

**Summary of the MINUTES
of the 8th Monitoring Committee (MC) Meeting
of the
Interreg V-A Hungary-Croatia Co-operation Programme 2014-2020**

Date: 21 May 2019
Place: Noskovci, Croatia

Agenda Point 1: Welcome – Approval of the Agenda, technicalities

Mr Péter Kiss-Parciu, Head of Managing Authority, representing the Hungarian Ministry of Foreign Affairs and Trade, welcomed all the participants of the 8th meeting of the MC, thanked the Joint Secretariat (JS) and the hosting county for their support in the organisation of the meeting and pointed out the important topics up for discussion, especially the submission results of the 2nd Call for Proposals and the submitted strategic project proposals. He pointed out that strategic projects are used in other programmes in which Hungary is taking part, as it is an excellent way to focus on certain topics with special significance for the Member States and all stakeholders. The MC will be tasked with finding a good balance between the two, particularly with taking the limited funding available into consideration. Another significant topic for the meeting is the future of the programme and the setup of the legislative framework for the post-2020 programming period. Mr Kiss-Parciu wished for a fruitful discussion on all topics and for a successful meeting.

Mr Veljko Radić, representing the Ministry of Regional Development and EU Funds of Croatia and the National Authority of the Programme, thanked the JS and the MA for the organisation of the meeting and wished for a productive meeting. He stated that he will be especially interested to hear the details about the submission results of the 2nd Call for Proposal, as well as the following steps in the implementation of the Programme.

Ms Nikoletta Horváth, representing the Hungarian Ministry of Foreign Affairs, and acting as the Chairperson of the meeting on behalf of the Managing Authority, presented the draft Agenda to the participants of the meeting, and following an introductory round and establishing that the quorum for the meeting had been met, put the Agenda to vote. Since there were no objections to the amended Agenda, it was unanimously accepted.

MC Decision: Agenda approved.

Agenda Point 2: Information about the implementation of projects of the 1st Call for Proposals

Ms Zrinka Šajn, Financial Manager in the JS, presented the status of the implementation of projects selected for funding within the 1st Call for Proposals and activities of the JS since the last MC meeting.

Most of the projects (45) ended their implementation, with 8 more (non-strategic) projects still running. Most of the finalised projects still have the final reporting ahead of them, while the running projects still have one or two additional reports to be submitted.

So far 122 project reports have been processed by the Programme, with more than 80 of those being sent for completion (representing more than 70%). The learning curve for the Lead Beneficiaries (LB-s) was quite a steep one, but the quality of the reports has been improving with every new reporting period, with new information being regularly added to the FAQ document, available on the Programme's website.

So far 31% of the approved funding has been reported, and 92% of the reported amounts has been paid out to the LBs, however, larger projects including infrastructure investment are still only expected to report their larger expenses in the reports to follow.

The transfer of the funds was on average done within 16 days from the approval of the project report, which is a satisfactory speed.

The Chairperson reflected also on the liquidity of the Programme, which was ensured with regular sending of Applications for Payments to the European Commission (EC), the latest one being submitted on 2 May 2019 (containing approx. 1.5 mEUR), 90% of which will be provided by the EC to the Programme's bank account. The Desk Officer in charge of the Programme has been very helpful and the payment requests have been approved very quickly. The Programme has met its financial targets for this year, there is no danger of de-commitment at the moment.

Agenda Point 3: Information about the submitted project proposals in the 2nd CfP and on the IMIS 2014-2020 application module

The Chairperson informed the MC about the technical problems that occurred on the last day of the submission period for the Second Call for Proposals of the Programme. On 3 May 2019 around 14.20 the IMIS electronic platform had to be shut down during the final moments of submission and had to be restarted due to technical problems. Following consultations between the MA and the Croatian NA it was thereafter concluded that the principle of equal opportunities has to be kept, and that technical problems must not negatively influence the LB-s in the last steps of submission.

