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 ESTONIA,

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 € 32,300,000 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 € 29,877,500.

Article 4
Roles and responsibilities

1. The Donor States shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the Financial Mechanism Committee within the priority sectors listed in Article 3.1 of Protocol 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 Tallinn on 09/05/2017
For Iceland

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Signed in Tallinn on 09/05/2017
For the Republic of Estonia

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Signed in Brussels on 05/05/2017
For the Principality of Liechtenstein

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Signed in Tallinn on 09/05/2017
For the Kingdom of Norway

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ANNEX A

National management and control structures

1. National Focal Point

The Grants Development Department of the State Shared Service Centre (hereinafter SSSC) shall act as the National Focal Point. The SSSC is administered by the Ministry of Finance of the Republic of Estonia.
The Grants Development Department is directly subordinated to the Deputy Director General of the SSSC, who shall act as the Head of the National Focal Point. In its role as Head of the National Focal Point, the Deputy Director General of the SSSC is directly accountable to the Minister of Finance.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 5.3 thereof.
The Grants Development Department of the SSSC is also responsible for the coordination and management of the European Structural Investment Funds and other foreign assistance.

2. Certifying Authority

The Norwegian & EEA Certifying Unit of the Grants Payments Department of the SSSC shall act as the Certifying Authority. The SSSC is administered by the Ministry of Finance of the Republic of Estonia.

The Certifying Authority is directly subordinated to the Director General of the SSSC, who shall act as the Head of the Certifying Authority.
The Certifying Authority shall be functionally independent of the National Focal Point. If the Director General of the SSSC is incapable of carrying out functions as Head of the Certifying Authority, these tasks cannot be delegated to the Head of the National Focal Point.
The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof.

3. Audit Authority

The Financial Control Department of the Ministry of Finance of the Republic of Estonia shall act as the Audit Authority. The Financial Control Department's main responsibilities are the coordination and analysis of the internal control systems, and the organisation of internal audits in governmental agencies. The Financial Control Department carries out the functions of the Audit Authority for the European Structural Investment Funds and other foreign assistance.

The head of the Financial Control Department shall be the head of the Audit Authority. The Financial Control Department is accountable to the Secretary-General of the Ministry of Finance of the Republic of Estonia, which again is accountable to the Minister of Finance concerning the responsibilities carried out by the Audit Authority.
The Audit Authority shall be functionally independent of the National Focal Point and the Certifying Authority.
The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 5.5 thereof.
The National Focal Point shall provide the FMC with copies of any audit report that is made by the

National Audit Office of Estonia regarding the implementation of the EEA Financial Mechanism 2014-2021.

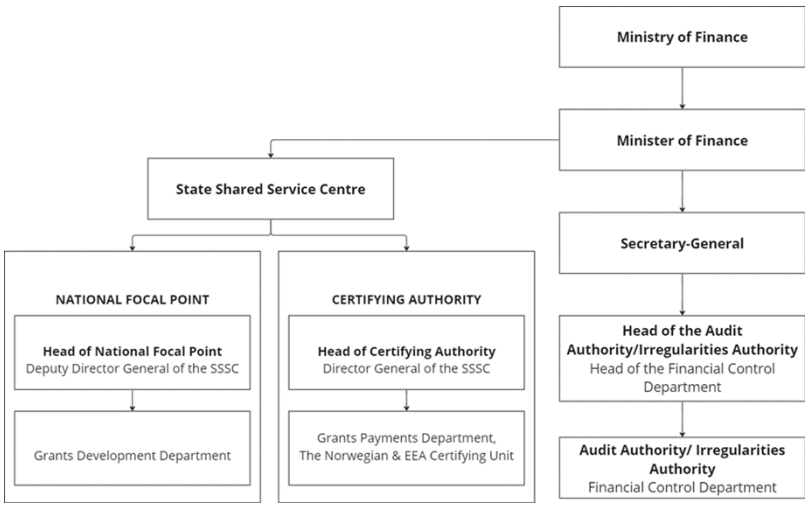
4. Irregularities Authority

The Financial Control Department of the Ministry of Finance of the Republic of Estonia (Audit Authority) shall be responsible for the preparation and submission of irregularities reports.
The head of the Financial Control Department shall be the head of the Irregularities Authority. The Financial Control Department is accountable to the Secretary-General of the Ministry of Finance of the Republic of Estonia, which again is accountable to the Minister of Finance concerning the responsibilities carried out by 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

	Estonia	EEA Grants contribution	National contribution
	Programmes		
1	Research and Education	€ 6,885,902	€ 1,215,159
2	Local Development and Poverty Reduction	€ 10,441,217	€ 1,842,568
3	Climate Change Mitigation and Adaptation	€ 6,000,000	€ 1,058,824
4	Civil Society	€ 5,047,000	N/A
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 669,611	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)	€ 833,770	N/A
	Net allocation to Estonia	**€ 29,877,500**	**€ 4,116,551**

2. Specific concerns

Bilateral relations between the Donor States and the Republic of Estonia shall be strengthened with the aim of stimulating and developing long-term cooperation within all areas listed in 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 and Education

Programme objective: Enhanced research-based knowledge development
Programme grant: € 6,885,902
Programme co-financing: € 1,215,159
Programme Operator: Ministry of Education and Research

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

Programme area(s): Research

Education, Scholarships, Apprenticeships and Youth Entrepreneurship

Special-concerns: The possibility of joint calls for proposals together with the relevant designated Programme Operators in the Republic of Latvia and the Republic of Lithuania, on Joint Baltic Research and Education, shall be explored when developing the concept note.

	Approximately € 5,000,000 of the programme grant shall be made available for the programme area 'Research'.
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.
Pre-defined projects:	Name of project: Visiting lectureship of Norwegian language at Tartu University Description: The pre-defined project will offer scholarships to visiting Norwegian lecturers to Tartu University. Project Promoter: Tartu University Donor project Partner: Norwegian Centre for International Cooperation in Education (SIU) Maximum grant amount: € 150,000

B. Programme Local Development and Poverty Reduction

Programme objective:	Strengthened social and economic cohesion
Programme grant:	€ 10,441,217
Programme co-financing:	€ 1,842,568
Programme Operator:	Ministry of Social Affairs - Estonia
Donor Programme Partners(s):	Norwegian Directorate of Health (HDIR) Norwegian Institute of Public Health (NIPH) Norwegian Directorate for Cultural Heritage (RA)
Programme area(s):	Local Development and Poverty Reduction Work-life Balance European Public Health Challenges Children and Youth at Risk Youth Participation in the Labour Market Domestic and Gender-based Violence Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation Good Governance, Accountable Institutions, Transparency
Special-concerns:	A maximum of € 3,000,000 of the programme grant shall be set aside for the programme area 'Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation'. The programme shall include measures that address integration of national minorities.
Bilateral ambitions:	€ 50,000 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 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.

C. Programme Climate Change Mitigation and Adaptation

Programme objective:	Climate change mitigated and vulnerability to climate change reduced
Programme grant:	€ 6,000,000
Programme co-financing:	€ 1,058,824
Programme Operator:	Ministry of Climate - Estonia
Donor Programme Partners(s):	Norwegian Environment Agency (NEA)
Programme area(s):	Climate Change Mitigation and Adaptation Environment and Ecosystems
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.

D. Programme Civil Society

Programme objective:	Civil society and active citizenship strengthened and vulnerable groups empowered
Programme grant:	€ 5,047,000
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.