MEMORANDUM OF UNDERSTANDING

ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM

2014-2021

Between

ICELAND,

THE PRINCIPALITY OF LIECHTENSTEIN,

THE KINGDOM OF NORWAY,

hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF CYPRUS,

hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

WHEREAS Protocol 38c to the EEA Agreement, incorporated into the EEA Agreement by the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Financial Mechanism 2014-2021, establishes a financial mechanism (hereinafter referred to as the "EEA Financial Mechanism 2014-2021") through which the Donor States will contribute to the reduction of economic and social disparities in the European Economic Area;

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

WHEREAS by decision of the Standing Committee of the EFTA States No. 2/2016/SC of 2 June 2016 the Donor States have given the Financial Mechanism Committee, established by a decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004, a mandate to manage the EEA Financial Mechanism 2014-2021;

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

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the EEA Financial Mechanism 2014-2021;

HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the EEA Financial Mechanism 2014-2021 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between the Donor States and the Beneficiary States through financial contributions in the priority sectors listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall endeavour to select for funding programmes that contribute to the achievement of these objectives.

2. The financial contributions shall be available in the following priority sectors:

(a) Innovation, research, education and competitiveness;

(b) Social inclusion, youth employment and poverty reduction;

(c) Environment, energy, climate change and low carbon economy;

(d) Culture, civil society, good governance, fundamental rights and freedoms; and

(e) Justice and home affairs.

Article 2
Legal Framework

This Memorandum of Understanding shall be read in conjunction with the following documents which, together with this Memorandum of Understanding, constitute the legal framework of the EEA Financial Mechanism 2014-2021:

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

(b) the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 10.5 of Protocol 38c;

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

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

Article 3
Financial Framework

1. In accordance with Article 2.1 of Protocol 38c, the total amount of the financial contribution is € 1,548,150,000 in annual tranches of € 221,160,000 over the period running from 01/05/2014 to 30/04/2021, inclusive.

2. In accordance with Article 6 of Protocol 38c, a total of € 6,400,000 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 Protocol 38c, 10.00 % of the total amount referred to in paragraph 2 shall be set aside for a fund for civil society.

4. In accordance with Article 10.4 of Protocol 38c and Article 1.9 of the Regulation, the management costs of the Donor States shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 5,920,000.

Article 4
Roles and responsibilities

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

2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2014-2021 in accordance with Annex B and the programme agreements.

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

4. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the "FMO"). The FMO shall be responsible for the day-to-day operations of the EEA Financial Mechanism 2014-2021 and shall serve as a contact point.

Article 5
Designation of authorities

The Beneficiary State has authorised a National Focal Point to act on its behalf. The National Focal Point shall have the overall responsibility for reaching the objectives of the EEA Financial Mechanism 2014-2021 as well as for the implementation of the EEA Financial Mechanism 2014-2021 in the Beneficiary State in accordance with the Regulation. In accordance with Article 5.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and the Irregularities Authority are designated in Annex A.

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.5 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:

(a) a list of agreed programmes and the financial contribution from the EEA Financial Mechanism 2014-2021 by programme;

(b) identification of programmes, their objective, their main focus, as appropriate, the grant rate by programme, the bilateral ambitions as well as any specific concerns relating to target groups, geographical areas or other issues;

(c) identification of programme operators, as appropriate;

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

(e) identification of International Partner Organisations, as appropriate;

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

2. The implementation framework is outlined in Annex B.

Article 7

Fund for bilateral relations

In accordance with Article 4.6 of the Regulation the Beneficiary State shall set aside funds to strengthen bilateral relations between the Donor States and the Beneficiary State. The National Focal Point shall manage the use of the fund for bilateral relations and shall establish a Joint Committee for Bilateral Funds in accordance with Article 4.2 of the Regulation.

Article 8
Annual meetings

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

Article 9
Modification of the annexes

Annex A and B may be amended through an exchange of letters between the FMC and the National Focal Point.

Article 10
Control and Access to Information

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

Article 11
Governing Principles

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

2. The objectives of the EEA Financial Mechanism 2014-2021 shall be pursued in the framework of close co-operation between the Donor States and the Beneficiary State. The Parties agree to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good

governance, partnership and multi-level governance, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2014-2021.

3. The Beneficiary State shall take proactive steps in order to ensure adherence to these principles at all levels involved in the implementation of the EEA Financial Mechanism 2014-2021.