After the analysis of the situation several project proposals were identified which had been entered into the system on time, but which were stuck in the submission step. In line with the approach of safeguarding equal treatment, supported by both the MA and the Croatian NA, those projects were contacted and were offered a chance to submit their proposals at a scheduled re-opening of the system. Five additional projects were submitted on Friday, 17 May and on Monday, 20 May when the IMIS was re-opened just for these applicants, for a limited amount of time, to be able to finalise and submit.

Ms Šajn presented the final submission results of the Second Call for Proposals:

The total number of the submitted applications is 162, including the project proposals detailed above. The interest in the Call was very high, with almost four times as much EU funding requested (74,834,864.91 EUR), as was made available within the Call (20,837,783.00 EUR). Ms Šajn pointed out that the highest interest was within Component 2.1.2, dedicated to tourism attraction development, and in 4.1.2, dedicated to co-operation in primary- and secondary education.

The Chairperson pointed out the next steps in the Call for Proposal's implementation, first of which is assessment. A new approach will be applied, with the simplified formal and eligibility assessment preceding the quality assessment, to follow in the summer months. It will be interesting to see how the new system will reflect on the speed of implementation and on the overall implementation of the Programme.

The contracting of external experts for quality assessment has already been initiated, and we are looking forward to the results of the assessment process as soon as feasible.

Agenda Point 4: Modification of the Rules of Procedures related to pilot project selection

The Chairperson pointed out that the RoP has to be amended to reflect the most recent institutional changes in the system, i.e. the moving of the MA from the Prime Minister's Office to the Ministry of Foreign Affairs and Trade.

The RoP is also amended to reflect the demands of the EC regarding communication and visibility, the wording has to be taken from the Omnibus Regulation of the EC.

The discussion of and decision on the selection of pilot projects is also being included into the RoP, as they are projects selected under special circumstances.

A further change was initiated by the Audit Authority (AA) which requested to be relieved of the obligation to attend the MC meetings, as it is performing an ex-post audit of the Programme and its projects.

The MA amended the RoP to reflect the request of the AA, but has also requested a joint standpoint of both the AA and the Group of Auditors (GoA), in order to have a coherent approach to the issue on both the Hungarian and the Croatian side.

MC Decision: Modification of the Rules of Procedure is approved as proposed, except the provisions regarding the representation of the Audit Authority, which will only apply under the condition that a common agreement is negotiated between the MA, the Croatian NA and the AA about the involvement of the AA and the GoA in the work of the MC.

Agenda Point 5: Discussion and approval of the pilot project proposal of Pannon EGTC

Mr Szűcs reminded the members of the MC about the pilot project idea which was presented at the last meeting, and informed them about the steps taken in the meantime. Following the MC decision, a project fiche was developed and approved by the MC. Pannon EGTC has submitted a proposal, which was followed by several rounds of commenting and consultations of the MA, Croatian NA, JS and the partnership. The future LB has been invited to present the final proposal today and to answer any potential questions regarding the proposal.

Ms Livia Tóth and Mr András Göndöc, representing Pannon EGTC, presented the pilot project proposal for the elaboration of the joint cross-border strategy for the programme area.

Ms Tóth provided an overview of the EGTC’s structure and setup, as well as previous experience in implementing EU-funded projects. She continued by sharing the main data of the project proposal: the proposed timeline, budget and activities, as well as objectives and indicators. The project plans to have three and a half newly employed people, with some of the activities also to be carried out by contracted external experts.

Mr Göndöc ended the presentation by pointing out that the EGTC has been very active in the past year with opening four offices in the programme area (two in Hungary, two in Croatia), and that it already includes most of the border counties as the members of the General Assembly, as voting members. The aim is to have real and working co-operation among the members of the EGTC, which is not always an easy task. The EGTC wants to expand its capacities and create new local knowledge, which this project will contribute to.

