EEA Financial Mechanism 2014-2021

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway

and

The Ministry of Regional Development and EU Funds - Croatia,
hereinafter referred to as the "National Focal Point",
representing Croatia,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Energy and Climate Change"

hereinafter referred to as the "Programme"

Chapter 1
Scope, Legal Framework, and Definitions

Article 1.1
Scope

This programme agreement between the Financial Mechanism Committee (hereinafter referred to as the FMC) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the EEA Financial Mechanism 2014-2021 to the Programme.

Article 1.2
Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, 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 Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Beneficiary State; and

(d) any guidelines adopted by the FMC in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

Article 1.3
Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.6 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4
Annexes and hierarchy of documents

1. Annexes attached hereto form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the annexes shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the preparation of the programme are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

Chapter 2
The Programme

Article 2.1
Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and to apply the principles of implementation as set out in the Regulation.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

Article 2.2
Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the EEA Financial Mechanism 2014-2021 in the Beneficiary State and for the full and correct implementation of

this programme agreement. In particular, the National Focal Point undertakes to:

(a) comply with its obligations stipulated in the Regulation and this programme agreement;

(b) ensure that the Certifying Authority, the Audit Authority, the Irregularities Authority and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;

(c) take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;

(d) take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;

(e) make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The FMC shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

Article 2.3
Objective and outcomes of the Programme

1. This programme agreement sets out the objective, outcome(s), outputs, indicators and targets for the Programme.

2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

Article 2.4
Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in this programme agreement.

2. In case the Programme is also supported by the Norwegian Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan annexed to this programme agreement shall:

(a) contain a breakdown between the Programme's budget headings;

(b) indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in this programme agreement.

Article 2.5
Special conditions and programme specific rules

1. This programme agreement shall list any conditions set by the FMC with reference to paragraph 2 of Article 6.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in this programme agreement.

Article 2.6
Programme implementation agreement

With reference to Article 6.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the FMC of such signing.

Article 2.7
Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 9 and Articles 6.11 and 6.12 of the Regulation as well as statistical reporting in accordance with guidelines adopted by the FMC.

Article 2.8
External monitoring

The external monitoring and audit referred to in Articles 11.1, 11.2, 11.3 and 11.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of their obligations under the legal framework regarding monitoring of the Programme and/or its projects, financial control and audit.

Article 2.9
Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the FMC.

2. Programme specific exceptions from paragraph 1, if any, are set in the annexes to this programme agreement.

3. Expenditures incurred in breach of this article are not eligible.

4. Should there be a doubt as to whether the proposed modifications require approval by the FMC, the National Focal Point shall consult the FMC before such modifications take effect.

5. Requests for modifications shall be submitted and assessed in accordance with Article 6.9 of the Regulation.

Article 2.10
Communication

1. All communication to the FMC regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the FMC towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

Article 2.11
Contact information

1. The contact information of the Programme Operator is as specified in this programme agreement.

2. The contact information for the FMC and the Financial Mechanism Office are:

Financial Mechanism Office
Att: Director
EFTA Secretariat
Rue Joseph II, 12-16
1000 Brussels
Telephone: +32 (0)2 286 1701
Telefax (general): +32 (0)2 211 1889
E-mail: fmo@efta.int

3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

Article 2.12
Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the FMC prior to the signing of this programme agreement.

2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point, in connection with the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3
Projects

Article 3.1
Selection of projects and award of grants

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 7 of the Regulation and this programme agreement.

2. Eligibility of project promoters and project partners is stipulated in Article 7.2 of the Regulation and, in accordance with paragraph 4 thereof, subject only to the limitations stipulated in this programme agreement.

3. Pre-defined projects shall be outlined in this programme agreement.

4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 7.5 of the Regulation.

Article 3.2
Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.

2. In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.

3. The content and form or the project contract shall comply with Article 7.6 of the Regulation.

4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project

contract are valid and enforceable under the applicable law of the Beneficiary State.

Article 3.3
Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.6 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 7.7 of the Regulation.

2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from the Donor States.

3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 8.15 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article. A draft partnership agreement or letter of intent shall be submitted to the Programme Operator before the signing of the project contract.

Chapter 4
Finance

Article 4.1
Eligible expenditures

1. Subject to Article 8.7 of the Regulation, eligible expenditures of this Programme are:

(a) management costs of the Programme Operator in accordance with the detailed budget in the financial plan;

(b) payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract.

2. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 8.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 8.3 of the Regulation, the conditions regarding the use of standard scales of unit costs set in Article 8.4 of the Regulation as well as indirect costs in accordance with Article 8.5 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 8.13 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the FMC of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 6.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraph 1 are set in this programme agreement. Programme specific rules on the eligibility of expenditure set in this programme agreement shall be complied with.

Article 4.2
Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 8.12 of the Regulation.

Article 4.3
Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 9.2, 9.3 and 9.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in this programme agreement.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 9.1 of the Regulation.

5. Chapter 9 of the Regulation shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

Article 4.4
Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the EEA Financial

Mechanism 2014-2021 to the Programme in accordance with Article 9.8 of the Regulation.

Article 4.5
Irregularities, suspension and reimbursements

The FMC has the right to make use of the remedies provided in the Regulation, in particular Chapter 13 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 12 and 13 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

Chapter 5
Final provisions

Article 5.1
Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the FMC is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

Article 5.2
Termination

1. The FMC may, after consultation with the National Focal Point, terminate this programme agreement if:

(a) a general suspension decision according to Article 13.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 13.1 of the Regulation has not been lifted within 6 months of such a decision;

(b) a suspension of payments according to Article 13.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;

(c) a request for reimbursement according to Article 13.2 of the Regulation has not been complied with within one year from such a decision;

(d) the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or

(e) the Programme Operator has, in the opinion of the FMC, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the FMC to make use of the remedies provided in Chapter 13 of the Regulation.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the FMC, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the FMC or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The FMC does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the FMC for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the FMC, its members or alternate members, nor the EFTA States, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

1. This programme agreement shall enter into force on the date of the last signature of the Parties.

2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

Article 5.4
Entry into force and duration

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This programme agreement is drawn up in two originals in the English language.

For the Donors

Signed in Oslo on 16/12/2020

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Niels Engelschiøn

For the National Focal Point

Signed in Zagreb on 21/12/2020

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Nataša Tramišak

Annex I to the Programme Agreement

Programme Operators and Partners	
Programme Operator:	Ministry of Regional Development and EU Funds of the Republic of Croatia
Donor Programme Partner:	Norwegian Water Resources and Energy Directorate (NVE)
IPO:	-
Other Programme Partner(s):	Energy Institute Hrvoje Pozar

Programme Objective	Less carbon intensive energy and increased security of supply

PA	Outcome/Output	Expected programme results	Indicator	Disaggregation	Unit of measurement	Source of verification	Frequency of reporting	Baseline values	Baseline year	Target value
PA12	Outcome 1	Improved energy efficiency	Percentage of trained professionals self-reporting enhanced knowledge of nZEB standards	N/A	Percentage	Survey results	Semi-annually (APR and September IFR)	0 %	N/A	51 %
	Output 1.1	Increased capacity to implement nZEB standards	Number of professional staff trained	Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	50
			Number of nZEB training testimonials issued	N/A	Cumulative number	Project Promoters' records	Semi-annually (APR and September IFR)	0	N/A	50
			Training/pilot center set up	N/A	Binary	Project Promoters' records, Photographs	Semi-annually (APR and September IFR)	No	N/A	Yes
			Training/pilot center fitted to nZEB standard (retrofit)[1]	N/A	Binary	Technical documentation from projects,	Semi-annually (APR and	No	N/A	Yes

[1] Retrofitting of the training center building is optional and should be considered as an added value to the nZEB activities of the Programme.

						Energy certificates	September IFR)			
PA12	Outcome 2	Increased renewable energy production	Estimated production in MWh/year of electricity from solar power	N/A	Annual number	Technical documentation from projects	Semi-annually (APR and September IFR)	0	2017	9,759[2]
			Estimated production in MWh/year from geothermal energy	N/A	Annual number	Technical documentation from projects	Semi-annually (APR and September IFR)	0	2017	0
			Estimated production in MWh/year from sea energy	N/A	Annual number	Technical documentation from projects	Semi-annually (APR and September IFR)	0	N/A	2,546
			Estimated annual CO2-emissions reductions (in tonnes)	N/A	Annual number	Energy audit reports	Annually (APR)	0	N/A	2,281.5[3]
	Output 2.1	Renewable energy capacity installed	Installed capacity for production of geothermal energy in MW[4]	N/A	Cumulative number	Technical documentation from projects	Semi-annually (APR and September IFR)	0	N/A	0[5]
			Installed capacity for solar production in MW	N/A	Cumulative number	Technical documentation from projects	Semi-annually (APR and September IFR)	0	N/A	7.5
			Installed capacity for production of energy from the sea in MW	N/A	Cumulative number	Technical documentation from projects	Semi-annually (APR and September IFR)	0	N/A	1.9
			Number of pilot projects implemented	N/A	Cumulative number	Technical documentation from projects	Semi-annually (APR and	0	N/A	1

[2] Estimated production of electricity from solar power based on projects funded by EPEEF.

