EEA Financial Mechanism 2014-2021

Norwegian Financial Mechanism 2014-2021

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee and the Norwegian Ministry of Foreign Affairs
Hereinafter referred to as the “Donors”

and

The Department of Assistance Programmes, Ministry of Development Funds and Regional Policy,
hereinafter referred to as the “National Focal Point”,
representing Poland,
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”

for the financing of the Programme “Local Development”

hereinafter referred to as the “Programme”

Chapter 1
Scope, Legal Framework, and Definitions

Article 1.1
Scope

This programme agreement between the Donors and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the EEA and the Norwegian Financial Mechanisms 2014-2021 to the Programme.

Article 1.2
Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, constitute the legal framework of the EEA and Norwegian Financial Mechanisms 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") and Protocol 38c to the EEA Agreement on the EEA Financial Mechanism 2014-2021 (hereinafter referred to as "Protocol 38c";

(b) the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 and the Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulations") issued by the Financial Mechanism Committee in accordance with Article 10(5) of Protocol 38c and by the Norwegian Ministry of Foreign Affairs in accordance with Article 10(5) of the Agreement;

(c) the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2014-2021 and the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as the "MoUs"), entered into between the Donors and the Beneficiary State; and

(d) any guidelines adopted by the Donors in accordance with the Regulations.

2. In case of an inconsistency between this programme agreement and the Regulations, the Regulations shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

Article 1.3
Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulations, in particular Article 1.6 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4
Annexes and hierarchy of documents

1. Annexes attached hereto form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the annexes shall prevail, provided that these provisions are compatible with the Regulations.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the preparation of the programme are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

Chapter 2
The Programme

Article 2.1
Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and to apply the principles of implementation as set out in the Regulation.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of

corruption or misuse of resources related to this programme agreement.

Article 2.2
Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the EEA and Norwegian Financial Mechanisms 2014-2021 in the Beneficiary State and for the full and correct implementation of this programme agreement. In particular, the National Focal Point undertakes to:

(a) comply with its obligations stipulated in the Regulations and this programme agreement;

(b) ensure that the Certifying Authority, the Audit Authority, the Irregularities Authority and the Programme Operator properly perform the tasks assigned to them in the Regulations, this programme agreement and the programme implementation agreement;

(c) take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;

(d) take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;

(e) make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The Donors shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

Article 2.3
Objective and outcomes of the Programme

1. This programme agreement sets out the objective, outcome(s), outputs, indicators and targets for the Programme.

2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

Article 2.4
Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in this programme agreement.

2. The Programme is supported by grants from both the EEA and the Norwegian Financial Mechanism. Nevertheless, this programme agreement may contain provisions applicable only to the support from the EEA Financial Mechanism and/or provisions applicable only to the support from the Norwegian Financial Mechanism.

3. The financial plan annexed to this programme agreement shall:

(a) contain a breakdown between the Programme's budget headings;

(b) contain a breakdown between the support from the EEA Financial Mechanism and the Norwegian Financial Mechanism;

(c) indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in this programme agreement.

Article 2.5
Special conditions and programme specific rules

1. This programme agreement shall list any conditions set by the Donors with reference to paragraph 2 of Article 6.3 of the Regulations. The National Focal Point shall ensure compliance with these conditions and take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in this programme agreement.

Article 2.6
Programme implementation agreement

With reference to Article 6.8 of the Regulations and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the Donors of such signing.

Article 2.7
Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme

report in accordance with Chapter 9 and Articles 6.11 and 6.12 of the Regulations as well as statistical reporting in accordance with guidelines adopted by the Donors.

Article 2.8
External monitoring

The external monitoring and audit referred to in Articles 11.1, 11.2, 11.3 and 11.4 of the Regulations shall not in any way relieve the National Focal Point or the Programme Operator of their obligations under the legal framework regarding monitoring of the Programme and/or its projects, financial control and audit.

Article 2.9
Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the Donors.

2. Programme specific exceptions from paragraph 1, if any, are set in the annexes to this programme agreement.

3. Expenditures incurred in breach of this article are not eligible.

4. Should there be a doubt as to whether the proposed modifications require approval by the Donors, the National Focal Point shall consult the Donors before such modifications take effect.