Discussion

Note: Due to conflict of interests all the members of the MC except the MA, the Croatian NA and the representative of the Hungarian ministries were excluded from discussing and deciding on the proposal. The Chairperson reminded the MC members about the timeline for the elaboration of the new programming document, which should be started as soon as possible in order to meet the planned deadlines and not to endanger the programming process. In line with this, the Hungarian side would like to have the decision on the funding of the pilot project reached today. Conditional approval is also a possibility.

The Croatian side expressed a number of concerns regarding the proposal and requested detailed answers from the applicants, in order to ensure the quality results of the project.

The Chairperson put the MC Decision to the vote:

Hungarian voting members vote yes. 50% of the vote	Croatian voting members abstain. 50% of the vote
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No majority (50% of votes + 1 vote) could be reached for the supporting of the project at this time.

The Chairperson proposed the decision on the funding of the pilot project to be postponed until the answers to the questions and concerns expressed by the Croatian side are elaborated and incorporated into the Application Form. The JS should send to Pannon EGTC the transcript of today’s questions so that they can reflect on them in writing as soon as feasible. The updated Application Form will then be shared along with the minutes, and a written procedure will be launched to approve the funding of the pilot project.

MC Decision: The decision on the funding of the pilot project is postponed until the answers to the questions and concerns expressed by the Croatian side are elaborated and incorporated into the Application Form.

Agenda Point 6: Discussion of the strategic project proposal of NIF Zrt. / Mura EGTC

The Chairperson pointed out that the materials of the proposed strategic project (about the planning of a new bridge between Murakeresztúr, HU and Kotoriba, HR) have been circulated with the materials for the meeting. Keeping the practice of including the strategic projects into the Programme, first the project idea is discussed and a decision made about a further, more detailed elaboration of the proposal. Thus, there is no Application Form submitted to the MC yet and no assessment has been managed yet – first the mandate to further develop the idea is to be ascertained.

Discussion

Note: *Due to conflict of interests Međimurska County and the representative of the Hungarian ministries were excluded from discussing and deciding on the proposal.*

The Croatian side is reluctant to make a decision about the project at this point, as a more serious commitment from the relevant national authorities is needed, as well as the inclusion of several relevant bodies.

The Croatian side would not like to see a project financed without any tangible results to be expected. A similar project has already been financed, but there are no guarantees that it will ever be realised. Without strong commitment from the national ministries the Croatian side cannot approve the project.

The Chairperson put the MC Decision to the vote:

Hungarian voting members vote yes. 50% of the vote	Croatian voting members abstain. 50% of the vote
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No majority (50% of votes + 1 vote) could be reached for the supporting of the project.

The Chairperson proposed the decision on the funding of the pilot project to be postponed until stronger commitment is ensured by both Member States' side on the level of central government, as well as until the involvement of more relevant partners in line with the national-level legislation is ensured. When the two conditions are met, the Decision can be made via written procedure, but before the results of the 2nd Call for Proposals.

MC Decision: **The decision on the funding of the strategic project of NIF Zrt. and Mura EGTC is postponed until the two conditions set by the MC are met.**

Agenda Point 7: Discussion of the strategic project proposal of Zala County

The Chairperson pointed out that the materials of the proposed strategic project (containing the construction of bicycle roads) have been circulated with the materials for the meeting and that, keeping the practice of including the strategic projects into the Programme, first the project idea is discussed and a decision is made about further, more detailed elaboration of the proposal. Thus, there is no Application Form submitted to the MC yet and no project assessment has been done. First the mandate to further develop the idea is to be ascertained.

Discussion

Note: Due to conflict of interest all MC members except the MA, Croatian NA, Baranya County, Osječko-baranjska County and Virovitičko-podravaska County were excluded from discussing and deciding on the proposal.

The Croatian side finds that there is no strategic or cross-border relevance to the project and no relevant outputs are proposed.

