# EEA and Norwegian Financial Mechanisms 2014-2021

# PROGRAMME IMPLEMENTATION AGREEMENT

between

## THE FINANCIAL MECHANISM OFFICE

## European Free Trade Association

## Rue Joseph II 12-16

## B-1000 Brussels

## Belgium

and

## Innovation Norway (IN)

## Akersgata 13, Oslo kommune 0104, Norway

hereinafter referred to as the "Fund Operator"

together hereinafter referred to as the "Parties"

**on the**

**IMPLEMENTATION**

**of the**

## Business Development, Innovation and SMEs Programme in Romania

hereinafter referred to as the "Programme"

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## Chapter 1: General provisions

1.1 Scope

1. This Agreement between the Financial Mechanism Office (hereinafter referred to as the FMO) and the Fund Operator lays down the rights and obligations of the Parties regarding the implementation of the Programme.

2. The Programme forms part of the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.

1.2 Objectives of the EEA and Norwegian Financial Mechanisms 2014-2021

The overall objectives of the EEA and Norwegian Financial Mechanisms 2014-2021 are to contribute to the reduction of economic and social disparities in the European Economic Area and to strengthen bilateral relations between the Donor State(s) and the Beneficiary States.

1.3 Programme area "Business Development, Innovation and SMEs" in Romania

1. The Programme shall contribute to the Programme area(s) Business Development, Innovation and SMEs and to the objective Increased value creation and sustainable growth.
2. The programme shall support activities falling within the areas of support corresponding to the Programme area(s) referred to in paragraph 1, as described in Annex 1 to the Regulations on the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.
3. The programme shall adhere to the Programme area specifics corresponding to the Programme area(s) referred to in paragraph 1, as described in Annex 1 to the Regulations on the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.

1.4 Principles of implementation

1. The Programme shall be based on the common values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.

2. The Programme shall follow the principles of good governance; it shall be participatory and inclusive, accountable, transparent, responsive, effective and efficient. There shall be zero-tolerance towards corruption.

3. The Programme shall be consistent with sustainable development, long-term economic growth, social cohesion and environmental protection.

4. The Programme shall follow a results and risk management approach.

1.5 Legal framework

1. This Agreement shall be read in conjunction with the following documents which, together with this Agreement constitute the legal framework of the Programme:

a) Protocol 38c to the EEA Agreement on the EEA Financial Mechanism 2014-2021 and Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism for the period 2014-2021;
b) Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2014-2021 between Iceland, Liechtenstein and Norway and Romania and Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism 2014-2021 between Norway and Romania (hereinafter referred to as the "MoUs");
c) Any guidelines adopted by the FMC and the NMFA for the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021, where relevant.

2. For the purpose of the implementation of this Agreement, any reference to Programme Operators in the guidelines referred to under point c) of paragraph 1, shall be read as referring to the Fund Operator.

1.6 Status and hierarchy of documents

1. The provisions in this Agreement shall be supplemented by the programme specific provisions contained in the Annexes to this Agreement.

2. The Annexes to this Agreement form an integral part of the Agreement. Any reference to this Agreement includes a reference to its Annexes unless otherwise stated or clear from the context.

3. The provisions of the Annexes shall be interpreted in a manner consistent with this Agreement. Should the meaning of any provision of the said Annexes, so interpreted, remain inconsistent with this

Agreement, the provisions of the Annexes shall prevail.

1.7 Definitions

Terms used in this Agreement shall be understood in accordance with the legal framework referred to in Article 1.5 and with the Regulations on the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.

1.8 Co-operation

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

2. The Parties agree to provide all information necessary for the good functioning of the Agreement and to apply the highest degree of transparency and accountability.

3. All communication between the Parties shall be in English.

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

1.9 Budget

1. The total budget of the Programme, including the management costs described in Article 1.10, is specified in Annex I to this Agreement.

2. In case the Programme is supported by grants from both the EEA and the Norwegian Financial Mechanism, 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.

1.10 Management costs

1. The Fund Operator shall receive no more than the amount specified in Annex 1 to this Agreement, exclusive of recoverable VAT, to cover its management costs with relation to the implementation of the Programme. Any currency conversions between EUR and NOK shall be calculated in accordance with Article 7.8.

3. The management costs are eligible from 14 October 2016. The final date of eligibility shall be 30 April 2025.

4. The Fund Operator shall keep records of incurred expenses f or the management of the Programme. These records must be approved by the financial division of the Fund Operator and be kept for 5 years after the approval of the final Programme Report by the FMO.

5. Payment by the FMO shall be due upon receipt and approval of an interim financial report from the Fund Operator detailing the incurred costs and in accordance with the provisions set forth in Articles 2.2 and 7.2.

6. The following categories of expenditure are eligible as management costs, provided that the expenditure is proportionate and necessary:

a) expenditure directly related to the preparation of the Programme, including the development of the Programme design, the results framework and stakeholder consultations;

b) preparation of the implementation of the Programme including the development of procedures for project selection and financial flows;

c) assisting possible applicants and project promoters in complying with the requirements set by the Fund Operator for project applications and/or the implementation of projects;

d) selection or projects, including costs of experts and meetings, and appeals;

e) verification of incurred expenditure, approval of payments and transfer of payments to project promoters;

f) monitoring of projects and reviews;

g) audits and on-the-spot verification of projects;

h) promotional and information activities, including calls for proposals and information work during the application period as well as information events to share experiences and evaluate the impact of the Programme;

i) expenditures related to reporting obligations to the FMO and the National Focal Point;

j) charges related to the establishment and operation of bank accounts required under this Agreement, including costs of incoming and outgoing transfers;

k) overheads calculated in accordance with Article 4.4, as appropriate;

l) expenditure related to the operation of the Cooperation Committee;

m) expenditures related to the strengthening of bilateral relations; and

n) activities aimed at strengthening cooperation and exchanging experience and best practices between the Fund Operator and similar entities within the Beneficiary State and/or Donor State(s), and/or international organisations.

1.11 Operational period

The Programme shall operate from the last signature of this Agreement until 31 December 2024. Changes to this operational period can be agreed upon between the Parties.

## Chapter 2: Main responsibilities of the Parties

2.1 Main responsibilities of the Fund Operator

1. The Fund Operator is responsible for the development and implementation of the Programme. This includes:

a) the preparation of the Programme;
b) the setting up of appropriate management and control systems;
c) the implementation of proportionate requirements in management, reporting and control;
d) ensuring that projects contribute to the overall objectives of the EEA and Norwegian Financial Mechanisms 2014-2021 and the specific Programme outcomes and objective;
e) ensuring that the Programme implementation is in line with Article 1.4 of this Agreement;
f) the organisation of open call(s) for proposals that take into account the needs of the sector in the Beneficiary State and propose procedures and support which will cater for different needs within the sector;
g) the development of tools and procedures for the project application and selection phase;
h) elaborating and implementing a method of project selection that ensures adherence with the principles of good governance, transparency, equality, efficiency and zero tolerance towards corruption;
i) the notification of approval / rejection decisions to applicants;
j) the conclusion of project contracts with project promoters;
k) the development and implementation of capacity-building, mentoring, support and learning transfer opportunities and tools for applicants and project promoters throughout the application and project cycle in connection with the identified overall objective and expected outcomes. This includes but is not limited to, responding to questions from potential applicants, conducting seminars or workshops and publishing instructions and guidelines for applicants;
l) preparing and submitting reports to the FMO on the implementation of the Programme and ensuring reporting from project promoters;
m) conducting regular monitoring based on risk assessment and random samples;
n) conducting audits and on-the-spot verifications of projects;
o) establishing a Complaints Mechanism in line with Article 9.5;
p) establishing measures to prevent, detect and nullify suspected or actual cases of irregularities;
q) ensuring compliance with State Aid rules at all levels of the implementation of the Programme;
r) implementing information and communication activities in accordance with Chapter 3 of this Agreement;
s) establishing and maintaining a separate bank account dedicated to the funds intended for regranting. Any interest earned on this bank account shall be taken into account for the calculation of the final balance.
t) the transfer of funds to project promoters and the verifiable management of the funds, including financial accounting, verification of financial reports and documents, and payment requests;
u) ensuring financial flows and fund transfers that ensure adequate risk management and financial control;
v) the collection and review of project implementation and completion reports;
w) the archiving of all documents relevant to the implementation of the Programme;
x) facilitating and encouraging bilateral exchanges at programme and project level which will be mutually beneficial and contribute to the objective of the Programme;
y) defining administrative procedures and managing funds for bilateral relations, including ensuring reporting to the National Focal Point that enables the National Focal Point to fulfil its reporting obligations to the FMO and the Donor States;
z) informing the FMO within 5 working days of any change in the key personnel of the Fund Operator and providing the FMO upon request with any relevant information concerning the new key personnel.

