calls)

- Delay in the feedback on the use of the national bilateral funds will limit the ability to use the funds for the purposes foreseen in the research programme

### Major deviations from the plan

- The disagreements mentioned above, have lead to a prolongation of the time anticipated to arrive at a programme agreement. This will be reflected in every further programme milestone.
- The intention to offer the opportunity of 36 months research projects can no longer be met, without extending the final date for completion of projects set by the regulation.

The programme time plan needs to be adjusted with respect to the final date of programme approval, the signature of the Programme Agreement, and updates of the regulation. A second call may be needed if not enough excellent – above threshold – proposals are received.

### Work plan for 2013

Action	Planned timing
Programme Agreement	April 2013
Programme Committee meeting	+ 0.5 month
Announcement of draft call	+ 0.5 month
Information / brokerage event	+ 1.5 months
Launching of first call for proposals (research projects and the small grant scheme)	+ 2 months
Deadline for submission of proposals	+ 4 months
Evaluation period	+5-6 months
Programme Committee, implementation plan (ranked list)	+ 6.5 months
Start of contract negotiation	+ 7 months

## 5.4. Programme HU11 – Capacity building and institutional cooperation

### Overall progress

There were several executed **activities related to the preparation works of the Programme**. During the first half of 2012, regular Cooperation Committee meetings were held; in March, April, May and July 2012. A restricted call to line-ministries for pre-defined projects was launched in February 2012. On 8<sup>th</sup> March 2012 a workshop for national associations of local governments was organized, in order to invite them to submit proposal for a pre-defined project to be implemented in cooperation with KS, as well as to consult them on proposed priorities of the planned open call within the programme. The assessment of the incoming pre-defined applications (both from line

ministries and from national associations of local governments) lasted until April 2012, when the Cooperation Committee made its decision on the pre-defined project proposals to be invited for further elaboration. Shortly afterwards, a workshop was held for selected pre-defined project promoters on 10<sup>th</sup> May 2012. In July 2012 the Programme Proposal was signed. On 24<sup>th</sup> October the FMO's positive opinion on screening arrived to the PO. The Request for Additional Information arrived early December 2012 to which the answers were sent out at the end of December 2012 (28<sup>th</sup> December). An appraisal visit by an external agency entrusted by FMO was scheduled for January 2013.

### Bilateral relations

The PO made efforts in order to start partnership building for the planned open call. In July 2012 a call for partner search was sent out for possible interested entities, and the DPPs' assistance was sought in order to find potential partners to the interested Hungarian municipalities.

### Potential risks

There is an approximately 4-months delay compared to the original planned timing and work plan that is a **major deviation from plan** and a **potential risk** factor. There is a risk of having a too short implementation period because of the delay in launching the calls. There is also a concern about the lack of capacity or interest of the donor states' institutions to enter into formal partnerships, which is however a mandatory condition within the programme.

In order to **mitigate** time slippage as a major potential risk the Programme Operator tries to ensure that adequate preparatory works are made in the meantime both for the programme implementation and with regards to project generation. The PO works closely with the FMO, the FMC, the NMFA, the Embassies and DPPs, and encourages the above mentioned institutions to take on an active role in developing bilateral relations, for example in the search and recommendation of potential donor project partners, and their encouragement for building bilateral relations and for openness for cooperation. This might ensure, that by the time when the open call might be launched, there are already existing partnerships who are able to jointly develop and submit a project proposal

### Work plan 2013

Action	Planned timing
Partnership Seminar	5 March, 2013
Programme Approval	March 2013
Signing of Programme Implementation Agreement	April 2013
Preparation for contracting pre-defined projects	April-May 2013
Programme launching event	June 2013
Launching open call	June 2013

Action	Planned timing
Contracting pre-defined projects, starting implementation	2013 June-July
Deadline for submission of proposals	2013 September
Appraisal and selection of projects	2013 September-November
Grant decisions	2013 December
Concluding project contracts, starting	2014 January
Seminar for project promoters and their	2014 February
Mid-term review of programme progress	2015 February
Finalization of project implementation	2016 April
Closing event	2016 May
Final review of programme progress	2016 September
Programme closure	2017 April

## 5.5. Programme HU12 – Public Health Initiatives

### Overall progress

After the first meeting of the **Cooperation Committee** on 14 December 2011, the PO started to elaborate the programme proposal at the beginning of 2012. The PO involved the relevant stakeholders and line ministries into **the working group**. During 2012, the PO organised 5 Planning Working Group Meeting and 4 Cooperation Committee Meeting to negotiate the content of the proposal. Finally the PO submitted the programme proposal on 24 August 2012. The deadline was 13 July, but the FMO allowed **the extension of submission**.

