

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Cultural heritage restored, renovated and protected

Output

Urban cultural heritage preserved

Output indicator(s)	Baseline	Target	Source of Verification
Number of restored, renovated buildings of urban heritage	0	4	project reporting, on-site monitoring, annual programme evaluation

Output

Increased access to indoor facilities with cultural functions

Output indicator(s)	Baseline	Target	Source of Verification
Area of indoor facilities with cultural functions made accessible to the public (sqm)	0	1200	project reporting, on-site monitoring, annual programme evaluation

Expected Outcome(s): Cultural history documented

Output

Increased public access to tangible cultural heritage

Output indicator(s)	Baseline	Target	Source of Verification
Number of items of tangible cultural heritage value made available to the public in electronic format	0	300	project reporting, electronically accessing the database

Output

Increased public access to intangible cultural heritage

Output indicator(s)	Baseline	Target	Source of Verification
Number of items of intangible cultural heritage value made available to the public in electronic format	0	25	project reporting, electronically accessing the database

Expected Outcome(s): Cultural heritage made accessible to the public

Output

Increased access to cultural and natural heritage sites

Output indicator(s)	Baseline	Target	Source of Verification
Number of rural cultural and natural heritage sites made accessible to the public	0	10	project reporting, on-site monitoring, annual programme evaluation

Output

Increased access to indoor facilities with cultural functions

Output indicator(s)	Baseline	Target	Source of Verification
Area of indoor facilities with cultural functions made accessible to the public (sqm)	0	800	project reporting, on-site monitoring, annual programme evaluation

Expected Outcome(s): Contemporary art and culture presented and reaching a broader audience

Output

Increased number of international arts and cultural projects

Output indicator(s)	Baseline	Target	Source of Verification
Number of cultural products created in bilateral cooperation	0	13	project reporting, programme evaluation

Output

Improved capacity of contemporary art and culture sector to participate in transnational cooperation

Output indicator(s)	Baseline	Target	Source of Verification
Number of bilateral capacity building activities	0	10	project reporting, programme evaluation

Expected Outcome(s): Awareness of cultural diversity raised and intercultural dialogue strengthened

Output

Increased acceptance towards cultural diversity

Output indicator(s)	Baseline	Target	Source of Verification
Number of projects stimulating intercultural dialogue (including Roma, Jewish and other ethnic and cultural minorities)	0	10	project reporting, programme evaluation

Output

Increased capacity to promote cultural diversity through dialogue

Output indicator(s)	Baseline	Target	Source of Verification
Number of capacity building activities focusing on promotion of cultural diversity	0	10	project reporting, programme evaluation

2. Conditions

2.1 General

- 1) Bilateral, outcome and output indicators shall be reported on in the annual report. Target values for indicators may be revised, with the approval of the FMC, in light of the results of the project selection process.
- 2) The Focal Point shall ensure that the Programme Operator shall discuss the use of the bilateral funds with the DPP in the Cooperation Committee, and within the parameters described in Annex II, Article 5.1.
- 3) The Focal Point shall ensure that the Programme Operator ensures that any revenues generated within projects are reinvested into the project's objectives.
- 4) The Focal Point shall ensure that the Programme Operator ensures that Project Promoters:
 - a. Keep any buildings purchased, constructed, renovated, regenerated 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;
 - b. Keep any buildings purchased, constructed, renovated, regenerated 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
 - c. 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 Focal Point shall warrant 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) The 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:

a. Keep any equipment purchased under the project 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;

b. Keep any equipment purchased 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

c. Set aside appropriate resources for the maintenance of any equipment purchased 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.

7) The 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.

8) The Focal Point shall ensure that the Programme Operator reports on funding towards Roma, Jewish and multicultural heritage of Hungary in, inter alia, the Annual and Final Programme Reports.

9) 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 regranting, is a resource for the Donor States and shall be reported on and reimbursed to the FMC in line with the procedures foreseen in Article 8.7 of the Regulation.

