# PROGRAMME IMPLEMENTATION AGREEMENT

between

## THE FINANCIAL MECHANISM OFFICE

## European Free Trade Association

## Rue Joseph II 12-16

## B-1000 Brussels

## Belgium

and

## GrantXpert Consulting Limited

## 72 28th October Avenue
## Office 201, 2414 Engomi
## Nicosia, Cyprus

## Registration number: HE229662

hereinafter referred to as the "Fund Operator"

together hereinafter referred to as the "Parties"

**on the**

**IMPLEMENTATION**

**of the**

# CIVIL SOCIETY PROGRAMME COMPRISING THE PRE-DEFINED PROJECTS 'HOME FOR COOPERATION' AND 'CENTRE FOR VISUAL ARTS AND RESEARCH' IN CYPRUS

hereinafter referred to as the "Programme"

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## Chapter 1: General provisions

1.1 Scope

This Agreement between the Financial Mechanism Office (hereinafter referred to as the FMO) and the Fund Operator lays down the rights and obligations of the Parties regarding the implementation of the Programme.

1.2 Objectives of the EEA Financial Mechanism 2014-2021

The overall objectives of the EEA Financial Mechanism 2014-2021 is to contribute to the reduction of economic and social disparities in the European Economic Area and to strengthen bilateral relations between the Donor States and the Beneficiary States.

1.3 Objective of the Programme Area "Civil Society"

The Active Citizens Fund is established under the Programme Area "Civil Society'. The objective of the Programme Area "Civil Society" is: "Civil society and active citizenship strengthened and vulnerable groups empowered".

1.4 Principles of implementation

1. The Programme shall be based on the common values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.

2. The Programme shall follow the principles of good governance; it shall be participatory and inclusive, accountable, transparent, responsive, effective and efficient. There shall be zero-tolerance towards corruption.

3. The Programme shall be consistent with sustainable development, long-term economic growth, social cohesion and environmental protection.

4. The Programme shall follow a results and risk management approach.

1.5 Legal framework

1. This Agreement shall be read in conjunction with the following documents which, together with this Agreement constitute the legal framework of the Programme.

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

b) Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "MoU");

c) Manual for Fund Operators of the Active Citizens Fund, where relevant.

1.6 Status and hierarchy of documents

1. The Annexes to this Agreement form an integral part of the Agreement. Any reference to this 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 Agreement. Should the meaning of any provision of the said Annexes, so interpreted, remain inconsistent with this Agreement, the provisions of the Annexes shall prevail.

1.7 Definitions

Terms used and institutions and documents referred to in this agreement shall be understood in accordance with the legal framework referred to in Article 1.5 of this Agreement.

1.8 Co-operation

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

2. The Parties agree to provide all information necessary for the good functioning of the Agreement and to apply the highest degree of transparency and accountability.

3. All communication between the Parties shall be in English.

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

1.9 Budget

The total budget of the Programme, including the management fee described in Article 1.10, is specified in Annex I to this Agreement.

1.10 Management fee

1. The FMO shall provide a management fee to the Fund Operator's account specified in Annex I to cover its costs for implementing the Programme. The Fund Operator and its Partner(s) (where applicable) in their partnership agreement shall decide the share of the Partners in the management fee.

2. All responsibilities of the Fund Operator listed under paragraph 1 of Article 2.1 shall be covered by the management fee.

1.11 Account for funds for regranting

1. The FMO shall establish, at a bank of its choice, an account in its name dedicated to the funds intended for regranting (the regranting account). The signatories of this account shall comprise the FMO Director and/or such other FMO official(s) as the FMO Director may designate, together with up to 3 officials of the Fund Operator, to be nominated by the Fund Operator with the approval of the FMO. The FMO may at any time transfer the regranting account to a different bank and all provisions hereof shall continue to apply with respect to the new regranting account.
2. Without prejudice to the responsibility of the Fund Operator for due performance of its obligations under Article 2.1.1(k), withdrawals from the regranting account may be made only with the participation of two of the signatories referred to above and only via bank transfer to the account of a project promoter pursuant to a project contract. Until transferred, the funds on the regranting account shall be the exclusive property of the FMO. Any interest earned on the regranting account shall also belong to the FMO. Unspent funds refunded by project promoters and recoveries as a consequence of irregularities, shall be credited to the regranting account. No other money may be mixed with the funds intended for regranting held on the regranting account.

1.12 Operational period

The Programme shall operate from the last signature of this Agreement until 31 December 2024. Changes to this operational period can be agreed upon between the Parties, and shall be reflected in Annex I to this Agreement.

**Chapter 2: Main responsibilities of the Parties**

2.1 Main responsibilities of the Fund Operator

1. The Fund Operator is responsible for the implementation of the Programme. This includes:

a) the setting up of appropriate management and control systems. A detailed description of the management and control systems, accompanied with an audit report and opinion shall be submitted to the FMO within three months from the last signature of this Agreement;
b) the implementation of proportionate requirements in management, reporting and control;
c) ensuring that projects contribute to the overall objectives of the EEA Financial Mechanism 2014-2021 and the specific Programme outcomes and objective;
d) ensuring that the Programme implementation is in line with Article 1.4 of this Agreement;
e) the conclusion of project contracts with project promoters;
f) ensuring adequate technical assistance to project promoters to support project implementation;
g) preparing and submitting reports to the FMO on the implementation of the Programme and ensuring reporting from project promoters;
h) conducting regular monitoring;
i) conducting audits and on-the-spot verifications of projects;
j) establishing measures to prevent, detect and nullify suspected or actual cases of irregularities;
k) the transfer of funds from the regranting account to project promoters and the verifiable management of the funds, including financial accounting, verification of financial reports and documents, and payment requests;
l) ensuring financial flows and fund transfers that ensure adequate risk management and financial control;
m) the collection and review of project implementation and completion reports;
n) the archiving of all documents relevant to the implementation of the Programme;
o) informing the FMO within 5 working days of any change in the key personnel of the Fund Operator and the Partners and providing the FMO upon request with any relevant information concerning the new key personnel. For this purpose, "key personnel" shall include without limitation all staff of the Fund Operator authorised pursuant to Article 1.11 to withdraw funds from the regranting account.

2.2 Main responsibilities of the FMO

1. The FMO shall pay the management fee to the Fund Operator's account in instalments as follows:

a) Unless otherwise agreed and specified in Annex I to this Agreement, an advance payment of 10% of the management fee fourteen days after the last signature of this Agreement;
b) In accordance with the interim financial reports referred to in Article 7.2, at the payment days referred to in Article 7.2.3, unless the report has not been approved;
c) 30% of the management fee referred to in paragraph 1 of Article 1.10 shall be retained until the FMO has approved the final programme report submitted by the

Fund Operator to the FMO. The FMO shall transfer the retained amount to the Fund Operator in accordance with Article 7.5.5;

d) Notwithstanding Article 7.5.5, the transfer of the retained amount to the Fund Operator shall automatically be postponed, but not beyond 31 December 2025, if:

i. a dispute arises between the Fund Operator and the FMO; the amount referred to in subparagraph (c) shall be retained until such a dispute has been settled;

ii. the calculation of the final balance shows that the Fund Operator owes funds to the FMO; the amount referred to in subparagraph (c) shall be retained until such funds have been reimbursed to the FMO, or

iii.the approval of the final programme report is dependent upon such a postponement, for example due to unresolved irregularity in a project.

e) If the amount potentially owed to the FMO is lower than the retention amount, the latter may be reduced.

2. The FMO shall transfer all other funds besides the management fee to the regranting account:

a) In accordance with interim financial reports referred to in Article 7.2, unless the report has not been approved.

b) In exceptional and duly justified cases in the form of an advance payment, if funds are needed before the first payment date for interim payments.

3. The FMO shall determine whether the management and control system description submitted in accordance with Article 2.1 a) meets the requirements described in Section 4 of the Terms of Reference for the role of Fund Operator

**Chapter 3: Information and communication**

3.1. Responsibilities of the Fund Operator

The Fund Operator shall ensure that the project promoters and their partners fulfil their information and communication obligations in accordance with the project contract, as foreseen in Chapter 3 of the Manual for Fund Operators of the Active Citizens Fund.