[3] http://www.eihp.hr/wp-content/uploads/2018/12/Energija2017_final.pdf. Specific CO2 emission factor per total electricity production in Croatia (average 2012-17) is 0.234 tCO2/MWh; page 233. The target value is based on the expected reductions based on solar power only. If geothermal projects are constructed with the support of the programme, the actual results will be higher.

[4] Including refurbished installations

[5] Target to be determined once the projects are selected due to lack of data.

							September IFR)			
	Output 2.2	Strengthened capacity to manage and promote renewable energy	Database for geothermal energy potential implemented	N/A	Binary	Project Promoters' records	Semi-annually (APR and September IFR)	No	N/A	Yes
			Number of registered users of database	N/A	Cumulative number	Project Promoters' records	Semi-annually (APR and September IFR)	0	N/A	20
			Number of workshops held to disseminate results	N/A	Cumulative number	Project Promoters' records	Semi-annually (APR and September IFR)	0	N/A	2
	Output 2.3	Geothermal energy utilization advancement	Number of locations ready for well drilling	N/A	Cumulative number	Project Promoters' records	Annually (APR)	0	N/A	4
			Number of locations (existing wells) ready for geothermal energy exploitation	N/A	Cumulative number	Project Promoters' records	Annually (APR)	0	N/A	6
			Number of wells drilled	N/A	Cumulative number	Project Promoters' records	Annually (APR)	0	N/A	1
PA12	Bilateral Outcome	Enhanced collaboration between beneficiary and donor state entities involved in the programme	Level of trust between cooperating entities in Beneficiary States and Donor States	N/A	Scale 1-7	Survey results	Annually (APR)	TBD[6]	TBD	4.5[7]
			Level of satisfaction with the partnership	N/A	Scale 1-7	Survey results	Annually (APR)	TBD[8]	TBD	4.5[9]
			Share of cooperating organisations that apply the knowledge acquired from bilateral partnership	N/A	Percentage	Survey results	Annually (APR)	N/A	N/A	50 %

[6] Survey to be carried out by the FMO
[7] Target is ≥4.5, and an increase on the baseline value
[8] Survey to be carried out by the FMO
[9] Target is ≥4.5, and an increase on the baseline value

	Bilateral Output 1	Increased cooperation between entities in beneficiary state and donor states	Number of study trips, workshops, roundtables organized in cooperation with the Donor States	N/A	Cumulative number	Project Promoters' records	Semi-annually (APR and September IFR)	0	N/A	2
			Number of projects involving cooperation with a donor project partner	N/A	Cumulative number	Copies of contracts concluded with Project Promoters, Partnership agreements between Project Promoters and project partners	Semi-annually (APR and September IFR)	N/A	N/A	8

Conditions

General

1. The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

2. The Programme Operator shall monitor results of CO_2-reductions and the cost efficiency of the interventions in terms of CO_2 reductions and shall report on them in the annual and final programme reports.

3. The Programme Operator shall organize at least two broad experience sharing events during the programme implementation period, with the aim of showcasing innovative or novel approaches in the projects supported.

4. The Programme Operator shall, in the Final Programme Report, report on the impact that the projects supported will have and have had on the dissemination of knowledge about and further investments in climate change mitigation and adaptation in Croatia.

5. The Programme Operator shall encourage bilateral partnerships across all calls for proposals.

6. The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters:

- Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
- Keep any buildings purchased, constructed, renovated or reconstructed under the project 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 any buildings purchased, constructed, renovated or reconstructed under the project 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.

7. The National Focal Point shall ensure that the Programme Operator encourages synergies with other programmes in Croatia, including "Business Development and Innovation".