The Chairperson put the MC Decision to the vote:

Hungarian voting members vote yes. 50% of the vote	Croatian voting members vote no. 50% of the vote
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No majority (50% of votes + 1 vote) could be reached for the supporting of the project.

MC Decision: The proposal for supporting the detailed elaboration of a strategic project called 'EV13 Cycling Network' with the LB of Zala County is rejected.

Agenda Point 8: Discussion and approval of the draft Annual Implementation Report

The Chairperson presented the draft Annual Implementation Report to the MC members, pointing out the most important features. The report summarizes the implementation of the Programme in the year 2018.

While for the most part there are no serious issues with the report, the Programme seems to be lagging behind with some of the indicators. However, there are no sanctions in case they are underperforming. The Chairperson also informed the MC that the EC has allowed for the Beneficiary-level spending reports to be included in the overall sending report, so even better numbers could be reported as regards the financial implementation of the Programme.

MC Decision: The draft Annual Implementation Report of the Programme for the year 2018 is approved.

Agenda Point 9: Discussion and approval of the draft report of the First Phase Evaluation of the Programme

Mr Gyula Ocskay, representing external expert company CESCI, in charge of the on-going evaluation of the Programme, presented the results of the first phase of this evaluation. Mr Ocskay explained the methodology used in the creation of the report and pointed out the main issues observed. He remarked that the report has been through several rounds of commenting and was completely restructured so as to be more easily understood, making the recommendations clearer and more relevant to the border area.

Some of the key findings of the report include:

- Economy is a key issue in the region.
- Main strength of the region is the potential for developing tourism, however, the permeability of the border is very low – border crossings every 49 km. (The Programme is too small in financial terms to influence the problem.)
- Some regions are worse off than before the start of implementation of the Programme.
- Majority of the projects has very low real cross-border effect/nature. There is a lot of cooperation but not much real cross-border projects.
- Many barriers exist to cooperation: poor permeability of the border, language barrier.
- Weak complementarity of the cross-border area is an issue, however the stakeholders do not find it relevant.
- Co-operation is very intense in areas where there are border crossings, not much elsewhere. The situation with the concentration of the funding is the same, with almost no funding allocated to Somogy County.
- Communication with the Beneficiaries is overall satisfactory, information provided is relevant.

The report includes recommendations related to:

- Planning of the next programming period,
- Formal structures,
- Priorities,
- Communication,
- Management.

Agenda Point 10: Discussion and approval of the modified manuals of the 'B-Light Scheme', subject to Written Procedure 13

The Chairperson pointed out that the Agenda Point was the subject of Written Procedure 13, but given that some concerns were expressed by one of the Croatian counties, the discussion is brought before the MC in today's meeting.

The representative of Koprivničko-križevačka County argued against the proposed change in the assessment process of SME project proposals, pointing out that it should not be undertaken in the midst of a Call for Proposals. This is in line with the recommendation of the AA when the changes to assessment were proposed to the 1st Call for Proposals.

However, as the Chairperson explained, the aim here is not to change any aspect or criteria for the assessment, but to re-shuffle the actors taking part in it, in order to ensure that the best quality projects are selected. The whole scheme is a novelty in the Programme, and so is the applied assessment procedure, therefore improvements should be considered.

Ms Andrea Kakas, responsible Programme Manager in the JS, presented the status of strategic project 'Beneficiary Light Scheme', pointing out the major milestones in its implementation so far, with the focus on the three Calls for Proposals within the scheme.

Mr János Rakonczi, Financial Manager in the JS, mentioned that the proposed modifications will represent an additional workload for the JS, but since there were problems observed in the assessment process, it is necessary to safeguard the principle of equal treatment and of funding the best quality project proposals. What the LB of the strategic project and the whole programme implementing structure has learned from the assessment process is that the Programme should be more involved into the assessment, in order to achieve more balanced and better projects and less risk for later implementation.