5. Requests for modifications shall be submitted and assessed in accordance with Article 6.9 of the Regulations.

Article 2.10
Communication

1. All communication to the Donors regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the Donors towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

Article 2.11
Contact information

1. The contact information of the Programme Operator is as specified in this programme agreement.

2. The contact information for the Donors and the Financial Mechanism Office are:

Financial Mechanism Office
Att: Director
EFTA Secretariat
Rue Joseph II, 12-16
1000 Brussels
Telephone: +32 (0)2 286 1701
Telefax (general): +32 (0)2 211 1889
E-mail: fmo@efta.int

3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

Article 2.12
Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the Donors prior to the signing of this programme agreement.

2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point, in connection with the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3
Projects

Article 3.1
Selection of projects and award of grants

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 7 of the Regulations and this programme agreement.

2. Eligibility of project promoters and project partners is stipulated in Article 7.2 of the Regulations and, in accordance with paragraph 4 thereof, subject only to the limitations stipulated in this programme agreement.

3. Pre-defined projects shall be outlined in this programme agreement.

4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 7.5 of the Regulations.

Article 3.2
Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.

2. In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.

3. The content and form or the project contract shall comply with Article 7.6 of the Regulations.

4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project contract are valid and enforceable under the applicable law of the Beneficiary State.

Article 3.3
Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.6 of the Regulations. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 7.7 of the Regulations.

2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from the Donor States.

3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 8.15 of the Regulations.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article. A draft partnership agreement or letter of intent shall be submitted to the Programme Operator before the signing of the project contract.

Chapter 4
Finance

Article 4.1
Eligible expenditures

1. Subject to Article 8.7 of the Regulations, eligible expenditures of this Programme are:

(a) management costs of the Programme Operator in accordance with the detailed budget in the financial plan;

(b) payments to projects within this Programme in accordance with the Regulations, this programme agreement and the project contract.

2. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 8.2 of the Regulations and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 8.3 of the Regulations, the conditions regarding the use of standard scales of unit costs set in Article 8.4 of the Regulations as well as indirect costs in accordance with Article 8.5 of the Regulations.

3. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 8.13 of the Regulations. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the Donors of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 6.5 of the Regulations.

4. The maximum eligible costs of the categories referred to in paragraph 1 are set in this programme agreement. Programme specific rules on the eligibility of expenditure set in this programme agreement shall be complied with.

Article 4.2
Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 8.12 of the Regulations.

Article 4.3
Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulations have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 9.2, 9.3 and 9.4 of the Regulations.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in this programme agreement.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 9.1 of the Regulations.

5. Chapter 9 of the Regulations shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

Article 4.4
Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the EEA and Norwegian Financial Mechanisms 2014-2021 to the Programme in accordance with Article 9.8 of the Regulations.

Article 4.5
Irregularities, suspension and reimbursements

The Donors have the right to make use of the remedies provided in the Regulations, in particular Chapter 13 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 12 and 13 of the Regulations regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

Chapter 5
Final provisions

Article 5.1
Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the Donors is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

Article 5.2
Termination

1. The Donors may, after consultation with the National Focal Point, terminate this programme agreement if:

(a) a general suspension decision according to Article 13.6 of the Regulations or a decision to suspend payments according to paragraph 1(h) of Article 13.1 of the Regulations has not been lifted within 6 months of such a decision;

(b) a suspension of payments according to Article 13.1 of the Regulations, other than under paragraph 1(h), has not been lifted within one year of such a decision;

(c) a request for reimbursement according to Article 13.2 of the Regulations has not been complied with within one year from such a decision;

(d) the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or

(e) the Programme Operator has, in the opinion of the Donors, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the Donors to make use of the remedies provided in Chapter 13 of the Regulations.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the Donors, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the Donors or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The Donors do not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the Donors for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the Donors, the NMFA, the FMC, its members or alternate members, nor the EFTA States, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

Article 5.4
Entry into force and duration

1. This programme agreement shall enter into force on the date of the last signature of the Parties.

2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

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This programme agreement is drawn up in two originals in the English language.

