

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Reduced production of waste and reduced emissions to air, water and ground

Output

Waste or hazardous waste management technologies developed

Output indicator(s)	Baseline	Target	Source of Verification
Number of waste/hazardous waste management technologies supported	0	6	Data from project promoters report, protocols on technology development, contracts on licensing or purchasing new technology.

Output

Technologies for air quality improvement developed

Output indicator(s)	Baseline	Target	Source of Verification
Number of air quality improvement technologies supported	0	5	Data from project promoters report, protocols on technology development, contracts on licensing or purchasing new technology.

Output

Technologies to improve water quality developed

Output indicator(s)	Baseline	Target	Source of Verification
Number of technologies improving water quality supported.	0	6	Data from project promoters report, protocols on technology development, contracts on licensing or purchasing new technology.

Expected Outcome(s): More use of environmentally friendly technologies

Output

Innovative environmental technologies in industry developed

Output indicator(s)	Baseline	Target	Source of Verification
Number projects with innovative environmental technologies supported	0	9	Data from project promoters report, protocols on technology development, contracts on licensing or purchasing new technology.

Output

Green products and/or material saving technologies developed

Output indicator(s)	Baseline	Target	Source of Verification
Number of projects developing green products and/or materials technologies, processes supported.	0	4	Data from project promoters report, protocols on technology development, contracts on licensing or purchasing new technology.

2. Conditions

2.1 General

- 1) Bilateral, outcome and output indicators shall be reported on in the annual report.
- 2) The use of funds for bilateral relations, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the Programme Operator in cooperation with the Donor Programme Partner and will be subject to the approval of the Cooperation Committee.
- 3) 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 NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.
- 4) 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.
- 5) The outcome indicators should be reviewed and submitted to the NMFA for approval prior to the first disbursement to projects selected in the call for proposals.
- 6) The National Focal Point shall ensure that Article 7.16 of the Regulation, as well as national and European Union law on public procurement are complied with at any level in the implementation of the programme and the projects. The National Focal Point shall, by way of the Programme Implementation Agreement, ensure that the Programme Operator maintains written records of all assessments concerning the organization of procurement procedures and compliance with procurement rules, and provides such records to the NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.
- 7) The National Focal Point shall ensure that the Programme Operator ensures coordination with the research programme (HU10) to avoid double funding and exploit synergies.
- 8) Any interest earned at any level on Norwegian 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 NMFA and shall be reported on and reimbursed to the NMFA in line with the procedures foreseen in Article 8.7 of the Regulation.
- 9) The NMFA shall be informed about the date of Selection Committee meetings no later than four weeks prior to the date of the meeting.

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

Not applicable.

3. Eligibility of costs**3.1 Eligibility of costs - period**

Eligibility of costs (excluding prog prep costs): 08/03/2013-31/12/2017

Eligibility of programme proposal preparation costs: 11/11/2011-07/03/2013

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€26,917,647
Programme estimated eligible cost (€)	€26,917,647
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€22,880,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€2,132,046	€150,000
Reduced production of waste and reduced emissions to air, water and ground	€16,970,000	€0
More use of environmentally friendly technologies	€7,300,000	€0
Fund for bilateral relations	€403,765	€65,000
Complementary action	€24,960	€4,000
Preparation of programme proposal	€86,876	€86,876
Reserve for exchange rate losses	€0	€0
Amount not agreed upon → Amount not agreed upon	€0	€0
	€26,917,647	€305,876

* The advance payment is composed of €259,995 in grant amount and €45,881 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	€181,224

3.5 Small Grant Scheme

Not applicable

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures:

The Szent István University 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.

Innovation Norway (IN) is the designated donor programme partner.

The objective of the Programme is to increase competitiveness of green enterprises, including greening of existing industries, green innovation and green entrepreneurship. The Programme shall be implemented by way of one call for proposals, with two sub-themes corresponding to the Programme's expected outcomes, as follows:

1) Sub-theme 1 "Reduced production of waste and reduced emissions to air, water and ground". Sub-theme 1 shall select projects within the following focus areas:

- Waste management and environmental remediation
- Water quality management
- Air quality

2) Sub-theme 2 "More use of environmentally friendly technologies"

The Programme shall support projects implementing and/or improving innovative green technologies/processes for internal use or to be sold as a product on the market.

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 small, medium and large enterprises 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. This exception shall not apply to equipment purchased by public entities.

The purchase of works (as defined by Article 1.2(b) of Directive 2004/18/EC of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts) by a public entity acting as project partner in a project is not eligible expenditure. Furthermore, no compensation can be given from a public entity acting as project partner to the project promoter for benefits arising from such partnerships

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 is € 170,000; the maximum amount is € 1,600,000.

2.2 Project grant rate:

The project grant rate 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 open call for proposals. The first call shall be launched no later than in the second quarter of 2013 and make available at least € 24,270,000. Of this amount, € 16,970,000 shall be allocated to projects under sub-theme 1 and € 7,300,000 shall be allocated to projects under sub-theme 2. The call shall be open for at least for 2 months. Should funds remain uncommitted as a result of the first call, a second call may be launched no later than in the first quarter of 2016 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 and shall be discussed in the Cooperation Committee and shall be subject to the agreement of the Donor Programme Partner. 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
- Professional quality (technology, indicators)
- Level of donor project partnership
- Management capacities
- Financial capacities
- Overall project design (feasible workplan, timeline, realistic budget, risk and risk mitigation plan etc.)
- Environment effect and sustainability
- Innovation level and degree of novelty
- Market and growth potential nationally and internationally

In case of projects implemented in partnership with public entities (at all levels, including local authorities), no regard shall be paid in the selection procedure to any economic benefit for the public entity partner.

4. Payment flows, verification of payment claims, monitoring and reporting**4.1 Payment flows:**

Payments to project promoters will be in the form of advance payments, interim payments and payments of the final balance.

Project Promoters have the possibility to request an advance payment not exceeding 30% of the grant amount. 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 specified in the Project Contract.

Interim payments will be based upon incurred costs. The Programme Operator has the possibility to withhold up to 10 % 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. 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 Fund for bilateral relations

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

Approximately 55% of the total Bilateral Fund financing is channelled to measure "A". This will focus on 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, including a 'matchmaking' seminar- organised by the Programme Operator.

Approximately 45% of the total Bilateral Fund financing is channelled to measure "B". (networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between Project Promoters and entities in the Donor State).

The use of funds for bilateral relations, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the Programme Operator in cooperation with the Donor Programme Partner and will be subject to the approval of the Cooperation Committee.

5.2 Complementary action:

Complementary actions in line with the Regulation shall be organised by the Programme Operator, in line with the objectives of the Programme, in order to strengthen co-operation between the Programme Operator and similar entities within the Donor States and the Beneficiary States. These will include the exchange of experience and best practice related to the implementation of the Programme. The further use of complementary actions shall be discussed and agreed in the Cooperation Committee.

5.3 Reserve for exchange rate losses:

Not applicable.

5.4 Small Grant Schemes:

Not applicable.

6. Pre-defined projects

Not applicable.

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.