3.2. Communication with the press

The Fund Operator shall not speak publicly on behalf of the Financial Mechanism Office or the Donor States and shall take appropriate steps to ensure that its statements are not perceived as made on behalf of these entities.

**Chapter 4: Eligibility of expenditures**

4.1 General principles on the eligibility of costs in projects

1. The principles set forth in this Article shall apply *mutatis mutandis* to all eligible expenditures unless otherwise stated in this Agreement.

2. Eligible expenditures of projects are those actually incurred by the project promoter or the project partner, which meet the following criteria:

a) they are incurred between the first and final dates of eligibility of a project as specified in the project contract;

b) they are connected with the subject of the project contract and they are indicated in the detailed budget of the project;

c) they are proportionate and necessary for the implementation of the project;

d) they are used for the sole purpose of achieving the objective of the project and its expected outcome(s), in a manner consistent with the principles of economy, efficiency and effectiveness;

e) they are identifiable and verifiable, in particular through being recorded in the accounting records of the project promoter and determined according to the applicable accounting standards and generally accepted accounting principles; and

f) they comply with the requirements of applicable tax and social legislation.

3. Expenditures are considered to have been incurred when the cost has been invoiced, paid and the subject matter delivered (in case of goods) or performed (in case of services and works). Exceptionally, costs in respect of which an invoice has been issued in the final month of eligibility are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date of eligibility. Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the project promoter and/or project partner.

4. The project promoter's internal accounting and auditing procedures must permit direct reconciliation of the expenditures and revenue declared in respect of the project with the corresponding accounting statements and supporting documents.

4.2 Direct expenditures

1. The eligible direct expenditures for a project are those expenditures which are identified by the project promoter and/or the project partner, in accordance with their accounting principles and usual internal rules, as specific expenditures directly linked to the implementation of the project and which can therefore be booked to it directly. The

following direct expenditures are eligible provided that they satisfy the criteria set out in Article 4.1:

a) the cost of personnel assigned to the project, comprising actual remuneration including social security charges and other statutory costs as applicable, provided that this corresponds to the project promoter's and project partner's usual policy on remuneration;

b) travel and subsistence allowances for personnel and volunteers taking part in the project, provided that they are in line with the project promoter's and project partner's usual practices on travel costs;

c) cost of new or second hand equipment provided that it is depreciated in accordance with generally accepted accounting principles applicable to the project promoter and generally accepted for items of the same kind. Only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project may be taken into account by the Fund Operator. In case the Fund Operator determines that the equipment is an integral and necessary component for achieving the outcomes of the project, the entire purchase price of that equipment may be eligible;

d) costs of consumables and supplies, provided that they are identifiable and assigned to the project;

e) costs entailed by other contracts awarded by a project promoter for the purposes of carrying out the project, provided that the awarding complies with the applicable rules on public procurement; and

f) costs arising directly from requirements imposed by the project contract for each project.

2. Costs related to reconstruction, renovation, or refurbishment of a real estate shall not exceed 50% of the eligible direct cost of the project.

3. Where the entire purchase price of equipment is eligible in accordance with point (c) of paragraph 1, the Fund Operator shall ensure that the project promoter:

a) keeps the equipment in its ownership for a period of at least five years following the completion of the project and continues to use the equipment for the benefit of the overall objectives of the project for the same period;

b) keeps the equipment properly insured against losses such as fire, theft or other normally insurable incidents both during project implementation and for at least five years following the completion of the project; and

c) sets aside appropriate resources for the maintenance of the equipment for at least five years following the completion of the project.

The specific means for the implementation of this obligation shall be specified in the project contract. The Fund Operator may release any project promoter from the above obligations with respect to any specifically identified equipment where the Fund Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose.

4. The provisions in this Article shall apply *mutatis mutandis* to all eligible expenditures unless otherwise stated in this Agreement.

4.3 Indirect costs

1. Indirect costs are all eligible costs that cannot be identified by the project promoter and/or the project partner as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs. Indirect costs of the project shall represent a fair apportionment of the overall overheads of the project promoter or the project partner. Project promoters and project partners may apply a flat rate of up to 15% of direct eligible personnel costs (Article 4.2.1 a) to cover these costs.

2. In case of project promoters or project partners that are international organisations, or bodies or agencies thereof, indirect costs may, in line with specific provisions in Annex II to this Agreement, be identified in accordance with the relevant rules established by such organisations.

4.4 Excluded costs

1. The following costs shall not be considered eligible:

a) interest on debt, debt service charges and late payment charges;

b) charges for financial transactions and other purely financial costs, except costs related to accounts and financial services imposed by the project contract;

c) costs related to purchase of land or real estate;

d) provisions for losses or potential future liabilities;

e) exchange losses;

f) recoverable VAT;

g) costs that are covered by other sources;

h) fines, penalties and costs of litigation, except where litigation is an integral and necessary component for achieving the outcomes of the project; and

i) excessive or reckless expenditure.

2. The provisions in this Article shall apply *mutatis mutandis* to all eligible expenditure unless otherwise stated in this Agreement.

4.5 Project grant rate and co-financing

1. The Programme can provide up to 90% of the eligible expenditure of the project. The co-financing shall be provided in the form of cash or in-kind contribution in the form of voluntary work. The in-kind contribution may constitute up to 50% of the co-financing unless otherwise specified in annex 2.
2. Notwithstanding paragraph 1, the Programme can provide up to 100% of the eligible expenditure of the pre-defined project specified in Article 5.4.
3. The in-kind contribution referred to in paragraph 1 may be provided only by the project promoter and/or any NGO acting as project partner(s). For the calculation of the in-kind contribution, the price for each hour of voluntary work shall be specified in Annex II. The Parties to this Agreement may agree to adjust these prices during the implementation of the Programme in order to take into account changes in salaries.
4. The maximum project grant rate shall be calculated as a percentage of the total eligible expenditure of the projects. When setting the project grant rate, the Fund Operator shall take into account any economic benefit, e.g. cost savings or increased profit, which is a result from receiving a financial contribution. Economic benefits shall be used in a manner which supports the long-term objectives of the projects.

4.6 First and final dates of eligibility

Costs within projects may be eligible from the date on which the grant is awarded or at a later date set in the project contract. The project contract shall set the final date of eligibility of costs which shall be no later than 30 April 2024. Costs incurred after that date are not eligible.

**Chapter 5: Contracting of projects**

5.1 Project contract

1. For each project a project contract shall be concluded between the Fund Operator and the project promoter.
2. The project contract sets out the terms and conditions of grant assistance as well as the roles and responsibilities of the parties. It shall include provisions that ensure that the project promoter takes on any obligations that are necessary for the Fund Operator to comply with its obligations under this Agreement. The project contract shall contain, as a minimum, provisions on the following:

a) obligations regarding reporting that enable the Fund Operator to comply with its reporting obligations to the FMO and the National Focal Point;

b) the maximum amount of the project grant in euro and the maximum project grant rate;

c) the list of eligible expenditures;

d) the first and final dates of eligibility of expenditures;

e) requirements for the submission of proof of expenditure according to Article 8.2; provision on modifications of the project;

f) provision on modifications of the project;

g) provisions that ensure timely access for the purposes of monitoring, audits and evaluations;

h) provisions that ensure that obligations regarding information and communication as described in Chapter 3 are complied with;

i) the right of the Fund Operator to suspend payments and request reimbursement from the project promoter in case decision on such actions is taken by the FMO and/or the Fund Operator;

j) resolution of disputes and jurisdiction;

k) waiver of responsibility referred to in Article 14.2;

l) a detailed budget;

m) provisions on equipment for which the entire purchase price is eligible, in compliance with Article 4.2.3;

n) provisions giving effect to Article 14.5.5(c) in case of termination of this Agreement;

o) a reference to partnership agreements or letters of intent, if relevant; and

p) provisions that ensure that obligations regarding record keeping as described in Article 11.6 are complied with.

3. The obligations of the project promoter under the project contract shall be valid and enforceable under the applicable national law of the Beneficiary State.
4. The Fund Operator may request the FMO to provide guidance on whether the project contract template complies with the minimum standards set in paragraph 2 of this Article. The Fund Operator is responsible for the project contract.

