# MEMORANDUM OF UNDERSTANDING

# ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM

# 2021-2028

between

ICELAND,

THE PRINCIPALITY OF LIECHTENSTEIN,

THE KINGDOM OF NORWAY,

hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF CYPRUS,

hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

WHEREAS Protocol 38d to the EEA Agreement, incorporated into the EEA Agreement by the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Financial Mechanism 2021-2028, establishes a financial mechanism (hereinafter referred to as the "EEA Financial Mechanism 2021-2028") through which the Donor States will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the EEA Financial Mechanism 2021-2028 aims to strengthen relations between the Donor States and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS by decision of the Standing Committee of the EFTA States No. 4/2024/SC of 24 October 2024 the Donor States have given the Financial Mechanism Committee, established by a decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004, a mandate to manage the EEA Financial Mechanism 2021-2028;

WHEREAS the enhanced co-operation between the Donor States and the Beneficiary State will contribute to securing a stable, peaceful and prosperous Europe, based on good governance, democratic institutions, the rule of law, respect for human rights and sustainable development;

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the EEA Financial Mechanism 2021-2028;

HAVE AGREED on the following:

## Article 1
## Objectives

1. The overall objectives of the EEA Financial Mechanism 2021-2028 are 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 through financial contributions to promote the thematic priorities listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall select programmes for funding that aim to contribute to the achievement of these objectives.

2. The financial contributions shall be available to promote the following thematic priorities:

(a) European green transition;

(b) Democracy, rule of law and human rights;

(c) Social inclusion and resilience.

## Article 2
## Legal framework

This Memorandum of Understanding shall be read in conjunction with the following documents which, together with this Memorandum of Understanding, constitute the legal framework of the EEA Financial Mechanism 2021-2028:

(a) Protocol 38d to the EEA Agreement on the EEA Financial Mechanism 2021-2028;

(b) the Regulation on the implementation of the EEA Financial Mechanism 2021-2028 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 9.4 of Protocol 38d;

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

(d) any guidelines adopted by the Financial Mechanism Committee in accordance with the Regulation.

## Article 3
## Financial framework

1. In accordance with Article 2 of Protocol 38d, the total amount of the financial contribution is € 1 805 million in annual tranches of € 257.86 million over the period running from 1 May 2021 to 30 April 2028, inclusive.

2. In accordance with Article 6 of Protocol 38d, a total of € 8,094,452 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.

3. In accordance with Article 9.7 of Protocol 38d and Article 1.9 of the Regulation, the management costs of the Donor States shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 7,527,840.

## Article 4
## Roles and responsibilities

1. The Donor States shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the Financial Mechanism Committee within the thematic priorities listed in Article 3.1 of Protocol 38d and the programme areas listed in the Annex to Protocol 38d. The Donor States and the Beneficiary State shall cooperate on the preparation of concept notes defining the scope and planned results for each programme.

2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2021-2028 in accordance with Annex B and the Programme Agreements.

3.The Beneficiary State shall ensure an enabling environment for the unimpeded implementation of the Civil Society Fund in the Beneficiary State and shall refrain from taking any measures that might prevent Fund Operators from independently exercising their role.

4. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2021-2028 and take decisions on the granting of financial assistance in accordance with the Regulation.

5. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the "FMO"). The FMO shall serve as a contact point for the Beneficiary State for the day-to-day operations of the EEA Financial Mechanism 2021-2028.

## Article 5
## Designation of authorities

The Beneficiary State has authorised a National Focal Point to act on its behalf. The National Focal Point shall have the overall responsibility for reaching the objectives of the EEA Financial Mechanism 2021-2028 as well as for the implementation of the EEA Financial Mechanism 2021-2028 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 and the Audit 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:

(e) a list of agreed programmes, the financial contribution from the EEA Financial Mechanism 2021-2028 and from the Beneficiary State;

(f) identification of programmes, their objective(s), the Programme Operators, the grant amount and amount of co-financing by programme, the bilateral ambitions as well as any specific concerns relating to the implementation of the programmes;

(g) conditions and/or specific concerns at Beneficiary State level relating to target groups, geographical areas or other issues;

(h) identification of Donor Programme Partners, as appropriate;

(i) identification of International Partner Organisations, as appropriate; and

(j) identification of pre-defined projects to be included in relevant programmes.

2. The implementation framework is outlined in Annex B.

**Article 7**
**Funds for bilateral relations**

In accordance with Article 4.6.1 of the Regulation the Beneficiary State shall set aside funds to strengthen bilateral relations between the Donor States and the Beneficiary State. The agreed amount is reflected in Annex B and is allocated to the funds for bilateral relations at national and programme level. The National Focal Point shall manage the use of the fund for bilateral relations at national level and shall establish a Joint Committee for the Bilateral Fund in accordance with Article 4.9.1 of the Regulation. The Programme Operators shall manage the use of the funds for bilateral relations allocated to their programmes. For Donor partnership programmes, decisions on the use of the funds for bilateral relations in the programme shall be taken by consensus between the Programme Operator and the Donor Programme Partner(s).