2. The Fund Operator shall perform the services under this Agreement with due care, efficiency and

diligence, in accordance with the best professional practice.

3. The Fund Operator shall operate in an open, transparent and accountable manner.

4. Where relevant, the Fund Operator, shall establish a Cooperation Committee consisting of representatives from the FMO, the Fund Operator and representatives from the Donor Programme Partner(s) and/or the IPO(s), as applicable. The Cooperation Committee shall be established as soon as possible after the designation of the Fund Operator and shall provide advice on the preparation and implementation of the programme. The Cooperation Committee shall be chaired by a representative of the Fund Operator. Representatives of the Donor State(s) and the National Focal Point shall be invited to participate as observers.

2.2 Main responsibilities of the FMO

1. The FMO shall pay the management costs to the Fund Operator's account in instalments as follows:

a) As agreed and specified in Annex I to this Agreement, an advance payment of the budgeted management costs fourteen days after the last signature of this Agreement. In case extraordinary advance payments related to the management cost of the programme have been made prior to the signature of this Agreement, the amount of the advance payment to be paid in accordance with Annex I shall be reduced accordingly;

b) In accordance with the interim financial reports referred to in Article 7.2, at the payment days referred to in Article 7.2.4, unless the report has not been approved;

c) 10% of the management costs referred to in paragraph 1 of Article 1.10 shall be retained until the FMO has approved the final programme report submitted by the Fund Operator to the FMO. The FMO shall transfer the retained amount to the Fund Operator in accordance with Article 7.6.6;

d) Notwithstanding Article 7.6.6, the transfer of the retained amount to the Fund Operator shall automatically be postponed, but not beyond 31 December 2025, if:

i. a dispute arises between the Fund Operator and the FMO; the amount referred to in subparagraph (c) shall be retained until such a dispute has been settled;

ii. the calculation of the final balance shows that the Fund Operator owes funds to the FMO; the amount referred to in subparagraph (c) shall be retained until such funds have been reimbursed to the FMO, or

iii. the approval of the final programme report is dependent upon such a postponement, for example due to unresolved irregularity in a project.

e) If the amount potentially owed to the FMO is lower than the retention amount, the latter may be reduced.

2. The FMO shall make payments to the Fund Operator in accordance with the interim financial reports referred to in Article 7.2, unless the report has not been approved.

## Chapter 3: Information and communication

3.1. General provision

The Fund Operator shall comply with the information and communication requirements set for Programme Operators in Annex 3 to the Regulations on the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.

3.2 Responsibilities of the Fund Operator

1. The Fund Operator shall provide information to the public on the existence, the objectives, the implementation and achievements of the Programme.

2. The Fund Operator shall as a minimum:

a) draw up and implement a communication plan for the Programme;

b) organise at least two major information activities on progress in the Programme and its projects;

c) establish, operate and maintain a dedicated website on the Programme in English in accordance with the communication plan. The website shall include key information about the programme in the language of the Beneficiary State, as well as links to key documents.

3. The Fund Operator shall ensure that the project promoters and their partners fulfil their information and communication obligations in accordance with this Agreement and the information and communication requirements in Annex 3 to the Regulations on the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.

3.3. Communication with the press

Communication with the press regarding the Programme shall not exceed what is appropriate for the Programme itself. The Fund Operator shall not speak on behalf of the Financial Mechanism Office, the Financial Mechanism Committee, the Norwegian Ministry of Foreign Affairs or the EEA and Norwegian Financial Mechanisms 2014-2021 and shall take appropriate steps to ensure that its

statements are not perceived as made on behalf of these entities.

## Chapter 4: Eligibility of expenditures

4.1 General principles on the eligibility of costs in projects

1. The principles set forth in this Article shall apply *mutatis mutandis* to all eligible expenditures unless otherwise stated in this Agreement.

2. Eligible expenditures of projects are those actually incurred by the project promoter or the project partner, which meet the following criteria:

a) they are incurred between the first and final dates of eligibility of a project as specified in the project contract;

b) they are connected with the subject of the project contract and they are indicated in the detailed budget of the project;

c) they are proportionate and necessary for the implementation of the project;

d) they are used for the sole purpose of achieving the objective of the project and its expected outcome(s), in a manner consistent with the principles of economy, efficiency and effectiveness;

e) they are identifiable and verifiable, in particular through being recorded in the accounting records of the project promoter and determined according to the applicable accounting standards and generally accepted accounting principles; and

f) they comply with the requirements of applicable tax and social legislation.

3. Expenditures are considered to have been incurred when the cost has been invoiced, paid and the subject matter delivered (in case of goods) or performed (in case of services and works). Exceptionally, costs in respect of which an invoice has been issued in the final month of eligibility are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date of eligibility. By way of additional exception, the Fund Operator may allow for project expenditure to be considered incurred within the dates of eligibility if the cost has been invoiced and paid by 30 April 2024, and the subject matter has been delivered (in case of goods) or performed (in case of services and works) by a later date, but no later than 31 December 2024. Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the project promoter and/or project partner.

4. The project promoter's internal accounting and auditing procedures must permit direct reconciliation of the expenditures and revenue declared in respect of the project with the corresponding accounting statements and supporting documents.

4.2 Direct expenditures

1. The eligible direct expenditures for a project are those expenditures which are identified by the project promoter and/or the project partner, in accordance with their accounting principles and usual internal rules, as specific expenditures directly linked to the implementation of the project and which can therefore be booked to it directly. The following direct expenditures are eligible provided that they satisfy the criteria set out in Article 4.1:

a) the cost of staff assigned to the project, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, provided that this corresponds to the project promoter's and project partner's usual policy on remuneration;

b) travel and subsistence allowances for staff and volunteers taking part in the project, provided that they are in line with the project promoter's and project partner's usual practices on travel costs;

c) cost of new or second hand equipment provided that it is depreciated in accordance with generally accepted accounting principles applicable to the project promoter and generally accepted for items of the same kind. Only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project may be taken into account by the Fund Operator. In case the Fund Operator determines that the equipment is an integral and necessary component for achieving the outcomes of the project, the entire purchase price of that equipment may be eligible;

d) costs of consumables and supplies, provided that they are identifiable and assigned to the project;

e) costs entailed by other contracts awarded by a project promoter for the purposes of carrying out the project, provided that the awarding complies with the applicable rules on public procurement; and

f) costs arising directly from requirements imposed by the project contract for each project.

2. Where the entire purchase price of equipment is eligible in accordance with point (c) of paragraph 1, the Fund Operator shall ensure that the project promoter:

a) keeps the equipment in its ownership for a period of at least five years following the

completion of the project and continues to use the equipment for the benefit of the overall objectives of the project for the same period;

b) keeps the equipment properly insured against losses such as fire, theft or other normally insurable incidents both during project implementation and for at least five years following the completion of the project; and

c) sets aside appropriate resources for the maintenance of the equipment for at least five years following the completion of the project.

The specific means for the implementation of this obligation shall be specified in the project contract. The Fund Operator may release any project promoter from the above obligations with respect to any specifically identified equipment where the Fund Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose.

2. The provisions in this Article shall apply *mutatis mutandis* to all eligible expenditures unless otherwise stated in this Agreement.

4.3 Standard scales of unit costs

1. The project grant may take the form of standard scales of unit costs. In such case the amount shall be established in one of the following ways:
(a) in accordance with the rules for application of corresponding scales of unit costs applicable in European Union policies for similar types of project and entities involved;
(b) in accordance with the rules for application of corresponding scales of unit costs applied under schemes for grants funded entirely by the Beneficiary State where the Project Promoter or partner is located, or the Donor State where the donor project partner is located, for similar types of project and entities involved.
2. The use of standard scales of unit costs, their amount and the way they are established shall be determined in the project contract. The use of standard scales of unit costs, their amount and the way they are calculated for a project partner shall be stipulated in the partnership agreement between the Project Promoter and the project partner.
3. The provisions of this article shall apply *mutatis mutandis* to all eligible expenditures unless otherwise explicitly stated in this Agreement.