5.2 Partnership agreement

1. A project may be implemented in partnership with project partners. If a project is implemented in such a partnership, the project promoter shall sign a partnership agreement with each of the project partners.
2. Any public or private entity, commercial or non-commercial, as well as non-governmental organisations established as a legal person either in

the Donor States or the Republic of Cyprus, or any international organisation or body or agency thereof, actively involved in, and effectively contributing to, the implementation of a project is
considered an eligible project partner. The project partner shall share with the project promoter a common economic or social goal which is to be realised through the implementation of the project. Informal groups as defined in the Manual for Fund Operators of the Active Citizens Fund, which are legal residents in the Republic of Cyprus, are considered eligible project partners, unless otherwise explicitly stated in Annex II.

3. The partnership agreement shall contain the following:

a) provisions on the roles and responsibilities of the parties;

b) provisions on the financial arrangements between the parties including, but not limited to, the expenditure for which project partners can be reimbursed from the project budget;

c) currency exchange rules for such expenditure and reimbursement;

d) provisions on indirect costs and their maximum percentage;

e) requirements for the submission of proof of expenditure according to Article 8.2.

f) provisions on audits of the project;

g) a detailed budget; and

h) provisions on dispute resolution.

4. The partnership agreement shall be in English if one of the parties to the agreement is an entity from the Donor States or an international organisation or body or agency thereof.

5. 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.

6. The draft partnership agreement shall be submitted to the Fund Operator before the signing of the project contract. The Fund Operator shall verify that the partnership agreement complies with this Article.

5.3 Reallocation of funds

Project grants that have not been fully utilized, project grants that have been cancelled due to irregularities or for other reasons, may be reallocated following a programme modification as set in Article 14.4.

5.4 Pre-defined projects

The pre-defined projects shall be described in the Annexes to this Agreement.

**Chapter 6: Public procurement**

1. National and European Union law on public procurement shall be complied with at any level in the implementation of the Programme and its projects.

2. Notwithstanding provisions of national law that exempt NGOs from public procurement, any procurement procedures related to amounts above the European Union thresholds for procurement shall be undertaken in accordance with the applicable laws on procurement without regard for such an exemption.

3. In cases where contracts concluded as part of the implementation of the Programme fall below the national or European Union thresholds set for public procurement or outside the scope of the applicable public procurement laws, the awarding of such contracts (including the procedures prior to the awarding) and the terms and conditions of such contracts shall comply with best economic practices, including accountability, allow fair competition between potential providers, for example by way of effective price comparison, and ensure the optimal use of resources from the EEA and Norwegian Financial Mechanisms 2014-2021. To this end, and in the absence of stricter national laws, in cases of purchases related to an amount of EUR 5,000 or higher but below the relevant European Union thresholds, the project promoter shall invite at least three suppliers/service providers to submit offers.

4. The highest ethical standards shall be observed during the procurement and execution of contracts. The Fund Operator shall ensure the application of adequate and effective means to prevent illegal or corrupt practices. No offer, gifts, payments or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice, e.g. as an inducement or reward for the award or execution of procurement contracts, shall be accepted.

**Chapter 7: Reporting from the Fund Operator to the FMO and review meetings**

7.1 Annual programme reports

1. The Fund Operator shall submit an annual programme report to the FMO and the National Focal Point using a template provided by the FMO. The main purpose of the report is:

a) to provide key information on the implementation of the Programme compared to the plans set out in this Agreement and/or the preceding annual programme report and in achieving the expected outputs;

b) the Programme's contribution to its overall objective and outcomes, and Article 1.4, as relevant;

c) to identify any issues which affect the implementation of the Programme and the measures taken to address them, a risk assessment and planned mitigating actions.

2. The reporting periods for the annual programme reports shall be the calendar year. The report shall be submitted not later than 15 February each year.

3. The FMO shall inform the Fund Operator of its opinion on the annual programme report within two months of the date of receipt. If the FMO does not respond within the time limit laid down, the report shall be considered to have been accepted.

7.2 Interim financial reports

1. The reporting periods in each calendar year shall be as follows:

a) 1 January – 30 June for actual expenditure incurred and 1 November – 30 April for proposed expenditure;

b) 1 July – 31 December for actual expenditure incurred and 1 May-31 October for proposed expenditure.

2. Interim payments shall be paid based on an interim financial report submitted by the Fund Operator in a format provided by the FMO.

3. Interim payments from the FMO shall be made on the following payment dates: 15 April and 15 October. Should a payment date land on a weekend or an EFTA public holiday, the payment shall be made on the next EFTA working day.

4. Interim financial reports shall be received by the FMO according to the following schedule:

a) on, or before, 15 March for payments to be made by 15 April;

b) on, or before, 15 September for payments to be made by 15 October.

5. Payment based on an interim financial report received after its due date but on, or before, the following due date referred to in paragraph 4 shall be due as the report would have been received on its following due date. If an interim financial report has not been received within twelve months from the end of the reporting period in which expenditure has been incurred by the Fund Operator, the expenditure for that period shall be declared ineligible and cancelled.

6. Interim financial reports shall include:

a) a statement of actual expenditure incurred during the reporting period preceding the payment date; and

b) a statement of proposed expenditure for the reporting period immediately following the payment date;

c) information on progress towards achieving outputs and outcomes, as appropriate.

7. The actual incurred expenditure for the last reporting period shall be reported in the final programme report.

8. When the interim financial report has been provided, the FMO shall verify that it is in the correct form and that the conditions for payment have been met. If that verification is positive, interim payments shall be transferred no later than on the payment dates referred to in paragraph 3.

9. Interim payments shall in principle consist of the proposed expenditure for the respective reporting period less the expected cash balance at the start of that period for the proposed expenditure. The FMO may modify the amount of the interim payment if the proposed expenditures are considered to be unjustified. The FMO shall provide the Fund Operator with a justification of the modification without delay.

10. Should verification according to paragraph 8 be negative, the FMO and the Fund Operator shall closely cooperate to remedy the deficiencies. The FMO may provisionally hold interim payments until such deficiencies have been remedied. When the FMO, after receiving all necessary information, has positively verified an interim financial report, it shall release the payment due as soon as possible, unless the FMO decides to make use of remedies provided in Chapter 11.

7.3 Forecast of likely payment applications

At the latest by 20 February, 20 April, 20 September and 20 November each year, the Fund Operator shall send to the FMO, in a format provided by the FMO, a justified forecast of likely payment applications from the Fund Operator for the remainder of the current financial year and subsequent financial years.

7.4 Reporting on projects

The Fund Operator shall provide to the FMO information about each project using a template provided by FMO.

7.5 Final programme report

1. The Fund Operator shall submit a final programme report to the FMO and the National Focal Point in a format provided by the FMO. The main purpose of the report is to provide:

a) an overall assessment of the implementation of the Programme, including comparison to the plans set out in the Programme and any lessons learned;

b) an assessment of the Programme's contribution to its overall objective and outcomes of the Programme as well as Article 1.4, as relevant;

c) overview of irregularities and measures taken to remedy these;

d) specific details in respect of meeting and/or adapting financial plans; and

e) financial information, including a calculation of the final balance.

2. The final programme report shall include financial and statistical annexes in formats provided by the FMO.

3. The final programme report shall be submitted to the FMO no later than two months after the end of the operational period referred to in Article 1.12.

4. The FMO shall review the final programme report in order to determine whether it fulfils its formal and substantive requirements. The FMO shall approve the final programme report no later than two months following the receipt of the report and all relevant documents and necessary information.

5. Any final balance payable to the Fund Operator shall be transferred by the FMO no later than one month after FMO's approval of the final programme report. Any final balance payable to the FMO shall be reimbursed to the FMO within the same deadline.

7.6 Review meetings

1. The Parties to the Agreement shall meet at least once a year to review the implementation of the Programme.

2. The review meetings shall allow the FMO to examine progress achieved since the previous review meeting and instruct the Fund Operator to take any necessary measures.

3. Decisions taken at the review meetings shall be set out in the agreed minutes. The Fund Operator is responsible for the drafting of the minutes from the meeting, summarising the main points and the action points discussed at the meeting.

