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

HUNGARY,

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, also taking into account any relevant changes in the European Union's cohesion policy, as appropriate;
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, in accordance with the general principles in Protocol 38c to the EEA Agreement, the conclusions of the European Council in its meeting on 10 and 11 December 2020 and in compliance with the principles enounced in the Regulation adopted by the European Parliament on 16 December 2020 and by the European Council on 17 December 2020 on a general regime of conditionality for the protection of the Union budget;
WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the EEA Financial Mechanism 2014-2021 in conjunction with the Norwegian 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 € 1548.1 million in annual tranches of € 221.16 million over the period running from 1 May 2014 to 30 April 2021, inclusive, to be implemented in line with the deadlines set in the Regulation.
2. In accordance with Article 6 of Protocol 38c, a total of € 108,900,000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1. Following the entry into force of this Memorandum of Understanding, the amount is considered as made available to the Beneficiary State within the period referred to in Paragraph 1, provided that a Fund Operator is appointed for the programme for Civil Society no later than seven months after entry into force of this Memorandum of Understanding. The programmes described in Annex B may be approved by the Donor States after the period referred to in Paragraph 1.
3. In accordance with Article 3.2.b) of Protocol 38c, 10% 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 € 100,732,500.

Article 4
Roles and responsibilities

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

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

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

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

Article 5
Designation of authorities

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

Article 6
Multi-annual Programming Framework

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

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

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

(c) identification of programme operators, as appropriate;

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

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

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

2. The implementation framework is outlined in Annex B. The programmes are to be implemented subject to the approval of the FMC in accordance with Article 6.3 of the Regulation and following the appointment of a Fund Operator for the programme for Civil Society.

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. Funds for bilateral relations allocated to programmes within this Memorandum of Understanding, are subject to the limitations on eligibility set in Annex B.

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 December 2022, 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. Pursuant to Article 1.11 of the Regulation, the Donor States waive the requirement for a reserve.

Article 12
Entry into Force

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

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

Signed in Brussels on 17/12/2020
For Iceland

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Kristián Andri Stefánsson

Ambassador of Iceland to the EU

Signed in Budapest on 21/12/2020
For Hungary

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Szabolcs Imre Ágostházy
Hungary's Minister of State for EU Development

Signed in Brussels on 17/12/2020
For the Principality of Liechtenstein

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Sabine Monauni
Ambassador of the Principality of Liechtenstein to the EU

Signed in Budapest on 21/12/2020
For the Kingdom of Norway

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Trine Skymoen
Ambassador of the Kingdom of Norway to Hungary

ANNEX A

National management and control structures

1. National Focal Point

The Prime Minister's Office (PMO) shall act as the National Focal Point.
The PMO is responsible for coordination and harmonization of government activities, including the cohesion policy and supervision of the effective utilization of EU and other national and international funds, in the frame of this activity the PMO is in charge of the supervision of the planning and resource management of the Hungarian central budget in respect of EU and other international resources.
The Minister of PMO appoints the Deputy State Secretary for Development Policy Services as the Head of the National Focal Point.
The Department for Implementation of International Cooperation Programmes, within the Deputy State Secretariat for Development Policy Services shall be responsible for implementing the tasks of the National Focal Point.
The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 5.3 thereof.

2. Certifying Authority

The Hungarian State Treasury (Treasury) shall act as the Certifying Authority.
The Treasury is an independent legal entity within the central state administration, established by Legal Act. The Treasury is responsible for keeping a register of the implementation of the State Budget Act and exercises financial control.
The Financial Vice President of the Treasury shall act as the Head of the Certifying Authority. Within the Treasury, the Compliance Department and the Financial Department operating under the supervision of the Financial Vice President of the Treasury shall be responsible for implementing the tasks of the Certifying Authority.
The Financial Vice President of the Treasury in general reports to the President of the Treasury, but in connection with the task of the Certifying Authority shall act independently and cannot be instructed by the President of the Treasury.
The Treasury is administratively subordinated to the Deputy State Secretary Responsible for Public Finances, Human Resources and Local Government Budget in the Ministry of Finance but cannot be instructed in its role as Certifying Authority.
The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof.