8. For the outcome 2 indicators "Estimated production in MWh/year from geothermal energy" and “Estimated production in MWh/year from sea energy“, and output indicators 2.1 "Installed capacity for production of geothermal energy in MW" and “Installed capacity for production of energy from the sea in MW” where the target value is "to be determined" (TBD), the Programme Operator shall submit to the FMO for approval the target value, together with a description of the data collection method used, no later than three months after the finalisation of the selection of projects under the call for proposals within this outcome. The target value shall be agreed upon through a modification of the programme agreement.

9. For predefined project no. 1 (numbering under Section 5.1 of Annex II to the Programme Agreement), the National Focal Point shall ensure that the Programme Operator ensures that the appraisal foreseen in Article 6.5.3 of the Regulation is externalised and carried out by a legal entity independent of and unrelated to the Programme Operator and Programme Partner.

10. For pre-defined project no. 1 (numbering under Section 5.1 of Annex II to the Programme Agreement), the National Focal Point shall ensure that the Programme Operator ensures that the

Programme Operator's responsibilities regarding the verification of payments claims described in Article 5.6.1 e) of the Regulation, and the verification of project outputs described in Article 5.6.1 g) of the Regulation, is carried out without any involvement of the Programme Partner.

Pre-eligibility

Not applicable

Pre-payment

Not applicable

Pre-completion

Not applicable

Post-completion

Not applicable

Eligibility of costs - period	**First date**	**Final date**
Eligibility of costs	04/07/2018	30/04/2025
Grant rate and co-financing		
Programme eligible expenditure (€)		€ 20,000,000
Programme grant rate (%)		85.00 %
Maximum amount of Programme grant - EEA Financial Mechanism (€)		€ 17,000,000
Maximum amount of Programme grant - Norwegian Financial Mechanism (€)		-
Maximum amount of Programme grant - Total (€)		€ 17,000,000

PA	Budget Heading	EEA Grants	Total grant	Programme grant rate	Programme co-financing	Programme eligible expenditure	Advance payment
PA12	Programme management	€ 943,500	€ 943,500	85.00 %	€ 166,500	€ 1,110,000	€ 0
PA12	Outcome 1 (EEA Grants)	€ 1,360,000	€ 1,360,000	85.00 %	€ 240,000	€ 1,600,000	€ 0
PA12	Outcome 2 (EEA Grants)	€ 14,696,500	€ 14,696,500	85.00 %	€ 2,593,500	€ 17,290,000	€ 0
Total		**€ 17,000,000**	**€ 17,000,000**	**85.00 %**	**€ 3,000,000**	**€ 20,000,000**	**€ 0**

Retention of management costs	
Retention of management costs - Percentage of the management costs	10.00 %
Retention of management costs - Planned Euro value	€ 111,000

Energy and Climate Change

Operational rules (Annex II)

1. **Programme summary**

This Annex sets out the operational rules for the programme. The programme agreement is based on the MoU, the concept note and comments made by the FMC. Commitments, statements and guarantees, explicit as well as implicit, made in the concept note, are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

The Programme Operator is the Directorate for European Territorial Cooperation within the Ministry of Regional Development and EU Funds of the Republic of Croatia. The Energy Institute Hrvoje Požar shall act as Programme Partner and the Norwegian Water Resources and Energy Directorate (NVE) shall act as Donor Programme Partner.

Certain tasks of the Programme Operator may be carried out by the Programme Partner, however this does not in any way reduce or restrict the responsibility of the Programme Operator.

The programme objective, "Less carbon intensive energy and increased security of supply" will be achieved through two outcomes:

- Outcome 1: "Improved energy efficiency"

The outcome shall be supported through one pre-defined project with Energy Institute Hrvoje Požar as the Project Promoter and the Faculty of Civil Engineering at the University of Zagreb as the Project Partner.

Addressing poor energy performance of public buildings is at the core of Croatian energy strategies and action plans. The newly implemented building standard – nearly zero energy building (nZEB) is adopted, however the real implementation is still lagging behind. One of the growing issues in Croatia today is how to efficiently transfer the respective regulations and recently developed methodologies regarding nZEB standards to all the key stakeholders. This project will therefore support the key stakeholders to realize all the benefits of nZEB standard.

- Outcome 2: "Increased renewable energy production"

The outcome shall be supported through four open calls and two small grant schemes.

