MEMORANDUM OF UNDERSTANDING

ON THE IMPLEMENTATION OF THE NORWEGIAN FINANCIAL MECHANISM

2014-2021

between

THE KINGDOM OF NORWAY,

hereinafter referred to as “Norway”

and

THE REPUBLIC OF LITHUANIA,

hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

WHEREAS the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2014-2021 establishes a financial mechanism (hereinafter referred to as the "Norwegian Financial Mechanism 2014-2021") through which Norway will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the Norwegian Financial Mechanism 2014-2021 aims to strengthen relations between Norway and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between Norway 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 Norwegian Financial Mechanism 2014-2021;

HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the Norwegian 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 Norway 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 Norwegian Financial Mechanism 2014-2021:

(a) the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as "the Agreement");

(b) the Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulation") issued by Norway in accordance with Article 10.5 of the Agreement;

(c) the programme agreements that will be concluded for each programme; and

(d) any guidelines adopted by the Norwegian Ministry of Foreign Affairs (hereinafter referred to as "NMFA") in accordance with the Regulation.

Article 3
Financial Framework

1. In accordance with Article 2.1 of the Agreement, the total amount of the financial contribution is € 1,253,650,000 in annual tranches of € 179,100,000 over the period running from 01/05/2014 to 30/04/2021, inclusive.

2. In accordance with Article 6 of the Agreement, a total of € 61,400,000 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 the Agreement, 1.00 % of the total amount referred to in paragraph 2 shall be set aside for a fund for the Promotion of Decent Work and Tripartite Dialogue.

4. In accordance with Article 10.4 of the Agreement and Article 1.9 of the Regulation, the management costs of Norway 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 € 56,795,000.

Article 4
Roles and responsibilities

1. Norway shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the NMFA within the priority sectors listed in Article 3.1 of the Agreement and the programme areas listed in the Annex to the Agreement. Norway 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 Norwegian Financial Mechanism 2014-2021 in accordance with Annex B and the programme agreements.

3. The NMFA shall manage the Norwegian Financial Mechanism 2014-2021 and take decisions on the granting of financial assistance in accordance with the Regulation.

4. The NFMA 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 Norwegian 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 Norwegian Financial Mechanism 2014-2021 as well as for the implementation of the Norwegian 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 Norwegian 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 Norway 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 NMFA and the National Focal Point. The annual meeting shall allow the NMFA 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 NMFA and the National Focal Point.

Article 10
Control and Access to Information

The NMFA, the Office of the Auditor General of Norway 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 Norwegian Financial Mechanism 2014-2021 shall be pursued in the framework of close co-operation between Norway 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 Norwegian 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 Norwegian 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.

For the Kingdom of Norway	For the Republic of Lithuania
Signed in Vilnius on 24/04/2018	Signed in Vilnius on 24/04/2018
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ANNEX A

National management and control structures

1. National Focal Point

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

2. Certifying Authority

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

3. Audit Authority

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

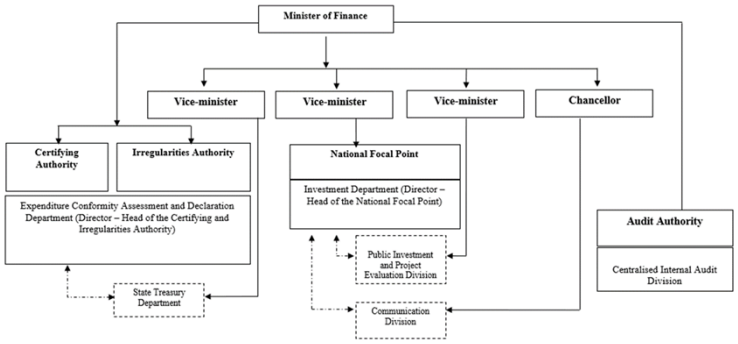
4. Irregularities Authority

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

5. Strategic Report

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

6. Organigram



ANNEX B

Implementation framework

In accordance with Article 2.5 of the Regulation, the Parties to this Memorandum of Understanding have agreed on an implementation framework outlined in this annex.

1. Financial parameters of the implementation framework

	Lithuania	Norway Grants contribution	National contribution
	Programmes		
1	Business Development, Innovation and SMEs	€ 14,402,000	€ 2,541,529
2	Social Dialogue-Decent Work	€ 1,250,000	N/A
3	Environment, Energy, Climate Change	€ 9,403,887	€ 1,659,509
4	Justice and Home Affairs	€ 25,790,822	€ 4,551,322
5	Civil Society	€ 617,000	N/A
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 1,113,409	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)	€ 4,217,881	N/A
	Net allocation to Lithuania	**€ 56,795,000**	**€ 8,752,360**

2. Specific concerns

Bilateral relations between Norway and Lithuania shall be strengthened with the aim of stimulating and developing long-term cooperation within all areas listed in the Annex to the Agreement. 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 NMFA, in accordance with Article 6.3 of the Regulation.

A. Programme Business Development, Innovation and SMEs

Programme objective: Increased value creation and sustainable growth
Programme grant: € 14,402,000
Programme co-financing: € 2,541,529
Programme Operator: Innovation Agency (IA)

Donor Programme Partners(s): Innovation Norway (IN)

Programme area(s): Business Development, Innovation and SMEs

Special-concerns: The programme shall address the following focus area: green industry innovation, including bio economy. Two additional focus areas can be agreed in the concept note phase.