3. Audit Authority

The Directorate General for Audit of European Funds (DGAEF) shall act as the Audit Authority.
The DGAEF is an independent legal entity within the central state administration, established by Legal Act.
The DGAEF’s activities include the performance of audit authority tasks regarding the support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund, and also the audit tasks defined by the Government regarding other European Union and international funds, including the EEA and Norwegian Financial Mechanisms. The Audit Authority performs its tasks in line with international audit standards and relevant provisions of European legislation.
The Director General of the DGAEF shall act as the head of the Audit Authority. The DGAEF is an autonomously operating central budgetary organisation administratively subordinated to the Deputy State Secretary Responsible for Public Finances, Human Resources and Local Government Budget in the Ministry of Finance but cannot be instructed in its role as Audit Authority.
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 PMO shall be responsible for the preparation and submission of irregularities reports.
The Minister of PMO appoints the Deputy State Secretary for the Implementation of the RRF Plan and Legal Affairs for Development Policy (DSSRRF) as the Head of the Irregularities Authority.
The DSSRRF is responsible for the complaint mechanism of the development policy and for the management of remedy and legality actions. Within the DSSRRF the Audit Department for Development Policy is responsible for the tasks of the Irregularities Authority.
The roles and responsibilities of the Irregularities Authority are stipulated in the Regulation, in particular Article 12.3 thereof.
The Irregularities Authority shall be functionally independent of the National Focal Point.