10) 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.

11) The Focal Point shall ensure the the Programme Operator ensures synergies with other relevant programmes.

12) A minimum of 5% of the allocation to calls for proposals supported by the Programme Area 'Conservation and Revitalisation of Cultural and Natural Heritage' shall be set aside for Jewish Cultural Heritage. Specifically, no less than €1,000,000 shall be allocated to projects related to Jewish cultural heritage selected under Measure 1 (Preservation of urban built heritage).

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): 22/04/2013-30/04/2017

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

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€14,844,706
Programme estimated eligible cost (€)	€14,844,706
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€12,618,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€1,209,164	€100,000
Cultural heritage restored, renovated and protected	€5,000,000	€0
Cultural history documented	€1,281,000	€0
Cultural heritage made accessible to the public	€4,000,000	€0
Contemporary art and culture presented and reaching a broader audience	€1,700,000	€0
Awareness of cultural diversity raised and intercultural dialogue strengthened	€1,269,000	€0
Fund for bilateral relations	€305,058	€40,000
Complementary action	€20,000	€0
Preparation of programme proposal	€60,484	€30,000
Reserve for exchange rate losses	€0	€0
	€14,844,706	€170,000

* The advance payment is composed of €144,500 in grant amount and €25,500 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	€102,779

3.5 Small Grant Scheme

Outcome	Contemporary art and culture presented and reaching a broader audience
Total Amount Reserved	€1,700,000
Grant Amount at Project Level	€25,000 – 200,000
Duration of the Project	1 – 36 months
Maximum Grant Rate at Project Level	90.00%
Outcome	Awareness of cultural diversity raised and intercultural dialogue strengthened
Total Amount Reserved	€1,269,000
Grant Amount at Project Level	€25,000 – 200,000
Duration of the Project	1 – 36 months
Maximum Grant Rate at Project Level	90.00%

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Prime Minister's Office 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 Norwegian Directorate for Cultural Heritage, Riksantikvaren (RA) is the Donor Programme Partner.

The Programme shall support projects in the measures listed below:

- 1) Preservation of urban built cultural heritage - including Jewish cultural heritage (Normal Grant Scheme/call for proposals);
- 2) Preservation of rural cultural heritage and natural surroundings (Normal Grant Scheme/call for proposals);
- 3) Digitalisation of cultural heritage (Normal Grant Scheme/call for proposals);
- 4) Promoting bilateral cooperation in contemporary arts (Small Grant Scheme/call for proposals)
- 5) Promoting intercultural – Roma/non-Roma – dialogue (Small Grant Scheme/call for proposals)

1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation.

For the Normal Grant Schemes, the following specifications apply to this programme:

- Preservation of urban built heritage: Public sector bodies, NGOs and religious organisations/churches, are eligible to apply as project applicants under the call for proposals.
- Preservation of rural cultural heritage and natural surroundings: Public sector bodies, NGOs and religious organisations/churches, are eligible to apply as project applicants under the call for proposals.
- Digitalisation of cultural heritage: Public and academic bodies are eligible to apply as project applicants under the call for proposals.

For the Small Grant Scheme, the following specifications apply:

- Promoting bilateral cooperation in contemporary arts: Cultural organisations (public, NGO) in Hungary are eligible to apply as project applicants under the call for proposals
- Promoting intercultural – Roma/non-Roma – dialogue: NGOs in Hungary are eligible to apply as project applicants under the call for proposals.

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 the case of the Normal Grant Scheme, in-kind contributions are not considered eligible expenditure. Under the Small Grant Scheme, in case of projects implemented by NGOs or social partners (in the meaning of Article 1.5.1(m) and Article 1.5.1(y) of the Regulation), in-kind contribution in the form of voluntary work may constitute up to 50% of the co-financing required by the programme for the project. For the purposes of calculating the value of in-kind contributions, one hour of voluntary work will be valued at 1/160 of the applicable monthly minimum wage, as determined by the Hungarian government.

b) By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new and/or 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.

c) Indirect costs in accordance with Article 7.4 of the Regulation will be considered eligible in projects funded under the SGS and shall be calculated according to a flat rate up to 20% 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:

The minimum amount of grant assistance applied for under the call for proposals for Measure 1 'Preservation of urban built

cultural heritage' is €500,000; the maximum amount is €1,000,000.