4. The National Focal Point and the Royal Norwegian Embassy shall be invited to participate in the review meetings as observers.

**Chapter 8: Reporting from project promoters, verifications, payments to projects, audits and monitoring**

8.1 Reporting

The Fund Operator shall establish a system for reporting by project promoters that provides the Fund Operator with sufficient information for its reports to the FMO, in particular in relation to progress towards the Programme objective and outcomes as well as statistical and financial information.

8.2 Proof of expenditure

1. Costs incurred by project promoters and project partners shall be supported by receipted invoices, or alternatively by accounting documents of equivalent probative value.

2. A report by an independent auditor, qualified to carry out statutory audits of accounting documents, certifying that the reported costs are incurred in accordance with this Agreement, the national law and relevant national accounting practices shall be accepted as sufficient proof of expenditure incurred for project partners whose primary location is in one of the Donor States or project partners that are international organisations or bodies or agencies thereof.

3. Upon request by the FMO or the EFTA Board of Auditors, the Project Promoter or Project Partner shall grant access to the supporting documents on the basis of which the report referred to in paragraph 2 was issued.

4. Indirect costs identified according to Article 4.3 do not need to be supported by proof of expenditure.

8.3 Verification of projects

1. Verifications to be carried out by the Fund Operator shall cover administrative, financial, technical and physical aspects of projects, as appropriate and be in accordance with the principle of proportionality.

2. Verifications shall include the following procedures:

a) administrative verification in respect of incurred expenditure reported by project promoters;

b) on- the-spot verification of projects, which may be carried out on a sample basis.

8.4 Payments to projects

Payments of the project grant to 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 shall be set in Annex II to this Agreement.

8.5 Audit

Each project shall be subject to an independent, external financial and compliance audit commissioned by the Fund Operator. Costs related to the audits shall be covered by the management fee referred to in article 1.10.

8.6 Monitoring

The monitoring arrangements undertaken by the Fund Operator is described in Annex II to this Agreement.

**Chapter 9: Irregularities**

9.1 Responsibilities related to irregularities

1. The Fund Operator shall make every effort possible to prevent, detect, and nullify the effect of

any cases of irregularities. Similarly, the Fund Operator shall investigate any suspected and actual cases of irregularities promptly and efficiently, including making any financial corrections that may be appropriate.

2. Unduly paid amounts shall be recovered and reimbursed in accordance with this Agreement.

9.2 Definition of irregularities

An irregularity shall mean an infringement of:

a) the legal framework of the EEA Financial Mechanism 2014-2021 referred to in Article 1.5

b) this Agreement;

c) the project contract;

d) any provision of European Union law; or

e) any provision of the national law of the Beneficiary State,

which affects or prejudices the implementation of the Programme, for instance by unjustified or disproportionate expenditure, by affecting the integrity of the selection process, or by reducing or losing revenue under the Programme and/or the project.

9.3 Irregularities register

The Fund Operator shall keep a register of all irregularities, and shall, upon request from the FMO, provide information on irregularities within one month.

9.4 Reporting on irregularities

1. The Fund Operator shall immediately report to the FMO all suspected and actual cases of irregularities when any of the following applies:

a) they involve allegations of an act or omission which constitutes a criminal offence under the national legislation of the Beneficiary State, such as corruption, fraud, bribery or embezzlement;

b) they indicate the presence of serious mismanagement affecting the use of the financial contribution from the EEA Financial Mechanism 2014-2021; or

c) they pose an immediate threat to the successful completion of any project due to the amounts in proportion to the total project cost, their gravity or any other reason.

2. For irregularities other than those referred to in paragraphs 1 and 3, the Fund Operator shall within two months of the end of each quarter, submit to the FMO a report, describing any suspected and actual cases of irregularities discovered during that quarter. Should there be no irregularities to report on during the quarter, the Fund Operator shall inform the FMO of this fact.

3. Unless requested by the FMO, the following cases of irregularities in projects need not be reported:

a) cases, where the irregularity consists solely in the failure to implement a project, in whole or in part, owing to the bankruptcy of the project promoter;

b) cases, which are detected and corrected by the Fund Operator in the course of the verification of the expenditure declared;

c) cases, which relate to an amount below EUR 2,000 in contribution from the Programme. In the case of irregularities related to non-compliance with public procurement rules, this amount refers to the overall value of the contract which is affected by the irregularity.

4. Paragraph 3 does not apply to irregularities that shall be reported immediately according to paragraph 1, or irregularities preceding a bankruptcy.

5. Together with each report on new irregularities referred to in paragraph 2, the Fund Operator shall report to the FMO on the progress made in the investigation and remedy of previously reported irregularities.

6. Should there be no progress to report on under this Article, the Fund Operator shall inform the FMO of this fact within the time limit set in paragraph 2.

9.5 Complaint mechanism

1. The Fund Operator shall be capable of effectively handling complaints and shall without delay report to the FMO on any complaints received involving suspected irregularities referred to in paragraph 1 of Article 9.4. Complaints involving suspicion of other irregularities shall be reported to the FMO in the reports referred to in paragraph 2 and paragraph 5 of Article 9.4.

2. The Fund Operator shall, upon request by the FMO, examine complaints. The Fund Operator shall inform the FMO of the results of those examinations.

**Chapter 10: Suspension of payments, financial corrections and reimbursement**

10.1. Recovery of amounts subject to irregularities in projects

1. In case of irregularities, the Fund Operator shall, taking into account the seriousness of the irregularity, determine whether to:

a) cancel the project and request reimbursement of all or part of the already paid project grant;

b) allow the project to continue but apply a proportionate financial correction; or

c) take no action.

2. Before making decisions according to paragraph 1 the Fund Operator shall consult with the FMO.

3. The Fund Operator shall, on its own initiative or based on instructions by the FMO, take all reasonable measures to recover any amount unduly paid to a project promoter, including using any available judicial or administrative remedies.

10.2 Suspension of payments

1. The FMO may decide to suspend payments to the Programme if one or more of the following applies:

a) the conditions for payments in accordance with the provisions of this Agreement have not been met;

b) credible information indicates that the progress of the Programme is not in accordance with this Agreement;

c) reports referred to in Chapters 7 and 9 or any other information requested have not been provided or include incomplete information;

d) access required under Article 11.4 is restricted;

e) the financial management of the Programme has found to be unstable and raises serious doubts of integrity;

f) it becomes aware of suspected or actual cases of irregularities, or such cases have not been adequately reported, investigated or remedied;

g) the implementation of the Programme is deemed to be in violation of national or European Union law;

h) a fundamental change of circumstances occurs and said circumstances constitute an essential basis for the financial contribution to the Programme;

i) it becomes aware of any misrepresentation of facts in any information given by or on behalf of the Fund Operator affecting, directly or indirectly, the implementation of this Agreement;

j) the procedure under Article 10.5 has been opened;

k) any other obligation stipulated in this Agreement is not complied with by the Fund Operator.

2. Except for urgent cases, the Fund Operator shall be given an opportunity to provide its views before the FMO takes a decision to suspend payments. The decision to suspend payments shall be reasoned and immediately effective. The Fund Operator shall be notified no later than seven workings days from the date of the decision.

3. The Fund Operator can at any time present documents or other relevant evidence and request that the FMO reviews its decision to suspend payments.

4. When the FMO finds that the conditions for suspension no longer apply, it shall take a decision to continue payments.

10.3 Financial corrections

1. The FMO may make financial corrections based on the criteria in Article 10.4 consisting of cancelling all or part of the financial contribution of the EEA Financial Mechanism 2014-2021 to the Programme.

2. When a financial correction is made on a project in accordance with paragraph 1, or with Article 9.1, the financial correction may not be reused for that project. The cancelled financial contribution may be reused under the Programme for projects other than those that were the subject of the correction.

3. When a financial correction is made for a *systemic irregularity or an irregularity related to the management or control systems within the Programme, the financial contribution may not be reused within the Programme.

10.4 Criteria for financial corrections

1. The FMO may make financial corrections according to Article 10.3 if one or more of the following applies:

a) a serious breach of this Agreement has occurred;

b) a serious deficiency exists in the management and control system of the programme, which puts at risk the financial contribution to the programme;

c) the Fund Operator has not complied with its obligations to investigate and/or to appropriately remedy irregularities under Article 9.1.

