MEMORANDUM OF UNDERSTANDING

ON THE IMPLEMENTATION OF THE NORWEGIAN FINANCIAL MECHANISM

2014-2021

between

THE KINGDOM OF NORWAY,

hereinafter referred to as “Norway”

and

THE REPUBLIC OF LATVIA,

hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

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

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

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

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

HAVE AGREED on the following:

Article 1
Objectives

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

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

(a) Innovation, research, education and competitiveness;

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

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

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

(e) Justice and home affairs.

Article 2
Legal Framework

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

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

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

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

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

Article 3
Financial Framework

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

2. In accordance with Article 6 of the Agreement, a total of € 51,900,000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.

3. In accordance with Article 3.2.b) of the Agreement, 1.00 % of the total amount referred to in paragraph 2 shall be set aside for a fund for the Promotion of Decent Work and Tripartite Dialogue.

4. In accordance with Article 10.4 of the Agreement and Article 1.9 of the Regulation, the management costs of Norway shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 48,007,500.

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.

Article 7

Fund for bilateral relations

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

Article 8
Annual meetings

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

Article 9
Modification of the annexes

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

Article 10
Control and Access to Information

The NMFA, the Office of the Auditor General of Norway and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

Article 11
Governing Principles

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

2. The objectives of the Norwegian Financial Mechanism 2014-2021 shall be pursued in the framework of close co-operation between Norway and the Beneficiary State. The Parties agree to apply the highest

degree of transparency, accountability and cost efficiency as well as the principles of good governance, partnership and multi-level governance, sustainable development, gender equality and equal opportunities in all implementation phases of the Norwegian Financial Mechanism 2014-2021.

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

4. No later than 31/12/2020, the Parties to this Memorandum of Understanding shall review progress in the implementation of this Memorandum of Understanding and thereafter agree on reallocations within and between the programmes, where appropriate. The conclusion of this review shall be taken into account by the National Focal Point when submitting the proposal on the reallocation of the reserve referred to in Article 1.11 of the Regulation.

Article 12
Entry into Force

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

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

For the Kingdom of Norway	For the Republic of Latvia
Signed in Riga on 14/12/2017	Signed in Riga on 14/12/2017
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ANNEX A

National management and control structures

1. National Focal Point

The following three departments of the Ministry of Finance of the Republic of Latvia shall act as the National Focal Point:

- EU Funds Strategy Department;
- EU Funds Investments Management Department;
- EU Funds System Management Department.

EU Funds Strategy Department, EU Funds Investments Management Department and EU Funds System Management Department are directly subordinated to the Deputy State Secretary on EU Structural Funds and Cohesion Fund Issues, who shall act as the head of the National Focal Point.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 5.3 thereof.

2. Certifying Authority

The Treasury of the Republic of Latvia shall act as the Certifying Authority. The Treasury is directly subordinated to the Ministry of Finance of the Republic of Latvia. The Treasury is managed by the Treasurer, who acts as the Head of the Certifying Authority and reports to the Deputy State Secretary on Budget Issues of the Ministry of Finance of the Republic of Latvia.

The functions of the Certifying Authority will be performed by the European Affairs Department and Operations Department of the Treasury which are headed by directors. Director of the European Affairs Department is subordinated and responsible for reporting to the Treasurer. Director of Operations Department is subordinated and responsible for reporting to the Deputy Treasurer who is directly subordinated to the Treasurer.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof.

3. Audit Authority

The EU Funds Audit Department of the Ministry of Finance of the Republic of Latvia shall act as the Audit Authority. The Director of the EU Funds Audit Department, who is directly subordinated and reporting to the Minister of Finance of the Republic of Latvia, shall act as the Head of the Audit Authority.

The Audit Authority shall act in compliance with the International Standards on Auditing, International Standard on Assurance Engagements and Code of Ethics.