The minimum amount of grant assistance applied for under the call for proposals for Measure 2 'Preservation of rural cultural heritage and natural surroundings' is €200,000; the maximum amount is €500,000.

The minimum amount of grant assistance applied for under the call for proposals for Measure 3 'Digitalisation of cultural heritage' is €500,000; the maximum amount is €1,281,000.

Under the Small Grant Scheme the minimum amount of grant assistance applied for is €25,000; the maximum amount is €200,000.

2.2 Project grant rate:

Under the calls for proposals under Measures 1 to 3 (Normal Grant Scheme/call for proposals) grants from the programme will not exceed, as a proportion of the total eligible project costs:

- 100% in the case of project promoters that are central government bodies;
- 95% in the case of project promoters that are other public organisations;
- 90% in the case of project promoters that are NGOs in the meaning of Article 1.5.1(m) of the Regulation and/or religious organisations/churches.

Under the Small Grants Scheme the grant rate at project level will not exceed 90%.

The actual grant rates will be determined in accordance with Article 5.4.2 of the Regulation. The remaining costs of the project shall be provided or obtained by the Project Promoter.

The project grant rate shall in all cases 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.

3. Selection of projects

3.1 Selection procedures:

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 (including number of calls, duration of calls, and estimated size):

There shall be at least one call for proposals for the total re-granting amount of €5,000,000 under Measure 1 'Preservation of urban built cultural heritage'.

There shall be at least one call for proposals for the total re-granting amount of €4,000,000 under Measure 2 'Preservation of rural cultural heritage and natural surroundings'.

There shall be at least one call for proposals for the total re-granting amount of €1,281,000 under Measure 3 'Digitalisation of cultural heritage'.

There shall be at least two calls for proposals under each of the sub-themes of the Small Grant Scheme, in total making available the total re-granting amount of €2,969,000. A total of €1,700,000 shall be allocated to Measure 5 'Promoting bilateral cooperation in contemporary arts' and €1,269,000 to Measure 6 'Promoting intercultural – Roma/non-Roma – dialogue'.

First calls shall be launched no later than in the fourth quarter of 2013, with the exception of the call for proposals under measure 3 'Preservation of Jewish cultural heritage', which shall be launched no later than in the first quarter of 2014. The second round of calls for proposals under each sub-theme of the Small Grant Scheme shall be held no later than in the second quarter of 2014. A second call for the Normal Grant Schemes may be launched in case there are funds uncommitted as a result of the first call(s). All calls shall be open for at least 2 months.

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 and shall be discussed in the Cooperation Committee and shall be subject to the agreement of the Donor Programme Partner. Attention shall be paid to diversity perspectives, to Roma, Jewish, multicultural heritage and access of the disadvantaged to art and cultural heritage. The criteria shall be based on the proposal of the Programme Operator, and as a minimum contain the following general principles:

- compliance of the project objectives with programme objectives regarding improved access of disadvantaged groups, promotion of cultural diversity, promotion of bilateral cooperation;
- compliance of planned activities (both restoration and soft elements) with the project objectives;
- feasibility and quality of the project plan;
- sufficiency of management capacity;
- the project's economic and social sustainability;
- environmental considerations relevant to the implementation and sustainability of the project;
- identification of risks and mitigation strategy;
- identification of bilateral cooperation potential.

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 the Normal Grant Scheme and 75% in the case of the Small Grant Scheme. 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 working 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 Normal Grant Scheme, and in the range of €300 - €500 for the Small Grant Scheme. Expenditures falling below this threshold should be summarized and will be controlled during on-the-spot audits.

