

EEA Financial Mechanism
Memorandum of Understanding - Hungary

MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM
2009-2014

between

THE KINGDOM OF NORWAY,
ICELAND,
THE PRINCIPALITY OF LIECHTENSTEIN,
hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF HUNGARY
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

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WHEREAS Protocol 38b to the EEA Agreement, incorporated into the EEA Agreement by the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Financial Mechanism 2009-2014, establishes a financial mechanism (hereinafter referred to as the "EEA Financial Mechanism 2009-2014") through which the Donor States will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the EEA Financial Mechanism 2009-2014 aims to strengthen relations between the Donor States and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS by decision of the Standing Committee of the EFTA States No. 5/2010/SC of 9 December 2010 the Donor States have given the Financial Mechanism Committee, established by a decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004, a mandate to manage the EEA Financial Mechanism 2009-2014;

WHEREAS the enhanced co-operation between the Donor States and the Beneficiary State will contribute to securing a stable, peaceful and prosperous Europe, based on good governance, democratic institutions, the rule of law, respect for human rights and sustainable development;

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the EEA Financial Mechanism 2009-2014;

HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the EEA Financial Mechanism 2009-2014 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between the Donor States and the Beneficiary States through financial contributions in the priority sectors listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall endeavour to select for funding programmes that contribute to the achievement of these objectives.

2. The financial contributions shall be available in the following priority sectors:

- (a) Environmental protection and management;
- (b) Climate change and renewable energy;
- (c) Civil society;
- (d) Human and social development; and
- (e) Protecting cultural heritage.

Academic research may be eligible for funding in so far it is targeted at one or more of the priority sectors.

Article 2
Legal Framework

This Memorandum of Understanding shall be read in conjunction with the following documents which, together with this Memorandum of Understanding, constitute the legal framework of the EEA Financial Mechanism 2009-2014:

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- (a) Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014;
- (b) the Regulation on the implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8.8 of Protocol 38b;
- (c) the programme agreements that will be concluded for each programme; and
- (d) any guidelines adopted by the Financial Mechanism Committee in accordance with the Regulation.

Article 3
Financial Framework

1. In accordance with Article 2 of Protocol 38b, the total amount of the financial contribution is € 988.5 million in annual tranches of € 197.7 million over the period running from 1 May 2009 to 30 April 2014, inclusive.
2. In accordance with Article 5 of Protocol 38b, a total of € 70.100.000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.
3. In accordance with Article 8.7 of Protocol 38b and Article 1.8 of the Regulation, the management costs of the Donor States shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 64.842.500.

Article 4
Roles and responsibilities

1. The Donor States shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the Financial Mechanism Committee within the priority sectors listed in Article 3.1 of Protocol 38b and the programme areas identified in Annex B of this Memorandum of Understanding. The Donor States and the Beneficiary State may consult on possible and specific programmes before a formal programme proposal is submitted to the Financial Mechanism Committee.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2009-2014 in accordance with Annex B and the programme agreements.
3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2009-2014 and take decisions on the granting of financial assistance in accordance with the Regulation.
4. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the "FMO"). The FMO shall be responsible for the day-to-day operations of the EEA Financial Mechanism 2009-2014 and shall serve as a contact point.

Article 5
Designation of authorities

The Beneficiary State has authorised a National Focal Point to act on its behalf. The National Focal Point shall have the overall responsibility for reaching the objectives of the EEA Financial Mechanism 2009-2014 as well as for the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State in accordance with the Regulation. In accordance with Article 4.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and an appropriate national

entity responsible for the preparation and submission of irregularities reports are designated in Annex A.

Article 6 **Multi-annual Programming Framework**

1. In accordance with Article 2.1 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:

- (a) a list of agreed programme areas, the financial contribution from the EEA Financial Mechanism 2009-2014 by programme area;
- (b) identification of programmes, their main focus and outcomes, as appropriate, as well as any specific concerns relating to target groups, geographical areas or other issues;
- (c) identification of programme operators, if appropriate;
- (d) initiatives to strengthening the bilateral relations between the Donor States and the Beneficiary State, including the identification of programme areas in which donor partnership programmes as referred to in Article 3.2 shall be prepared, the designation of donor programme partners, the allocation of funds for such programmes, and programmes, or component thereof, that are dedicated exclusively to donor partnership projects;
- (e) in specific cases, the identification of pre-defined projects to be included in relevant programmes;
- (f) identification of small grant schemes, as appropriate.