4.4 Indirect costs

1. Indirect costs are all eligible costs that cannot be identified by the project promoter and/or the project partner as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs. Indirect costs of the project shall represent a fair apportionment of the overall overheads of the project promoter or the project partner. They may be identified according to either of the following methods:

a) based on actual indirect costs for those project promoters and project partners that have an analytical accounting system to identify their indirect costs as indicated above;

b) a project promoter and project partners may opt for a flat rate of up to 25% of total direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the project promoter or project partner, subject to the calculation of the rate on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Beneficiary State for similar types of project and project promoter;

c) a project promoter and project partners may opt for a flat rate of up to 15% of direct eligible staff costs;

d) in case of projects including a research component, indirect eligible costs may be determined by applying a flat rate of 25% of the total direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the project promoter or project partner,

2. In case of project promoters or project partners that are international organisations, or bodies or agencies thereof, indirect costs may, be identified in accordance with the relevant rules established by such organisations.

3. In relation to point b) of paragraph 1, the Fund Operator's guidelines for applicants shall contain provisions on the methodology for the calculation of the flat rate that ensures the fair apportionment of the overall overheads of the project promoters and/or project partners. The flat rate may vary between different categories of projects.

4.5 Purchase of real estate and land

1. The cost of purchase of real estate, meaning buildings constructed or under development and the appropriate rights to the land on which they are built, and land not built on may be eligible under the following conditions, without prejudice to the application of stricter national rules:

a) there shall be a direct link between the purchase and the objectives of the project;

b) purchase of real estate and/or land may not represent more than 10% of the total eligible expenditure of the project, unless a higher percentage is explicitly authorized in this Agreement and set in the decision to award the project grant;

c) a certificate shall be obtained prior to the purchase from an independent qualified evaluator or duly authorized official entity confirming that the purchase price does not exceed the market value and that it is free of all obligations in terms of mortgage and other liabilities, particularly in respect of damage related to pollution. In case of purchase of real estate the certificate must either confirm that the building in question is in conformity with national regulations, or specify what is not in conformity with national regulations but which is to be rectified by the project promoter under the project;

d) the real estate and/or land shall be used for the purpose and for the period specified in the decision to award the project grant. The ownership must be transferred to the project promoter, or those explicitly designated by the project promoter in the project application as recipients of the real estate and/or land, prior to the completion of the project. The real estate and/or land cannot be sold, rented or mortgaged within five years of the completion of the project, or longer if stipulated in the project contract. The FMO may waive this restriction if it would result in an unforeseen and unreasonable burden on the project promoter.

e) the real estate and/or land may only be used in conformity with the objectives of the project. In particular, buildings may be used to accommodate public administration services only where such use is in conformity with the objective of the project; and

f) the purchase of real estate and/or land shall be explicitly approved by the Fund Operator prior to the purchase either in the project contract or by a later decision.

2. The restrictions referred to in paragraph 1(d) apply also to buildings that are constructed or reconstructed through a financial contribution from the EEA and Norwegian Financial Mechanisms 2014-2021.

3. Expenditure on site preparation and construction which essential for the implementation of the project may be eligible.

4. The cost of real estate and/or land already owned, directly or indirectly, by the project promoter, or purchase of real estate and/or land, directly or indirectly, by the project partner or a public administration, shall not be eligible. Under no circumstances shall real estate and/or land be purchased for speculative purposes. The real estate and/or the land shall not have received a national or external donor grant in the last 10 years which could give rise to a duplication of funding.

4.6 Excluded costs

1. The following costs shall not be considered eligible:

a) interest on debt, debt service charges and late payment charges;
b) charges for financial transactions and other purely financial costs, except costs related to accounts and financial services imposed by the project contract and this Agreement;
c) provisions for losses or potential future liabilities;
d) exchange losses;
e) recoverable VAT;
f) costs that are covered by other sources;
g) fines, penalties and costs of litigation, except where litigation is an integral and necessary component for achieving the outcomes of the project; and
h) excessive or reckless expenditure.

2. The provisions in this Article shall apply *mutatis mutandis* to all eligible expenditure unless otherwise stated in this Agreement.

4.7 Project grant rate and co-financing

1. The maximum project grant rate shall be calculated as a percentage of the total eligible expenditure of the project in accordance with Annex II to this Agreement. It shall take into account the need to ensure project promoters' commitment and ownership, as well as sustainability of the project. When setting the project grant rate, the Fund Operator shall further take into account any economic benefit, e.g. cost savings or increased profit, which is a result from receiving a financial contribution. Economic benefits shall be used in manner which supports the objectives of the project. The applicable rules on state aid, procedural and substantive, shall be complied with at any level of the implementation of the Programme.

2. Co-financing shall be in the form of cash, including electronic transfers.

4.8 First and final dates of eligibility in projects

Costs within projects may be eligible from the date on which the grant is awarded or at a later date set in the project contract. The project contract shall set the final date of eligibility of costs which shall be no later than 30 April 2024. Costs incurred after that date are not eligible.

## Chapter 5: Selection of projects and contracting

5.1 Eligible project promoters and partners

Eligible project promoters and partners are specified in Annex II to this Agreement.

5.2 Calls for proposals and availability of funds

1. Calls for proposals shall as a minimum, comply with the following:

a) they shall be widely publicised with a view to reach a maximum number of potential applicants. The national, regional and local media, as well as specialized publications and web based tools shall be used as relevant;

b) they shall clearly explain and distinguish between administrative criteria, eligibility criteria and evaluation criteria;

c) they shall include a clear and reasonable deadline, which shall be at least two months from the date of the publication of the announcement, and an address for submission. The announcement shall specify the hour when the call expires, whether the deadline refers to a post stamp or actual delivery time to the office of the Fund Operator and the permissible method(s) of delivery. The announcement must specify whether one or more copies of the application are required;

d) they shall clearly specify the eligible applicants and partners and any restrictions, limitations or exclusions that they may be subject to;

e) they shall contain detailed evaluation criteria as well as a scoring chart;

f) they shall clearly state the total amount available through the call, as well as the minimum and maximum amount of project grant;

g) they shall include the programme's results framework and explicitly state which outputs and outcomes the projects are to deliver;

h) they shall clearly address what kind of activities are eligible;

i) they shall provide a clear and detailed description of eligible expenditures in line with this Agreement, in particular Articles 4.1 through 4.5;

j) they shall provide a description of the selection process and the decision-making structure;

k) they shall provide a clear reference or a link to the application form and Guide for Applicants;

l) they shall contain provisions on the payment model;

m) they shall clearly state the co-financing requirements;

n) they shall provide clear references to further information and documentation prepared by the Fund Operator that are relevant to the call; and

o) they shall provide contact information for queries and the timeframe for answering such queries.

2. The calls shall be published on the website referred to in Article 3.2.2(c) in English and in the language(s) of the Beneficiary State. A link to the call shall be provided to the National Focal Point in the Beneficiary State.

3. The FMO shall be informed of all calls for proposals at least two weeks in advance of their announcement, and, at the same time, be provided with the call text in English. No changes shall be made to the call text after its publication without an explicit authorisation by the FMO.

4. The Fund Operator shall develop a simple and user-friendly application form, complemented by a short Guide for Applicants on how to make a successful application and what type of information should be included in each section of the application form. The application form and the Guide for Applicants shall be available no later than on the date of announcement of the call for proposals.

5.3 Selection process

1. The Fund Operator shall be responsible for project evaluation and the award of grants. The principles of good governance, transparency, equality, efficiency and zero tolerance towards corruption shall be applied.

2. The Fund Operator shall verify that the selection process has been conducted in accordance with this Agreement and that the grant award decisions comply with the rules and objectives of the Programme. Following such verification the Fund Operator shall make a decision on which projects shall be supported.

3. The Donor Programme Partner(s) and/or the IPO(s), as applicable, shall be invited to participate in the selection process. The FMO, the National Focal Point and representatives of the Donor State(s) shall be invited to participate in the selection process as observers. The FMO, the representatives of the Donor State(s) and the Donor Programme Partner(s) and/or the IPO(s), as applicable, shall be provided with the relevant documents in English.

4. The Fund Operator shall keep minutes of its meetings on projects' selection. The Fund Operator shall provide the FMO with a copy of the minutes in English no later than two weeks after each meeting.

5. The Fund Operator shall provide the FMO with the list of selected projects no later than two weeks after the decision on the award of grants. The FMO shall be provided with any relevant documents in English upon request.

6. This Article shall apply *mutatis mutandis* to decisions to award additional funds to already approved projects.

7. Further rules on the selection of projects may be set in Annex 2 to this Agreement.

8. The Fund Operator shall store all documents related to the selection procedures for at least five years following the approval of the final programme report by the FMO.

9. Without prejudice to the importance of other obligations of the Fund Operator, the non-compliance with this Article constitutes a serious breach of this Agreement.

