# MEMORANDUM OF UNDERSTANDING

# ON THE IMPLEMENTATION OF THE NORWEGIAN FINANCIAL MECHANISM

# 2014-2021

between

THE KINGDOM OF NORWAY,

hereinafter referred to as “Norway”

and

HUNGARY,

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, also taking into account any relevant changes in the European Union's cohesion policy, as appropriate;
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, in accordance with the general principles in the Agreement between the Kingdom of Norway and the European Union, 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 Norwegian Financial Mechanism 2014-2021 in conjunction with the EEA 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 € 1253.7 million in annual tranches of € 179.1 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 the Agreement, a total of € 105,700,000 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 implemented under the EEA Financial Mechanism 2014-2021 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 NMFA after the period referred to in Paragraph 1.
3. In accordance with Article 3.2.b) of the Agreement, 1% 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 € 97,772,500.

## 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. The programmes are to be implemented subject to the approval of the NMFA in accordance with Article 6.3 of the Regulations and following the appointment of a Fund Operator for the programme for Civil Society implemented under the EEA Financial Mechanism 2014-2021.

**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. 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 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 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, Norway waives 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.

| For the Kingdom of Norway | For Hungary |
|---|---|
| Signed in Budapest on 21/12/2020 | Signed in Budapest on 21/12/2020 |
| ..... | ..... |
| Trine Skymoen | Szabolcs Imre Ágostházy |
| Ambassador of the Kingdom of Norway to Hungary | Hungary's Minister of State for EU Development |

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.

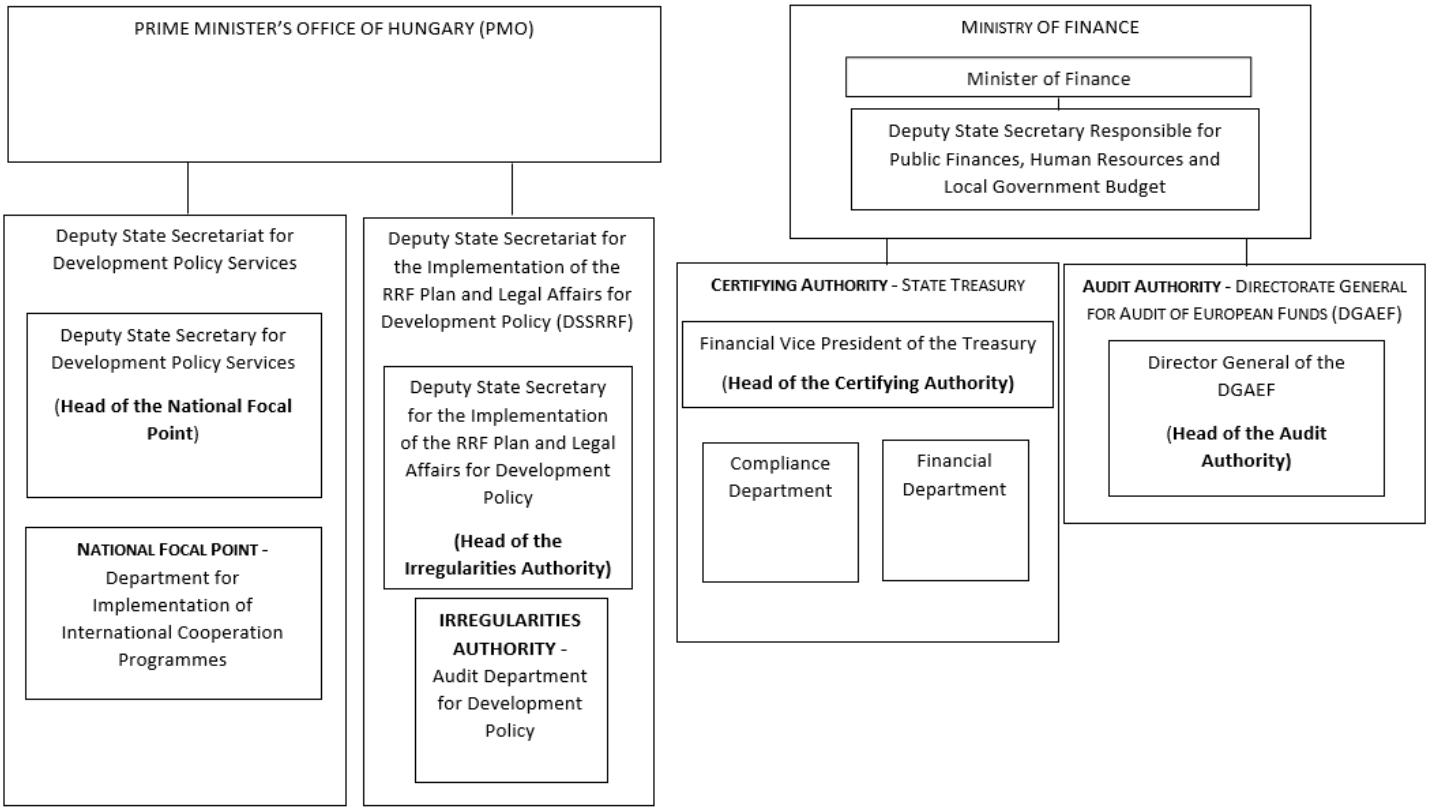
## 5. Implementing Agency

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 Norwegian Ministry of Foreign Affairs (NMFA).
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 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.