2. The implementation framework is outlined in Annex B.

Article 7 **Annual meetings**

In accordance with Article 2.3 of the Regulation an annual meeting shall be held between the FMC and the National Focal Point. The annual meeting shall allow the FMC and the National Focal Point to examine progress achieved over the previous reporting period and agree on any necessary measures to be taken.

Article 8 **Modification of the annexes**

1. Annex A may be subject to review at the annual meetings. Amendments to Annex A agreed upon at the annual meetings do not require a formal change to this Memorandum of Understanding. Such amendments shall be confirmed through an exchange of letters between the FMC and the National Focal Point.

2. Annex B may be changed through an exchange of letters between the FMC and the National Focal Point.

Article 9 **Control and Access to Information**

The Financial Mechanism Committee, the EFTA Board of Auditors and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

Article 10
Governing Principles

1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.
2. The objectives of the EEA Financial Mechanism 2009-2014 shall be pursued in the framework of close co-operation between the Donor States and the Beneficiary State. The Parties agree to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2009-2014.
3. The Beneficiary State shall take proactive steps in order to ensure adherence to these principles at all levels involved in the implementation of the EEA Financial Mechanism 2009-2014.

Article 11
Entry into Force

Due to the constitutional requirements of the Republic of Hungary, this Memorandum of Understanding shall enter into force on the thirtieth (30th) day after the date of its last signature.

This Memorandum of Understanding is signed in four originals in the English Language.

Signed in on
For the Kingdom of Norway

Signed in on
For the Republic of Hungary

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Signed in on
For Iceland

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Signed in on
For the Principality of Liechtenstein

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National management and control structures

1. National Focal Point

The National Development Agency (NDA) shall act as the National Focal Point. The NDA is a central state administration body, operating under the direction of the Minister of National Development.

The NDA is responsible for ensuring the effective use of EU and other national and international funds. Its tasks include the preparation of long- and mid-term development plans and operational programmes, as well as the establishment of the institutional, financial and procedural rules necessary for the implementation of the different funding programmes.

The Managing Authority for International Co-Operation Programmes (MAICP) of the NDA shall be responsible for implementing the tasks of the National Focal Point. The President of the NDA appoints the Director General of the MAICP as the Head of the National Focal Point.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 4.3 thereof.

2. Certifying Authority

The Hungarian State Treasury (Treasury) shall act as the Certifying Authority. The Treasury is an independent legal entity within the central state administration, established by Legal Act. The Treasury is responsible for keeping a register of the implementation of the State Budget Act and exercises financial control.

The President of the Treasury shall act as the Head of the Certifying Authority. Within the Treasury, the Compliance Department and the Financial and Irregularity Reporting Department operating under the supervision of the Director for EU Funds shall be responsible for implementing the tasks of the Certifying Authority.

The President of the Treasury reports to the Minister for National Economy. The relationship of the Treasury with the Ministry for National Economy is coordinated by the Deputy State Secretary responsible for the Treasury who reports to the State Secretary for Public Finances of the Ministry for National Economy.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 4.5 thereof.

3. Audit Authority

The Directorate General for Audit of European Funds (DGAEF) shall act as the Audit Authority. The DGAEF is an independent legal entity within the central state administration, established by Legal Act.

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The DGAEF's activities include the performance of audit authority tasks regarding the support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund, and also the audit tasks defined by the Government regarding other European Union and international funds, including the EEA and Norwegian Financial Mechanisms. The Audit Authority performs its tasks in line with international audit standards and relevant provisions of European legislation.

The Director General of the DGAEF shall act as the head of the Audit Authority. The Director General of the DGAEF reports to the Minister for National Economy. The relationship of the DGAEF with the Ministry for National Economy is coordinated by the Deputy State Secretary responsible for the Treasury who reports to the State Secretary for Public Finances of the Ministry for National Economy.

The roles and responsibilities of the Audit Authority in respect of funding from the EEA FM are stipulated in the Regulation, in particular Article 4.6 thereof.

