

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Improved energy efficiency in buildings

Output

Completed energy efficiency investments on public schools

Output indicator(s)	Baseline	Target	Source of Verification
Number of completed energy efficiency investments on public schools	0	9	Project reports prepared by the beneficiaries

Output

Energy certificates of public schools involved into the programme

Output indicator(s)	Baseline	Target	Source of Verification
Number of energy certificates of public schools involved into the programme showing a significant improvement in energy classification due to the investment	0	9	Project reports prepared by the beneficiaries

Expected Outcome(s): Improved capacity at national, regional and local level to undertake energy-efficiency measures

Output

Training materials to improve energy efficiency capacities

Output indicator(s)	Baseline	Target	Source of Verification
Number of training materials developed (Training material I., for operators, Training material II. for teachers)	0	18	Project reports prepared by the beneficiaries

Output

Staff members at public schools with increased capacity to undertake energy-efficiency measures

Output indicator(s)	Baseline	Target	Source of Verification
Number of staff members at public schools with increased capacity to undertake energy-efficiency measures (Training I., for operators, Training II. for teachers)	0	99	Project reports prepared by the beneficiaries

Expected Outcome(s): Increased awareness of and education in energy efficiency

Output

Webpage to show the energy efficiency measures realised in the public schools

Output indicator(s)	Baseline	Target	Source of Verification
Number of persons visiting the webpage	0	9000	Report of the Programme Operator at the end of the programming period

Output

Publications to enhance awareness raising based on the local project's experiences

Output indicator(s)	Baseline	Target	Source of Verification
Number of publications produced with awareness raising content	0	9	Project reports prepared by the beneficiaries

Expected Outcome(s): Increased renewable energy production

Output

Installed biogas/biomass production units

Output indicator(s)	Baseline	Target	Source of Verification
Estimated increase of installed biogas/biomass units	0	2	Programme report

Output

Companies with increased production of biogas/biomass energy

Output indicator(s)	Baseline	Target	Source of Verification
Estimated number of companies with increased production of biogas/biomass energy	0	2	Programme report

2. Conditions**2.1 General**

1) The National Focal Point shall ensure that any public support under this programme complies with the procedural and substantive State Aid rules applicable at the time when the public support is granted. The Focal Point shall, by way of the Programme Implementation Agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with State Aid rules, particularly decisions to award grants and set grant rates, and provides such records to the FMC upon request. The approval of the Programme by the FMC does not imply a positive assessment of such compliance.

2) Bilateral outcome and outcome indicators shall be reported on in the annual programme report.

3) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):

- Keep the excepted equipment in their ownership for a period of at least 5 years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
- Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract; provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

4) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters:

- Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
- Keep any buildings purchased, constructed, renovated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under

the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract.

5) The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

6) A methodology on the calculation of the flat rate to be applied to indirect eligible costs (overheads) in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO no later than two weeks prior to the deadline for providing to the FMC the text of the call for proposals, as required by Article 6.3.4 of the Regulation.

7) Any interest earned at any level on EEA FM funds in Hungary, held by National Authorities until they are transferred to the Programme Operators or by Programme Operators and intended for re-granting, is a resource for the FMC and shall be reported on and reimbursed to the FMC in line with the procedures foreseen in Article 8.7 of the Regulation.

8) The Programme Operator shall coordinate with relevant Programme Operators in Hungary (including but not limited to HU09 and HU10) in order to ensure synergies and avoid double financing.

2.2 Pre-eligibility

Not applicable.