5.4 Conflict of interest in the selection process

1. Conflict of interest is deemed to be present when a person involved in the selection process (e.g. independent experts, staff involved in the selection process, or decision-makers for the Fund Operator) has direct or indirect interests that are or appear to be incompatible with the impartial exercise of the functions related to the selection process. Such interests may be related to economic interests, political or national affinities, family or emotional ties, any other relevant connection or shared interests with the applicant or its partner, or any other interests liable to influence the impartial and objective performance of the person involved in the selection of projects.

2. A person who has direct or indirect interests as referred to in paragraph 1 shall not be involved in the selection process if these interests relate to any project application that is being considered.

3. The Fund Operator shall take every reasonable measure to prevent a conflict of interest from occurring. This includes ensuring that any person involved in the selection process signs a declaration of no conflict of interest and declares that if s/he later becomes aware of a risk of conflict of interest s/he will notify the Fund Operator immediately. If a conflict of interest arises, the Fund Operator shall, in consultation with the FMO, take all the necessary measures to prevent that such a situation affects the integrity of the selection process.

5.5 Project contract

1. For each approved project a project contract shall be concluded between the Fund Operator and the project promoter.

2. The project contract sets out the terms and conditions of grant assistance as well as the roles and responsibilities of the parties. It shall include provisions that ensure that the project promoter takes on any obligations that are necessary for the Fund Operator to comply with its obligations under this Agreement. The project contract shall contain, as a minimum, provisions on the following:

a) obligations regarding reporting that enable the Fund Operator to comply with its reporting obligations to the FMO and the National Focal Point;
b) the maximum amount of the project grant in euro and the maximum project grant rate;
c) the list of eligible expenditures;
d) the method of calculating indirect costs and their maximum amount;
e) the first and final dates of eligibility of expenditures;
f) requirements for the submission of proof of expenditure according to Article 8.2;
g) provision on modifications of the project;
h) provisions that ensure timely access for the purposes of monitoring, audits and evaluations;
i) provisions that ensure that obligations regarding information and communication as described in Chapter 3 are complied with;
j) the right of the Fund Operator to suspend payments, make financial corrections and request reimbursement from the project promoter in case decision on such actions is taken by the FMO and/or the Fund Operator;
k) resolution of disputes and jurisdiction;
l) waiver of responsibility referred to in Article 14.3;
m) a detailed budget;
n) provisions on equipment for which the entire purchase price is eligible, in compliance with Articles 4.2.1 and 4.2.2;
o) provisions giving effect to Article 14.7.5(c) in case of termination of this Agreement;
p) a reference to partnership agreements or letters of intent, if relevant; and
q) provisions that ensure that obligations regarding record keeping as described in Article 11.6 are complied with.

3. The obligations of the project promoter under the project contract shall be valid and enforceable under the law applicable to the project contract.

4. The Fund Operator may request the FMO to provide guidance on whether the project contract template complies with the minimum standards set in paragraph 2 of this Article. The Fund Operator is responsible for the project contract.

5. Guidance according to paragraph 4 is strictly limited on the compliance with the minimum standards set in paragraph 2 and shall neither be construed to imply any opinion or guarantees on the completeness, validity or enforceability of the project contract, nor result in any responsibility by the FMO for any deficiencies, incompleteness or inaccuracies of the project contract.

5.6 Partnership agreement

1. A project may be implemented in partnership with project partners as defined in Annex II to this Agreement. If a project is implemented in such a partnership, the project promoter shall sign a partnership agreement with each of the project partners.

2. The partnership agreement shall as a minimum contain the following:

a) provisions on the roles and responsibilities of the parties;
b) provisions on the financial arrangements between the parties including, but not limited to, the expenditure for which project partners can be reimbursed from the project budget;
c) currency exchange rules for such expenditure and reimbursement;
d) provisions on indirect costs and their maximum amount;
e) requirements for the submission of proof of expenditure according to Article 8.2.
f) provisions that ensure timely access for the purposes of monitoring, audits and evaluations;
g) a detailed budget;
h) provisions on dispute resolution; and
i) any further provisions as may be required to enable the project promoter to fulfill its obligations vis-à-vis the Fund Operator.

3. The partnership agreement shall be in English.

4. 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.

5. 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 Chapter 6 of this Agreement.

6. The draft partnership agreement shall be submitted to the Fund Operator before the signing of the project contract. The Fund Operator shall verify that the partnership agreement complies with this Article.

5.7 Pre-defined projects

1. The Fund Operator may propose pre-defined projects to be implemented within the Programme subject to approval of the FMO.

2. The pre-defined project(s) shall be described in Annex II to this Agreement.

## Chapter 6: Public procurement and State Aid

1. Applicable national and European Union law on public procurement shall be complied with at any level in the implementation of the Programme and its projects.

2. A project promoter that receives 50% or more of the eligible expenditure of the project as a project grant from the Programme shall conduct its procurement for that project in compliance with the national public procurement law as though the project promoter were a contracting authority under point 1 of Article 1 of Directive 2014/24 of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, where the amount of the contract is at or above European Union thresholds set for public procurement. This paragraph applies *mutatis mutandis* to project partners.

3. In cases where contracts concluded as part of the implementation of the Programme fall below the national or European Union thresholds set for public procurement or outside the scope of the applicable public procurement laws, the awarding of such contracts (including the procedures prior to the awarding) and the terms and conditions of such contracts shall, in line with the principle of proportionality, comply with best economic practices, including accountability, allow a full and fair competition between potential providers, for example by way of effective price comparison, and ensure the optimal use of resources from the EEA and Norwegian Financial Mechanisms 2014-2021.

4. The highest ethical standards, as well as the avoidance of any conflict of interests, shall be observed during the procurement and execution of contracts. The Fund Operator shall ensure the application of adequate and effective means to prevent illegal or corrupt practices. No offer, gifts, payments or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice, e.g. as an inducement or reward for the award or execution of procurement contracts, shall be accepted.

5. The Fund Operator shall ensure that records of the award and execution of contracts are kept for at least five years from the approval of the Final Programme Report and provided upon request to the FMO.

6. The Fund Operator shall ensure that any public support under the programme complies with the

procedural and substantive state aid rules applicable at the time when the public support is granted. The Fund Operator shall maintain written records of all assessments concerning compliance with state aid rules, in particular decisions to award grants and set grant rates, and provide such records to the FMO upon request. In no case shall any act or omission by the FMO be taken as to imply a positive assessment of such compliance.

## Chapter 7: Reporting from the Fund Operator to the FMO and review meetings

7.1 Annual programme reports

1. The Fund Operator shall submit an annual programme report to the FMO, with a copy to the National Focal Point, using a template provided by the FMO. The main purpose of the report is:

a) to provide key information on the implementation of the Programme compared to the plans set out in this Agreement and/or the preceding annual programme report and in achieving the expected outputs;

b) the Programme's contribution to its overall objective and outcomes, and Article 1.4, as relevant;

c) to identify any issues which affect the implementation of the Programme and the measures taken to address them, a risk assessment and planned mitigating actions.

2. The reporting periods for the annual programme reports shall be the calendar year. The report shall be submitted not later than 15 February each year. If the programme is approved in the first half of the year, the first annual report shall be submitted in the following year; If the programme is approved in the second half of the year, the first annual report shall be submitted in the second year following its approval..

3. The FMO shall inform the Fund Operator of its opinion on the annual programme report within two months of the date of receipt. If the FMO does not respond within the time limit laid down, the report shall be considered to have been accepted.

7.2 Interim financial reports

1. The reporting periods in each calendar year shall be as follows:

a) 1 January – 30 June for actual expenditure incurred and 1 November – 30 April for proposed expenditure;

b) 1 July – 31 December for actual expenditure incurred and 1 May-31 October for proposed expenditure.

2. The term 'expenditure' shall, for the purposes of the previous paragraph, be understood as including the Fund Operator's management cost and payments to projects.

3. Interim payments shall be paid based on an interim financial report submitted by the Fund Operator in a format provided by the FMO.

4. Interim payments from the FMO shall be made on the following payment dates: 15 April and 15 October. Should a payment date land on a weekend or an EFTA public holiday, the payment shall be made on the next EFTA working day.

5. Interim financial reports shall be received by the FMO according to the following schedule:

a) on, or before, 15 March for payments to be made by 15 April;

b) on, or before, 15 September for payments to be made by 15 October.

6. Payment based on an interim financial report received after its due date but on, or before, the following due date referred to in paragraph 5 shall be due as the report would have been received on its following due date. If an interim financial report has not been received within twelve months from the end of the reporting period in which expenditure has been incurred by the Fund Operator, the expenditure for that period shall be declared ineligible and cancelled.