The PO received **request for additional information** (RAI) on 11 September and an answer was sent back on 25 September. The FMO organised an **appraisal event** with the involvement of the Swiss Tropical and Public Health Institute. The PO answered the incurred questions during the appraisal process and by e-mails as well. The FMO invited the PO to Brussels on 3 December 2012 to negotiate questions that remained open. In this meeting, several requests to modify the proposal were raised. The PO received the Grant Agreement Recommendation on 24 January 2013, which included and clarified the exact expectations. The PO started the modification of the proposal according to the expectations.

### Potential risks

**The following potential risks may threaten** the achievement of the objectives set out in the Programmes:

- it is a complex program with a recurring problem of the measurement of the achievement of Roma population; it has to be solved in the near future,
- occurrent changes in the expectations from the donor side,
- negotiations with national stakeholders may delay the further process.



### Major deviations from plan

- the programme approval was planned till December 2012. However, during the course of negotiations, there have been major modifications in the structure and content of the programme, so the date of approval is expected to be in April 2013.
- The process of elaboration and approval may affect the date of the open calls.

### The need for adjustments of plans, including actions for risk mitigation

- There is an ongoing negotiation on the possible ways of ensuring proper Roma targeting. The PO asked for further clarification from the FMO on the subject as well as for the professional opinion of PO experts.
- Generally, the PO has strengthened communication with the FMO in order to better understand the expectations of, and decrease the risk of further changes initiated by, the FMO.
- The PO has to modify the programme to support health visitors. This programme element will now be implemented by a pre-defined project.
- In January 2013, the FMO initiated a change to Outcome 1 and asked for the development of a new programme element, which is still in progress.
- The PO has to initiate the modification of the MoU in order to ensure the donor side expectation. The reason for the modification is that the FMO recommended the deletion of Outcome 3 so the number of outcomes in the programme is now three.

### Work plan for 2013

Action	Planned timing
Meeting with the CREDA Consulting on the issue of Roma Inclusion in the programme	14.02.2013
Planned approval of the programme	April 2013
Co-operation Committee Meeting	April 2013
Workshop in the framework of the bilateral cooperation fund on national level	May 2013
Co-operation Committee Meeting	June 2013
Announcement of open call to ensure the seed money facility in the framework of the bilateral cooperation fund on programme level:	July 2013
Co-operation Committee Meeting	September 2013
Announcement of open call: Physical activity awareness among vulnerable and disadvantaged groups – projects targeting Roma inclusion	September 2013
Announcement of open call: Adolescent addictology outpatient care centres and dispensaries	September 2013
Announcement of open call: Shaping of an e-pathologic pilot model	September

Action	Planned timing
with public health approach	2013
Announcement of open call: The development of public policy capacities and a monitoring system handling the determinative social factors of health	September 2013
Announcement of open call: Secure mental health unit	September 2013
Announcement of open call: The creation of a network of mental health coordinators	September 2013
Announcement of open call: Establishing mental health centres	December 2013
Co-operation Committee Meeting	December 2013
Publicity events	December 2013

## 6. *Summary listing of issues and recommendations*

### **Overall assessment of the implementation – challenges and risks**

The Focal Point welcomed the changes in connection with the new period of the Grants, particularly regarding the **programme level approach**. In order to ensure a successful implementation and to fulfil the duties arising from the increased responsibility of the Beneficiary State, the FP has ensured the establishment of a new institutional system. It was 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. All the Hungarian institutions had to get familiar with this new management and control system of the FM, and to abide by both national legislation, the Regulation and other EU and international obligations.

Although the uniqueness of this system still may cause challenges at the early stages of the implementation, procedures might be less smooth and swift, and needs for further adjustments might arise, the system established is considered to be appropriate and able to handle the increased responsibility put on the Beneficiary States. Besides the implementation set-up created at national level, the programme level systems are also well elaborated. The required professionalism of the Programme Operators can contribute to the achievement of the overall objectives and outcomes of the Grants, whilst the involvement of the Implementing Agency provides an effective technical assistance for the day-to-day operation of the Programmes.

Recently, the initiatives of the Donors indicate that despite the foreseen strategic, programme level approach and increased national responsibility of the Beneficiary States, the Donor States still would like to closely follow progress also beyond the programme level, i.e. at the level of specific calls and selected projects. This situation 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 programme agreements. 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.