4. No later than 31/12/2021, 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.

****

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

Signed in Brussels on 28/02/2019
For Iceland

.....
Gunnar Pálsson
Ambassador to the EU

Signed in Nicosia on 05/03/2019
For the Republic of Cyprus

.....
Christos Patsalides
Permanent Secretary of the Ministry of Finance

Signed in Brussels on 28/02/2019
For the Principality of Liechtenstein

.....
Sabine Monauni
Ambassador to the EU

Signed in Nicosia on 05/03/2019
For the Kingdom of Norway

.....
Niels Engelschiøn
Director General, NMFA

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 Directorate General Growth, Ministry of Finance is the second Directorate General of the Ministry of Finance of the Republic of Cyprus.
The Permanent Secretary of the Directorate General Growth, Ministry of Finance of the Republic of Cyprus is the Head of the National Focal Point and he 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 Verifications and Certification Directorate of the Treasury of the Republic of Cyprus shall act as Certifying Authority. The Verifications and Certification Directorate is one of the five Directorates of the Treasury and acts as the Certifying Authority for the European Structural and Investment Funds 2014-2020 programming period. 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.

The Head of the Certifying Authority is the Chief Accountant in charge of the Verification and Certification Directorate of the Treasury of the Republic of Cyprus.
The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof.

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 Internal Audit Service is organized into two audit departments. The Department of Audit of Programmes Co-Funded by the EU has undertaken all the duties and responsibilities of the Audit Authority as stipulated in article 5.5 of the Regulation. The Department of Audit of Programmes Co-Funded by the EU is also the Audit Authority for the European Structural and Investment Funds 2014-2020.
The Internal Audit Service is headed by the Commissioner of Internal Audit, appointed by the Council of Ministers. The Commissioner of Internal Audit is the Head of the Audit Authority.
The Internal Audit Service reports to the Internal Audit Board. The Internal Audit Board acts as the contact 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. Irregularities Authority

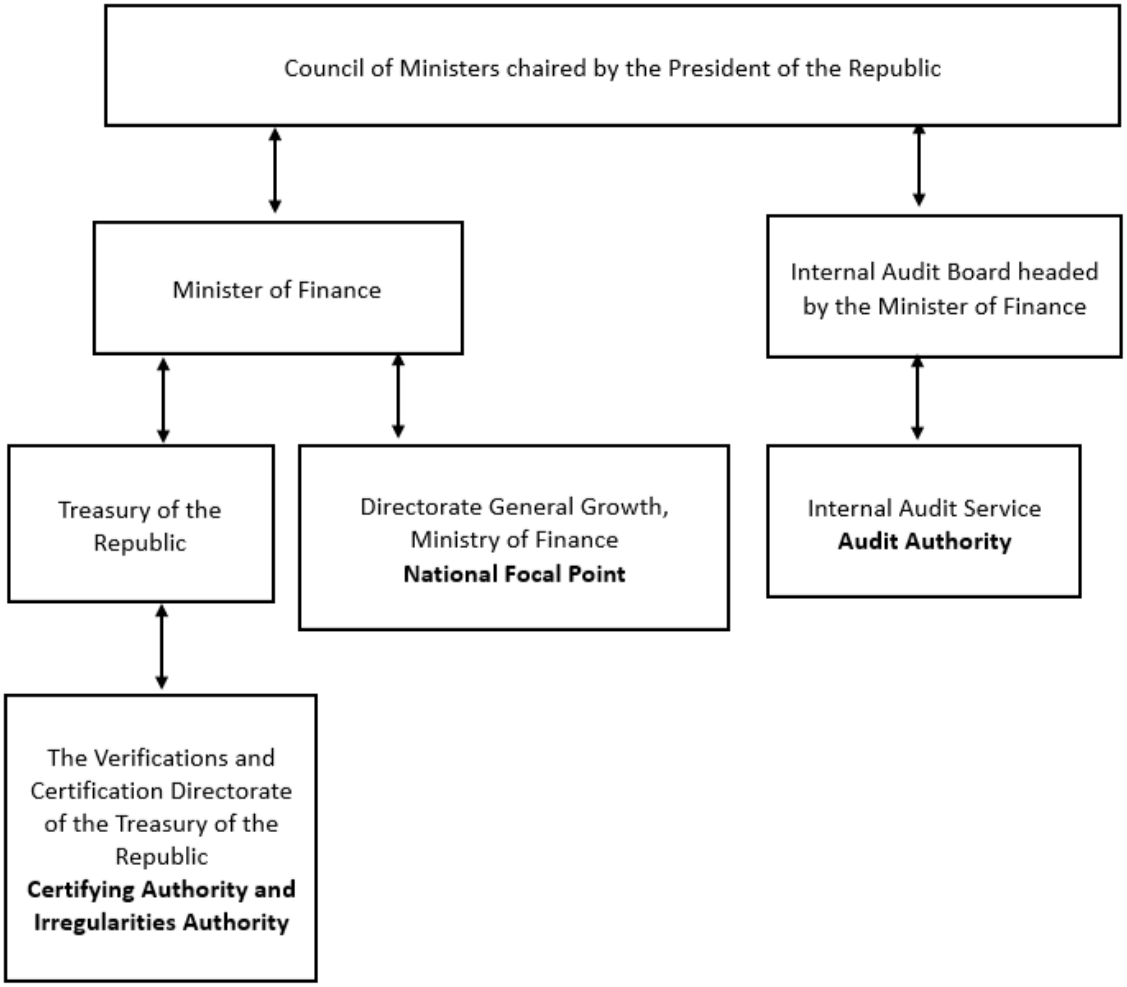
The Verifications and Certification Directorate of the Treasury of the Republic of Cyprus (Certifying Authority) shall be responsible for the preparation and submission of irregularities reports.