For the Donors	For the National Focal Point
Signed in Warsaw on 25/03/2019	Signed in Warsaw on 25/03/2019
.....	.....
Olav Myklebust	Jerzy Kwiecinski
Ambassador, Royal Norwegian Embassy, Poland	Minister of Investment and Economic Development

Annex I to the Programme Agreement

Programme Operators and Partners	
Programme Operator:	Ministry of Development Funds and Regional Policy
Donor Programme Partner:	Norwegian Association of Local and Regional Authorities (KS)
IPO:	Organisation for Economic Co-operation and Development (OECD)
Other Programme Partner(s):	-

Programme Objective	Strengthened social and economic cohesion

PA	Outcome/Output	Expected programme results	Indicator	Disaggregation	Unit of measurement	Source of verification	Frequency of reporting	Baseline values	Baseline year	Target value
PA10	Outcome 1	Improved quality of life in small and medium-sized Polish municipalities	Annual number of days with favourable air conditions meeting EU standards in selected municipalities	N/A	Annual number	Regional/local environment monitoring authority records	2021 and then annually	260	2019	299[1]
			Number of jobs created in selected municipalities	Financial Mechanism, Gender, Age	Cumulative number	Payroll records, employment agreements	Annually (APR)	0	N/A	200
			Number of young people aged 15-29 completing vocational education or work based learning in local companies in selected municipalities[2]	Financial Mechanism, Gender	Cumulative number	Certificates, labour office records, survey results	Annually (APR)	0	N/A	1,000
			Annual number of published vacancies suitable for people with	N/A	Annual number	Labour office records, Project Promoters' records	Annually (APR)	27	N/A	30[4]

[1] (+15%)
[2] Both public and private companies.
[4] (+10%)

			disabilities in selected municipalities[3]							
			Level of satisfaction of persons participating in local-level public consultations (in selected municipalities) with the quality of consultations	N/A	Scale 1-6	Survey results	Semi-annually (APR and September IFR)	N/A	N/A	4[5]
	Output 1.1	Local development plans elaborated	Number of municipalities provided with a technical assistance to elaborate Development Plans	N/A	Cumulative number	Programme Operator's records	Semi-annually (APR and September IFR)	0	N/A	50
			Number of local professional staff trained in preparing Development Plans	Financial Mechanism, Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	150
			Number of local residents participating in public stakeholders consultations related to Development Plans	Gender, Age	Cumulative number	Project Promoters' records, attendance sheets	Annually (APR)	0	N/A	1,000
	Output 1.2	Local development plans implemented	Number of municipalities supported to implement Development Plans	N/A	Cumulative number	Programme Operator's records	Semi-annually (APR and September IFR)	0	N/A	15
			Number of local professional staff trained in implementing Development Plans	Financial Mechanism, Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	45

[3] According to data from labour/ statistic office.
[5] Target is minimum 4.

			Number of individuals trained in starting up own businesses	N/A	Cumulative number	Project Promoters' records, Labour office records	Semi-annually (APR and September IFR)	0	N/A	150
			Number of new investments meeting the accessibility standards[6]	N/A	Cumulative number	Project Promoters' records	Annually (APR)	0	N/A	200
			Length of cycle lanes built in selected municipalities (in km)	N/A	Cumulative number	Project Promoters' records	Annually (APR)	0	N/A	30
			Number of awareness raising campaigns carried out	Financial Mechanism	Cumulative number	Project Promoters' records, Audio/video/print material produced as part of the campaign	Semi-annually (APR and September IFR)	0	N/A	30
			Number of investments aimed at improving air quality in selected municipalities	N/A	Cumulative number	Project Promoters' records	Annually (APR)	0	N/A	30
			Number of measures carried out to encourage young people aged 15-29 to participate in vocational education or work-based learning in local companies	N/A	Cumulative number	Project Promoters' records, Audio/video/print materials	Semi-annually (APR and September IFR)	0	N/A	15
			Number of public and private buildings in selected municipalities supported to improve energy efficiency	N/A	Cumulative number	Project Promoters' records	Semi-annually (APR and September IFR)	0	N/A	50
	Output 1.3	Optimisation of local public	Number of local professional staff trained	Financial Mechanism, Gender	Cumulative number	Project Promoters'	Semi-annually (APR and	0	N/A	150