2. The FMO shall base its financial corrections on individual cases of irregularity identified, taking account of the systemic nature of the irregularity to determine whether a flat-rate or extrapolated correction should be applied, or whether the corrected amount can be based on an actual amount detected as irregular.

3. The FMO shall, when deciding the amount of a correction, take account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies found.

10.5 Procedure

1. Prior to making a decision referred to in paragraph 1 of Article 10.3, the FMO shall notify the Fund Operator of its intention to make such a decision. The notification shall outline the reasons for the decision and indicate the relevant amounts. The Fund Operator can within one month from the sending of the notification provide any comments relevant to the intended decision.

2. Where the FMO proposes a financial correction on the basis of extrapolation or a flat rate, the Fund Operator shall be given the opportunity to demonstrate, through an examination of the documentation concerned, that the actual extent of the irregularity was less than the FMO's assessment. In agreement with the FMO, the Fund Operator may limit the scope of this examination to an appropriate proportion or sample of the documentation concerned. Except in duly justified
cases, the time allowed for this examination shall not exceed a further period of two months after the one-month period referred to in paragraph 1.

3. The FMO shall take account of any evidence supplied by the Fund Operator within the time limits referred to in paragraphs 1 and 2. At any time prior to the decision on financial corrections, the Fund Operator and the FMO can enter into a dialogue with a view to ensuring that the decision is based on accurate and correct facts.

4. The Fund Operator shall be notified of a decision referred to in paragraph 1 of Article 10.3 no later than seven working days from the date of the decision. The notification shall outline the reasons for the decision.

10.6 Reimbursement

1. Amounts recovered in accordance with paragraph 1 of Article 10.1 shall be reimbursed to the regranting account before the submission of the final programme report referred to in Article 8.6.

2. Financial corrections referred to in paragraph 3 of Article 10.3 and 10.4 shall be deducted from the management fee referred to in Article 1.10. Should the remainder of the management fee to be paid to the Fund Operator not be sufficient to cover the financial correction, the Fund Operator shall reimburse the amount due to the FMO within three months of the decision referred to in Article 10.3.

3. The Fund Operator shall not be responsible for amounts that cannot be recovered in accordance with paragraph 1, if it shows that the loss of the funds and the circumstances related thereto are not due to a negligent performance or non-performance of the obligations of the Fund Operator under this Agreement.

4. Notwithstanding paragraph 3, reimbursement from the Fund Operator to the FMO is not contingent upon reimbursement from the project promoter.

**Chapter 11: Evaluation, external monitoring, audits and provision of information**

11.1 External monitoring and evaluation

The FMO may undertake external monitoring and evaluation of the Programme. The FMO shall inform the Fund Operator about such activities at least two weeks in advance. The Fund Operator shall provide technical support for these activities, upon request by the FMO.

11.2 Audits and on-the-spot verifications arranged by the FMO

1. The FMO may arrange audits and on-the-spot verifications of the Programme and projects. The FMO shall, except in urgent cases, give two weeks' notice to the Fund Operator concerned before an audit or on-the-spot verification is carried out.

2. The Fund Operator shall be given an opportunity to provide comments to an audit report before it is finalised.

11.3 EFTA Board of Auditors

The EFTA Board of Auditors may conduct audits of the Programme and its projects. The FMO shall, as far as it is under its control, ensure that the Fund Operator is given at least two weeks' notice before such audit is carried out.

11.4 Access

The persons performing monitoring, audits or on-the-spot verifications according to this Agreement shall upon request be granted prompt, full, and unimpeded access to all information, documents, persons, locations and facilities, relevant to the audit or the verification.

11.5 Provision of information

The Fund Operator shall without unreasonable delay provide the FMO or any person(s) authorised by the FMO, with such information relating to the Programme as they may at any time request.

11.6 Records

1. The Fund Operator shall keep full accurate and systematic records and accounts in accordance with the laws of the Beneficiary State.

2. Such records must be kept for a 3-year period following FMO's approval of the final programme report. These documents comprise any documentation concerning the implementation of the Programme, with the exception of documents solely relevant for the use of the management fee under Article 1.10.

3. The Fund Operator shall permit the FMO, or any person(s) authorised by the FMO, to inspect or audit, at any reasonable time, the records and accounts relating to the implementation of the Agreement and to make copies thereof both during and after the period of operation of the Programme.

**Chapter 12: Code of conduct and conflict of interest**

12.1 Ethical standards

1. The Fund Operator shall observe the highest ethical standards during the implementation of the Programme and shall ensure the application of adequate and effective means to prevent illegal or corrupt practices.
2. If the Fund Operator, its Partners or any of their sub-contractors, personnel, agents or servants offers to give or agrees to offer or to give or gives to any person, any bribe, gift, gratuity or commission as an inducement or reward for doing or forbearing to do any act in relation to this Agreement or any other contract with the FMO, or for showing favour or disfavour to any person in relation to this Agreement or any other contract with the FMO, then the FMO may terminate this Agreement, without prejudice to any accrued rights of the Fund Operator under the Agreement.

12.2 Other income

The payments of the management fee to the Fund Operator under this Agreement shall constitute the only income or benefit the Fund Operator may derive in connection with the Agreement. Neither it, nor its personnel shall accept any commission, discount, allowance, indirect payment or other consideration in connection with, or in relation to, or in discharge of, its obligations under this Agreement.

12.3 Professional secrecy

The Fund Operator and its staff shall maintain professional secrecy for the duration of this Agreement and after completion thereof. In this connection, except with the prior written consent of the FMO, neither the Fund Operator nor the personnel employed or engaged by it shall at any time communicate to any person or entity any confidential information disclosed to them or discovered by them, or make public any information as to the recommendations formulated in the course of or as a result of implementation of this Agreement. Furthermore, they shall not make any use prejudicial to the FMO, of information supplied to them and of the results of studies, tests and research carried out in the course and for the purpose of performing this Agreement.

12.4 Conflict of interest

1. In addition to the requirement related to the selection process, the Fund Operator shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of the Agreement. Such conflict of interest could arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest. Any conflict of interest, which could arise during performance of the Agreement, must be notified in writing to the FMO without delay.
2. The FMO has the right to verify that such measures are adequate and may require additional measures to be taken if necessary. The Fund Operator shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interest. Without prejudice to employees' rights under national laws, the Fund Operator shall replace, immediately and without compensation from the FMO, any member of its staff exposed to such a situation.
3. The Fund Operator shall refrain from any contract that would compromise its independence or that of its personnel. If the Fund Operator fails to maintain such independence, the FMO may, without prejudice to compensation for any damage that it may have suffered on this account, terminate this Agreement forthwith, without giving formal notice thereof.

**Chapter 13: Assignment and sub-contracting**

13.1 Assignment

1. An assignment is any agreement by which the Fund Operator transfers its rights under this Agreement or part thereof to a third party.
2. The Fund Operator shall not, without the prior written consent of the FMO, assign the Agreement or any part thereof, or any benefit or interest there under. Any assignment without such consent shall be null and void.
3. The approval of an assignment by the FMO shall not relieve the Fund Operator of its obligations under the Agreement.

13.2 Sub-contracting

1. Any agreement by which the Fund Operator entrusts performance of a part of the services to a third party is considered to be a sub-contract.
2. Without prejudice to the role of the Fund Operator and Partners referred to in Article 2.1, the Fund Operator must obtain a prior written authorization of the FMO before entering into a sub-contract.
3. No sub-contract can create contractual relations between any sub-contractor and the FMO. The Fund Operator shall be responsible for the acts, defaults and negligence of its sub-contractors and their experts, agents or employees, as if they were the acts, defaults or negligence of the Fund Operator, its experts, agents or employees.
4. The approval by the FMO of the sub-contracting of any part of the Agreement or of the engagement by the Fund Operator of sub-contractors to perform any part of the services shall not relieve the Fund Operator of any of its obligations under the Agreement. Those services entrusted to a sub-

contractor by the Fund Operator cannot be entrusted to third parties by the sub-contractor.