The Ministry of Economy and Innovation of Lithuania shall be Programme Partner and shall be actively involved in and effectively contribute to the development and implementation of the programme.

Bilateral ambitions:	€ 125,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

B. Programme Social Dialogue-Decent Work

Programme objective:	Strengthened tripartite cooperation between employer organisations, trade unions and public authorities and the promotion of decent work
Programme grant:	€ 1,250,000
Programme co-financing:	Not-applicable
Programme Operator:	FMO in accordance with Article 6.13 of the Regulation. Innovation Norway (IN) Norway is appointed Fund Operator in accordance with paragraph 4 of Article 6.13 of the Regulation.
Programme area(s):	Social Dialogue – Decent Work (Norway Grants)
Special-concerns:	The possibility of a pre-defined project between the Lithuanian and Norwegian Labour inspectorates for a maximum budget of €650,000, shall be explored.

C. Programme Environment, Energy, Climate Change

Programme objective:	Improved environmental status in ecosystems and reduced adverse effects of pollution and other human activities
Programme grant:	€ 9,403,887
Programme co-financing:	€ 1,659,509
Programme Operator:	Central Project Management Agency (CPMA)
Programme area(s):	Environment and Ecosystems Renewable Energy, Energy Efficiency, Energy Security Climate Change Mitigation and Adaptation Disaster Prevention and Preparedness
Special-concerns:	The Ministry of Environment of Lithuania, the Ministry of Energy of Lithuania and the Ministry of Interior of Lithuania shall be Programme Partners and shall be actively involved in and effectively contribute to the development and implementation of the programme. They shall, inter alia, be actively involved in policy issues and in facilitating bilateral cooperation. The programme shall include, inter alia, measures related to the decommissioning of the Ignalina Nuclear Power Plant and measures related to secure waste management. A pre-defined project on decommissioning of the Ignalina Nuclear Power Plant and related activities, with the Norwegian Radiation Protection Authority as donor project partner, shall be explored in the concept note phase. The possibility of establishment of an early warning system on nuclear safety of Lithuania, due to risks coming from nuclear power plants in the neighbouring countries, shall be explored in the concept note phase.

	Measures related to other hazardous waste and/or marine management capacity building may be considered during the concept note phase.
Bilateral ambitions:	€ 45,000 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 Justice and Home Affairs

Programme objective:	Strengthened rule of law
Programme grant:	€ 25,790,822
Programme co-financing:	€ 4,551,322
Programme Operator:	Central Project Management Agency (CPMA)
Donor Programme Partners(s):	Norwegian Ministry of Justice and Public Security (NMOJ) Directorate of Norwegian Correctional Service (KDI) Norwegian Courts Administration (DA) National Police Directorate (POD)
International Partner Organisation(s):	Council of Europe (CoE)
Programme area(s):	Correctional Services and Pre-trial Detention International Police Cooperation and Combating Crime Domestic and Gender-based Violence Good Governance, Accountable Institutions, Transparency
Special-concerns:	The Ministry of Justice of Lithuania, the Ministry of Interior of Lithuania, the National Courts Administration of Lithuania and the Prosecution General's Office of Lithuania shall be Programme Partners and shall be actively involved in and effectively contribute to the development and implementation of the programme. They shall, inter alia, be actively involved in policy issues and in facilitating bilateral cooperation. The programme shall include measures to increase the use of alternative sanctions to imprisonment. Synergies between the programme areas within this programme and between these and the programme area within the programme "Justice and Home affairs" implemented under the EEA Financial Mechanism 2014-2021 shall be ensured to strengthen the justice chain, inter alia by strengthening access to justice, the use of alternative sanctions to imprisonment and fight against gender-based violence. Interaction and cooperation with relevant civil society organisations shall be encouraged. Approximately 71% of the total eligible expenditure of the programme, excluding management costs, shall be allocated to programme area 'Correctional Services and Pre-trial Detention' in order to improve the Lithuanian correctional system. The possibility of pre-defining projects, including the establishment of a training centre and up to two pilot correctional centres, shall be explored when developing the concept note.

There should be special focus on transition from prison to probation through means of halfway house and electronic monitoring.

Approximately 16 % of the total eligible expenditure of the programme, excluding management costs, shall be allocated to programme area 'International Police Cooperation and Combating Crime'. The possibility of predefining projects focusing on bilateral cooperation with the Norwegian Police Service to combat cross-border and organised crime, in order to facilitate operative cooperation based on current trends and criminal cases i.e. concerning trafficking in human beings and other profit motivated crime, shall be explored when developing the concept note.

Approximately 13% of the total eligible expenditure of the programme, excluding management costs, shall be allocated to programme area 'Domestic and Gender-based Violence'. The possibility of predefining projects focusing on the objectives and values behind the Istanbul convention, policy improvements, police investigations, court proceedings and best practice developments, shall be explored when developing the concept note.

The exact budget allocation among programme areas shall be specified in the programme agreement.

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

No more than 50% of the total eligible expenditure of the programme area 'Domestic and Gender-based Violence' shall be available for infrastructure (hard measures).

Bilateral ambitions: € 125,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

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

E. Programme Civil Society

Programme objective: Civil society and active citizenship strengthened and vulnerable groups empowered

Programme grant: € 617,000

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 EEA Financial Mechanism 2014-2021.