MEMORANDUM OF UNDERSTANDING

ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM

2014-2021

Between

ICELAND,

THE PRINCIPALITY OF LIECHTENSTEIN,

THE KINGDOM OF NORWAY,

hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF LITHUANIA,

hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

WHEREAS Protocol 38c 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 2014-2021, establishes a financial mechanism (hereinafter referred to as the "EEA Financial Mechanism 2014-2021") 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 2014-2021 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. 2/2016/SC of 2 June 2016 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 2014-2021;

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 2014-2021;

HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the EEA Financial Mechanism 2014-2021 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) Innovation, research, education and competitiveness;

(b) Social inclusion, youth employment and poverty reduction;

(c) Environment, energy, climate change and low carbon economy;

(d) Culture, civil society, good governance, fundamental rights and freedoms; and

(e) Justice and home affairs.

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 2014-2021:

(a) Protocol 38c to the EEA Agreement on the EEA Financial Mechanism 2014-2021;

(b) the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 10.5 of Protocol 38c;

(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 2.1 of Protocol 38c, the total amount of the financial contribution is € 1,548,150,000 in annual tranches of € 221,160,000 over the period running from 01/05/2014 to 30/04/2021, inclusive.

2. In accordance with Article 6 of Protocol 38c, a total of € 56,200,000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.

3. In accordance with Article 3.2.b) of Protocol 38c, 10.00 % of the total amount referred to in paragraph 2 shall be set aside for a fund for civil society.

4. In accordance with Article 10.4 of Protocol 38c and Article 1.9 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 € 51,985,000.

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 38c and the programme areas listed in the Annex to Protocol 38c. The Donor States and the Beneficiary State shall cooperate on the preparation of concept notes defining the scope and planned results for each programme.

2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2014-2021 in accordance with Annex B and the programme agreements.

3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2014-2021 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 2014-2021 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 2014-2021 as well as for the implementation of the EEA Financial Mechanism 2014-2021 in the Beneficiary State in accordance with the Regulation. In accordance with Article 5.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and the Irregularities Authority are designated in Annex A.

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.5 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:

(a) a list of agreed programmes and the financial contribution from the EEA Financial Mechanism 2014-2021 by programme;

(b) identification of programmes, their objective, their main focus, as appropriate, the grant rate by programme, the bilateral ambitions as well as any specific concerns relating to target groups, geographical areas or other issues;

(c) identification of programme operators, as appropriate;

(d) identification of Donor Programme Partners, as appropriate;

(e) identification of International Partner Organisations, as appropriate;

(f) identification of pre-defined projects to be included in relevant programmes.

2. The implementation framework is outlined in Annex B.

Article 7
Fund for bilateral relations

In accordance with Article 4.6 of the Regulation the Beneficiary State shall set aside funds to strengthen bilateral relations between the Donor States and the Beneficiary State. The National Focal Point shall manage the use of the fund for bilateral relations and shall establish a Joint Committee for Bilateral Funds in accordance with Article 4.2 of the Regulation.

Article 8
Annual meetings

In accordance with Article 2.7 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. The annual meeting shall provide a forum for discussion of issues of bilateral interest.

Article 9
Modification of the annexes

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

Article 10
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 11
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 2014-2021 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, partnership and multi-level governance, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2014-2021.

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 2014-2021.

4. No later than 31/12/2020, the Parties to this Memorandum of Understanding shall review progress in the implementation of this Memorandum of Understanding and thereafter agree on reallocations within and between the programmes, where appropriate. The conclusion of this review shall be taken into account by the National Focal Point when submitting the proposal on the reallocation of the reserve referred to in Article 1.11 of the Regulation.

Article 12
Entry into Force

This Memorandum of Understanding shall enter into force on the day after the date of its last signature.

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

Signed in Brussels on 18/04/2018
For Iceland

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Signed in Vilnius on 24/04/2018
For the Republic of Lithuania

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Signed in Brussels on 17/04/2018
For the Principality of Liechtenstein

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Signed in Vilnius on 24/04/2018
For the Kingdom of Norway

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ANNEX A

National management and control structures

1. National Focal Point

The Investment Department (ID) of the Ministry of Finance shall act as the National Focal Point.
The ID is a separate Department within the ministry and reports to the vice-minister, responsible for Financial Services, International Financial Assistance and EU Investments. The Director of the ID shall act 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 5.3.