Open call #1: Energy production from the sea. The call shall support projects and pre-investment studies aiming to increase the installed capacity of energy from the sea, such as seawater heat pump systems. Applicants may apply for funding for investments, including full-scale, demonstration and pilot projects. Applicants can also apply for funding for studies and other technical documentation such as concept, pre-feasibility, feasibility and front-end engineering and design (FEED) required to mature projects necessary to prepare a potential future investment decision.

Open call #2: Increased solar energy production capacity. The call shall support projects which increase the installed capacity of solar energy. The solar energy production installed must be connected to the power grid. Applicants may also apply for funding for storage capacity in addition to energy production if the added value from installing storage capacity is clearly justified and quantified in the application.

Open call #3: Increased geothermal energy production capacity. The call shall support projects which increase the installed capacity of geothermal energy. Applicants may apply for funding for investments, including full-scale, demonstration and pilot projects.

The applications may include one or more of the below activities such as:

1. Production and injection wells in areas with documented geothermal potential;
2. Construction and/or extension of a geothermal heating plant;
3. Construction of infrastructure connection(s) to integrate geothermal heat into an existing district heating system;
4. Technological and infrastructure changes to existing district heating systems in order to integrate geothermal energy source(s);
5. Educational/training activities

Open call #4: Technical documentation for geothermal energy. Applicants may apply for funding for studies and technical documentation such as concept, pre-feasibility, feasibility and front-end engineering and design (FEED) required to mature projects necessary to prepare a potential future investment decision.

Small grant scheme #1: Shallow geothermal energy database. The aim of the call is to increase knowledge about shallow geothermal potential in Croatia in order to facilitate a larger uptake of geothermal energy. The call shall support the establishment of a public database for shallow geothermal resources in Croatia.

Small grant scheme #2: Deep geothermal energy database. The aim of the call is to increase knowledge about deep geothermal potential in Croatia in order to facilitate a larger uptake of geothermal energy. The call shall support the establishment of a public database for deep geothermal resources in Croatia.

2. Eligibility

2.1 Eligible applicants:

	Eligible applicants	**Eligible partners**
Open call #1, 2,3,4 Small grant scheme # 1,2	Any entity, public or private, commercial or non-commercial and non-governmental organisations, established as a legal person in Croatia.	Any public or private entity, commercial or non-commercial as well as non-governmental organisations established as a legal person in Norway, Iceland, Liechtenstein or Croatia.

2.2 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 8 of the Regulation. The following exception is made:

With reference to Article 8.5 Indirect costs in projects (overheads), an identification of the indirect costs by the Project Promoter and project partner is limited to a method defined under point 1. c) i.e. a flat rate of up to 15% of direct eligible staff costs without there being a requirement for the Programme Operator to perform a calculation to determine the applicable rate.

3. Bilateral relations

3.1 Bilateral relations

The programme shall contribute to strengthening bilateral relations between Croatia and the Donor States.

The programme shall as appropriate facilitate donor partnership projects by carrying out, inter alia, match-making events and activities in conjunction with launching calls for proposals, as well as by encouraging donor partnership projects in call texts.

The further use of the funds for bilateral relations allocated to the programme shall be agreed in the Cooperation Committee.

4. Selection of projects and financial parameters

4.1 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

Call	Outcome (and title of the call)	Estimated timing of the call	Total amount available (EUR)	Maximum grant amount applied for (EUR)	Minimum grant amount applied for (EUR)
Open call #1	**Outcome 2** Energy production from the sea	Q3~~2~~ 2021	1,534,000	1,300,000	200,000
Open call #2	**Outcome 2** Increased solar energy production capacity	Q3~~2~~ 2021	7,400,000	1,300,000	200,000
Open call #3	**Outcome 2** Increased geothermal energy production capacity	Q4~~3~~ 2021	4,956,000	1,300,000	200,000
Open call #4	**Outcome 2** Technical documentation for geothermal energy	Q3~~2~~ 2021	3,000,000	1,300,000	200,000
Small grant scheme #1	**Outcome 2** Shallow geothermal energy database	Q4 2021	200,000	200,000	5,000
Small grant scheme #2	**Outcome 2** Deep geothermal energy database	Q4 2021	200,000	200,000	5,000

Notwithstanding Article 6.9 of the Regulation, reallocations between open calls and small grant schemes not affecting the objective or outcomes of the Programme are permitted without the FMC's prior approval. In the case of reallocations between outcome 1 and 2 the Programme Agreement will have to be modified, in accordance with Art. 6.9 of the Regulations.