7. Interim financial reports shall include:

a) a statement of actual expenditure incurred during the reporting period preceding the payment date; and

b) a statement of proposed expenditure for the reporting period immediately following the payment date;

c) information on progress towards achieving outputs and outcomes, as appropriate.

8. The actual incurred expenditure for the last reporting period shall be reported in the final programme report.

9. When the interim financial report has been provided, the FMO shall verify that it is in the correct form and that the conditions for payment have been met. If that verification is positive, interim payments shall be transferred no later than on the payment dates referred to in paragraph 4.

10. Interim payments shall in principle consist of the proposed expenditure for the respective reporting period less the expected cash balance at the start of that period for the proposed expenditure. The FMO may modify the amount of the interim payment if the proposed expenditures are considered to be unjustified. The FMO shall provide the Fund Operator with a justification of the modification without delay.

11. Should verification according to paragraph 9 be negative, the FMO and the Fund Operator shall closely cooperate to remedy the deficiencies. The FMO may provisionally hold interim payments until

such deficiencies have been remedied. When the FMO, after receiving all necessary information, has positively verified an interim financial report, it shall release the payment due as soon as possible, unless the FMO decides to make use of remedies provided in Chapter 10.

7.3 Forecast of likely payment applications

At the latest by 20 February, 20 April, 20 September and 20 November each year, the Fund Operator shall send to the FMO, in a format provided by the FMO, a justified forecast of likely payment applications from the Fund Operator for the remainder of the current financial year and subsequent financial years.

7.4 Summary reports after each call

The Fund Operator shall no later than two weeks after the closing of each call provide the FMO with a list of all applications received. The list shall include the name of the applicants, the grant amount applied for, the name and nationality of the partner(s) where applicable, and the thematic area.

7.5 Reporting on projects and bilateral initiatives

The Fund Operator shall provide to the FMO information about each project, as well as any bilateral initiatives, using a template provided by FMO.

7.6 Final programme report

1. The Fund Operator shall submit a final programme report to the FMO and the National Focal Point in a format provided by the FMO. The main purpose of the report is to provide:

a) an overall assessment of the implementation of the Programme, including comparison to the plans set out in the Programme and any lessons learned;
b) an assessment of the Programme's contribution to its overall objective and outcomes of the Programme as well as Article 1.4, as relevant;
c) overview of irregularities and measures taken to remedy these;
d) specific details in respect of meeting and/or adapting financial plans; and
e) financial information, including a calculation of the final balance.

2. The final programme report shall include financial and statistical annexes in formats provided by the FMO.

3. The final programme report shall be submitted to the FMO no later 30 April 2025.

4. The FMO shall review the final programme report in order to determine whether it fulfils its formal and substantive requirements. The FMO shall approve the final programme report no later than two months following the receipt of the report and all relevant documents and necessary information.

5. The approved final programme report, including a summary for the general public shall be published on the website of the Fund Operator within one month from the approval of the report by the FMO.

6. Any final balance payable to the Fund Operator shall be transferred by the FMO no later than one month after FMO's approval of the final programme report. Any final balance payable to the FMO shall be reimbursed to the FMO within the same deadline.

7.7 Review meetings

1. The Parties to the Agreement shall meet at least once a year to review the implementation of the Programme.

2. The review meetings shall allow the FMO to examine progress achieved since the previous review meeting and instruct the Fund Operator to take any necessary measures.

3. Decisions taken at the review meetings shall be set out in the agreed minutes. The Fund Operator is responsible for the drafting of the minutes from the meeting, summarising the main points and the action points discussed at the meeting.

7.8 Currency conversion

1. Amounts set out in the Programme, interim financial reports, annual and final programme reports shall be denominated in euro. The Programme grant and payments from the FMO to the Fund Operator shall be denominated and carried out in euro. The amounts shall be rounded to the nearest euro.

2. The Fund Operator shall convert into euro the amounts of expenditure incurred in currencies other than euro. Payments to projects shall be converted into euro using the monthly accounting exchange rate of the European Commission in the month during which the expenditure was registered in the accounts of the Fund Operator. Management Costs incurred in currencies other than NOK, shall be converted into NOK using the daily exchange rate of the Central Bank of Norway on the day on which the expenditure was registered in the accounts of the Fund Operator. All management costs incurred within each reporting period, as defined in Article 7.2.1, will be converted into Euro using the daily exchange rate of the Central Bank of Norway on the day of submission of the interim financial report relating to that period.

3. Neither the Donor State(s) nor the FMO are responsible for losses resulting from exchange rate fluctuations.

## Chapter 8: Reporting from project promoters, verifications, payments to projects, audits and monitoring

8.1 Reporting

The Fund Operator shall establish a system for reporting by project promoters that provides the Fund Operator with sufficient information for its reports to the FMO, in particular in relation to progress towards the Programme objective and outcomes as well as statistical and financial information. Further requirements may be set in the Annexes to this Agreement.

8.2 Proof of expenditure

1. Costs incurred by the Fund Operator, project promoters and project partners shall be supported by receipted invoices, or alternatively by accounting documents of equivalent probative value.

2. In line with the responsibility of the Fund Operator to verify expenditure declared, requirements for the submission of proof of expenditure shall be set in the project contract and the partnership agreement where relevant. Proof of expenditure to be submitted may take the form of receipted invoices or accounting documents of equivalent probative value. Alternatively, proof of expenditure may take the form of the reports described in paragraph 3.

3. A report by an independent auditor, qualified to carry out statutory audits of accounting documents, certifying that the reported costs are incurred in accordance with this Agreement, the national law and relevant national accounting practices shall, subject to paragraph 2, be accepted as sufficient proof of expenditure incurred. A report issued by a competent and independent public officer recognized by the relevant national authorities as having a budget and financial control capacity over the entity incurring the costs and who has not been involved in the preparation of the financial statements, certifying that the claimed costs are incurred in accordance with this Agreement, the national law and national accounting practices, shall subject to paragraph 2, also be accepted as sufficient proof of expenditure incurred.

4. Upon request by the FMO or the EFTA Board of Auditors or the Office of the Auditor General of Norway, the project promoter or project partner shall grant access to the supporting documents on the basis of which the report referred to in paragraph 3 was issued.

5. Indirect costs identified according to Article 4.4, points b) and c), do not need to be supported by proof of expenditure.

6. Where the project grant takes the form of standard scales of unit costs, proof of expenditure is limited to the proof of the relevant units.

8.3 Verification of projects

1. Verifications to be carried out by the Fund Operator shall cover administrative, financial, technical and physical aspects of projects, as appropriate and be in accordance with the principle of proportionality.

2. Verifications shall include the following procedures:

a) administrative verification in respect of incurred expenditure reported by project promoters;

b) on- the-spot verification of projects, which may be carried out on a sample basis.

8.4 Payments to projects

1. Payments of the project grant to 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 shall be set in Annex II to this Agreement.

2. The Fund Operator shall not deduct any fees or expenses of any kind from the payments to the project promoters. Transfer fees shall be paid by the Fund Operator from the management costs.

8.5 Audit

1. At least 10% of expenditures incurred by the project promoters, covering at least 15% of projects, shall be subject to an independent, external financial and compliance audit commissioned by the Fund Operator.

2. Costs related to audits shall be covered from the management costs referred to in Article 1.10.

8.6 Monitoring

The monitoring arrangements undertaken by the Fund Operator are described in Annex II to this Agreement, as appropriate.

## Chapter 9: Irregularities

9.1 Responsibilities related to irregularities

1. The Fund Operator shall make every effort possible to prevent, detect, and nullify the effect of any cases of irregularities. Similarly, the Fund Operator shall investigate any suspected and actual cases of irregularities promptly and efficiently,

including making any financial corrections that may be appropriate.

2. Unduly paid amounts shall be recovered and reimbursed in accordance with this Agreement.

9.2 Definition of irregularities

An irregularity shall mean an infringement of:

a) the legal framework referred to in Article 1.5;
b) this Agreement;
c) the project contract;
d) any provision of European Union law; or
e) any provision of the national law of the Beneficiary State or any other applicable national law.

which affects or prejudices the implementation of the Programme, for instance by unjustified or disproportionate expenditure, by affecting the integrity of the selection process, or by reducing or losing revenue under the Programme and/or the project.

9.3 Irregularities register

The Fund Operator shall keep a register of all irregularities, and shall, upon request from the FMO, provide information on irregularities within one month.