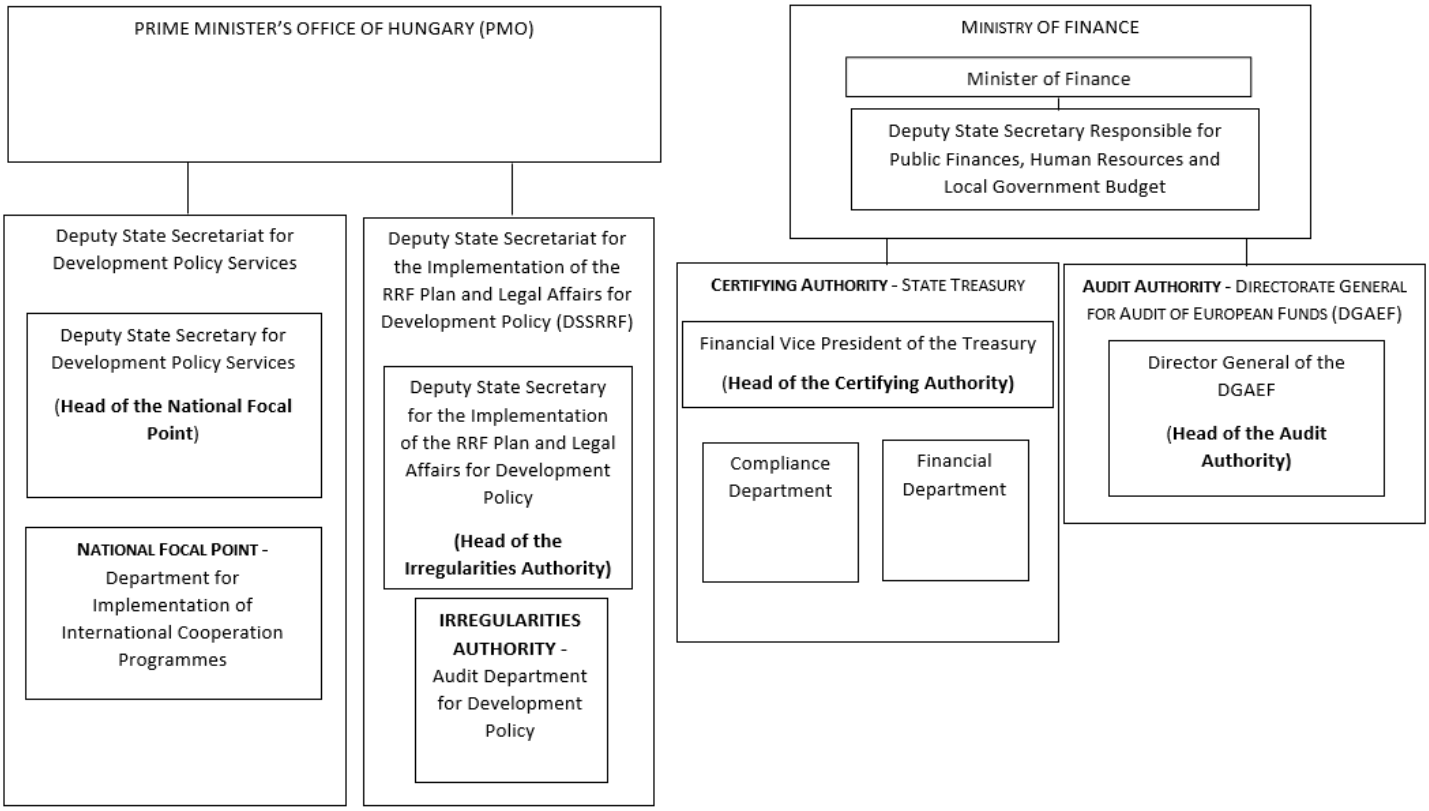
5. Implementing Agency

The National Focal Point shall assign certain tasks given to the Programme Operator under the Regulation to a single Implementing Agency.
The assignment of Programme Operator tasks shall be stipulated in the programme agreement and be detailed in the programme implementation agreement, to which the Implementing Agency shall be a party. The role of the Implementing Agency shall not affect the responsibilities of the Programme Operator related to the implementation of the programme. In order to establish transparent, cost-efficient and harmonized management and control systems of the different programmes, the National Focal Point will endeavour to ensure that tasks assigned to the Implementing Agency are identical for all programmes.
The expenditures incurred by the Implementing Agency related to the implementation of the assigned programme level tasks shall be covered from the respective programme's management cost referred to in Article 8.1 of the Regulation, in accordance with the programme agreement. Activities fulfilled and expenditures incurred by the Implementing Agency shall be clearly attributable to the programme to which they relate.
The National Focal Point shall select the Implementing Agency through a competitive tender procedure in line with relevant national and EU legislation. Result of the selection shall be subject to approval by the FMC.
The Implementing Agency may also support the National Focal Point in the administrative tasks of the National Focal Point. The role of the Implementing Agency shall not affect the responsibilities of the National Focal Point.

6. Strategic Report

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

7. 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

	Hungary	EEA FM contribution	National contribution
	Programmes		
1	Education and Scholarships	€4,500,000	€794,118
2	Climate Change and Energy	€50,000,000	€8,823,529
3	Culture	€17,000,000	€ 3 000 000
4	Civil Society	€10,890,000	N/A
5	Roma Inclusion and Empowerment	€ 14,531,000	€ 2,564,294
	Other allocations		
	Technical assistance to the Beneficiary State (Art. 1.10)	€ 1,633,500	N/A
	Reserve (Art. 1.11)	N/A	N/A
	Reserve for completion of projects under FM 2009-14 (Art. 1.12)	N/A	N/A
	Fund for bilateral relations (Art. 4.6.1)	€2,178,000	N/A
	Net allocation to Hungary	€100,732,500	€15,181,941

2. Specific concerns

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

3. Substantive parameters of the implementation framework

Following the appointment of a Fund Operator for the programme for Civil Society, 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: Education and Scholarships

Programme objective:	Enhanced human capital and knowledge base
Programme grant:	€4,500,000
Programme co-financing:	€794,118
Programme Operator:	Tempus Public Foundation
Donor programme partner(s):	The Norwegian Agency for International Cooperation and Quality Enhancement in Higher Education (DIKU)
	Liechtenstein National Agency for International Education (AIBA)
	The Icelandic Centre for Research (Rannis)

Programme area(s):	Education, Scholarships, Apprenticeships and Youth Entrepreneurship
Special concerns:	The programme shall emphasise institutional cooperation and capacity building. The programme shall address inclusive education and contribute to the improvement of the situation of disadvantaged groups, including the Roma population. The programme shall address democracy and citizenship education and related topics.
Bilateral ambitions:	€ 200,000 shall be allocated to the programme from the fund for bilateral relations, out of which a maximum of 25% is eligible prior to the approval of the programme agreement. The allocation made in this Memorandum of Understanding does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

B. Programme: Climate Change and Energy

Programme objective:	Climate change mitigated and vulnerability to climate change reduced
Programme grant:	€50,000,000
Programme co-financing:	€8,823,529
Programme Operator:	Ministry of Innovation and Technology
Donor programme partner(s):	Norwegian Water Resources and Energy Directorate (NVE). The Icelandic National Energy Authority (OS) (for the geothermal component).
Programme area(s):	Climate Change Mitigation and Adaptation. Renewable Energy, Energy Efficiency, Energy Security.
Special concerns:	Approximately 60% of the total eligible expenditure of the programme shall be allocated to Programme Area 'Climate Change Mitigation and Adaptation'. Approximately 40% of the total eligible expenditure of the programme shall be allocated to Programme Area 'Renewable Energy, Energy Efficiency, Energy Security'. Special concern shall be given to geothermal energy as a source of renewable energy. The geothermal component (approximately €10,000,000 of the programme grant) shall be implemented through predefined projects with a focus on geothermal energy, including district heating, and open calls. The programme shall contribute to increased public awareness of climate change and its impact. The programme shall contain one or

more small grant scheme(s) targeting civil society and including cooperation with the education sector.