[6] Investments include, inter alia, buildings meeting standards of universal design. According to Programme Accessibility Plus 2018-2025 https://www.miir.gov.pl/strony/zadania/program-dostepnosc-plusprzyjazna-polska/; https://www.miir.gov.pl/media/53301/Program_Dostepnosc_Plus.pdf

		administration supported				records, Attendance sheets	September IFR)			
			Number of municipalities trained on ensuring high quality public participation	N/A	Cumulative number	APC's records	Semi-annually (APR and September IFR)	0	N/A	50
			Number of Action Plans on optimizing local public administration developed	N/A	Cumulative number	APC's/OECD records, copies of Action Plans	Semi-annually (APR and September IFR)	0	N/A	50
			Number of municipalities implementing comprehensive monitoring systems of local development	N/A	Cumulative number	APC's records	Semi-annually (APR and September IFR)	0	N/A	15
PA16	Outcome 2	Improved responsiveness of local government/ administration to citizens' needs	Number of local governments adopting and using the self-assessment tool to design their Action Plans	N/A	Cumulative number	OECD records	2021 and then annually	0	N/A	15
			Share of OECD Public Governance Review recommendations implemented by local governments to improve their public governance capacity	N/A	Percentage	OECD records	2023, 2024	N/A	N/A	40 %
	Output 2.1	Framework for improving governance at local level created	Number of municipalities for which the OECD Public Governance Review was conducted[7]	N/A	Cumulative number	OECD records	Annually (APR)	0	N/A	6
			Self-assessment methodology on institutional capacity of	N/A	Binary	OECD records, copy	Semi-annually (APR and	No	N/A	Yes

[7] Including the "red tape" review. Sample chosen from 50 towns selected at stage I.

			small and medium sized cities to implement an integrated Development Plan developed			methodology itself	September IFR)			
			Number of local professional staff trained in implementing Public Governance Review recommendations	Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	100
PA10	Bilateral Outcome	Enhanced collaboration between beneficiary and donor state entities involved in the programme	Level of trust between cooperating entities in Beneficiary States and Donor States	N/A	Scale 1-7	Survey results	Annually (APR)	TBD[8]	TBD	4.5[9]
			Level of satisfaction with the partnership	N/A	Scale 1-7	Survey results	Annually (APR)	TBD[10]	TBD	4.5[11]
			Share of cooperating organisations that apply the knowledge acquired from bilateral partnership	N/A	Percentage	Survey results	Annually (APR)	N/A	N/A	50[12]
	Bilateral Output 1	Cooperation between beneficiary and donor state entities supported	Number of projects involving cooperation with a donor project partner	N/A	Cumulative number	Copies of contracts concluded with Project Promoters, Partnership agreements between Project Promoters and project partners	Semi-annually (APR and September IFR)	0	N/A	7
			Number of training courses co-organised by donor and Polish entities	N/A	Cumulative number	Project Promoter's records	Semi-annually (APR and	0	N/A	20

[8] Survey to be carried out by the FMO
[9] Target is ≥4.5, and an increase on the baseline value
[10] Survey to be carried out by the FMO
[11] Target is ≥4.5, and an increase on the baseline value
[12] Target is minimum 50 %

							September IFR)			
			Number of participants from Poland in exchanges	Donor State, Gender, Type of exchange	Cumulative number	Project Promoter's records	Semi-annually (APR and September IFR)	0	N/A	10
			Number of participants from donor states in exchanges	Donor State, Gender, Type of exchange	Cumulative number	Project Promoter's records	Semi-annually (APR and September IFR)	0	N/A	10

Conditions

General

1) The National Focal Point shall ensure that the Programme Operator ensures that an ex ante control of public procurement procedures and documentation[10] carried out for the pre-defined project under section 5.1 of Annex II to the Programme Agreement, is carried out by a competent independent entity, other than the respective project promoter.

[10] Limited to public procurement procedures (review of tender documentation) pursuant to the national public procurement legislation.

2) The National Focal Point shall ensure that the Programme Operator encourages synergies with other programmes in Poland, including for Education, Business and Innovation, Health, and Environment and Energy and Climate Change.

3) No less than 40% of the total eligible expenditure of the programme shall be available for soft measures. All projects selected under the open call shall include soft measures.

4) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters:

- Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
- Keep any buildings purchased, constructed, renovated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract.