The roles and responsibilities of the Verifications and Certification Directorate of the Treasury of the Republic of Cyprus are stipulated in the Regulation, in particular Article 12.3 thereof.

5. Strategic Report

In accordance with Articles 2.6 and 6.11 of the Regulation, and in light of the role of the National Focal Point as Programme Operator, the National Focal Point shall submit to the FMC a combined Strategic Report and Annual Programme Report on the implementation of the EEA Financial Mechanism 2014-2021. The combined report shall be submitted to the FMC at least two months before the annual meeting, unless otherwise agreed.

6. Organigram



ANNEX B

Implementation framework

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

1. Financial parameters of the implementation framework

	Cyprus	EEA Grants contribution	National contribution
	Programmes		
1	Local Development and Poverty Reduction	€ 2,996,000	€ 528,706
2	Civil Society	€ 2,700,000	N/A
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 96,000	N/A
	Reserve (Art. 1.11)	N/A	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)	€ 128,000	N/A
	Net allocation to Cyprus	**€ 5,920,000**	**€ 528,706**

2. Specific concerns

Bilateral relations between the Donor States and the Republic of Cyprus shall be strengthened with the aim of stimulating and developing long-term cooperation within all areas listed in the Annex of Protocol 38c. It is also an ambition to strengthen bilateral cooperation at political level and European level in areas of common interest.

In accordance with Article 6.4.1 of the Regulation, the Beneficiary State shall contribute with at least €528,706 to the total budget of the Local Development and Poverty Reduction programme (national contribution at programme level). The maximum grant from the Local Development and Poverty Reduction programme to the agreed pre-defined projects may be up to 100% of the eligible expenditure in case the project promoter is a public entity, in accordance with any applicable state aid rules. In the case of private entities as well as revenue generating projects, the maximum project-level grant rate shall be set in accordance with the Regulation, especially Articles 6.4.2 and 6.4.3 thereof.

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

3. Substantive parameters of the implementation framework

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

A. Programme Local Development and Poverty Reduction

Programme objective:	Strengthened social and economic cohesion	
Programme grant:	€ 2,996,000	
Programme co-financing:	€ 528,706	
Programme Operator:	Directorate General Growth, Ministry of Finance	
Programme area(s):	Local Development and Poverty Reduction	
	Good Governance, Accountable Institutions, Transparency	
Pre-defined projects:	Name of project:	Corporate Sustainability Supporting Framework

Description:	Development of a Corporate Sustainability Label and complementary or alternative tools that could encourage businesses in Cyprus to adopt Corporate Social Responsibility (CSR) policies and measure their CSR performance as well as their contribution to sustainable development. The project outcomes will be based on the results of a mapping of the existing CSR ecosystem in Cyprus and assessment of its needs. Grant rate: Up to 100% of the eligible expenditure of the project. Any co-financing to be provided by the project promoter shall be identified in the Concept Note and set in the Programme Agreement.
Project-Promoter:	Cyprus Authority for Cooperative Societies
Donor Project Partner:	TBD
Project Partner(s):	TBD
Maximum-grant:	€ 70,000

Name of project:	Gastronomy from a to z - Gastronomy School at Troodos area
Description:	Creation of a gastronomy school in Saittas to train chefs of local restaurants, especially in the use of local products and recipes. Project grant rate: Up to 100% of the eligible expenditure of the project. Any co-financing to be provided by the project promoter shall be identified in the Concept Note and set in the Programme Agreement.
Project-Promoter:	Community Council of Moniatis
Donor Project Partner:	TBD
Project Partner(s):	TBD
Maximum-grant:	€ 550,000