The Norwegian Directorate for Civil Protection (DSB) shall be actively involved in the development of the programme. Further involvement shall be considered when developing the concept note.

Bilateral ambitions: € 300,000 shall be allocated to the programme from the fund for bilateral relations, out of which a maximum of 25% is eligible prior to the approval of the programme agreement.

The allocation made in this Memorandum of Understanding does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

C. Culture

Programme objective: Social and economic development strengthened through cultural cooperation, cultural entrepreneurship and cultural heritage management.

Programme grant: € 17,000,000

Programme co-financing: € 3,000,000

Programme Operator: Ministry of Human Capacities

Donor programme partner(s): Norwegian Arts Council (ACN)

Directorate for Cultural Heritage (RA)

The Icelandic Centre for Research (Rannis)

Programme area(s): Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation

Special concerns: The programme shall consist of both cultural heritage management and cultural cooperation/exchange.

The programme shall focus on the potential of art, culture and cultural heritage in promoting social and economic development.

No more than 60% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures).

The programme shall contribute to a greater awareness about cultural diversity by promoting the visibility of social, ethnic and cultural minorities.

The programme shall contribute to the social inclusion of disadvantaged groups (such as Roma) by improving their access to culture and by promoting joint activities and dialogue between Roma and non-Roma.

The programme shall include specific modalities targeting independent cultural actors and civil society organisations in the field of art and culture.

	At least 25% of the total eligible expenditure of the programme shall be set aside for contemporary arts and culture, including the promotion of cooperation and exchange between the Donor States and Hungary.
Bilateral ambitions:	€ 200,000 shall be allocated to the programme from the fund for bilateral relations, out of which a maximum of 25% is eligible prior to the approval of the programme agreement. The allocation made in this Memorandum of Understanding does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

D. Programme: Civil Society

Programme objective:	Civil society and active citizenship strengthened and vulnerable groups empowered**.**
Programme grant:	€10,890,000
Programme co-financing:	Not applicable
Programme Operator:	Financial Mechanism Office in accordance with Article 6.13. of the Regulation
Programme area(s):	Civil Society
Special concerns:	In Hungary, entities and persons managing funds and/or implementing activities under the Active Citizens Fund – exclusively for their activities from the Active Citizens Fund resources - are not subjects of legislation to the special immigration tax regarding activities to promote immigration; as well as of legislation to foreign-supported organizations and their future amendments or new regulatory instruments to the same effect, in order to ensure implementation of the Active Citizens Fund in Hungary in line with the principles set in the legal framework of the Financial Mechanisms 2014 – 2021
Bilateral ambitions:	Not applicable

E. Roma Inclusion and Empowerment

Programme objective:	Enhanced inclusion and empowerment of Roma
Programme grant:	€ 14,531,000
Programme co-financing:	€ 2,564,294
Programme Operator:	Ministry of Interior
International Partner organisation(s):	European Union Agency for Fundamental Rights (FRA)
Programme area(s):	Roma Inclusion and Empowerment

Special concerns:	The programme shall address the following two aspects: empowerment of Roma and rendering institutions and policies more inclusive. All measures should be based on the principles of participation and inclusive approaches and be in line with the 10 Common Basic Principles of Roma Inclusion as stated in the Council Conclusions on the Inclusion of Roma from 8 June 2009; the EU Roma strategic framework for equality, inclusion and participation for 2020-2030; and the Hungarian national social inclusion strategy. The programme shall also target Roma children, youth and women. The programme shall include one or more small grant scheme(s) supporting Roma civil society organisations and civil society organisations working on social inclusion of Roma. The national Roma Contact Point in Hungary responsible for Roma Inclusion and Empowerment shall be actively involved in the preparation and implementation of the programme, including, when feasible, as member(s) of the Cooperation Committee. No more than 60% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures).
Bilateral ambitions:	€ 100,000 shall be allocated to the programme from the fund for bilateral relations, out of which a maximum of 25% is eligible prior to the approval of the programme agreement. The allocation made in this Memorandum of Understanding 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 Roma Inclusion and Empowerment implemented under the Norwegian Financial Mechanism 2014-2021.