2.3 Pre-payment

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

2.6 Other

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 22/04/2013-31/12/2017

Eligibility of programme proposal preparation costs: 13/11/2011-21/04/2013

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€9,896,471
Programme estimated eligible cost (€)	€9,896,471
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€8,412,000

3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€989,647	€150,000
Improved energy efficiency in buildings	€3,400,000	€0
Improved capacity at national, regional and local level to undertake energy-efficiency measures	€43,544	€0
Increased awareness of and education in energy efficiency	€87,089	€0
Increased renewable energy production	€5,178,262	€0
Fund for bilateral relations	€148,447	€0
Complementary action	€0	€0
Preparation of programme proposal	€49,482	€49,482
Reserve for exchange rate losses	€0	€0
Amount not agreed upon → Amount not agreed upon	€0	€0
	€9,896,471	€199,482

* The advance payment is composed of €169,560 in grant amount and €29,922 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€84,120

3.5 Small Grant Scheme

Not applicable

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures

The Ministry of National Development is the designated Programme Operator for this programme. Certain tasks related to implementation and monitoring of the programme will be delegated to the implementing agency (IA) which is the International Development and Fund Coordination Agency.

The programme will promote increased energy efficiency in public schools, as well as capacity building, awareness raising and education in relation to energy efficiency. The estimated CO₂ reduction and/or avoidance is 2,357 tonnes/year. The estimated energy saved is 9,089 MWh/year.

The Programme shall be implemented by way of one call for proposals "Improving Energy Efficient Public Schools".

1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. By way of further specification from the general rules on eligibility of applicants, only public primary and secondary schools are eligible applicants.

1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 7 of the Regulation, with the following exceptions:

- a) In-kind contributions are not considered eligible expenditure.
- b) By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new and second hand equipment will be eligible in projects where the equipment is installed at the end of the project and the utilisation of the equipment starts after the closure of the project and/or in those cases where the equipment's use after project completion is limited to activities in line with the project's objectives.

Indirect eligible costs can be claimed by the application of a flat rate of up to 15% of total eligible direct costs. The Programme Operator shall describe a methodology that shall ensure the fair apportionment of the overall overheads in the open call text. All Project Promoters or project partners must apply the methodology established by the Programme Operator when setting the precise level of this flat rate.

2. Financial parameters

2.1 Minimum and maximum grant amount per project in Open Call:

The minimum amount of grant assistance applied for under the call for proposals is €330,000; the maximum amount is €965,000.

2.2 Project grant rate:

The project grant rate shall not exceed 85% of the eligible costs of the projects and shall be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects and/or the project promoter or partner, where relevant. The remaining costs of the project shall be provided or obtained by the Project Promoter.

3. Selection of projects

3.1 Selection procedures in the Open Call:

All selection procedures carried out under this Programme shall be in accordance with the procedures specified in the Regulation. The independent and impartial experts required by Article 6.5.2 of the Regulation shall be independent of and impartial to both project applicants and the Selection Committee.

3.2 Open calls and availability of funds:

There shall be at least one call for proposals. The call shall be launched no later than in the third quarter of 2013 and make available at least €8,708,894. Should funds remain uncommitted as a result of the first call, a second call may be launched no later than in the second quarter of 2014 and shall make available any remaining funds for re-granting.

3.3 Selection criteria:

The final project selection criteria to be applied shall be detailed in the framework of the calls for proposals in accordance with Article 6.3 of the Regulation. The criteria shall be based on the proposal of the Programme Operator, and as a minimum contain the following general principles:

- Relevance of the project
- Relevance of bilateral partnership
- Sustainability
- Overall project design (timeline, realistic budget, etc.)

- Level of foreseen energy savings and improvements in energy efficiency classification
- Impact of awareness raising activities
- Size of target groups reached
- Use of innovative solutions
- Environmental impact and contribution to the achievement of aims, outcomes and outputs of the Programme.

Priority shall be given to projects with the highest reduction of CO₂ emissions in order to ensure the achievement of objectives of the programme by using the available budget as efficiently as possible.

The selection criteria shall favour an even geographical distribution of schools affected by the programme. For this reason – if the submitted applications allow – at least one project shall be selected in every region. The selection criteria shall also favour projects that target and reach socially deprived groups.

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 Payment flows

Payments towards the end beneficiaries will be in the form of advance payments, interim payments and payments of the final balance.