Name of project:	Digitizing the Museum of Cyprus
Description:	Digitization of movable antiquities stored in the Cyprus Museum and exhibited in the other governmental Museums around Cyprus, to enable easier data access and improve the overview and protection of antiquities. Project grant rate: Up to 100% of the eligible expenditure of the project. Any co-financing to be provided by the project promoter shall be identified in the Concept Note and set in the Programme Agreement.
Project-Promoter:	Department of Antiquities, Ministry of Transport, Communications and Works

Donor Project Partner:	TBD
Project Partner(s):	TBD
Maximum-grant:	€ 522,000
Name of project:	Multifunctional Community Centre for people with special needs
Description:	Building and operating a Community Centre in Filani, Nicosia, providing services and support to people with special needs, as well as support to their families. Project grant rate: Up to 90% of the eligible expenditure of the project. Any additional co-financing to be provided by the project promoter shall be identified in the Concept Note and set in the Programme Agreement.
Project-Promoter:	St Loucas Community
Donor Project Partner:	TBD
Project Partner(s):	TBD
Maximum-grant:	€ 1,938,588
Name of project:	Solidarity Network Nicosia in Action «NicInAct»
Description:	Establishing a Solidarity Network Hub that will provide innovative social services to the most deprived communities in Nicosia, and thus promote social cohesion and integration. Project grant rate: Up to 100% of the eligible expenditure of the project. Any additional co-financing to be provided by the project promoter shall be identified in the Concept Note and set in the Programme Agreement.
Project-Promoter:	Nicosia Municipality Multifunctional Foundation, Municipality of Nicosia
Donor Project Partner:	TBD
Project Partner(s):	TBD
Maximum-grant:	€ 150,000

The programme will be implemented in conjunction with the programme Local Development and Poverty Reduction implemented under the Norwegian Financial Mechanism 2014-2021.

B. Programme Civil Society

Programme objective:	Civil society and active citizenship strengthened and vulnerable groups empowered
Programme grant:	€ 2,700,000
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	
Special-concerns:	A fund operator tasked with re-granting funds to civil society organisations shall be selected through a public tender. The Terms of Reference (ToR) for the Fund Operator shall include country-specific provisions on the necessary experience with,and ties to, the NGO sector in Cyprus, as well as on the relevant legal and international obligations, such as the compatibility with the property rights of natural or legal persons, the Convention for the Protection of Human Rights and Fundamental Freedoms and the case law of the European Court of Human Rights. Eligible applicants shall be set out in the programme implementation agreement to be concluded between the FMO and the Fund Operator. Any relevant reference in the respective provision of the programme implementation agreement to the Beneficiary State shall be considered as a reference to the Republic of Cyprus.	
Pre-defined projects:	Name of project:	Home for Cooperation (H4C)
	Description:	Support to the strengthening of the sustainability of the Home for Cooperation and funding activities of AHDR and capacity building in the Home for Cooperation located in the Buffer Zone in Nicosia, to foster 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. Project grant rate: Up to 90% of the eligible expenditure of the project. Any additional co-financing to be provided by the project promoter shall be identified in the Concept Note and set in the Programme Implementation Agreement.
	Project-Promoter:	Association for Historical Dialogue and Research (AHDR)
	Donor Project Partner:	TBD
	Project Partner(s):	TBD
	Maximum-grant:	€ 700,000
	Name of project:	Centre of Visual Arts and Research
	Description:	Supporting the continued operation and sustainability of CVAR through capacity building and internationalisation. Project grant rate: Up to 90% of the eligible expenditure of the project. Any additional co-financing to be provided by the project promoter shall

	be identified in the Concept Note and set in the Programme Implementation Agreement.
Project-Promoter:	Costas and Rita Severis Foundation
Donor Project Partner:	The Nobel Peace Centre in Oslo
Project Partner(s):	TBD
Maximum-grant:	€ 500,000

ANNEX C

Country-specific concerns

A. The Programme Operators and the Project Promoters shall refrain from any acts or omissions that:

(i) 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;

(ii) imply acceptance of entry or exit points of the Republic of Cyprus beyond those that are compatible with international law.

B. In addition:

(i) Making payments to project promoters and partners shall only be made through legally operating banking institutions in the Republic of Cyprus.

(ii) 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.

(iii) The criteria for selecting the Fund Operator for the Active Citizens Fund must be in accordance with the Manual for Fund Operators of the Active Citizens Fund. The eligible applicants for financing under the Active Citizens Fund must be selected in accordance with the Manual for Fund Operators of the Active Citizens Fund.

(iv) 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.

(v) No action or omission of the Parties to the MoU is intended to imply recognition of any public authority in Cyprus, other than the Government of the Republic of Cyprus.