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. For projects awarded a grant from the programme exceeding €1,000,000 on-the-spot checks will be done on an annual basis. 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 Funds for bilateral relations

The use of funds for bilateral relations shall be agreed with the DPP and discussed in the Cooperation Committee, and within the parameters below.

Support under the Bilateral Fund will be available for activities under measure "A" (search for partners for donor partnership projects prior to or during the preparation of a project application, the development of such partnerships, and the preparation of an application for a Donor partnership Project), and measure "B" (networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between Project Promoters and entities in the Donor State).

70% of the total Bilateral Fund financing is channelled to measure "A". Within measure "A", no more than €32,000 shall be used for the planning and organizing of partnership seminar(s), to be held prior to the launch of the Calls for Proposals. The remainder of the funds within measure "A" shall be made available through open call(s). The Maximum grant per application is € 8,000. All reimbursements shall be based on actually incurred expenditure.

The Cooperation Committee shall be consulted on the content, participants and agendas for the partnership seminar(s) as well as on the modalities for granting support under measure "A".

30% of the total Bilateral Fund financing is channelled to measure "B". All promoters of approved projects will be able to receive support for establishing and maintaining cooperation networks, for the exchange of experience and knowledge, including visits to the partners and taking part in seminars and conferences. Only Project Promoters may implement activities under this measure. The Cooperation Committee shall be consulted on the modalities for granting support under measure "B".

The financing distribution between measures "A" and "B" is indicative and it is possible to review these distributions with the approval of the Cooperation Committee.

Applications can be submitted constantly (without specific deadlines) for measure "B" – until the funding is absorbed.

Costs under the two measures covered by the Bilateral Fund are eligible in accordance with Article 7.7 of the Regulation.

The grant rate under the Bilateral Fund is 100% for all applicants.

5.2 Complementary action

Complementary action under this programme shall be further defined by the Programme Operator in accordance with Article 7.11 of the Regulation. In particular, funds for complementary actions shall facilitate the participation of relevant stakeholders in events, seminars and activities agreed with the Donors. The use of the funds for complementary action shall be discussed and decided upon in the Cooperation Committee.

5.3 Reserve for exchange rate losses

Not applicable.

5.4 Small Grant Schemes

The Small Grant Scheme aims to foster cultural diversity and raise awareness on cultural cooperation between the Donor and

Beneficiary States. Secondly, it is aimed at the development of initiatives to contribute to the reduction of social disparities through access to culture with special attention for dialogue between the Roma and non-Roma communities.

The Small Grant Scheme shall make a total of €2,969,000 available to projects in this area. The budget will be split into two sub-themes:

- €1,700,000 for Promoting bilateral cooperation in contemporary art
- €1,269,000 for Promoting intercultural – Roma/non-Roma – dialogue

All calls within this scheme will be open for a minimum of 3 months.

The final project selection criteria to be applied shall be detailed in the framework of the Small Grant Scheme in accordance with Article 6.3 of the Regulation and shall be discussed in the Cooperation Committee and shall be subject to the agreement of the Donor Programme Partner. They shall be based on the proposal of the Programme Operator, and as a minimum contain the following general principles:

Selection criteria:

- applicant's capacity to implement the project;
- economic and social sustainability of project results;
- realistic activity plan and budget, and financing plan;
- confirmation of co-financing;
- inclusion of activities to create opportunities for the development of international cooperation and capacity development;

and

- enhancement of intercultural dialogue.

Donor partnerships are obligatory under the sub-theme 'Promoting bilateral cooperation in contemporary art'. Specifically, there must be at least one partner from the Donor States in each project receiving support thereunder.

A specific criterion will be used to assess projects' contribution to the improved access of disadvantaged groups.

6. Pre-defined projects

Not applicable.

7. Modification of the programme

Any modifications of the programme will follow the rules set forth in the Regulation and 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 the version signed by the Programme Operator on 12 July 2012 and shall include all subsequent correspondence and communication between the FMC, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.