**Chapter 14: Concluding provisions**

14.1 Information system

1. The Fund Operator shall provide the reports referred to in Chapters 7 and 9 through FMO's information system. The FMO shall give the Fund Operator access to the system and provide the necessary guidance to enable the Fund Operator to use the system correctly.
2. Should the system referred to in paragraph 1 become unavailable or be discontinued, the FMO may require the Fund Operator to provide these reports in another format provided by the FMO, whether electronic or hard copies.

14.2 Waiver of responsibility

1. Nothing contained in this Agreement shall be construed as imposing upon the FMO any responsibility of any kind for the supervision, execution, completion or operation of the Programme or its projects.
2. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees can be held liable for any damage or injuries of whatever nature sustained by the Fund Operator or a project promoter, recipient of funds, or any other third person in connection, be it direct or indirect, with this Agreement.
3. This waiver of responsibility shall also bind the project promoters. Each project contract shall contain a provision to that effect.

14.3 Privileges and immunities

Nothing contained in this Agreement shall be deemed a waiver expressed or implied of any privileges and immunities of the European Free Trade Association, its assets, officials or employees.

14.4 Programme modification

1. This Agreement may not be modified by the Fund Operator. The latter does not apply to the Annexes to this Agreement.
2. Any modification to the Annexes is subject to prior approval by the FMO.
3. The Fund Operator shall describe and justify the modification, as well as the likely impact on the financial figure, risk assessment, outputs and outcomes of the Programme.
4. The FMO shall assess the proposed modification and provide a formal response no later than one month following the receipt of all relevant documents and necessary information.
5. The modification shall be formalised through an amendment of this Agreement, where necessary.

14.5 Termination, compensation and damages

1. Either party may terminate this Agreement in the event of a serious breach by the other party which remains unremedied for 30 days following written notice thereof making specific reference to the breach and to this Article. The requirement of written notice shall not apply where it is clear from the circumstances, or the party in breach has clearly indicated, that it is unable or has no intention to remedy the breach.
2. In addition, the FMO shall be entitled to terminate this Agreement where the Fund Operator:

a) becomes insolvent or bankrupt;
b) has a receiving order or administration order made against it or compounds with its creditors;
c) being a legal person commences to be wound up; or
d) carries on its activities under an administrator or administrative receiver for the benefit of its creditors or any of them.

Any of the above events shall be deemed a breach by the Fund Operator.
3. Should this Agreement be terminated pursuant to either of the preceding paragraphs 1 or 2, the party whose breach has occasioned the termination shall (without prejudice to the following provisions) compensate the other party for all losses, costs and wasted expenditure incurred by the other party in consequence of the termination.
4. The FMO may terminate this Agreement if changes in the political environment put into doubt the feasibility of the Programme.
5. In all cases where this Agreement is terminated prior to its entire performance:

a) the FMO shall (without prejudice to the payment obligations provided in the preceding paragraphs) pay the Fund Operator for the work already performed and (unless the termination arises by reason of a breach by the Fund Operator) commitments already undertaken which cannot reasonably be cancelled and reasonable costs for closing down the Fund Operator's role in the operation, provided that the total amount paid to the Fund Operator shall not exceed the amount of the management fee provided in Article 1.10;
b) the Fund Operator and its officials shall cease to operate the regranting account and the FMO shall be entitled to terminate the signature rights of those officials accordingly;
c) any rights and obligations of the Fund Operator vis-à-vis project promoters shall automatically be transferred to the FMO which shall be entitled to retransfer them to any replacement Fund Operator whom it may appoint;
d) the Fund Operator shall provide to the FMO or to any replacement Fund Operator such reasonable assistance as the latter may require to ensure the continuing good administration of the Programme and in particular shall provide the FMO or replacement Fund Operator with all contact details and copies of all its files concerning each of the project promoters and project contracts. The

Fund Operator shall also cooperate with the FMO or replacement Fund Operator in notifying the project promoters of the change of Fund Operator and in ensuring the smooth continuation of the Programme.
6. Where the FMO is entitled to damages or compensation from the Fund Operator, it may deduct such amounts from any sums due to the Fund Operator and/or call on the appropriate guarantee.
7. The FMO shall be entitled to compensation from the Fund Operator for any damage which comes to light after the completion of the Programme.

14.6 Indemnification

1. At its own expense, the Fund Operator shall indemnify, protect and defend the FMO, its agents and employees, from and against all actions, claims, losses or damage arising from any act or omission by the Fund Operator in the performance of the Agreement provided that:

a) the Fund Operator is notified of such actions, claims, losses or damages not later than 30 days after the FMO becomes aware of them;

b) the ceiling on the Fund Operator's liability to the FMO shall be limited to an amount equal to the management fee referred to in Article 1.10, but such ceiling shall not apply to any losses or damages caused to third parties by the Fund Operator or by the Fund Operator's wilful misconduct;

c) the Fund Operator's liability shall be limited to actions, claims, losses or damages directly caused by such failure to perform its obligations under the Agreement and shall not include liability arising from unforeseeable occurrences incidental or indirectly consequential to such failure.

2. At its own expense, the Fund Operator shall, upon request of the FMO, remedy any defect in the performance of the services in the event of the Fund Operator's failure to perform its obligations under the Agreement.
3. The Fund Operator shall have no liability whatsoever for actions, claims, losses or damages occasioned by:

a) the FMO omitting to act on any recommendation, or overriding any act, decision or recommendation, of the Fund Operator, or requiring the Fund Operator to implement a decision or recommendation with which the Fund Operator disagrees or on which it expresses a serious reservation; or

b) the improper execution of the Fund Operator's instructions by agents, employees or independent contractors of the FMO.

4. The Fund Operator shall remain responsible for any breach of its obligations under the Agreement for three years after the approval of the final programme report.

14.7 Force majeure

1. Neither Party shall be considered to be in breach of its obligations under the Agreement if the performance of such obligations is prevented by any circumstances of force majeure which arise after the date of the last signature of this Agreement.
2. The term "force majeure", as used herein shall include without limitation acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars, whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosions, and any other similar unforeseeable events, beyond the control of either Party and which by the exercise of due diligence neither Party is able to overcome. For the avoidance of doubt, inability to pay any sum of money shall not be considered force majeure.
3. A Party affected by an event of force majeure shall take all reasonable measures to remove such Party’s inability to fulfil its obligations hereunder with a minimum of delay.
4. The Fund Operator shall not be liable for contract damages or termination for default if, and to the extent that, its delay in performance or other failure to perform its obligations under the Agreement is the result of an event of force majeure. The FMO shall similarly not be liable for delayed performance, for non-performance or for termination by the Fund Operator for default, if, and to the extent that, the FMO's delay or other failure to perform its obligations is the result of force majeure.
5. If either Party considers that any circumstances of force majeure have occurred which may affect performance of its obligations it shall notify the other Party immediately giving details of the nature, the probable duration and likely effect of the circumstances. Unless otherwise directed by the FMO in writing, the Fund Operator shall continue to perform its obligations under the Agreement as far as is reasonably practicable and shall seek all reasonable alternative means for performance of its obligations, which are not prevented by the force majeure event. The Fund Operator shall not put into effect such alternative means unless directed so to do by the FMO.
6. If circumstances of force majeure have occurred and persist for a period of 180 days then, notwithstanding any extension of the period of execution that the Fund Operator may by reason thereof have been granted, either Party shall be entitled to serve upon the other 30 days' notice to terminate the Agreement. If at the expiry of the period of 30 days the situation of force majeure persists, the Agreement shall be terminated and in consequence thereof, the Parties shall be released from further performance of the Agreement.

14.8 Dispute resolution

1. Any dispute relating to the conclusion, validity, interpretation or performance of this Agreement shall be resolved amicably through consultation between the Parties.
2. Without prejudice to the privileges and immunities granted to the European Free Trade Association, its assets, premises and officials, any dispute arising out of or in relation with this Agreement not settled within two months of the initiation of the consultation referred to in paragraph 1, shall be finally settled under the CEPANI Rules of Arbitration by one or more
arbitrators appointed in accordance with these Rules.
3. The arbitral tribunal shall normally be composed of one arbitrator. However, if the disputed amount is EUR 1,000,000 or higher the arbitral tribunal shall be composed of three arbitrators.
4. The seat of the arbitration shall be Brussels. The arbitration shall be conducted in English. The arbitration shall apply the laws of the Kingdom of Norway.