The Project Promoters have the possibility to request an advance payment not exceeding 30% of grant amount in the case of projects funded under the open call. The request will need to be justified and is subject to approval by the Programme Operator. The advance payment off-set mechanism will be adapted to each Project Promoter's liquidity needs and included as part of the Project Contract.

The interim payments will be based upon incurred costs. The Programme Operator has the possibility to withhold up to 10 per cent of the total grant for the final balance.

4.2 Verification of payment claims

The payment request prepared by the Project Promoter will be reviewed by the Implementing Agency (IA). The IA will finish the verification process within 15 days after receiving all necessary supporting documents linked to the payment request. The conclusion of the IA on the eligibility of costs included in the payment request will be sent to the Programme Operator for final approval which should not take more than 5 days.

The rules and frequency of payment requests provided by the Project Promoter will be set in the Project Contract.

Proof of expenditure shall only be submitted with the payment claim for costs above a certain threshold to be determined by the PO/IA, in the range of €1,700 - €2,000 for the Open Call. Expenditures falling below this threshold should be summarized and will be controlled during on-the-spot verifications.

In line with Article 7.13.3 of the Regulation, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with this Regulation, the national law and accounting practices of the project partner's country, shall, subject to Article 7.13.5 of the Regulation, be seen as sufficient proof of costs incurred by a project partner whose primary location is in a Donor State.

The detailed procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting outlined in the programme proposal will further be detailed in the description of the Programme Operator's management and control systems according to Article 4.8.2 of the Regulation.

4.3 Monitoring and reporting

Project promoters shall submit project progress reports on project implementation and one final report following project completion.

The Programme Operator and the IA will monitor the projects by reviewing project reports and through monitoring visits and on-the-spot checks. Monitoring visits will be conducted by the Programme Operator and will assess whether the project is implemented in accordance with the project contract and all relevant regulations and will identify potential risks and related mitigation measures.

On-the-spot checks will be conducted every year by the Implementing Agency on a sample of projects selected on the basis of risk analysis or random sample. Monitoring activities will be supported by external experts.

The aim of the on-the-spot checks is to make sure that the project is implemented in accordance with the requirements of all

relevant regulations and the project contracts, to verify procurement procedures and the cost efficiency of incurred expenditures. On-the-spot checks and monitoring visits on an ad-hoc basis will also be carried out when suspicions arise that the information provided by the Project Promoter is incorrect or misleading. On-the-spot checks on an ad-hoc basis can also be organised for other reasons. Information about the date of the ad-hoc on-the-spot checks should normally not be provided to the Project Promoter in advance.

Irregularities will be handled in accordance with Chapter 11 of the Regulation.

Information on Reporting and Monitoring shall be further outlined in the description of the Programme's Management and Control System according to Article 4.8.2 of the Regulation.

5. Additional mechanisms within the programme

5.1 Fund for bilateral relations

Support under the Bilateral Fund will be available for activities under measure "B" (networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between Project Promoters and entities in the Donor State).

The Bilateral Fund will provide Networking Grants for Public Schools participating in a project selected through the main call for proposals. The Networking Grants will serve as knowledge transfer, collection and adaptation of best practices established in the Donor States in the field of awareness of and education in energy efficiency. NGOs active in the field of environmental protection, awareness of and education in energy efficiency will also be eligible to apply for Networking Grants (this constitute an exception to Article 3.6 of the Regulation).

The size of the grant shall not exceed € 1,500 per person, per travel and shall be reimbursed on the basis of costs actually incurred. The bilateral fund will be administrated by the Programme Operator and the Implementing Agency. The procedures for awarding support from the fund will be published on the Programme Operator's and the Implementing Agency's web page. The Selection Committee will evaluate applications submitted to this fund. Applications can be submitted after the main call for proposals has been published.