**Article 8**
**Country Report**

In accordance with Article 2.6 of the Regulation, the National Focal Point shall submit to the FMC an annual Country Report on the implementation of the EEA Financial Mechanism 2021-2028 in the Beneficiary State. The Country Report shall be submitted to the FMC not later than 10 March each year.

**Article 9**
**Annual meetings**

In accordance with Article 2.7 of the Regulation an annual meeting shall be held between the FMC and the National Focal Point. The annual meeting shall allow the FMC and the National Focal Point to examine progress achieved over the previous reporting periods, discuss risks and agree on any necessary measures to be taken. The annual meeting shall provide a forum for discussion of issues of bilateral interest.

**Article 10**
**Modification of the annexes**

1. Annex A and B may be amended through an exchange of letters between the FMC and the National Focal Point.
2. Cumulative transfers up to 10% of the total eligible expenditure of a programme may be made between programmes without a modification of the Annexes to this Memorandum of Understanding, provided that the change has been agreed by the FMC through modifications of the relevant Programme Agreements.

3. In addition, cost savings and amounts not committed to projects may be transferred to the funds for bilateral relations without a modification of the Annexes to this Memorandum of Understanding or the approval of the FMC, provided that the transfer has been the subject of prior consultation with the Cooperation Committee of the concerned programme. Any such transfer of funds from a programme shall not affect the objectives or outcomes of the Programme. The National Focal Point shall notify the FMC of such transfers without delay and the FMC shall update the concerned Programme Agreements and the Bilateral Funds Agreement, as relevant.
4. All transfers made in accordance with paragraphs 2 and 3 shall not affect any specific concerns, conditions, objectives or other priorities referred to in this Memorandum of Understanding and shall be in accordance with the provisions of the legal framework.

**Article 11**
**Control and access to information**

The Financial Mechanism Committee, the EFTA Board of Auditors and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

**Article 12**
**Governing principles**

1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.

2. The objectives of the EEA Financial Mechanism 2021-2028 shall be pursued in a framework of close co-operation between the Donor States and the Beneficiary State, respecting the common values and principles of respect for human dignity, freedom, democracy, equality, the rule of law and the respect for human rights, including the rights of persons belonging to minorities. 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 non-discrimination in all implementation phases of the EEA Financial Mechanism 2021-2028.

3. All programmes and activities funded by the EEA Financial Mechanism 2021-2028 shall be consistent with respect for these values and principles and abstain from supporting operations that may fail to do so. Their implementation shall comply with the fundamental rights and obligations enshrined in relevant instruments and standards.

4. The Beneficiary State shall take proactive steps in order to ensure adherence to these values and principles at all levels involved in the implementation of the EEA Financial Mechanism 2021-2028.

**Article 13**
**Entry into force**

This Memorandum of Understanding shall enter into force on the day after the date of its last signature.

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This Memorandum of Understanding is signed in four originals in the English Language.

Signed in Nicosia on 06/11/2025
For Iceland

.....
Ms Bryndís Kjartansdóttir
Ambassador

Signed in Nicosia on 06/11/2025
For the Republic of Cyprus

.....
Mr Makis Keravnos
Ambassador

Signed in Brussels on 27/10/2025
For the Principality of Liechtenstein

.....
Mr Pascal Schafhauser
Ambassador

Signed in Nicosia on 06/11/2025
For the Kingdom of Norway

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Ms Astrid Bergmål
State Secretary, Norway

ANNEX A

# National management and control structures

## 1. National Focal Point

The Directorate General Growth, Ministry of Finance shall act as the National Focal Point. The Head of the National Focal Point shall be the Permanent Secretary of DG Growth, Ministry of Finance.
The Directorate General Growth is one of the two Directorates of the Ministry of Finance of the Republic of Cyprus. The Permanent Secretary of the Directorate General Growth, Ministry of Finance, is accountable to the Minister of Finance. The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 5.3 thereof.

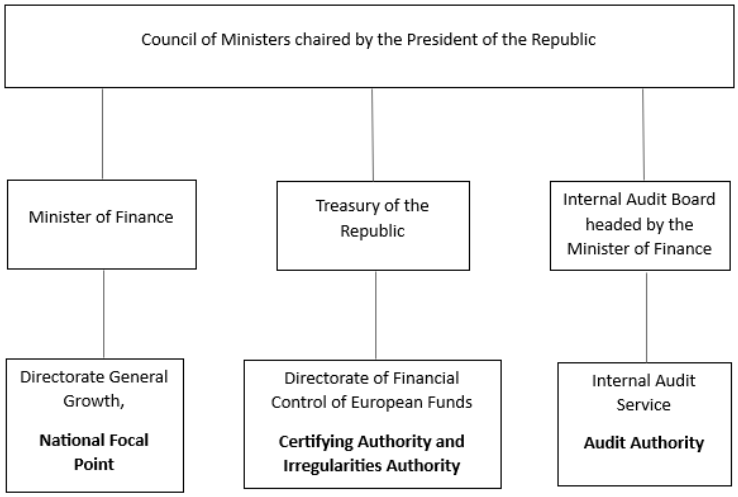
## 2. Certifying Authority

The Directorate of Financial Control of European Funds of the Treasury of the Republic of Cyprus shall act as the Certifying Authority. The Head of the Certifying Authority shall be the Director of the Directorate of Financial Control of European Funds of the Treasury of the Republic of Cyprus.
The Directorate of Financial Control of European Funds is one of the Directorates of the Treasury. The Treasury of the Republic of Cyprus is an independent service in the public sector headed by the Accountant General who is appointed by the President of the Republic of Cyprus. The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof. In addition, the Certifying Authority shall take on the role of entity responsible for reporting irregularities in accordance with Article 12.3 of the Regulation.