9.4 Reporting on irregularities

1. The Fund Operator shall immediately report to the FMO all suspected and actual cases of irregularities when any of the following applies:

a) they involve allegations of an act or omission which constitutes a criminal offence under the national legislation of the Beneficiary State, such as corruption, fraud, bribery or embezzlement;
b) they indicate the presence of serious mismanagement affecting the use of the financial contribution from the EEA and Norwegian Financial Mechanisms 2014-2021; or
c) they pose an immediate threat to the successful completion of any project due to the amounts in proportion to the total project cost, their gravity or any other reason.

2. For irregularities other than those referred to in paragraphs 1 and 3, the Fund Operator shall within two months of the end of each quarter, submit to the FMO a report, describing any suspected and actual cases of irregularities discovered during that quarter. Should there be no irregularities to report on during the quarter, the Fund Operator shall inform the FMO of this fact.

3. Unless requested by the FMO, the following cases of irregularities in projects need not be reported:

a) cases, where the irregularity consists solely in the failure to implement a project, in whole or in part, owing to the bankruptcy of the project promoter;
b) cases, which are detected and corrected by the Fund Operator in the course of the verification of the expenditure declared;
c) cases, which relate to an amount below EUR 2,000 in contribution from the Programme. In the case of irregularities related to non-compliance with public procurement rules, this amount refers to the overall value of the contract which is affected by the irregularity.

4. Paragraph 3 does not apply to irregularities that shall be reported immediately according to paragraph 1, or irregularities preceding a bankruptcy.

5. Together with each report on new irregularities referred to in paragraph 2, the Fund Operator shall report to the FMO on the progress made in the investigation and remedy of previously reported irregularities.

6. Should there be no progress to report on under this Article, the Fund Operator shall inform the FMO of this fact within the time limit set in paragraph 2.

9.5 Complaint mechanism

1. The Fund Operator shall establish a complaint mechanism, which shall be capable of effectively processing and deciding on complaints about suspected non-compliance with the principles of good governance in relation to the implementation of the Programme. The Fund Operator shall, upon request by the FMO, examine complaints received by the FMO. The Fund Operator shall inform the FMO, upon request, of the results of those examinations.

2. Information on how to submit a complaint shall be prominently placed on the website of the Fund Operator.

3. The Fund Operator shall without delay report to the FMO on any complaints involving suspected irregularities referred to in paragraph 1 of Article 9.4. Complaints involving suspicion of other irregularities shall be reported to the FMO in the reports referred to in paragraph 2 and paragraph 5 of Article 9.4. The FMO shall, when relevant, be consulted on the appropriate response.

## Chapter 10: Suspension of payments, financial corrections and reimbursement

10.1. Recovery of amounts subject to irregularities in projects

1. In case of irregularities, the Fund Operator shall, taking into account the seriousness of the irregularity, determine whether to:

a) cancel the project and request reimbursement of all or part of the already paid project grant;

b) allow the project to continue but apply a proportionate financial correction; or

c) take no action.

2. Before making decisions according to paragraph 1 the Fund Operator shall consult with the FMO.

3. The Fund Operator shall, on its own initiative or based on instructions by the FMO, take all reasonable measures to recover any amount unduly paid to a project promoter, including using any available judicial or administrative remedies.

10.2 Suspension of payments

1. The FMO may decide to suspend payments to the Programme if one or more of the following applies:

a) the conditions for payments in accordance with the provisions of this Agreement have not been met;
b) credible information indicates that the progress of the Programme is not in accordance with this Agreement;
c) reports referred to in Chapters 7 and 9 or any other information requested have not been provided or include incomplete information;
d) access required under Article 11.4 is restricted;
e) the financial management of the Programme has found to be unstable and raises serious doubts of integrity;
f) it becomes aware of suspected or actual cases of irregularities, or such cases have not been adequately reported, investigated or remedied;
g) the implementation of the Programme is deemed to be in violation of national or European Union law;
h) a fundamental change of circumstances occurs and said circumstances constitute an essential basis for the financial contribution to the Programme;
i) it becomes aware of any misrepresentation of facts in any information given by or on behalf of the Fund Operator affecting, directly or indirectly, the implementation of this Agreement;
j) the procedure under Article 10.5 has been opened;
k) any other obligation stipulated in this Agreement is not complied with by the Fund Operator.

2. The Fund Operator shall be given an opportunity to provide its views before the FMO takes a decision to suspend payments. The decision to suspend payments shall be reasoned and immediately effective. The Fund Operator shall be notified no later than seven workings days from the date of the decision.

3. The Fund Operator can at any time present documents or other relevant evidence and request that the FMO reviews its decision to suspend payments.

4. When the FMO finds that the conditions for suspension no longer apply, it shall take a decision to continue payments.

10.3 Financial corrections

1. The FMO may make financial corrections based on the criteria in Article 10.4 consisting of cancelling all or part of the financial contribution of the EEA and Norwegian Financial Mechanisms 2014-2021 to the Programme.

2. When a financial correction is made on a project in accordance with paragraph 1, or with Article 9.1, the financial correction may not be reused for that project and the grant to the project shall be reduced accordingly. The cancelled financial contribution may be reused under the Programme for projects other than those that were the subject of the correction.

4. When a financial correction is made for a systemic irregularity or an irregularity related to the management or control systems within the Programme, the financial contribution may not be reused within the Programme.

10.4 Criteria for financial corrections

1. The FMO may make financial corrections according to Article 10.3 if one or more of the following applies:

a) a serious breach of this Agreement has occurred;
b) a serious deficiency exists in the management and control system of the programme, which puts at risk the financial contribution to the programme ;
c) the Fund Operator has not complied with its obligations to investigate and/or to appropriately remedy irregularities under Article 9.1 prior to the sending of the notification according to paragraph 1 of Article 10.5

2. The FMO shall base its financial corrections on individual cases of irregularity identified, taking account of the systemic nature of the irregularity to determine whether a flat-rate or extrapolated correction should be applied, or whether the corrected amount can be based on an actual amount detected as irregular.

3. The FMO shall, when deciding the amount of a correction, take account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies found.

10.5 Procedure

1. Prior to making a decision referred to in paragraph 1 of Article 10.3, the FMO shall notify the Fund Operator of its intention to make such a decision. The notification shall outline the reasons for the decision and indicate the relevant amounts. The Fund Operator can within one month from the sending of the notification provide any comments relevant to the intended decision.
2. Where the FMO proposes a financial correction on the basis of extrapolation or a flat rate, the Fund Operator shall be given the opportunity to demonstrate, through an examination of the documentation concerned, that the actual extent of the irregularity was less than the FMO's assessment. In agreement with the FMO, the Fund Operator may limit the scope of this examination to an appropriate proportion or sample of the documentation concerned. Except in duly justified cases, the time allowed for this examination shall not exceed a further period of two months after the one-month period referred to in paragraph 1.
3. Any evidence supplied by the Fund Operator within the time limits referred to in paragraphs 1 and 2 shall be taken into account by the FMO. At any time prior to the decision on financial corrections, the Fund Operator and the FMO can enter into a dialogue with a view to ensuring that the decision is based on accurate and correct facts.
4. The Fund Operator shall be notified of a decision referred to in paragraph 1 of Article 10.3 no later than seven working days from the date of the decision. The notification shall outline the reasons for the decision.

10.6 Reimbursement

1. Amounts recovered in accordance with paragraph 1 of Article 10.1 shall be reimbursed to the FMO before the submission of the final programme report referred to in Article 7.6.
2. Financial corrections referred to in paragraph 3 of Article 10.3 shall be deducted from the management costs referred to in Article 1.10. Should the remainder of the management costs to be paid to the Fund Operator not be sufficient to cover the financial correction, the Fund Operator shall reimburse the amount due to the FMO within three months of the decision referred to in Article 10.3.
3. Reimbursement from the Fund Operator to the FMO is not contingent upon reimbursement from the project promoter or other recipient of the funds.

4. The Fund Operator shall not be responsible for amounts that cannot be recovered in accordance with paragraph 1, if it shows that the loss of the funds and the circumstances related thereto are not due to a negligent performance or non-performance of the obligations of the Fund Operator under this Agreement.

## Chapter 11: Evaluations, reviews, external monitoring, audits and provision of information

11.1 External monitoring, review and evaluation

Without prejudice to the monitoring carried out by the Fund Operator, the FMO may undertake external monitoring, review and/or evaluation of the Programme. The FMO shall inform the Fund Operator about such activities at least two weeks in advance.

