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 CROATIA,

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 € 56,800,000 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 € 52,540,000.

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 28/06/2018
For Iceland

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Signed in Zagreb on 03/07/2018
For the Republic of Croatia

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Signed in Brussels on 28/06/2018
For the Principality of Liechtenstein

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Signed in Zagreb on 03/07/2018
For the Kingdom of Norway

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ANNEX A

National management and control structures

1. National Focal Point

The Service for EU Programmes Coordination and Programming of International Financial Mechanisms shall act as the National Focal Point.
The Service for EU Programmes Coordination and Programming of International Financial Mechanisms is subordinated to the Sector for EU Programmes and International Financial Mechanisms, within the Directorate for Strategic Planning and Coordination of EU Funds in the Ministry of Regional Development and EU Funds.
The Service for EU Programmes Coordination and Programming of International Financial Mechanisms reports to the State Secretary, who reports to the Minister, who acts 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 thereof.

2. Certifying Authority

The Sector for the National Fund within the State Treasury, within the Ministry of Finance shall act as the Certifying Authority. The State Treasury is an administrative organisation in the Ministry of Finance.

The Sector for the National Fund reports directly to the Assistant Minister and State Treasurer who shall act as the Head of the Certifying Authority. The State Treasurer is accountable to the Minister of Finance.
The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof.

3. Audit Authority

The Agency for the Audit of European Union Programmes Implementation System (ARPA) shall act as the Audit Authority.
ARPA has the capacity of a legal person and is functionally independent from all other authorities and bodies that participate in the management and implementation of the EEA and Norwegian Financial Mechanisms.
The Director of ARPA shall be the Head of the Audit Authority.
The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 5.5 thereof.