**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 | Norwegian FM contribution | National contribution |
|---|---|---|---|
| | Programmes | | |
| 1 | Business Development, Innovation and SMEs | € 45,000,000 | € 7,941,176 |
| 2 | Roma Inclusion and Empowerment | € 17,003,000 | € 3,000,529 |
| 3 | Local Development and Poverty Reduction | € 31,013,000 | € 5,472,882 |
| 4 | Social Dialogue – Decent Work | €1,057,000 | N/A |
| | Other allocations | | |
| | Technical assistance to the Beneficiary State (Art. 1.10) | € 1,585,500 | 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) | € 2,114,000 | N/A |
| | Net allocation to Hungary | €97,772,500 | €16,414,588 |

**2. Specific concerns**

Bilateral relations between the Kingdom of Norway and Hungary 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**

Following the appointment of a Fund Operator for the programme for Civil Society implemented under the EEA Financial Mechanism 2014-2021, 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:* | € 45,000,000 |
| *Programme co-financing:* | € 7,941,176 |
| *Programme Operator:* | Prime Minister's Office of Hungary (PMO) |
| *Donor Programme Partners(s):* | Innovation Norway (IN) |
| *Beneficiary State Programme Partner(s):* | Ministry of Innovation and Technology (MIT) |
| *Programme area(s):* | Business Development, Innovation and SMEs |
| *Special-concerns:* | The programme shall support Green Industry Innovation. Support to ICT and Welfare technology may be explored when developing the concept note. |

| | |
|---|---|
| | The programme shall include a small grant scheme targeting female entrepreneurs.<br><br>The programme shall include a small grant scheme targeting start-ups.<br><br>Bilateral cooperation projects between Hungarian and Norwegian partners shall be encouraged and given priority in the selection process. |
| *Bilateral ambitions:* | EUR 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. |

**B. Programme Roma Inclusion and Empowerment**

| | |
|---|---|
| *Programme objective:* | Enhanced inclusion and empowerment of Roma |
| *Programme grant:* | € 17,003,000 |
| *Programme co-financing:* | € 3,000,529 |
| *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.<br><br>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.<br><br>The programme shall also target Roma children, youth and women.<br><br>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.<br><br>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.<br><br>No more than 60% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures). |
| *Bilateral ambitions:* | EUR 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 EEA Financial Mechanism 2014-2021.

**C. Programme Local Development and Poverty Reduction**

| | |
|---|---|
| *Programme objective:* | Strengthened social and economic cohesion |
| *Programme grant:* | € 31,013,000 |
| *Programme co-financing:* | € 5,472,882 |
| *Programme Operator:* | Prime Minister's Office of Hungary (PMO) |
| *Donor Programme Partners(s):* | Norwegian Association of Local and Regional Authorities (KS) |
| *Programme area(s):* | Local Development and Poverty Reduction<br>Good Governance, Accountable Institutions, Transparency<br>European Public Health Challenges |
| *Special-concerns:* | The programme shall strengthen institutional capacity and human resource development in public institutions, local and regional authorities and associations thereof in Hungary through cooperation and transfer of knowledge with similar institutions and authorities and associations thereof in Norway. The programme shall encourage cross-sectoral partnerships, including with civil society.<br>The programme shall ensure a systematic approach to local development and poverty reduction in the least developed regions, integrating measures in education, employment and health. The measures should be based on the principles of participation and inclusive approaches.<br>Through specific modalities, the programme shall focus on the implementation of existing standards and norms in the area of Good Governance, including a small grant scheme targeting civil society working on transparency and good governance.<br>The Norwegian Directorate of Health and the Norwegian Institute of Public Health shall be actively involved in the preparation of the programme related to the Programme Area 'European Public Health Challenges.' Further involvement shall be considered when developing the concept note. |
| *Bilateral ambitions:* | EUR 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. |
| *Pre-defined projects:* | The content of a pre-defined project involving KS and the Hungarian National Association of Local Authorities (TÖOSZ) under the Programme Area 'Local Development and Poverty Reduction' shall be clarified when developing the concept note.<br>The content of a pre-defined project involving the OECD under the 'Good Governance, Accountable Institutions, Transparency' Programme Area shall be clarified when developing the concept note. |

The total allocation from the Norwegian Financial Mechanism to the Programme Area 'European Public Health Challenges' shall not exceed € 10,000,000 of the programme grant, to be implemented through pre-defined projects with focus on E-health and primary healthcare. The pre-defined projects and the involvement of donor project partners shall be explored when developing the concept note.

**D. 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:* | € 1,057,000 |
| *Programme co-financing:* | Not-applicable |
| *Programme Operator:* | The Financial Mechanism Office in accordance with Article 6.13 of the Regulation. Innovation Norway (IN) 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) |