5) For the following Outcome 1 indicators, where the baseline value is “to be determined” (TBD), the Programme Operator shall submit to the FMO the baseline values, together with a description of the data collection methods used, no later than six months after the finalisation of the selection of the relevant projects (municipalities). The updated baseline values shall be agreed upon through a modification of the programme agreement:

- Annual number of days with favourable air conditions meeting EU standards in selected municipalities.
- Annual number of published vacancies suitable for people with disabilities in selected municipalities.
- Level of satisfaction of persons participating in local-level public consultations (in selected municipalities) with the quality of consultations.
- Share of public and private buildings in selected municipalities with improved energy efficiency.
- Share of public buildings in selected municipalities meeting accessibility standards.
- Unemployment rate among graduates in selected municipalities.

Pre-eligibility

Not applicable

Pre-payment

Not applicable

Pre-completion

Not applicable

Post-completion

Not applicable

Eligibility of costs - period	**First date**	**Final date**
Eligibility of costs	21/12/2017	30/04/2025
Grant rate and co-financing		
Programme eligible expenditure (€)		€ 128,478,385
Programme grant rate (%)		85.00 %
Maximum amount of Programme grant - EEA Financial Mechanism (€)		€ 48,600,000
Maximum amount of Programme grant - Norwegian Financial Mechanism (€)		€ 60,606,627
Maximum amount of Programme grant - Total (€)		€ 109,206,627

PA	Budget Heading	EEA Grants	Norway Grants	Total grant	Programme grant rate	Programme co-financing	Programme eligible expenditure	Advance payment
PA10	Programme management	€ 850,000	€ 850,000	€ 1,700,000	85.00 %	€ 300,000	€ 2,000,000	€ 170,000
PA10	Outcome 1 (EEA Grants)	€ 46,687,500		€ 46,687,500	85.00 %	€ 8,238,971	€ 54,926,471	€ 998,750
PA10	Outcome 1 (Norway Grants)		€ 59,756,627	€ 59,756,627	85.00 %	€ 10,545,287	€ 70,301,914	n/a
PA16	Outcome 2 (EEA Grants)	€ 1,062,500		€ 1,062,500	85.00 %	€ 187,500	€ 1,250,000	€ 318,750
PA16	Outcome 2 (Norway Grants)		€ 0	€ 0	0.00 %	n/a		n/a
Total		**€ 48,600,000**	**€ 60,606,627**	**€ 109,206,627**	**85.00 %**	**€ 19,271,758**	**€ 128,478,385**	**€ 1,487,500**

Retention of management costs	
Retention of management costs - Percentage of the management costs	10.00 %
Retention of management costs - Planned Euro value	€ 200,000

Local Development

Operational rules (Annex II)

1. **Programme summary**

This Annex sets out the operational rules for the programme. The programme agreement is based on the MoU, the concept note, and comments made by the Donor States. Commitments, statements and guarantees, explicit as well as implicit, made in the concept note, are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

The Programme Operator is the Ministry of Investment and Development. The Norwegian Association of Local and Regional Authorities is the Donor Programme Partner (DPP). The Organisation for Economic Development and Cooperation (OECD) is the International Partner Organisation (IPO).

The programme's objective "**Strengthened social and economic cohesion**" shall be achieved by means of two outcomes:

1. "***Improved quality of life in small and medium-sized Polish municipalities***" (Outcome I) will be supported by a two-stage open call for cities facing serious socio-economic challenges: the 255 cities listed in the national Strategy for Responsible Development (SRD) are eligible, out of which approximately 50 will be selected in the first stage. They will receive technical assistance to develop comprehensive local Development Plans as well as capacity-building measures for local administration staff. In the second stage, approximately 30 towns will receive financing and technical assistance for projects elaborated in their Development Plans (soft measures as well as infrastructure). The approximately 20 towns that do not receive financing can apply for funds to improve accessibility for people with disabilities, (this will be mandatory for the approximately 30 financed projects).

2. "***Improved responsiveness of local government/administration to citizens' needs***" (Outcome 2) aims to build institutional capacity and include citizens in the decision-making process and co-administration of towns. The 50 local authorities participating in the programme will elaborate Action Plans on good governance as part of their local Development Plans. The Action plans shall aim at, inter alia, improved public administration, effective flow of information internally and to and from inhabitants, promoting a culture of openness and dialogue and consultation with inhabitants, increased participation of citizens in decision-making and participatory budgeting and lowering administrative burdens at the local level. In addition, the programme will implement mechanisms to prevent, identify and sanction irregularities, mismanagement and corruption.