**********

This Agreement is drawn up in two originals in the English language.

| For the Financial Mechanism Office | For the Fund Operator |
|---|---|
| Signed in Brussels on 31/03/2020 | Signed in Nicosia on 31/03/2020 |
| ..... | ..... |
| Arni Pall Arnason | Celia Hadjichristodoulou |
| Deputy Director | Founder and Managing Director |

# ACTIVE CITIZEN FUND - Cyprus

EEA Financial Mechanism 2014-2021

Results Framework and Budget (Annex I)

| Fund Operator and Partners | |
|---|---|
| Fund Operator: | GrantXpert Consulting Limited |
| Programme Partner(s): | - |

| Programme Objective | Civil society and active citizenship strengthened and vulnerable groups empowered |
|---|---|

| PA | Outcome/Output | Expected programme results | Indicator | Unit of measurement | Source of verification | Baseline values | Baseline year | Target value |
|---|---|---|---|---|---|---|---|---|
| | Objective | Civil society and active citizenship strengthened and vulnerable groups empowered | Number of people engaged in civil society organisation (CSO) activities | Number | Project promoters' records | 0 | N/A | 42000 |
| PA15 | Outcome 1 | Strengthened inter-communal cooperation and inter-cultural dialogue | Number of national policies and regulations influenced after CSO input | Number | Via policy paper on education and history education reform proposal. Formal responses; acceptance of input to consultations | 0 | N/A | 2 |
| | | | Number of new joint initiatives/partnerships conducted/created | Number | Project Promoters' records | 0 | N/A | 20 |
| | | | Number of jobs created | Number | Payroll records, employment contracts | 0 | N/A | 2 |
| | Output 1.1 | Research conducted to inform national policy decision-making and debate | Number of CSOs research-based submissions aimed at informing national policy decision-making and debate[1] | Number | Project Promoters' records | 0 | N/A | 3 |
| | Output 1.2 | History and civic education provided | Number of applied history education laboratories (participatory conferences) organised | Number | Project Promoters' records; Attendance sheets from events | 0 | N/A | 3 |

[1] I.e. policy papers and recommendations

| PA | Outcome/Output | Expected programme results | Indicator | Unit of measurement | Source of verification | Baseline values | Baseline year | Target value |
|---|---|---|---|---|---|---|---|---|
| | | | Number of digital and other educational tools for civic and history education developed and/or disseminated | Number | Project Promoters' records; Publications produced | 0 | N/A | 3 |
| | | | Number of bi-communal workshops on history delivered | Number | Project Promoters' records; Attendance sheets | 0 | N/A | 6 |
| | Output 1.3 | Education and awareness raising on bi-communal perspectives and practices conducted | Number of teachers trained in history education | Number | Project Promoters' records; Attendance sheets | 0 | N/A | 400 |
| | | | Number of students trained in historical thinking | Number | Project Promoters' records; Attendance sheets | 0 | N/A | 200 |
| | | | Number of awareness raising campaigns carried out | Number | Project Promoters' records; audio/video/ print material produced as part of the campaign | 0 | N/A | 14 |
| | Output 1.4 | CSOs infrastructure upgraded | Number of buildings upgraded | Number | Site visit reporting | 0 | N/A | 1 |
| | Output 1.5 | Financial sustainability of CSOs facilitated/supported | Number of income-generating activities supported | Number | Project Promoters' records | 0 | N/A | 6 |
| PA15 | Outcome 2 | Enhanced institutional capacity and sustainability | Number of bi-communal partnerships established | Number | Project promoter's records | 4 | N/A | 8 |
| | | | Annual revenue generated (€) | Annual number | Project promoter's records | 0 | 2,020 | 50,000 |
| | | | Number of jobs created | Number | Payroll records, employment contracts | 0 | N/A | 3.5 |
| | Output 2.1 | Civic education provided | Development of new educational programme for schools | Number | Project promoter's records, Educational materials | 0 | N/A | 1 |
| | | | Number of school students educated on peaceful co-existence/bi-communal perspectives | Annual number | Project promoter's records, Attendance sheets | 0 | N/A | 2500[2] |

[2] The target is annual.

| PA | Outcome/Output | Expected programme results | Indicator | Unit of measurement | Source of verification | Baseline values | Baseline year | Target value |
|---|---|---|---|---|---|---|---|---|
| | | | Number of digital and other educational tools for civic and history education developed | Number | Project promoter's records, Educational tools | 0 | N/A | 32[3] |
| | Output 2.2 | Education and awareness raising on bi-communal perspectives and practices conducted | Number of international conferences organised | Annual number | Project promoter's records, Attendance sheets | 0 | N/A | 2[4] |
| | | | Number of videos produced | Number | Project promoter's records, Videos | 0 | N/A | 4 |
| | | | Number of schools participating in educational programmes | Annual number | Project promoter's records | 0 | N/A | 100[5] |
| | | | Number of publications printed | Number | Project promoter's records, Publications | 0 | N/A | 1,800 |
| | Output 2.3 | Financial sustainability of CSOs facilitated/supported | Number of income-generating activities supported | Annual number | Project promoter's records | 0 | N/A | 15[6] |

[3] The target refers to 2 museum educational kits (suitcases) and 30 tablets.
[4] The target is annual
[5] The target is annual
[6] The target is annual

## Conditions

General

1. The Fund Operator shall ensure that the Project Promoter in pre-defined project 2 (numbering under Section 4.2 of Annex II to the Programme Implementation Agreement):

- Continues to use any buildings purchased, constructed, renovated or reconstructed under the Programme CY02 of the 2009-2014 EEA Financial Mechanism for the benefit of the overall objectives of the project for a period of at least 5 years following the completion of the project funded by the 2014-2021 EEA Financial Mechanism;
- Keeps any buildings purchased, constructed, renovated or reconstructed under the Programme CY02 of the 2009-2014 EEA Financial Mechanism properly insured against losses such as fire, theft and other normally insurable incidents both during implementation of the project and for at least 5 years following the completion of the project funded by the 2014-2021 EEA Financial Mechanism; and
- Sets aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the Programme CY02 of the 2009-2014 EEA Financial Mechanism for at least 5 years following the completion of the project funded by the 2014-2021 EEA Financial Mechanism. The specific means for the implementation of this obligation shall be specified in the project contract.

2. The Fund Operator shall ensure that that the Project Promoter in pre-defined project 1 (numbering under Section 4.2 of Annex II to the Programme Implementation Agreement):

- Keeps 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;
- Keeps 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
- Sets 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.

3. The Fund Operator shall ensure that the Project Promoter in pre-defined project 2 (numbering under Section 4.2 of Annex II to the Programme Implementation Agreement) submits to the FMO a confirmation of the purchase of the building hosting the Centre of Visual Arts and Research by the Municipality of Nicosia and a copy of the rental agreement concluded between the Project Promoter and the Municipality of Nicosia for the building hosting the Centre of Visual Arts and Research.

4. With reference to art. 2.1.1. f) of the Programme Implementation Agreement, the FO shall provide additional services to support Project Promoter in pre-defined project 2 (numbering under Section 2 of Annex II to the Programme Implementation Agreement) with the technical implementation of the project.

5. The Fund Operator and the Project Promoters shall refrain from any acts or omissions that:

- Are incompatible with the property rights of natural or legal persons protected under the applicable laws of the Republic of Cyprus, the Convention for the Protection of Human Rights and Fundamental Freedoms or the case law of the European Court of Human Rights;
- Imply acceptance of entry or exit points of the Republic of Cyprus beyond those that are compatible with international law.

6. Making payments to Project Promoters and, if applicable, Project Partners shall only be made through legally operating banking institutions in the Republic of Cyprus.

7. Any supporting evidence for expenditures provided for payments shall not be considered eligible if these are derived from a so-called “public authority” or any other so-called “official institution” in the areas of the Republic of Cyprus where the Government of the Republic of Cyprus does not exercise effective control and authority.