11.2 Audits and on-the-spot verifications arranged by the FMO

1. The FMO may arrange audits and on-the-spot verifications of the Programme and projects. The FMO shall, except in urgent cases, give two weeks' notice to the Fund Operator concerned before an audit or on-the-spot verification is carried out.

2. The Fund Operator shall be given an opportunity to provide comments to an audit report before it is finalised.

11.3 EFTA Board of Auditors and the Office of the Auditor General of Norway

The EFTA Board of Auditors and the Office of the Auditor General of Norway may conduct audits of the Programme and its projects. The FMO shall, as far as it is under its control, ensure that the Fund Operator is given at least two weeks' notice before such audit is carried out.

11.4 Access

The persons performing monitoring, evaluation, reviews, audits or verifications according to this Agreement shall upon request be granted prompt, full, and unimpeded access to all information, documents, persons, locations and facilities, relevant to the audit or the verification.

11.5 Provision of information

The Fund Operator shall without unreasonable delay provide the FMO or any person(s) authorised by the FMO, with such information relating to the Programme as they may at any time request.

11.6 Records

1. The Fund Operator shall keep full, accurate and systematic records and accounts in accordance with Norwegian law.

2. Such records must be kept for a five-year period following FMO's approval of the final programme

report. These documents comprise any documentation concerning the implementation of the Programme.

3. The Fund Operator shall permit the FMC, the NMFA, the FMO, or any person(s) authorised by the FMO, to inspect or audit, at any reasonable time, the records and accounts relating to the implementation of the Agreement and to make copies thereof both during and after the period of operation of the Programme.

## Chapter 12: Code of conduct and conflict of interest

12.1 Ethical standards

1. The Fund Operator shall observe the highest ethical standards during the implementation of the Programme and shall ensure the application of adequate and effective means to prevent illegal or corrupt practices.

2. If the Fund Operator or any of its sub-contractors, personnel, agents or servants offers to give or agrees to offer or to give or gives to any person, any bribe, gift, gratuity or commission as an inducement or reward for doing or forbearing to do any act in relation to this Agreement or any other contract with the FMO, or for showing favour or disfavour to any person in relation to this Agreement or any other contract with the FMO, then the FMO may terminate this Agreement, without prejudice to any accrued rights of the Fund Operator under the Agreement.

12.2 Other income

The payments to the Fund Operator under this Agreement of the management costs shall constitute the only income or benefit the Fund Operator may derive in connection with the Agreement. Neither it, nor its personnel shall accept any commission, discount, allowance, indirect payment or other consideration in connection with, or in relation to, or in discharge of, its obligations under this Agreement.

12.3 Professional secrecy

The Fund Operator and its staff shall maintain professional secrecy for the duration of this Agreement and after completion thereof. In this connection, except with the prior written consent of the FMO, neither the Fund Operator nor the personnel employed or engaged by it shall at any time communicate to any person or entity any confidential information disclosed to them or discovered by them, or make public any information as to the recommendations formulated in the course of or as a result of implementation of this Agreement. Furthermore, they shall not make any use prejudicial to the FMO, of information supplied to them and of the results of studies, tests and research carried out in the course and for the purpose of performing this Agreement.

12.4 Conflict of interest

1. In addition to the requirement related to the selection process, the Fund Operator shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of the Agreement. Such conflict of interest could arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest. Any conflict of interest, which could arise during performance of the Agreement, must be notified in writing to the FMO without delay.

2. The FMO has the right to verify that such measures are adequate and may require additional measures to be taken if necessary. The Fund Operator shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interest. Without prejudice to employees' rights under national laws, the Fund Operator shall replace, immediately and without compensation from the FMO, any member of its staff exposed to such a situation.

3. The Fund Operator shall refrain from any contract that would compromise its independence or that of its personnel. If the Fund Operator fails to maintain such independence, the FMO may, without prejudice to compensation for any damage that it may have suffered on this account, terminate this Agreement forthwith, without giving formal notice thereof.

## Chapter 13: Assignment and sub-contracting

13.1 Assignment

1. An assignment is any agreement by which the Fund Operator transfers its rights under this Agreement or part thereof to a third party.

2. The Fund Operator shall not, without the prior written consent of the FMO, assign the Agreement or any part thereof, or any benefit or interest there under. Any assignment without such consent shall be null and void.

3. The approval of an assignment by the FMO shall not relieve the Fund Operator of its obligations under the Agreement.

13.2 Sub-contracting

1. Any agreement by which the Fund Operator entrusts performance of a part of the services to a third party is considered to be a sub-contract.

2. Without prejudice to the role of the Fund Operator referred to in Article 2.1, the Fund Operator must

obtain a prior written authorization of the FMO before entering into a sub-contract exceeding EUR 100,000. Existing framework agreements, which Innovation Norway has entered into with external suppliers on communication and IT services shall not be subject to written approval by the FMO. Sub-contracts for services related to appraisals, monitoring and audits of projects, as required by this Agreement, are not subject to such authorization.

3. No sub-contract can create contractual relations between any sub-contractor and the FMO. The Fund Operator shall be responsible for the acts, defaults and negligence of its sub-contractors and their experts, agents or employees, as if they were the acts, defaults or negligence of the Fund Operator, its experts, agents or employees.

4. The approval by the FMO of the sub-contracting of any part of the Agreement or of the engagement by the Fund Operator of sub-contractors to perform any part of the services shall not relieve the Fund Operator of any of its obligations under the Agreement. Those services entrusted to a sub-contractor by the Fund Operator cannot be entrusted to third parties by the sub-contractor.

## Chapter 14: Concluding provisions

14.1 Contact information and bank details

1. The addresses and contact information of the Parties 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
Email: fmo@efta.int

Innovation Norway (IN)
Akersgata 13
0104, Oslo kommune
Telephone:
Telefax (general):
Email: Magnar.Odelien@innovasjonnorge.no

2. Bank details
RO-Innovation FO Innovation Norway (MANAGEMENT COST)
Account holder name: Innovation Norway
IBAN: NO81 1250 60 49308
SWIFT/BIC: DNBANOKK
Bank name and address: DNB DNB NOR, N-0021, Oslo

RO-INNOVATION FO Innovation Norway
Account holder name: Innovation Norway
IBAN: NO16 1250 6097 426
SWIFT/BIC: DNBANOKKXXX
Bank name and address: DNB N-0021 Oslo, Norway

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 Agreement.

14.2 Information system

1. The Fund Operator shall provide the reports referred to in Chapters 7 and 9 through FMO's information system. The FMO shall give the Fund Operator access to the system and provide the necessary guidance to enable the Fund Operator to use the system correctly.

2. Should the system referred to in paragraph 1 become unavailable or be discontinued, the FMO may require the Fund Operator to provide these reports in another format provided by the FMO, whether electronic or hard copies.

14.3 Waiver of responsibility

1. Nothing contained in this Agreement shall be construed as imposing upon the FMO any responsibility of any kind for the supervision, execution, completion or operation of the Programme or its projects.

2. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees can be held liable for any damage or injuries of whatever nature sustained by the Fund Operator or a project promoter, recipient of funds, or any other third person in connection, be it direct or indirect, with this Agreement.

3. This waiver of responsibility shall also bind the project promoters. Each project contract shall contain a provision to that effect.

14.4 Privileges and immunities

Nothing contained in this Agreement shall be deemed a waiver expressed or implied of any privileges and immunities of the European Free Trade Association, its assets, officials or employees.

14.5 Law on Innovation Norway

In case any doubt arises as to the consistency of the provisions of this Agreement with the Law on Innovation Norway of 19 December 2003, as amended, the Fund Operator shall notify the FMO without delay, with a view to assessing the consequences of such inconsistency.

14.6 Programme modification

1. Any amendment to this Agreement shall be subject to a written agreement concluded by the

Parties, unless otherwise specified in the Annexes to this Agreement. Any amendment to the Annexes to this Agreement shall, where possible, be agreed through the FMO's electronic grant management system.
2. The Fund Operator shall describe and justify the modification, as well as the likely impact on the financial figures, risk assessment, outputs and outcomes of the Programme.
3. The FMO shall assess the proposed modification and provide a formal response no later than one month following the receipt of all relevant documents and necessary information.

14.7 Termination, compensation and damages

1. Either party may terminate this Agreement in the event of a serious breach by the other party which remains unremedied for 30 days following written notice thereof making specific reference to the breach and to this Article. The requirement of written notice shall not apply where it is clear from the circumstances, or the party in breach has clearly indicated, that it is unable or has no intention to remedy the breach.
2. In addition, the FMO shall be entitled to terminate this Agreement where the Fund Operator:

a) becomes insolvent or bankrupt;
b) has a receiving order or administration order made against it or compounds with its creditors;
c) being a legal person commences to be wound up; or
d) carries on its activities under an administrator or administrative receiver for the benefit of its creditors or any of them.