## 3. Audit Authority

The Internal Audit Service of the Republic of Cyprus shall act as the Audit Authority. The Internal Audit Service is an independent Service established by Law. The Head of the Audit Authority shall be the Commissioner of Internal Audit.
The Commissioner of Internal Audit is appointed by the Council of Ministers. The Internal Audit Service reports to the Internal Audit Board. The Internal Audit Board acts as the liaison between the Council of Ministers and the Internal Audit Service. It comprises of five members and is chaired by 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. Organigram


Council of Ministers chaired by the President of the Republic
Minister of Finance
Treasury of the Republic
Internal Audit Board headed by the Minister of Finance
Directorate General Growth,
National Focal Point
Directorate of Financial Control of European Funds
Certifying Authority and Irregularities Authority
Internal Audit Service
Audit Authority

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**

| | Cyprus | EEA Grants contribution | National contribution |
|---|---|---|---|
| | **Programmes** | | |
| 1 | Local Development | € 5,300,000 | € 935,294 |
| | **Other allocations** | | |
| | Allocation to Civil Society Fund | € 1,800,000 | N/A |
| | Technical Assistance to the Beneficiary states (Art. 1.10) | € 242,834 | N/A |
| | Funds for bilateral relations at national level (Art. 4.7) | € 185,006 | N/A |
| | Reserve for completing projects under FM 2014-2021 | N/A | N/A |
| | Funds for bilateral relations at programme level (Art. 4.10) | € 0 | N/A |
| | **Net allocation to Cyprus** | **€ 7,527,840** | **€ 935,294** |

**2. Conditions**

**3. Specific concerns**

The agreed allocations to the programme and bilateral fund include the EEA Financial Mechanism contribution to Cyprus related to the challenges experienced as a result of the invasion of Ukraine, which amounts to € 448,446. The planned use of these funds shall be described in the concept note for the programme.

In accordance with Article 8.11.4 of the Regulation, the allocation to technical assistance is set at 3%, further to the request of the National Focal Point and the submission of justifications. The National Focal Point shall ensure that the entire allocation is necessary for the performance of the tasks of the National Focal Point, the Certifying Authority and the Audit Authority.

Gender equality and digitalization will be mainstreamed and form part of all relevant programme areas. The concept note shall describe how this shall be achieved.

In line with Article 6.9.1 of the Regulation, the parties entrust an allocation of € 1,800,000 to the Financial Mechanism Office. The Financial Mechanism Office shall manage this allocation as a part of the Civil Society Fund in the Republic of Cyprus, as foreseen in Article 7(1) and Article 9(3) of Protocol 38D to the EEA Agreement. This allocation shall primarily support pre-defined projects with the Home for Cooperation and the Centre of Visual Arts and Research. The remaining funds of this allocation shall support other bi-communal projects. The Donor States shall report on the use of this allocation during the annual meetings.

Bi-communal activities and bilateral partnerships shall be encouraged within all relevant projects and initiatives.

**4. Substantive parameters of the implementation framework**

The programmes described below are to be implemented subject to the approval of the FMC, in accordance with Article 6.3 of the Regulation.

**A. Local Development**

*Programme objective(s):* Acceleration of the green transition towards a more sustainable society;
Increased participation, sustainability and diversity in arts, culture

| | |
|---|---|
| | and cultural heritage; More resilient and inclusive public health systems; Prevention and combatting of domestic and gender-based violence in line with international and European human rights standards. |
| *Programme grant:* | € 5,300,000 |
| *Programme co-financing:* | € 935,294 |
| *Programme Operator:* | Directorate General Growth, Ministry of Finance |
| *Programme area(s):* | Green Transition<br>Culture<br>Public Health<br>Domestic and Gender-Based Violence |
| *Programme specific concerns:* | Projects shall be selected through a call for proposals under the programme area 'Green Transition', focused on water scarcity.<br>The Ministry of Agriculture, Rural Development and Environment shall act as Programme Partner for the programme area 'Green transition' and their main responsibility shall be the selection of projects through the call for proposals.<br>The public institution(s) in the Republic of Cyprus in charge of the relevant policy areas shall be consulted as relevant.<br>Investment in infrastructure and equipment (hard measures) shall only be supported alongside capacity building, training, or experience sharing (soft measures). |
| *Bilateral ambitions:* | Cooperation between partners from the Donor States and the Republic of Cyprus shall be encouraged within all projects. |

The programme will be implemented in conjunction with the programme Local Development implemented under the Norwegian Financial Mechanism 2021-2028.