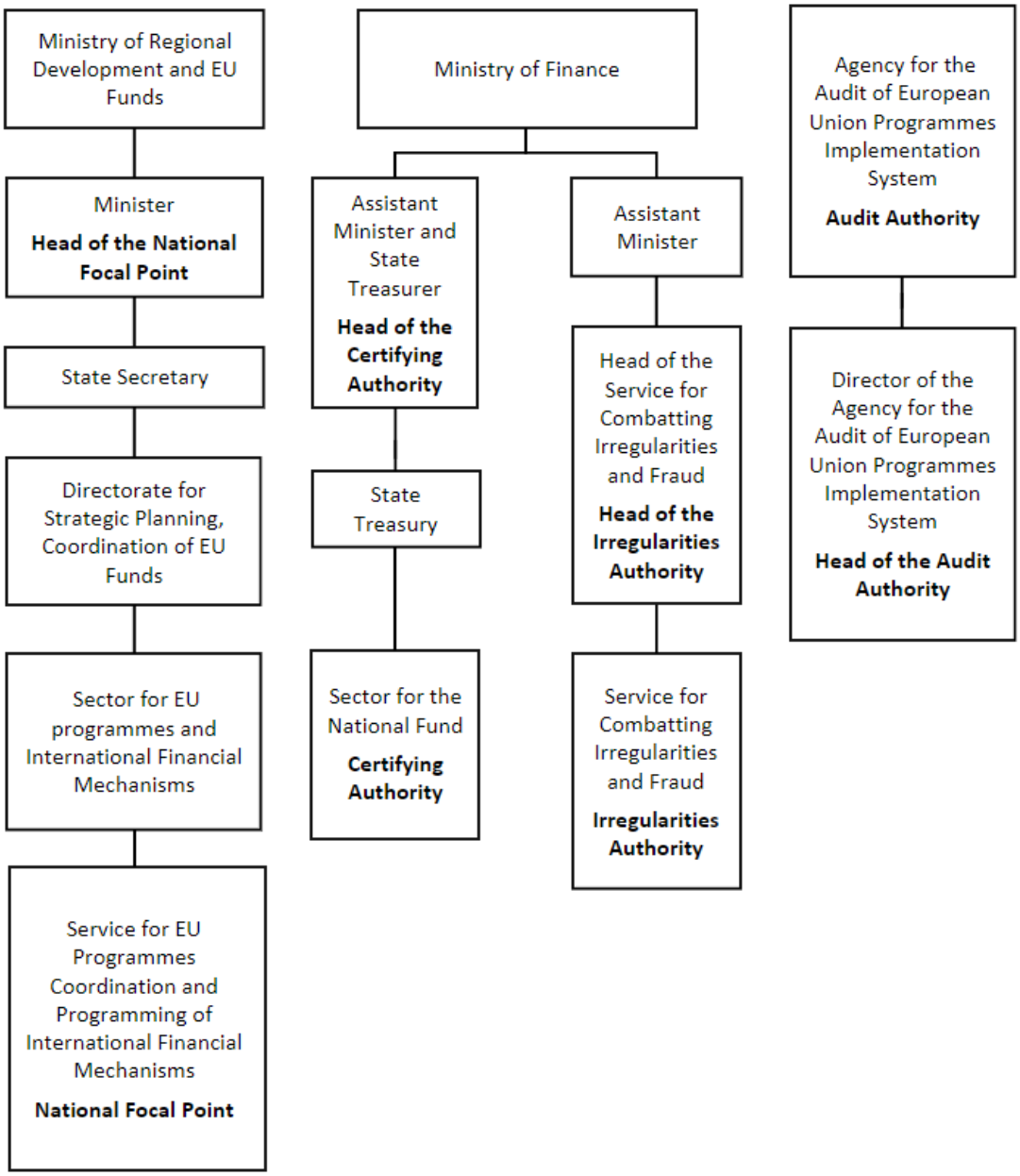
4. Irregularities Authority

The Service for Combating Irregularities and Fraud (SCIF) within the Ministry of Finance shall act as the Irregularities Authority.
SCIF reports directly to the Head of Service for Combating Irregularities and Fraud who shall act as the Head of the Irregularities Authority. SCIF is an organizational unit within the Ministry of Finance. The Head of the Service for Combating Irregularities and Fraud is accountable to an Assistant Minister in the Ministry of Finance.
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

	Croatia	EEA Grants contribution	National contribution
	Programmes		
1	Local Development and Poverty Reduction	€ 24,624,310	€ 4,345,466
2	Energy and Climate Change	€ 17,000,000	€ 3,000,000
3	Civil Society	€ 8,552,000	N/A
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 852,000	N/A
	Reserve (Art. 1.11)	N/A	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)	€ 1,511,690	N/A
	Net allocation to Croatia	**€ 52,540,000**	**€ 7,345,466**

2. Specific concerns

Bilateral relations between the Donor States and the Republic of Croatia 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 Local Development and Poverty Reduction

Programme objective: Strengthened social and economic cohesion
Programme grant: € 24,624,310
Programme co-financing: € 4,345,466
Programme Operator: Ministry of Regional Development and EU Funds - Croatia

Donor Programme Partners(s): Directorate for Higher Education and Skills (HK-DIR)

Programme area(s): Local Development and Poverty Reduction

Special-concerns: Special concern shall be given to support equal opportunities for education of the elementary school pupils contributing to their future increased job prospects including measure(s) in a) natural sciences and mathematics b) ICT in education, c) inclusive education, d) entrepreneurship in skills development and increased job prospects and e) inclusive citizenship. Measures within other areas of support may be further explored when developing the concept note. Special attention shall be given to vulnerable groups and less developed areas.

	The involvement of the European Wergeland Centre shall be explored when developing the concept note.
	No more than 60% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures).
Bilateral ambitions:	€ 475,690 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 Local Development and Poverty Reduction implemented under the Norwegian Financial Mechanism 2014-2021.

The programme will be implemented in conjunction with the programme Local Development and Poverty Reduction implemented under the Norwegian Financial Mechanism 2014-2021.

B. Programme Energy and Climate Change

Programme objective:	Less carbon intensive energy and increased security of supply
Programme grant:	€ 17,000,000
Programme co-financing:	€ 3,000,000
Programme Operator:	Ministry of Regional Development and EU Funds of the Republic of Croatia
Donor Programme Partners(s):	Norwegian Water Resources and Energy Directorate (NVE)
Beneficiary State Programme Partner(s):	Energy Institute Hrvoje Pozar
Programme area(s):	Renewable Energy, Energy Efficiency, Energy Security Climate Change Mitigation and Adaptation
Special-concerns:	Special concern shall be given to energy efficiency measures and support for renewable energy, including geothermal energy and hydropower, which shall be assessed when developing the concept note. Special concern shall be given to assessment of needs for policy guidance and regulatory support in the field of Energy Efficiency and Renewable Energy. The possibility of implementing a small pilot project with the aim to test policy guidance documents in the cultural heritage sector shall be explored when developing the concept note. Measures providing added value to efforts on climate change adaptation and mitigation shall be explored when developing the concept note.
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 Civil Society

Programme objective:	Civil society and active citizenship strengthened and vulnerable groups empowered
Programme grant:	€ 8,552,000
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
Special-concerns:	Special concern shall be given to activities aimed at the strengthening of intercultural dialogue and intergenerational cooperation. The programme will be implemented in conjunction with the programme Civil Society implemented under the Norwegian Financial Mechanism 2014-2021.

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