2. Certifying Authority

The Expenditure Conformity Assessment and Declaration Department (ECADD) of the Ministry of Finance shall act as the Certifying Authority.
The ECADD is a separate Department within the ministry which reports to the Minister of Finance. The Director of the ECADD shall act as the Head of the Certifying Authority.
The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof with the following exception: obligations related to the establishment and maintenance of the bank account referred to in paragraph 2 of Article 5.4 of the Regulation shall be undertaken by the State Treasury Department of the Ministry of Finance. The State Treasury Department shall have no discretion with regard to the financial transfers, which shall be made strictly according to the pre-defined procedures in compliance with the Regulation and relevant national law.

3. Audit Authority

The Centralised Internal Audit Division of the Ministry of Finance shall act as the Audit Authority. The Centralised Internal Audit Division is a separate administrative unit of the Ministry of Finance directly reporting to the Minister of Finance.
The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 5.5 thereof.
The Audit Authority shall be functionally independent of the National Focal Point and the Certifying Authority.

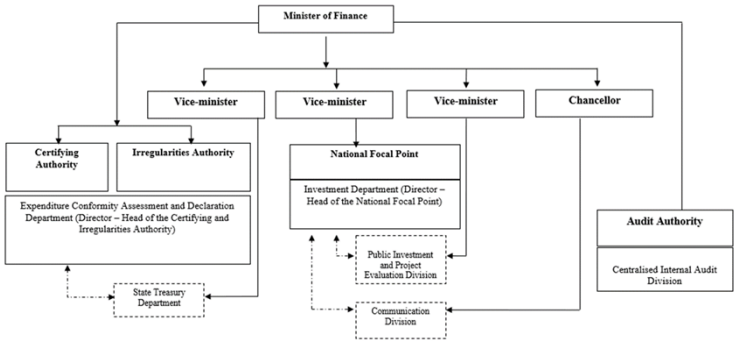
4. Irregularities Authority

The Expenditure Conformity Assessment and Declaration Department (ECADD) of the Ministry of Finance shall be responsible for the preparation and submission of irregularities reports. The ECADD is a separate Department within the ministry which reports to the Minister of Finance. The Director of the ECADD shall act as the Head of the Irregularities Authority.
The roles and responsibilities of the Irregularities Authority are stipulated in the Regulation, in particular Article 12.3 thereof.

5. Strategic Report

In accordance with Article 2.6 of the Regulation, the National Focal Point shall annually submit to the FMC a Strategic Report on the implementation of the EEA Financial Mechanism 2014-2021 in the Beneficiary State. The Strategic Report shall be submitted to the FMC at least two months before the annual meeting unless otherwise agreed.

6. Organigram



ANNEX B

Implementation framework

In accordance with Article 2.5 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

	Lithuania	**EEA Grants contribution**	**National contribution**
	Programmes		
1	Research	€ 10,757,000	€ 1,898,294
2	Health	€ 14,711,683	€ 2,596,179
3	Culture	€ 6,421,292	€ 1,133,170
4	Civil Society	€ 9,000,000	N/A
5	Justice and Home Affairs	€ 8,000,000	€ 1,411,765
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 1,016,591	N/A
	Reserve (Art. 1.11)	€ 0	N/A
	Reserve for completion of projects under FM 2009-2014 (Art. 1.12)	N/A	N/A
	Fund for bilateral relations (Art. 4.6.1)	€ 2,078,434	N/A
	Net allocation to Lithuania	**€ 51,985,000**	**€ 7,039,408**

2. Specific concerns

Bilateral relations between the Donor States and Lithuania shall be strengthened with the aim of stimulating and developing long-term cooperation within all areas listed in the Annex to Protocol 38c. It is also an ambition to strengthen bilateral cooperation at political level and European level in areas of common interest.

3. Substantive parameters of the implementation framework

The programmes described below are to be implemented subject to the approval of the FMC, in accordance with Article 6.3 of the Regulation.

A. Programme Research

Programme objective: Enhanced research-based knowledge development
Programme grant: € 10,757,000
Programme co-financing: € 1,898,294
Programme Operator: Research Council of Lithuania

Donor Programme Partners(s): Research Council of Norway (RCN)
Directorate for Higher Education and Skills (HK-DIR)
National Agency for International Education Affairs (AIBA)

Programme area(s): Research

Special-concerns: The Ministry of Education, Science and Sport of Lithuania shall be Programme Partner and shall be actively involved in and effectively contributing to the development and implementation of the programme.