One pre-defined project, ***Strengthening capacity of medium and small cities in Poland for implementing effective development policies***, will support both Outcomes I and II, delivering technical assistance, training and awareness-raising on local development to participating municipalities, including, inter alia, in relation to the preparation and implementation of the local Development Plans and Action Plans for Good Governance, monitoring and oversight, developing methodology for self-assessment and conducting and promoting the OECD Local Public Governance Review.

2. Eligibility

2.1 Eligible applicants:

The rules on eligibility of applicants are set in Article 7.2 of the Regulation. The following limitations shall be placed:

Outcomes	Modality	Eligible applicants (project promoters)	Eligible partners Poland	Eligible partners Donor States

Outcome 1 Improved quality of life in small and medium-sized Polish municipalities	Call for proposals	255 towns and cities specified in the Strategy for Responsible Development.	In accordance with Article 7.2.1 of the Regulation. Natural persons and private commercial entities[1] are not eligible.	Local/regional authorities from Donor States.

[1] Civil law partnerships, commercial partnerships or companies, except for self-governmental and state-owned legal persons and social housing associations.

2.2 Special rules on eligibility of costs:
Costs are eligible in accordance with chapter 8 of the Regulation. Standard scales of unit costs (Article 8.5.4) shall not be applied.

3. Bilateral relations
3.1 Bilateral relations
The programme shall contribute to strengthening bilateral relations between Poland and the Donor States.

The programme shall, as appropriate, facilitate donor partnership projects by carrying out, *inter alia*, match-making events and activities in conjunction with launching call for proposals, as well as by encouraging donor partnership projects in call text.

Funds earmarked for bilateral relations under the Programme can be used for the following activities:

- building bilateral relations to undertake cooperation to implement projects with an advisory participation of the partner (visits, conferences, seminars, projects-related meetings, etc.),
- exchange of experience, knowledge, technology and best practices between the beneficiary and entities from a Donor State/Operator, DPP, IPO (organization of conferences, seminars, workshops and study visits, etc.)
- other activities that cannot be financed under the Programme components, yet clearly demonstrate a contribution to strengthened bilateral relations.

One activity/good practice which is to be financed is the continuation of the DiverCITY project, successfully implemented in cooperation with KS under the Regional Programme PL06 EEA FM 2009-2014.

In line with the approach to the long-term building of good bilateral relations, the Programme Operator does not exclude the possibility of applying for additional funds under the Bilateral Fund at National Level.

The use of the funds for bilateral relations allocated to the programme shall be agreed in the Cooperation Committee. Parties of the bilateral initiatives might specifically be designated by the Cooperation Committee or selected through an open call procedure.

4. Selection of projects and financial parameters

4.1 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

In accordance with section 1 of Annex II the PO shall organise one open call including two stages.

Call	Outcome	Estimated timing of the call	Total available amount (€)	Planned minimum grant amount per project (€)	Planned maximum grant amount per project (€)
Call for proposals No 1	Outcome 1	Q2/3 2019	112 680 865	3 000 000	10 000 000

4.2 Selection procedures:

The project evaluation and award of grants shall be in accordance with Article 7.4 of the Regulation.

The Programme Operator shall be responsible for project evaluation and the award of grants. The selection shall be conducted in two stages:

Stage 1: The open call dedicated to 255 cities/towns mentioned in the SRD and the selection of approximately 50 cities/towns;

About 50 cities/towns shall be selected based on negative indicators (a group of most polluted cities losing their socio-economic functions with the accumulation of negative factors, especially demographic ones) and the quality of preliminary project proposals prepared by the applicants. Towns with the most intensive accumulation of negative factors will receive additional points during the evaluation process.

Stage 2: Selection of the approximately 30 projects to receive support

About 50 towns selected at first stage will receive complex, expert non-financial support (within the pre-defined project) to prepare complete projects (including Development Plan). About 30 projects (of the about 50 selected at the first stage) shall be selected for the financing (based on the formal and content-related criteria).

Once the projects (approximately 30) are selected, the donor project partners will be identified by the DPP. The need for these partnerships will be identified based on the added value for each project and the partners from the donor country will provide substantive support (including exchange of experiences, study visits).