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

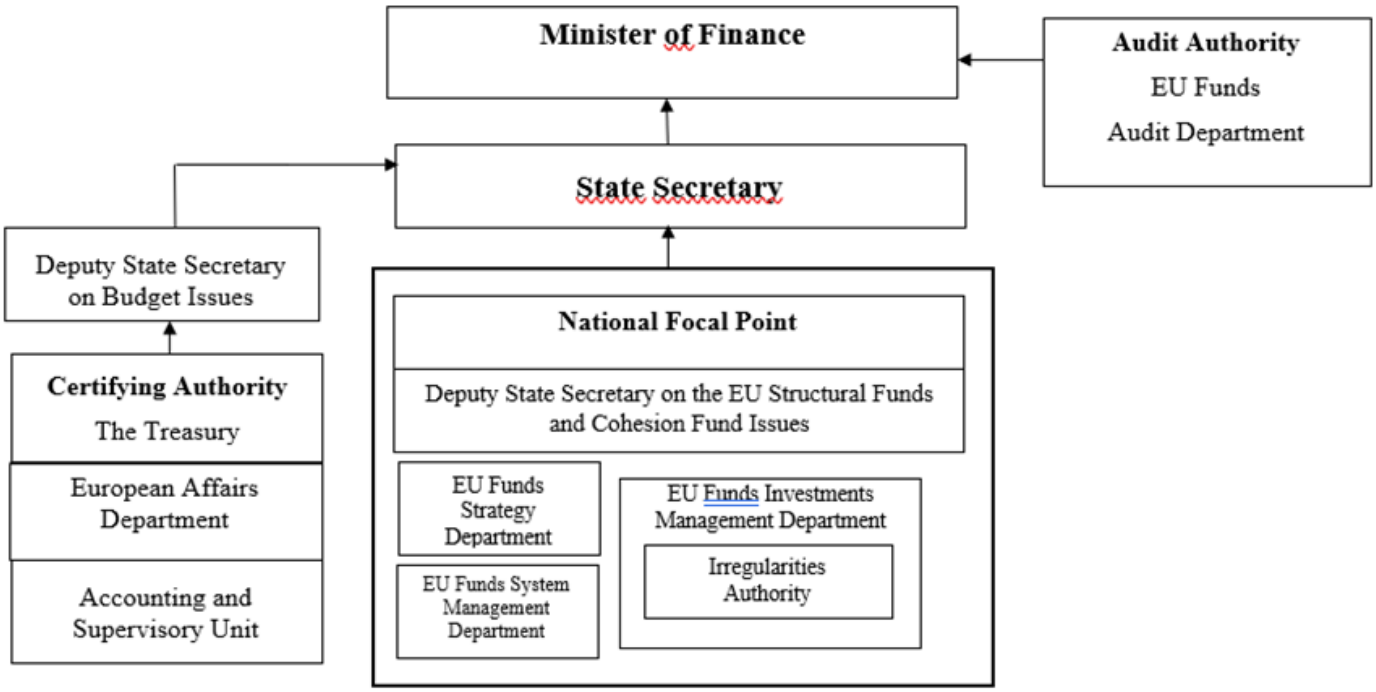
The National Focal Point shall act as the Irregularities Authority. The EU Funds Investments Management Department, which is institutionally a part of the National Focal Point, shall be responsible for the preparation and submission of irregularities reports.

The roles and responsibilities of the Irregularities Authority are stipulated in the Regulation, in particular Article 12.3 thereof.

5. Strategic Report

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

6. Organigram



ANNEX B

Implementation framework

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

1. Financial parameters of the implementation framework

	Latvia	Norway Grants contribution	National contribution
	Programmes		
1	Business Development, Innovation and SMEs	€ 11,025,732	€ 1,945,717
2	Research and Education	€ 5,897,803	€ 1,040,789
3	Climate Change Mitigation, Adaptation and Environment	€ 13,288,588	€ 2,345,045
4	Correctional Services	€ 11,140,839	€ 1,966,030
5	Social Dialogue – Decent Work	€ 520,000	N/A
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 1,063,500	N/A
	Reserve (Art. 1.11)	€ 0	N/A
	Reserve for completion of projects under FM 2009-2014 (Art. 1.12)	N/A	N/A
	Fund for bilateral relations (Art. 4.6.1)	€ 5,071,038	N/A
	Net allocation to Latvia	**€ 48,007,500**	**€ 7,297,581**

2. Specific concerns

Bilateral relations between Norway and Latvia shall be strengthened with the aim of stimulating and developing long-term cooperation within all areas listed in the Annex to the Agreement between the Kingdom of Norway and the European Union. It is also an ambition to strengthen bilateral cooperation at political level and European level in areas of common interest. Under the fund for bilateral relations, € 113,077 are earmarked for programme level initiative 'Forensic science cooperation: 3D scanning expertise method' in bilateral cooperation with the National Criminal Investigation Service (NCIS/KRIPOS) to be implemented in conjunction with the EEA Financial Mechanism 2014-2021 programme ‘International Police Cooperation and Combating Crime’ in relation to the pre-defined project ‘Strengthening of the capacity of forensic system and inspection of the site of the event’.