4.2 Selection procedures:

The project evaluation and award of grants shall be in accordance with Article 7.4 of the Regulation. The Programme Operator shall be responsible for the project evaluation, selection and award of grants.

The Programme Operator shall review the applications received for compliance with the administrative and eligibility criteria. Applicants, whose applications are rejected at this stage, shall be informed and given a reasonable time to appeal that decision.

Every application that meets administrative and eligibility criteria shall be reviewed by two impartial experts appointed by the Programme Operator. Each of the two experts shall score every project proposal in compliance with the selection criteria published in the Call for Proposals. The projects shall be ranked on the basis of the average score calculated on the basis of the individual scores awarded by the two experts. If the difference between the average score exceeds by more than 30% the higher score awarded by one of the experts, the Programme Operator shall commission a third independent expert to score that project. In such a case the project shall be ranked based on the average score calculated on the basis of the two scores with a smaller difference between them.

The Programme Operator shall establish an Evaluation Committee. The Evaluation Committee will consist of at least three voting members with relevant sector expertise, one of them external to the Programme Operator and Programme Partner. The Evaluation Committee shall be chaired by the Programme Operator.

The Donor Programme Partner shall be invited to participate in the meetings of the Evaluation Committee as a non-voting member. The Donors, the FMO, as well as the National Focal Point, shall be invited to participate in the meetings of the Evaluation Committee as observers.

The Programme Operator shall provide the Evaluation Committee with a list of the ranked projects. The Evaluation Committee shall review the ranked list of projects. It may modify the ranking of the project applications in justified cases based on transparent criteria. The minutes of the Evaluation Committee shall include the justification for the modifications.

The Evaluation Committee shall prepare a list of projects recommended for funding, or to be approved with conditions. The Evaluation Committee shall make a decision by consensus of all voting members. If consensus cannot be reached, the decision may be taken by a majority of all voting members. Any dissenting opinions shall be included in the minutes of the Evaluations Committee.

The Programme Operator shall verify that the selection process has been conducted in accordance with the Regulation and that the recommendations from the Evaluation Committee comply with the rules and objectives of the programme. Following such verification, the Programme Operator shall, based on the recommendation of the Evaluation Committee, decide which projects shall be supported.

The Programme Operator shall notify the applicants about the results of the selection process within a reasonable time and publicise the results. All unsuccessful applicants shall be provided with a brief description of the reasons for the decision and given a reasonable time to appeal that decision.

4.3 Project grant rate:

Grants to projects from the programme may be up to 100% of total eligible expenditure of the project. The project grant rate shall in all cases 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. Funds for any remaining costs of the project shall be provided or obtained by the project promoter in the form of monetary contribution (electronic transfers).

5. Additional mechanisms within the Programme

5.1 Pre-defined projects

There will be one pre-defined project implemented under the programme:

1) "Establishment of the national training center for nearly Zero Energy Buildings (nZEB)"

Project Promoter:	Energy Institute Hrvoje Pozar
Other project partner(s):	Faculty of Civil Engineering, University of Zagreb
Total maximum eligible costs:	€ 1,600,000
Project grant rate:	100.00 %
Maximum project grant amount:	€ 1,600,000

Programme outcome the project contributes to: Increased capacity to implement nZEB standards.

The overall objective of the project is to increase the capacity at the national level to implement the newly adopted, yet not utilized, nearly Zero Energy Building standard (nZEB).

Addressing poor energy performance of public buildings is at the core of Croatian energy strategies and action plans. The newly implemented building standard – nearly zero energy building (nZEB) is adopted, however the real implementation is still lagging behind. One of the growing issues in Croatia today is how to efficiently transfer the respective regulations and recently developed methodologies regarding nZEB standards to all the key stakeholders. This project will therefor support the key stakeholders to realize all the benefits of nZEB standard. The project will prove that nZEB approach, although innovative, is optimal and cost-effective solution for renovation of public buildings. Project also aims to capitalize on results of the key Norwegian initiatives, developed by the well-known research institution SINTEF, regarding nZEB and zero emission neighbourhoods.