The Audit Authority is functionally independent of the National Focal Point and the Certifying Authority and all other institutions participating in the management and control of the EEA Financial Mechanism 2009-2014.

4. National public entity responsible for the preparation and submission of irregularities reports.

The National Focal Point shall be responsible for the preparation and submission of irregularities reports.

The roles and responsibilities of the National Focal Point in relation to preparation and submission of irregularities reports are stipulated in the Regulation, in particular Article 11.3 thereof.

5. Monitoring Committee

The Monitoring Committee shall be established within six months of the signing of the Memorandum of Understanding. Its role is stipulated in the Regulation, in particular Article 4.4 thereof.

6. The Role of the Implementing Agency

The National Focal Point shall assign certain responsibilities given to the Programme Operator under the Regulation to a single Implementing Agency. Such assignment shall be stipulated in the programme agreement, and be detailed in the programme implementation agreement. The Implementing Agency shall be a party to the programme implementation agreement. The role of the Implementing Agency shall not affect the responsibilities of the Programme Operator related to the policy, strategic and/or bilateral aspects of the implementation of the programme. In order to establish transparent, cost-efficient and harmonized management and control systems of the different programmes, the National Focal Point will endeavour to ensure that responsibilities assigned to the Implementing Agency are identical for all programmes. The expenditures incurred by the Implementing Agency related to the implementation of the assigned responsibilities shall be covered from the respective programme's management cost referred to in Article 7.1 of the

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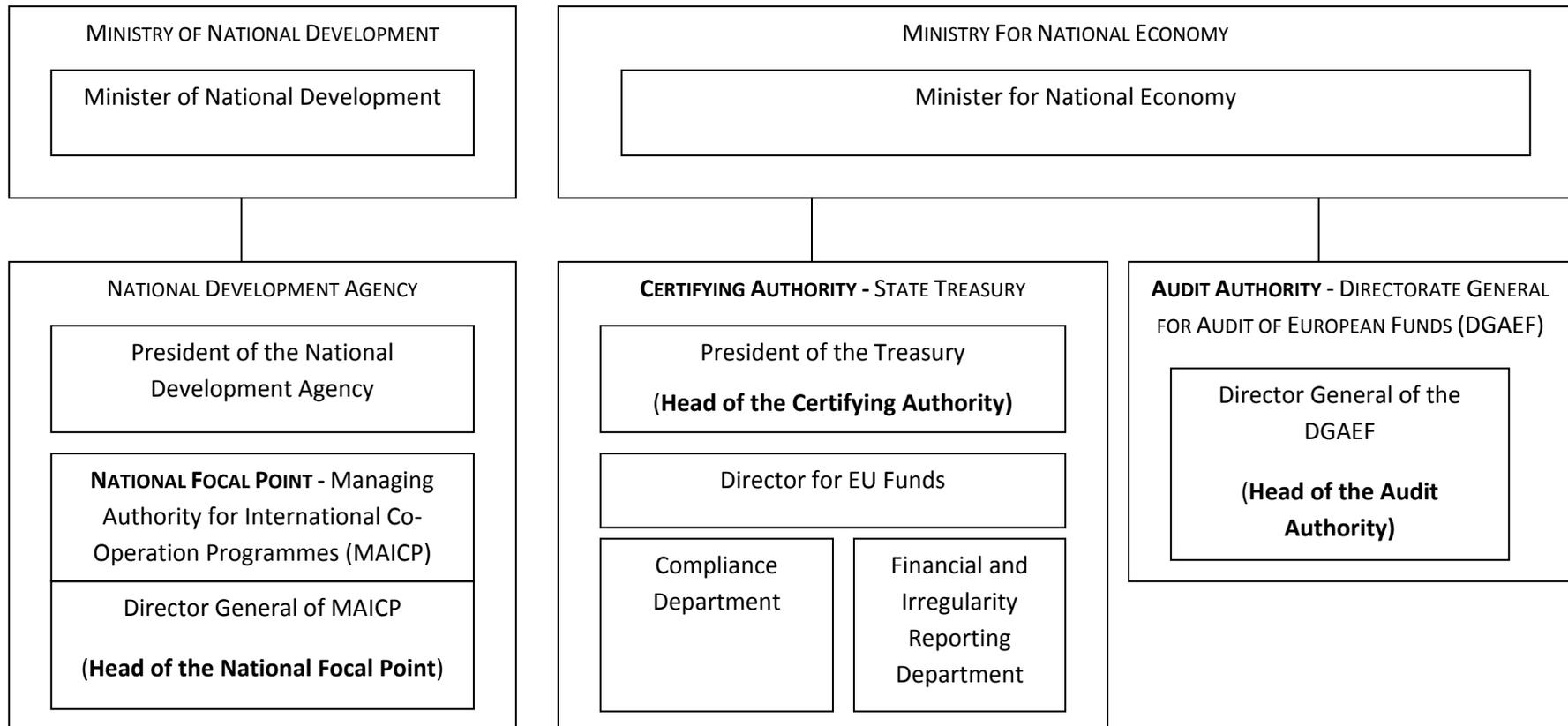
Regulation, in accordance with the programme agreement. Activities fulfilled and expenditures incurred by the Implementing Agency shall be clearly attributable to the programme to which they relate.