3. Substantive parameters of the implementation framework

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

A. Programme Business Development, Innovation and SMEs

Programme objective: Increased value creation and sustainable growth
Programme grant: € 11,025,732
Programme co-financing: € 1,945,717
Programme Operator: Investment and Development Agency of Latvia

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

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

Special-concerns: In managing this programme the Investment and Development Agency of Latvia shall operate with autonomy and independence of the Ministry of Economics of the Republic of Latvia. The Ministry of

	Economics is together with the Investment and Development Agency of Latvia, responsible for the preparation of the programme.
Bilateral ambitions:	€ 418,500 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

B. Programme Research and Education

Programme objective:	Enhanced research-based knowledge development
Programme grant:	€ 5,897,803
Programme co-financing:	€ 1,040,789
Programme Operator:	Ministry of Education and Science of the Republic of Latvia
Donor Programme Partners(s):	Research Council of Norway (RCN) Directorate for Higher Education and Skills (HK-DIR)
Programme area(s):	Research Education, Scholarships, Apprenticeships and Youth Entrepreneurship
Special-concerns:	A maximum of € 6,000,000 of the programme grant shall be allocated to innovation centres located in different regions of Latvia. The location, allocation and the activities of each of the centres will be determined during the concept note phase. The centres shall aim to develop new education and training programmes for teachers, students and pupils in science, technology, engineering and mathematics, and facilitate cooperation and partnerships between institutions in education, research and the world of work. Infrastructure (hard measures) is not eligible for funding under this programme. The costs of mobile equipment for demonstration rooms that supports activities within the centres shall be eligible. A maximum level of funding available from the total eligible expenditure of the programme for such equipment shall be identified in the concept note.
Bilateral ambitions:	€ 50,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

The programme will be implemented in conjunction with the programme Research and Education implemented under the EEA Financial Mechanism 2014-2021.

C. Programme Climate Change Mitigation, Adaptation and Environment

Programme objective:	Climate change mitigated and vulnerability to climate change reduced
Programme grant:	€ 13,288,588
Programme co-financing:	€ 2,345,045
Programme Operator:	Ministry of Environmental Protection and Regional Development of the Republic of Latvia
Donor Programme Partners(s):	Norwegian Environment Agency (NEA)
Programme area(s):	Climate Change Mitigation and Adaptation

	Environment and Ecosystems
Special-concerns:	Special concern shall be given to measures for remediation of polluted sites.
Bilateral ambitions:	€ 392,019 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

D. Programme Correctional Services

Programme objective:	Improved correctional system
Programme grant:	€ 11,140,839
Programme co-financing:	€ 1,966,030
Programme Operator:	Ministry of Justice of the Republic of Latvia
Donor Programme Partners(s):	Directorate of Norwegian Correctional Service (KDI)
Programme area(s):	Correctional Services and Pre-trial Detention
Special-concerns:	The programme shall be implemented by way of the pre-defined project "Establishment of training centre infrastructure and model prison blocks for training opportunities in the Olaine prison territory". The pre-defined project will be part of a model which reflects the functioning of the whole justice chain, with special focus on alternative sanctions. A maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) shall be identified in the concept note.
Bilateral ambitions:	€ 1,185,949 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.
Pre-defined projects:	Name of project: Establishment of training centre infrastructure and model prison blocks for training opportunities in the Olaine prison territory Project Promoter: Latvian Prison Administration Donor Project Partner: Directorate of Norwegian Correctional Services The University College of the Norwegian Correctional Service (KRUS) Romerike Prison Oslo Red Cross Network after Imprisonment Maximum grant: To be specified in the Concept Note.

E. 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:	€ 520,000
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)