8. The overall objective of bi-communal projects and their guiding principle is to contribute to the reunification of Cyprus as set out in the relevant UN Security Council resolutions.

Pre-eligibility

Not applicable

Pre-payment

Not applicable

Pre-completion

Not applicable

Post-completion

Not applicable

| **Operational period of the programme** | |
|---|---|
| End of the operational period of the programme | 31/12/2024 |
| **Grant rate and co-financing** | |
| Programme total budget (€) | € 1,308,500 |
| Re-granting amount (€) | € 1,200,000 |
| Programme grant rate (%) | 100.00 % |
| Maximum amount of Programme grant - EEA Financial Mechanism (€) | € 1,308,500 |
| Maximum amount of Programme grant - Norwegian Financial Mechanism (€) | - |
| Maximum amount of Programme grant - Total (€) | € 1,308,500 |

| PA | Budget Heading | EEA Grants | Total grant | Programme grant rate | Programme co-financing | Programme eligible expenditure | Advance payment | Exceptional advance |
|---|---|---|---|---|---|---|---|---|
| PM | Management fee | € 108,500 | € 108,500 | 100.00 % | € 0 | € 108,500 | € 10,850 | n/a |
| PA15 | Outcome 1 (EEA Grants) | € 700,000 | € 700,000 | 100.00 % | € 0 | € 700,000 | n/a | € 210,000 |
| PA15 | Outcome 2 (EEA Grants) | € 500,000 | € 500,000 | 100.00 % | € 0 | € 500,000 | n/a | € 150,000 |
| **Total** | | **€ 1,308,500** | **€ 1,308,500** | **100.00 %** | **€ 0** | **€ 1,308,500** | **€ 10,850** | **€ 360,000** |

| **Retention of management fee(Art. 2.2.1 c)** | |
|---|---|
| Retention of management fee - percentage of the management fee | 30.00 % |
| Retention of management fee - planned Euro value | € 32,550 |

# ACTIVE CITIZENS FUND – Cyprus
EEA Financial Mechanism 2014-2021

## Operational rules (Annex II)

This Annex sets out the operational rules for the programme. The Programme Implementation Agreement is based on the Memorandum of Understanding and the Terms of Reference for the Fund Operator for a Civil Society Programme in Cyprus comprising the pre-defined projects 'Home for Cooperation' and 'Centre of Visual Arts and Research', published on 2 September 2019.

### 1. Programme summary

The Fund Operator is GrantXpert Consulting Limited. The programme shall support the objective "Civil society and active citizenship strengthened, and vulnerable groups empowered" through the two pre-defined projects 'Home for Cooperation' and 'Centre of Visual Arts and Research'. The programme modalities are detailed further below and in section 4 of this Annex.

### 2. Eligibility

*2.1 Eligible applicants:*

n/a

*2.2 Special rules on eligibility of costs:*

n/a

### 3. Bilateral relations

*3.1 Bilateral relations*

The Programme shall contribute to strengthening bilateral relations between the Republic of Cyprus and the Donor States. Bi-communal activities and bilateral partnerships shall be encouraged within both projects.

The Fund Operator shall ensure that the Project Promoter in pre-defined project 2 (numbering under Section 4.2 of Annex II to the Programme Implementation Agreement) seeks to explore cooperation activities with the Noble Peace Centre in Oslo.

3.2 *Regional civil society initiatives*

n/a

### 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):*

n/a

*4.2 Selection procedures:*

n/a

*4.3 Project grant rate:*

The programme can provide up to 90% of the eligible expenditure of the projects. The in-kind contribution in the form of voluntary work, may constitute up to 100% of the co-financing.

In accordance with Article 4.5.3 of the Programme Implementation Agreement for the calculation of in-kind contribution in the form of voluntary work, the price for each hour shall be set in the range of the minimum gross hourly wage in the Republic of Cyprus and the average gross hourly wage in the

Republic of Cyprus, including the employer's social contribution[7], depending on the character of delivered work.

*4.4 Pre-defined projects:*

**1) "Home for Cooperation (H4C)"**

| | |
|---|---|
| Project Promoter: | Association for Historical Dialogue and Research (AHDR) |
| Total maximum eligible costs: | € 777,778 |
| Project grant rate: | 90.00 % |
| Maximum project grant amount: | € 700,000 |

The project aims to support the funding activities of Association for Historical Dialogue and Research (AHDR) and to strengthen the capacity and sustainability of the Home for Cooperation, located in the Buffer Zone in Nicosia. The project will contribute to the Home for Cooperation's mission of fostering cooperation and mutual understanding between the Greek and Turkish Cypriot communities in Cyprus and to increase the potential for sustainable peace between the Cypriot communities by encouraging a culture of peace, and by strengthening inter-communal cooperation and inter-cultural dialogue.

The project will be implemented through the following measures:

- Education and research initiatives, including i.e. history workshops for educators, children and youth; production of educational materials and policy proposals; capacity building and awareness raising activities;
- Cultural and community activities, including i.e. language classes, performance arts festivals, concerts, film screenings and campaigns;
- Maintenance and infrastructure upgrades of the Home for Cooperation building.

**2) "Centre of Visual Arts and Research"**

| | |
|---|---|
| Project Promoter: | Costas and Rita Severis Foundation |
| Total maximum eligible costs: | € 555,556 |
| Project grant rate: | 90.00 % |
| Maximum project grant amount: | € 500,000 |

The project will support CVAR's objective of promoting bi-communal cooperation and inter-cultural dialogue across the divide in Cyprus, increasing mutual understanding of 'the other' and making a meaningful contribution towards peace and reconciliation on the island. The project will support the continued operation and sustainability of CVAR through capacity building and internationalisation, building on the achievements of the project CY02-0002 Centre of Visual Arts and Research, financed by the 2009-2014 EEA Grants programme in Cyprus (CY02).

The project measures will include inter alia the organisation of an educational programme for school children, exhibitions, cultural tours, public events and communication activities.

## 5. Programme Management

*5.1 Programme administrative structures*

[7] According to recent national statistics and formal government regulations, the minimum gross hourly wage in the Republic of Cyprus is €6 and the average gross hourly wage is €14. The aforementioned rates can be amended following an official amendment by the Government of the Republic of Cyprus.

n/a

*5.2 Verification of projects*

The procedures for administrative and on-the-spot verifications of projects shall be detailed in the description of the FO's management and control systems.

*5.3 Payments to projects:*

The FO shall ensure that payments to projects are made in a timely manner. Interim and final payments to the projects shall be based on approved project reports.

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

| Project | Project implementation duration | Advance payment | Interim payments | Final payment |
|---|---|---|---|---|
| PDPs | Up to 50 months | Up to 30% | Up to 60% | 10% or remaining balance |

- Advance payments are to be paid up to 14 days after the last signature of the contract.
- Interim payments are to be paid up to 30 days after date of acceptance of the interim financial report. Each payment may be up to 10 % of the balance.
- Final payments are to be paid up to 30 days after the date of acceptance of the final narrative report and the final financial report.

The approval of project interim and final reports shall take place within two months from the submission of all the required information.

Reporting requirements, including periods and submission deadlines, shall be further detailed in the description of the FO's management and control systems.

*5.4 Monitoring and reporting requirements for projects:*

The FO shall describe the methodology and frequency of the monitoring activities in the FO's management and control systems, which shall be submitted to the FMO within three months from the last signature date of the Programme Implementation Agreement (Article 2.1.1 b of the Programme Implementation Agreement).

The FO shall monitor, record and report on progress towards the programme's outcomes in accordance with the provisions contained in the legal framework. The FO shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the project promoters to enable the FO to meet its obligations to the Donor States.

When reporting on progress achieved in Annual and Final Programme Reports, the FO shall assess progress towards targets and report on results achieved as appropriate and in accordance with the results framework and any instructions received from the FMO.

**6. Communication**

The Fund Operator shall ensure the fulfilment of the project promoters' communication obligations in line with Section 3.1 and 3.2 of the main text of the Programme Implementation Agreement.

**7. Support for organizations preparing and implementing projects**

See annex I, Conditions, *General*

## 8. Miscellaneous

n/a