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

A signal of such capacity constraints on the Donor side was the **delay of the appraisal process** of the programmes. According to the Regulations the donors have 4 months for the evaluation of the programme proposals. Considering that the majority of Hungarian programmes were submitted by July 2012, we expected to have approved programmes by the end of 2012, early 2013. The necessary negotiations and revisions extended the process, therefore the appraisal stage was not concluded to any of the programmes at the end of 2012. It also has to be mentioned that the available amount of programme preparation costs is in many cases not enough for the extended preparatory period which hinders POs and the IA to ensure adequate resources for the proper preparation for the implementation of the programmes.

The FP deems it crucial to **speed up the approval of programmes**, and launch the calls as soon as possible. Due to the additional consultation requirements with the Donors regarding the calls, and also national level consultation requirements, the preparation of calls will be also a time-consuming procedure. **Institutional changes** in Hungary regarding the set-up for EU funds are on the agenda that, on the longer term may also influence the set-up created for the implementation of the FM. Although no actual changes are foreseen to happen before 2014 related to the institutions involved in the FM, it is still important to ensure that the implementation of the programmes achieve a significant progress in the current stable situation.

The Focal Point is also concerned about the decreased implementation period, the and would like to draw the Donors' attention to consider the opportunity of the **extension of the implementation period** of programmes, in order to ensure that objectives are achieved and expected outcomes are delivered.

The Focal Point 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 are potential **risks factors**. For example:

- In the Bilateral Research Cooperation programme the Donors set a new requirement regarding 20 % allocation to social sciences, that was a criteria not agreed in the MoU and not communicated during the programme preparation phase.
- In the Cultural Heritage programme the indicators had to be changed several times due to technical difficulties caused by DoRIS. Such problems were not known until the finalization of the draft Programme Agreement, and the end result unfortunately limits the opportunity for the measurement of the programme's results.
- In the Energy Efficiency programme extremely high requirements were set during the appraisal phase regarding the indicator value on CO2 reduction, although the rate of reduction proposed by the PO was professionally justified.
- In the Renewable Energy programme the necessary proportion between geothermal energy and other renewable energy sources was not clearly defined by the Donors, and the ongoing discussions slowed then significantly the appraisal process.

- Some programmes shall put special emphasis on support of the Roma population. The requirement to measure such results in these programmes is unclear. The Hungarian legislation does not allow recording the Roma population such as requested by the donors. This problem was indicated in several fora by the Focal Point as well as by the PO. The solution that should be applied is to accept targeting and accessing the most vulnerable, disadvantaged groups in Hungary, also including Roma.

The Focal Point is committed to contribute to the overall objective of **strengthening bilateral relations** between the Donor States and Hungary. Nevertheless the followings make difficulties in the effective work and jeopardize the achievement of the goals:

- The Focal Point submitted the Work Plan for the national fund for bilateral relations in July 2012 according to the Regulations and revised it after the recommendation of the donors in November, 2012. Unfortunately the Focal Point has received the approval for the Work Plan only in March 2013 after significant delays. Therefore the funds were not actually available during the preparatory period (except for some activities permitted individually by the donors), that would be however crucial to provide strong basis for bilateral relations during the implementation period.
- Programme areas such as the Bilateral Research Cooperation and the Capacity Building are exclusively dedicated to donor partnership projects. According to the experience during the preparation period, the low level of existing relations, the lack of capacity on the donor side may present difficulties in deepening the bilateral cooperation. However the Focal Point 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.

### **Overall assessment of the implementation – Good practices and positive points**

The Focal Point is satisfied with the helpfulness of the Donor States, especially of the staff of Financial Mechanism Office. During the preparatory period the flexibility of the FMO promoted the progress and contributed to the adequate content of the necessary documents. The Focal Point and the POs could receive appropriate answers for their questions raised in the preparation period.

The FP 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. The FP 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 Focal Point is pleased to learn the professionalism and helpfulness of the Donor Programme Partners 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 Focal Point 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 proactivity and rapid reaction capability, which are expected from each party responsible for the Grants.

### **Additional issues for the annual meeting**

Besides providing a summary of this report, the FP proposes to highlight the following issues at the Annual Meetings:

- An overview of the status of programmes and foreseen schedule of approval / implementation,
- The Donors assessment on the proposal of the FP on the allocation of the reserve,
- The implementation of the National Fund for Bilateral Relations.

## **7. Attachments**

As the FM is at an early stage of implementation, there are no separate attachments to the current report. All data and information relevant and available regarding the reporting period are included in the report.