The Programme Operator shall be responsible for reviewing the applications for compliance with administrative and eligibility (formal) criteria (as applicable) in both Stage 1 and Stage 2. Applicants whose applications are rejected at this stage shall be informed of the reasons of rejection in writing and given 14 days to appeal that decision to the National Focal Point.

Each application that meets the administrative and eligibility (formal) criteria shall be reviewed by three impartial experts appointed by the Programme Operator in both Stage 1 and Stage 2, at least one of whom shall be independent of and external to the Programme Operator. The experts shall be selected by way of public procurement in accordance with the applicable national rules.

The Selection Committee shall consist of a Chair (head of the PO) and a secretary (member of the PO staff) without voting rights, and at least three voting members, including representatives of the PO and the DPP and at least one expert external to the PO. The IPO, the Donor representatives and the National Focal Point shall be invited to participate in the Selection Committee as observers.

The composition, including the number of voting members as well the Rules of Procedure of the Selection Committee, shall be discussed and agreed in the Cooperation Committee.

In both the first and second stage, the Programme Operator shall provide the Selection Committee with a list of the ranked projects. The Selection Committee shall review the ranked list of projects. External experts having carried out the evaluation of the project applications may be invited to the Selection Committee meeting to provide further explanations regarding their evaluations. The external experts shall not participate in the Selection Committee meeting otherwise. The Selection Committee may modify the ranking of the projects in justified cases. The justification for modifications shall be detailed in the minutes of the meeting of the Selection Committee. The minutes shall be signed by all members of the Selection Committee. The Chair of the Selection Committee shall submit the minutes and the list of the recommended projects, together with a reserve list and the list of rejected project applications and the reason for their rejection, to the Programme Operator.

The Programme Operator shall verify that the selection process has been conducted in accordance with the Regulation and that the grant award recommendation of the Selection Committee complies with the rules and objectives of the Programme. Following such verification, the Deputy Minister of the Ministry of Investment and Development (PO) shall decide which projects shall be supported.

The Programme Operator shall notify the applicants about the results of the selection process within reasonable time and publicise the results. All unsuccessful applicants shall be provided with a brief description of the reasons for the decision.

Each project can be financed by only one of the Financial Mechanisms. The source of funding will be individually determined by the Programme Operator and included into the project contract. Projects involving partners from Iceland and Liechtenstein shall be financed only by the EEA Grants.

The selection criteria and the text for the call for proposals shall be agreed in the Cooperation Committee.

Accessibility standard applications (Accessibility grant):

At Stage 1, all applicants shall be required to consider accessibility measures of a limited scale (up to PLN 100 000 (approx. EUR 25 000) in their project outlines. The proposed measures shall be assessed by the experts during the appraisal process (Stage 1).

At Stage 2 about 50 qualified applicants shall include accessibility aspects in their Development Plans (i.e. planned project activities). Proposed project activities shall be assessed by the evaluation experts during Stage 2. Moreover, if at Stage 1 the experts' opinion on the proposed accessibility measures was negative or the applicant at Stage 2 decides to update/modify measures provided in the application form from Stage 1, the applicant may introduce modifications to the previously proposed accessibility measures in the complete project proposal.

All towns, which will not receive funding (approx. 20), will be entitled to apply for up to PLN 100 000 (approx. EUR 25 000) for accessibility measures to improve accessibility standards for various

vulnerable groups with disabilities in accordance with the governmental Programme Accessibility Plus 2018-2025, based on information provided in the project proposal.

Accessibility grants shall be awarded based on the experts' evaluation which shall as a minimum assess compliance with the governmental Programme Accessibility Plus 2018-2025. The Decision on awarding accessibility grants shall be taken by the Deputy Minister of the Ministry of Investment and Development (PO).

4.3 Project grant rate:
Grants from the programme may be up to 100% of total eligible expenditure of the project. The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects. Any remaining costs of the project shall be provided or obtained by the Project Promoter.

5. Additional mechanisms within the Programme
5.1 Pre-defined projects
There will be one predefined project will be implemented under the programme:

1) "Strengthening capacity of medium and small cities in Poland for implementing effective development policies"

Project Promoter:	Association of Polish Cities (APC)
Donor project partner(s):	Norwegian Association of Local and Regional Authorities (KS)
Other project partner(s):	National Institute of Spatial Planning and Housing Development (IRMiR) Organisation for Economic Co-operation and Development (OECD)
Total maximum eligible costs:	€ 14,123,056
Project grant rate:	100.00 %
Maximum project grant amount:	€ 14,123,056

The project aims to strengthen the institutional capacity of several Polish municipalities to develop and implement comprehensive local development plans addressing environmental, social, economic and demographic challenges.