This objective will be achieved specifically by the following main activities:

- Development of all the required documentation needed for achieving nZEB standard while retrofitting the existing public building
- Deep retrofit of the existing public building with state-of-the-art technologies which will be thoroughly documented and monitored by the group of nZEB experts
- Design of the training programme and project development assistance for nZEB projects for the neighbourhood with the action plan on how to achieve the zero-emission neighbourhood
- Established cooperation with Norwegian scientific institutions and other nZEB initiatives

5.2 Financial Instruments

Not applicable

6. Programme Management

6.1 Payment flows

~~Interim and final payments to the projects shall be based on approved project reports, and transferred to the Project Promoter no later than 30 days after receiving the complete documentation.~~

~~Payments of the project grant shall take the form of interim payments and a final payment. The level of final payment to projects shall be set out in the project contract.~~

~~**Interim payments**~~	~~**Final Payment**~~	
~~All projects~~	~~Up to 90%~~	~~At least 10%~~

The provisions on payment flows described below shall apply to all projects implemented within the programme, including the pre-defined project.

The Programme Operator shall ensure timely transfer of an advance payment, interim payment(s) and a payment of the final balance to the Project Promoter. Advance and interim payments are made up to 80% of the total project grant amount.

The maximum level of advance payment shall be up to 20% of the total project grant amount. The advance payment will be transferred to the Project Promoter within 30 working days after the signature of the project contract.

The interim payment(s), where applicable, will be transferred to the project within 30 working days following the approval of the project interim report(s). These may be paid when at least 70% of the previous instalments (advance and interim) has been incurred.

The payment of the final balance, if applicable, shall be made within 30 working days of approval of the final project report. Where the total amount of earlier payment(s) is higher than the final amount of the grant, the payment of the balance will take the form of recovery

The periodicity of reporting periods and deadlines for reporting will be further detailed in the description of the Programme Operator's management and control systems.

~~The periodicity of reporting periods, and deadlines for reporting will be further detailed in the description of the Programme Operator's management and control systems.~~

6.2 Verification of payment claims

Project promoters shall submit interim and final project reports containing information on project progress and incurred expenditure.

In line with point i) of Article 5.6.2 of the Regulation incurred expenditure reported shall be subject to administrative verifications before the report is approved. Verifications to be carried out shall cover administrative, financial, technical and physical aspects of projects, as appropriate and be in accordance with the principle of proportionality.

Additionally, in line with point ii) of Article 5.6.2 of the Regulation on–the-spot verifications of projects, which may be carried out on a sample basis, shall be carried out.

The requirements for proof of expenditures shall be defined within the call for proposals or small grant scheme and it will be stated in the project contract as well.

The detailed procedure for verification will be further detailed in the description of the Programme Operator's management and control systems.

6.3 Monitoring and reporting

The Programme Operator shall monitor, record and report on progress towards the programme's outcomes in accordance with the provisions contained in the legal framework. The Programme Operator shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the project promoters in order to enable the Programme Operator and the National Focal Point to meet its obligations to the Donor States. In particular, the final project report from the project promoter shall comprise a final technical report, containing: i) an overview of the results and their exploitation and dissemination; ii) the conclusions on the project; iii) a report covering the wider societal implications of the project.

The Programme Operator shall ensure that estimated greenhouse gas emissions (GHG) reductions corresponding to the interventions are collected in tonnes of CO_2 equivalent per year for each project where energy efficiency measures have been implemented and/or renewable energy production capacity is increased.

When reporting on progress achieved in Annual and Final Programme Reports, the Programme Operator shall disaggregate results achieved as appropriate and in accordance with instructions received from the FMO, in accordance with Annex I to the Programme Agreement and the "Core indicators 2014-2021 Guidance document for programmes financed under the EEA and Norway Grants 2014-2021" issued by the FMO.

6.4 Programme administrative structures

The Programme is operated by the Directorate for European Territorial Cooperation within the Ministry of Regional Development and EU Funds of the Republic of Croatia.

The Programme Partner, Energy Institute Hrvoje Požar, will cooperate with the Programme Operator and be involved in tasks related to the management of the programme, however this does not in any way reduce or restrict the responsibility of the Programme Operator.

The organisational structures of the Programme Operator and Programme Partner shall ensure independence and functional separation of the divisions responsible for verification of incurred expenditure and approval of payments from the divisions responsible for the implementation of the programme. The Programme Partner shall not be involved in verification of incurred expenditure or verification of project outputs related to the predefined project no. 1, for which it acts as Project Promoter.

7. Communication

The Programme Operator shall comply with Article 3.3 of the Regulation, the Information and Communication Requirements in Annex 3 of the Regulation and the Communication plan for the programme.

8. Miscellaneous

Not applicable.