Funds shall also be set aside for activities that are organised by the Programme Operator and contribute to the objectives of the Programme with the primary aim of strengthening co-operation between the Programme Operator and similar entities within the Beneficiary States and the Donor States, and exchanging experiences and best practices related to the implementation of the Programme. Eligible activities shall include the Programme Operator's and other relevant stakeholders' participation in meetings and workshops organised by the Programme Operator or other Programme Operators, or in other events/seminars/activities agreed with the Donor States.

The eligibility of costs shall be in line with Article 7.7 of the Regulation.

5.2 Complementary action

Not Applicable.

5.3 Reserve for exchange rate losses

Not applicable.

5.4 Small Grant Schemes

Not applicable.

6. Pre-defined projects

Funds under the outcome budget lines remaining uncommitted after the conclusion of the selection procedure under the call for proposals "Improving Energy Efficient Public Schools" may be awarded to the pre-defined projects below, under the outcome "Increased Renewable Energy Production". Priority will be given to the projects which aim at the greatest reduction of CO2 emissions, as indicated in the list below. The National Focal Point shall ensure that no project receives funding from this Programme as well as the HU03 'Renewable Energy' Programme.

The Programme Operator shall, prior to awarding a grant to any of the pre-defined projects listed below, appraise the project in order to verify its quality and contribution to the objectives of the Programme as well as compliance with EU and national legislation. The National Focal Point shall notify the FMC of the result of each such appraisal.

In case the award of grants to the projects listed below, in accordance with the conditions listed above, creates a need for a transfer between the budget lines related to outcomes contained in Annex 1 to this Programme Agreement, the Programme Operator may proceed with such award of grants prior to the modification of the Programme Agreement. Following the award of all grants under the Programme, the National Focal Point shall, if necessary, submit a request for modification of the budget lines related to outcomes contained in Annex 1 to this Programme Agreement.

1. Project title: Creation of a biogas plant at Duna Ethanol Jsc
Project Promoter: DUNA-ETANOL Crop Production Jsc.
Budget: €31 million Euros
Grant rate: 11%
Target: Emission reduction/avoidance of 106 thousand tonnes CO2 per year

2. Project title: Heat production based on solid biomass at Duna-Ethanol Biofuel Plant
Project Promoter: DUNA-ETANOL Crop Production Jsc.
Budget: €10 million
Grant rate: 33%
Target: Emission reduction/avoidance of 27 thousand tonnes CO2 per year

3. Creation of a 1.6 MW production capacity biogas power plant in Balatonszabadi
Project Promoter: ENERGREEN Electricity Production and Commercial Ltd.
Budget: €4.9 million
Grant rate: 49%
Target: Emission reduction/avoidance of 10 thousand tonnes CO2 per year

4. Creation of a biogas plant at the city of Komló
Project Promoter: Komló Power Ltd.
Budget: €5.4 million
Grant rate: 49%
Target: Emission reduction/avoidance of 7 thousand tonnes CO2 per year

5. 2nd stage of biogas factory and powerplant at Kiskörös
Project Promoter: Bioenergy-Park Industrial and Commercial Service Ltd.
Budget: €4.3 million
Grant rate: 49%
Target: Emission reduction/avoidance of 6 thousand tonnes CO2 per year

6. Biogas factory of G&A Biogas and Algae Production Ltd
Project Promoter: G&A Biogas and Algae Ltd.
Budget: €4.4 million
Grant rate: 49%
Target: Emission reduction/avoidance of 6 thousand tonnes CO2 per year

7. Geothermal Energy at Hajdunánás
Project Promoter: Nánás-Therm Investor and Energy Ltd.
Budget: €3.7 million Euros
Grant rate: 49%
Target: Emission reduction/avoidance of 2 thousand tonnes CO2 per year

7. Modification of the programme

Any modifications of the programme will follow the rules in Article 2.9 of the programme agreement.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as version signed by the Programme Operator on 12 July 2012 and shall include all subsequent correspondence and communication between the NMFA, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.