At least 95% of the total allocation of the programme, excluding management costs, shall be set aside for the 'Baltic Research

	Programme', aiming at developing a regional research hub in the Baltic Region. Support for mobility of researchers shall be part of the programme.
Bilateral ambitions:	€ 100,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

B. Programme Health

Programme objective:	Improved prevention and reduced inequalities in health
Programme grant:	€ 14,711,683
Programme co-financing:	€ 2,596,179
Programme Operator:	Central Project Management Agency (CPMA)
Donor Programme Partners(s):	Norwegian Directorate of Health (HDIR)
Programme area(s):	European Public Health Challenges Children and Youth at Risk
Special-concerns:	The Ministry of Health of Lithuania and the Ministry of Social Security and Labour of Lithuania shall be Programme Partners and shall be actively involved in and effectively contribute to the development and implementation of the programme. They shall, inter alia, be actively involved in policy issues and in facilitating bilateral cooperation. The programme shall provide support for mental health promotion and prevention measures with particular emphasis on the well-being of children and youth and their families. The programme shall focus mainly on soft measures. A maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) shall be identified in the concept note. Bilateral cooperation with partners from the Donor States shall be encouraged.
Bilateral ambitions:	€ 100,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

C. Programme Culture

Programme objective:	Social and economic development strengthened through cultural cooperation, cultural entrepreneurship and cultural heritage management
Programme grant:	€ 6,421,292
Programme co-financing:	€ 1,133,170
Programme Operator:	Central Project Management Agency (CPMA)
Donor Programme Partners(s):	Norwegian Directorate for Cultural Heritage (RA) Arts and Culture Norway (ACN)

Programme area(s):	Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation
Special-concerns:	The Ministry of Culture of Lithuania shall be Programme Partner and shall be actively involved in and effectively contribute to the development and implementation of the programme. It shall, inter alia, be actively involved in policy issues and in facilitating bilateral cooperation. The programme shall stimulate local development and regeneration through support for cultural, creative and cultural heritage revitalization activities that involve and empower local communities, ensure social inclusion and anti-discrimination and cross-sector partnerships. Approximately 20% of the total eligible expenditure of the programme shall be set aside for cultural cooperation and exchange between the Donor States and Lithuania. No more than 40% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures).
Bilateral ambitions:	€ 100,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

D. Programme Civil Society

Programme objective:	Civil society and active citizenship strengthened and vulnerable groups empowered
Programme grant:	€ 9,000,000
Programme co-financing:	Not-applicable
Programme Operator:	The Financial Mechanism Office in accordance with Article 6.13 of the Regulation.
Programme area(s):	Civil Society

The programme will be implemented in conjunction with the programme Civil Society implemented under the Norwegian Financial Mechanism 2014-2021.

E. Programme Justice and Home Affairs

Programme objective:	Strengthened rule of law
Programme grant:	€ 8,000,000
Programme co-financing:	€ 1,411,765
Programme Operator:	Central Project Management Agency (CPMA)
Donor Programme Partners(s):	Norwegian Ministry of Justice and Public Security (NMOJ) Directorate of Norwegian Correctional Service (KDI) Norwegian Courts Administration (DA) National Police Directorate (POD)
International Partner Organisation(s):	Council of Europe (CoE)
Programme area(s):	Effectiveness and Efficiency of the Judicial System, Strengthening Rule of Law

Good Governance, Accountable Institutions, Transparency

Special-concerns:

The Ministry of Justice of Lithuania, the Ministry of Interior of Lithuania, the National Courts Administration of Lithuania and the Prosecution General's Office of Lithuania shall be Programme Partners and shall be actively involved and effectively contribute to the development and implementation of the programme. They shall, inter alia, be actively involved in policy issues and in facilitating bilateral cooperation.

The programme shall include measures to increase the use of alternative sanctions to imprisonment.

Synergies between the programme area within this programme and the programme areas within the programme "Justice and Home Affairs" implemented under the Norwegian Financial Mechanism 2014-2021 shall be ensured to strengthen the justice chain, inter alia by strengthening access to justice, the use of alternative sanctions to imprisonment and fight against gender-based violence. Interaction and cooperation with relevant civil society organisations shall be encouraged.

The total eligible expenditure of the programme, excluding management costs, shall be allocated to programme area 'Effectiveness and Efficiency of the Judicial System, Strengthening Rule of Law', including a possible prosecution component. The possibility of predefining projects focusing on addressing the concept of European judicial culture and the European Convention on Human Rights, shall be explored when developing the concept note.

There is an ambition that no more than 60% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures).

Bilateral ambitions:

€ 75,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

The programme will be implemented in conjunction with the programme Justice and Home Affairs implemented under the Norwegian Financial Mechanism 2014-2021.