The National Focal Point shall select the Implementing Agency through a competitive tender procedure. Result of the selection shall be subject to approval by the FMC.

7. Strategic Report and annual meetings

In accordance with Article 2.2 of the Regulation, the National Focal Point shall annually submit to the FMC a Strategic Report on the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State. The Parties shall endeavour to hold the annual meeting in the month of April every year.

8. Organigram



Implementation framework

In accordance with Article 2.1 of the Regulation, the Parties to this Memorandum of Understanding have agreed on an implementation framework outlined in this annex.

1. Financial parameters of the implementation framework

Hungary	EEA FM contribution
Programme area	
Energy Efficiency	€ 8,412,000
Renewable Energy	€ 7,711,000
Adaptation to Climate Change	€ 7,010,000
Funds for Non-governmental Organisations	€ 12,618,000
Children and Youth at Risk	€ 11,216,000
Conservation and Revitalisation of Cultural and Natural Heritage	€ 11,216,000
Scholarships	€ 1,752,500
Other allocations	
Technical assistance to the Beneficiary State (Art. 1.9)	€ 1,051,500
Reserve for unforeseen developments (Art. 1.10.1)	€ 3,505,000
Fund for bilateral relations at national level (Art. 3.5.1)	€ 350,500
Net allocation to Hungary	€ 64,842,500

2. Specific concerns

Bilateral relations between the Donor States and Hungary shall be strengthened with the aim of stimulating long-term cooperation, in particular in the programme areas listed below with donor programme partners, as well as through other means such as partnership at project level in all programme areas supported.

The appraisal of Programme Proposals will take due account of relevant human rights- and governance-related standards of the Council of Europe (such as those monitored by CPT, GRECO, GRETA, ECRI etc.), including the Convention for the Protection of Human Rights and Fundamental Freedoms.

3. Substantive parameters of the implementation framework

The programmes described below are to be prepared and, subject to FMC approval, implemented in the Beneficiary State.

A. Programme Area: Energy Efficiency

<i>Programme:</i>	Energy Efficiency
<i>Objective:</i>	Reduced emissions of greenhouse gases and air pollutants
<i>Outcomes:</i>	Improved energy efficiency in buildings Improved capacity at national, regional and local level to undertake energy-efficiency measures Increased awareness of and education in energy efficiency
<i>Programme grant:</i>	€ 8,412,000
<i>Programme Operator:</i>	Managing Authority for Environmental Programmes of the National Development Agency

B. Programme Area: Renewable Energy

<i>Programme:</i>	Renewable Energy
<i>Objective:</i>	Increased share of renewable energy in energy use
<i>Outcomes:</i>	Increased renewable energy production Increased feed-in of renewable energy to existing energy infrastructures Improved capacity at national, regional and local level on renewable energy solutions Increased awareness of and education in renewable energy solutions
<i>Programme grant:</i>	€ 7,711,000
<i>Programme Operator:</i>	Energy Centre - Energy Efficiency, Environment and Energy Information Agency
<i>Donor programme partner:</i>	The Icelandic National Energy Authority (OS)
<i>Specific concerns:</i>	The programme shall focus on geothermal development, as well as increased awareness of and education in renewable energy through a specific small grant scheme.