The project will deliver technical assistance, training and awareness-raising measures to socio-economically challenged small and medium-sized towns, including, *inter alia*, the following activities:

- Preparation of comprehensive local Development Plans and Action Plans for Good Governance (by approx. 50 municipalities competing for grants);
- Capacity-building for local government personnel involved in the project;
- Implementation of Development Plans (in approx. 30 local authorities);
- Implementation of modern property management and financial management tools;
- Monitoring and oversight of local development progress in participating municipalities;
- Developing methodology and carrying-out self-assessments to measure good governance and institutional capacity;
- Designing, conducting, and promoting the results of the OECD Local Public Governance Review;
- Conducting an information and promotional campaign on integrated local development targeting municipalities;
- Supporting bilateral cooperation between local governments from the Donor countries and the beneficiary cities under the Programme.

5.2 Financial Instruments
Not applicable.

6. Programme Management
6.1 Payment flows
The Programme Operator shall ensure that payments to projects are made in a timely manner. Except for the first advance instalment, the payments to the projects shall be based on approved project reports.

Payments of the project grant shall take the form of advance instalments and a payment of the final balance. Advance payments are made up to 90% of the total project grant amount.

The first advance instalment will be transferred to the project within 14 days from the signature of the project contract and shall not exceed 20% of the total project budget. For pre-defined project, the first advance instalment shall not exceed 11%. Further advance instalment(s) will be transferred to the project following the approval of the project interim report(s) and may be paid when at least 70% of the previous advance instalment(s) has been reported as incurred. These further instalments shall be paid within one month of the approval of the project report(s).

Upon approval of the final project report, a final balance, if applicable, shall be made within one month. Where the total amount of earlier instalments is higher than the final amount of the grant, the payment of the balance will take the form of recovery.

An individual schedule of payments for each project, their frequency and size shall be prepared based on the approved budget and timetable of planned activities and annexed to the project contract.

6.2 Verification of payment claims
Project Promoters shall submit interim, where applicable, and final project reports containing information on project progress and incurred expenditure.

In line with point i) of Article 5.6.2 of the Regulation, incurred expenditure reported through the interim, or final reports will be subject to administrative verifications before the report is approved. Verifications to be carried out shall cover administrative, financial, technical and physical aspects of projects, as appropriate, and be in accordance with the principle of proportionality.

The proof of expenditure by means of reports described in paragraph 4 of Article 8.12 of the Regulation is mandatory for each project in support of reports whenever the amount of incurred expenditure is equal or superior to EUR 100 000 when cumulated with all previously reported expenditure for which an audit certificate has not been submitted.

The international organisations, or bodies or agencies thereof, and project partners whose primary location is outside the Beneficiary State, shall submit the proof of expenditure by means of reports described in paragraph 4 of Article 8.12 of the Regulation.

Additionally, in line with point ii) of Article 5.6.2 of the Regulation, on-the-spot verifications of projects, which may be carried out on a sample basis, shall be carried out by the Programme Operator.

The procedure for verification of expenditure will be further detailed in the description of the Programme Operator’s management and control systems.

6.3 Monitoring and reporting
The Programme Operator shall monitor, record and report on progress towards the programme’s outcomes in accordance with the provisions contained in the legal framework. The Programme Operator shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the

project promoters in order to enable the Programme Operator and the NFP to meet its obligations to the Donors.

When reporting on progress achieved in Annual and Final Programme Reports, the Programme Operator shall disaggregate results achieved as appropriate and in accordance with instructions received from the FMO.

6.4 Programme administrative structures
Not applicable.

7. Communication
The Programme Operator shall comply with Article 3.3 of the Regulation, the Information and Communication Requirements in Annex 3 of the Regulation and the Communication plan for the programme.

8. Miscellaneous
Notwithstanding Article 6.9 of the Regulation, procedures to award additional funds to already approved projects (including projects on the reserve list and/or awarding (additional) accessibility grants) shall be described in the Rules of Procedure of the open call for proposals, in compliance with Article 7.4.8 of the Regulation.