MC Decision: The modified manuals of the 'B-Light Scheme', as presented in Written Procedure 13, are approved in the interest of raising overall project quality.

Agenda Point 11: Approval of the template of the Partnership Agreement to be signed with selected SME-s in the B-Light Scheme

The Chairperson presented the Partnership Agreement template to the members of the MC, pointing out that several technical corrections are still to be made during the commenting round, with the final version of the documents with changes tracked to be made available along with the minutes of the meeting.

MC Decision: The template for the Partnership Agreement to be signed with the SME-s joining the B-Light Scheme is approved, with the changes still effected and highlighted in the version circulated with the meeting minutes.

Agenda Point 12: Decision on the prolongation request of project HUHR/1601/2.2.1/0004

Ms Kakas presented the request submitted by project 'Red Faith' (HUHR/1601/2.2.1/0004). Due to the late start of implementation, the project which aims at environmental restoration missed one vegetation period, which is essential for the achievement of envisaged results. The project therefore is asking for a prolongation of the original implementation period, by four months.

Note: Due to conflict of interests Baranya County was excluded from discussion and voting on this topic.

MC Decision: The prolongation of the project implementation period for project 'Red Faith' (HUHR/1601/2.2.1/0004) by four months is approved.

Agenda Point 13: Any other business

- *Communication activities of 2018, follow-up on connecting the Programme with the KEEP database*

Mr Tvrško Čelan, Programme and Communication Manager in the JS, pointed out that the communication activities implemented by the Programme in 2018 are part of the Annual Implementation Report and have been presented earlier in the meeting.

He referred to the Annual Communication Plan for 2019, to be provided alongside the minutes, which mostly concentrates on the activities connected to the launch of the 2nd Call for Proposals and the events planned with the remaining still running projects from the 1st Call, which are to be supported in celebrating European Co-operation Day in September.

The Chairperson informed the MC that the Programme is in regular contact with INTERACT which is in charge of the KEEP data base – an on-going discussion is taking place regarding how to contribute with data, and by September 2019 the automatic provision of content from IMIS to KEEP should be settled.

- *Information about the closure of the Hungary-Croatia (IPA) CBC Programme 2007-2013*

The Chairperson informed the MC that the EC has closed the Hungary-Croatia (IPA) Cross-border Co-operation Programme 2007-2013. After several rounds of explanations and matching of financial data, the Retention Letter was received with the final closing date after which the three years retention period lasts. The financial settlements will be handled between the two Member States. Having received the retention letter, the JS will contact the closed projects with the relevant information. Hungarian Beneficiaries will have additional obligations in relation to the national contribution, so the JS will coordinate with the FLC colleagues as well.

- *Information about a vis maior case affecting the project 'Two Rivers One Goal'*

Mr Čelan informed the MC about a vis maior event that affected the 'Two Rivers One Goal' project, implemented within the 1st Call for Proposals. Most of the activities have been completed and reported. An explosion happened on the site of the investment on Monday, 18 March 2019, after all the project activities have finished.

Unfortunately one person lost their life. The cause is not yet determined, but it is clear that the whole building has to be demolished and rebuilt on another site. The building would be rebuilt on another site within 2 years, which will be checked in follow-up reports.

- *Information about the planning of the 2021-2027 financial perspective's HU-HR programme*

The Chairperson informed the MC that the Task Force will be set up for the programming of the next period to begin as soon as possible, probably in September or October 2019. The setup on the Hungarian side would be similar as before, with only those ministries included that have a coordination portfolio – specific ministries only after the definition of thematic objectives.

As many as possible activities would be handled internally. A letter will be sent to the Croatian NA to nominate the members from the Croatian side. Only one public procurement is to be used for the Strategic Environmental Assessment for all ERDF-financed programmes managed by Hungary, and the preparations have been initiated.

The Chairperson thanked the participants for the active discussion and all the contributions.

The Chairperson adjourned the meeting.