C. Programme Area: Adaptation to climate change

<i>Programme:</i>	Adaptation to Climate Change
<i>Objective:</i>	Reduced human and ecosystem vulnerability to climate change
<i>Outcomes:</i>	Developed strategies and measures for adapting to a changing climate. Increased capacity to assess vulnerability to climate change Increased awareness of and education in climate change adaptation
<i>Programme grant:</i>	€ 7,010,000

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<i>Programme Operator:</i>	The Financial Mechanism Office (FMO) is entrusted with operating the Programme in line with Article 5.13 of the Regulation.
<i>Donor programme partner:</i>	The Norwegian Directorate for Civil Protection and Emergency Planning (DSB)
<i>Specific concerns:</i>	<p>The contribution from the EEA Financial Mechanisms 2009-14 shall be 100% of the eligible expenditure of the Programme.</p> <p>Co-financing shall be secured at project level.</p> <p>Relevant Hungarian governmental actors shall be invited to advise on the preparation and the implementation of the programme.</p>

D. Programme Area: Funds for Non-Governmental Organisations

<i>Programme:</i>	Fund for Non-Governmental Organisations
<i>Objective:</i>	Strengthened civil society development and enhanced contribution to social justice, democracy and sustainable development
<i>Programme grant:</i>	€ 12,618,000
<i>Programme Operator:</i>	The Financial Mechanism Office (FMO) is entrusted with operating the Programme in line with Article 5.13 of the Regulation. Appointment of the fund operator shall be consulted with the National Focal Point.
<i>Specific concerns:</i>	The Programme shall support NGO capacity building. At least one third of the programme allocation shall cover core areas of support. At least 10 % shall be allocated to children and youth-driven organisations and/or activities targeting children and youth. 10 % of the allocation shall target gender issues. Issues related to the Roma population shall be clearly targeted within this Programme.

E. Programme Area: Children and Youth at Risk

<i>Programme:</i>	Children and Youth at Risk
<i>Objective:</i>	Improved well-being of children and young people at risk
<i>Outcomes:</i>	<p>Quality of child welfare systems and protection measures effectively improved</p> <p>Effective and efficient measures addressing vulnerable groups of children and youth facing particular risks implemented</p> <p>Health and social care services provided to ensure equal access for children and youth</p>
<i>Programme grant:</i>	€ 11,216,000
<i>Programme Operator:</i>	Managing Authority for Human Resources Programmes of the National Development Agency

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Donor Programme Partner: Council of Europe

Specific concerns: The most vulnerable groups, including the Roma population, shall be targeted within this programme. Education and school attendance shall also be included in the Programme.

The Cooperation Committee shall include member(s) representing the relevant public institution(s) in charge of the policy area in question.

F. Programme Area: Conservation and Revitalisation of Cultural Heritage and Natural Heritage.

Programme: Conservation and Revitalisation of Cultural Heritage and Natural Heritage

Objective: Cultural and natural heritage for future generation safeguarded and conserved and made publicly accessible

Outcomes: Cultural heritage restored, renovated and protected
Cultural heritage made accessible to the public
Cultural history documented
Contemporary art and culture presented and reaching a broader audience

Programme grant: € 11,216,000

Programme Operator: Managing Authority for Regional Programmes of the National Development Agency

Donor programme partner: Norwegian Directorate for Cultural Heritage (RA)

Small grants scheme: Not less than 10 % of the total eligible expenditure of the programme shall be set aside for a small grants scheme for projects within cultural diversity and cultural exchange with the Donor States.

Specific concerns: The Hungarian National Office of Cultural Heritage shall be invited to advise on the preparation and the implementation of the programme and to facilitate networking between possible project partners and relevant stakeholders.

G. Programme Area: Scholarships

Programme: EEA Scholarship Programme

Objective: Enhanced human capital and knowledge base in the Beneficiary States

Programme grant: € 1,752,500

Programme Operator: Tempus Public Foundation

Donor programme partners: The Icelandic Centre for Research – RANNIS (Iceland), the National Agency for International Education Affairs – AIBA (Liechtenstein), and the Norwegian Centre for International Cooperation in Higher Education – SIU (Norway). SIU will function as lead Donor Programme Partner.