Any of the above events shall be deemed a breach by the Fund Operator.

3. Should this Agreement be terminated pursuant to either of the preceding paragraphs 1 or 2, the party whose breach has occasioned the termination shall (without prejudice to the following provisions) compensate the other party for all losses, costs and wasted expenditure incurred by the other party in consequence of the termination.

4. The FMO may terminate this Agreement if changes in the political environment put into doubt the feasibility of the Programme.

5. In all cases where this Agreement is terminated prior to its entire performance:

a) the FMO shall (without prejudice to the payment obligations provided in the preceding paragraphs) pay the Fund Operator for the work already performed and (unless the termination arises by reason of a breach by the Fund Operator) commitments already undertaken which cannot reasonably be cancelled and reasonable costs for closing down the Fund Operator's role in the operation, provided that the total amount paid to the Fund Operator shall not exceed the amount of the management costs referred to in Article 1.10;
b) any rights and obligations of the Fund Operator vis-à-vis project promoters shall automatically be transferred to the FMO which shall be entitled to retransfer them to any replacement Fund Operator whom it may appoint;
c) the Fund Operator shall provide to the FMO or to any replacement Fund Operator such reasonable assistance as the latter may require to ensure the continuing good administration of the Programme and in particular shall provide the FMO or replacement Fund Operator with all contact details and copies of all its files concerning each of the project promoters and project contracts. The Fund Operator shall also cooperate with the FMO or replacement Fund Operator in notifying the project promoters of the change of Fund Operator and in ensuring the smooth continuation of the Programme.

6. Where the FMO is entitled to damages or compensation from the Fund Operator, it may deduct such amounts from any sums due to the Fund Operator and/or call on the appropriate guarantee.

7. The FMO shall be entitled to compensation from the Fund Operator for any damage which comes to light after the completion of the Programme.

14.8 Indemnification

1. At its own expense, the Fund Operator shall indemnify, protect and defend the Donor State(s), the FMO, its agents and employees, from and against all actions, claims, losses or damage arising from any act or omission by the Fund Operator in the performance of the Agreement provided that:

a) the Fund Operator is notified of such actions, claims, losses or damages not later than 30 days after the FMO becomes aware of them;
b) the ceiling on the Fund Operator's liability to the FMO shall be limited to an amount equal to the management costs referred to in Article 1.10, but such ceiling shall not apply to any losses or damages caused to third parties by the Fund Operator or by the Fund Operator's gross negligence or willful misconduct;
c) the Fund Operator's liability shall be limited to actions, claims, losses or damages directly caused by such failure to perform its obligations under

the Agreement and shall not include liability arising from unforeseeable occurrences incidental or indirectly consequential to such failure.

2. At its own expense, the Fund Operator shall, upon request of the FMO, remedy any defect in the performance of the services in the event of the Fund Operator's failure to perform its obligations under the Agreement.

3. The Fund Operator shall have no liability whatsoever for actions, claims, losses or damages occasioned by:

a) the FMO omitting to act on any recommendation, or overriding any act, decision or recommendation, of the Fund Operator, or requiring the Fund Operator to implement a decision or recommendation with which the Fund Operator disagrees or on which it expresses a serious reservation; or

b) the improper execution of the Fund Operator's instructions by agents, employees or independent contractors of the FMO.

4. The Fund Operator shall remain responsible for any breach of its obligations under the Agreement for five years following the approval of the final programme report.

14.9 Force majeure

1. Neither Party shall be considered to be in breach of its obligations under the Agreement if the performance of such obligations is prevented by any circumstances of force majeure which arise after the date of the last signature of this Agreement.

2. The term "force majeure", as used herein shall include without limitation acts of God as strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars, whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosions, and any other similar unforeseeable events, beyond the control of either Party and which by the exercise of due diligence neither Party is able to overcome. For the avoidance of doubt, inability to pay any sum of money shall not be considered force majeure.

3. A Party affected by an event of force majeure shall take all reasonable measures to remove such Party's inability to fulfil its obligations hereunder with a minimum of delay.

4. The Fund Operator shall not be liable for contract damages or termination for default if, and to the extent that, its delay in performance or other failure to perform its obligations under the Agreement is the result of an event of force majeure. The FMO shall similarly not be liable for delayed performance, for non-performance or for termination by the Fund Operator for default, if, and to the extent that, the FMO's delay or other failure to perform its obligations is the result of force majeure.

5. If either Party considers that any circumstances of force majeure have occurred which may affect performance of its obligations it shall notify the other Party immediately giving details of the nature, the probable duration and likely effect of the circumstances. Unless otherwise directed by the FMO in writing, the Fund Operator shall continue to perform its obligations under the Agreement as far as is reasonably practicable, and shall seek all reasonable alternative means for performance of its obligations, which are not prevented by the force majeure event. The Fund Operator shall not put into effect such alternative means unless directed so to do by the FMO.

6. If circumstances of force majeure have occurred and persist for a period of 180 days then, notwithstanding any extension of the period of execution that the Fund Operator may by reason thereof have been granted, either Party shall be entitled to serve upon the other 30 days' notice to terminate the Agreement. If at the expiry of the period of 30 days the situation of force majeure persists, the Agreement shall be terminated and in consequence thereof, the Parties shall be released from further performance of the Agreement.

14.10 Dispute resolution

1. Any dispute relating to the conclusion, validity, interpretation or performance of this Agreement shall be resolved amicably through consultation between the Parties.

2. Without prejudice to the privileges and immunities granted to the European Free Trade Association, its assets, premises and officials, any dispute arising out of or in relation with this Agreement which cannot be settled amicably, shall be brought before the Court of Oslo (Oslo Tingrett) and finally settled in accordance with the laws of the Kingdom of Norway.

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This Agreement is drawn up in two originals in the English language.

For the Financial Mechanism Office

For the Fund Operator

Signed in ..... on 15/05/2018

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Signed in ..... on 16/05/2018

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## Annex I to the Programme Agreement

| Programme Operators and Partners | |
|---|---|
| Fund Operator: | Innovation Norway (IN) |
| Donor Programme Partner: | - |
| IPO: | - |
| Other Programme Partner(s): | - |

| Programme Objective | Increased value creation and sustainable growth |
|---|---|

| PA | Outcome/Output | Expected programme results | Indicator | Disaggregation | Unit of measurement | Source of verification | Frequency of reporting | Baseline values | Baseline year | Target value |
|---|---|---|---|---|---|---|---|---|---|---|
| PA01 | Outcome 1 | Increased competitiveness for Romanian enterprises within the focus areas Green Industry Innovation, ICT and Blue Growth | Estimated annual decrease of CO2 emissions (in tons of CO2) | Financial Mechanism | Annual number | Energy audit reports, Energy certificates | Annually (APR) | 0 | N/A | 115,000 |
| | | | Number of jobs created | Financial Mechanism, Gender, Age | Cumulative number | Payroll records | Annually (APR) | 0 | N/A | 255 |
| | | | Number of innovative technologies/processes/solutions developed[1] | Financial Mechanism, Sector | Cumulative number | Project Promoters' records | Annually (APR) | 0 | N/A | 25 |
| | | | Number of innovative technologies/processes/solutions applied(new-to-the-enterprise)[2] | Sector | Cumulative number | Project Promoter's records | Annually (APR) | 0 | N/A | 75 |
| | | | Estimated annual growth in net operational profit[3] | N/A | Percentage | Project Promoters' records | Annually (APR) | N/A | N/A | 5 % |

[1] This indicator measures innovative technologies/processes/solutions in the blue, green and ICT Sectors. Definition of "blue": Harnessing potential and resources related to sea, coast, river and lakes. Definition of "innovation": Enterprises implementation of a new or significantly improved product (goods or services), or a process, a new marketing method, or a new organizational method in business practices, work place organization or an external relation. Innovation can be on enterprise level, Sector level, national level or international level. Indicator: Definition of "developed": Projects where the main activities are user driven R&D, i.e. validation or demonstration of technologies in relevant (industrial) environment, prototypes demonstrated in operational environment, system completed and qualified. With other words Technology Readiness Level (TRL) 5-8 (EU Commission's scale used to describe the maturity of a technology). These types of projects will typically be cooperation between an enterprise and a research institution or similar.

[2] This indicator measures technologies/processes/solutions in the green, blue and ICT Sectors. Definition of "green technologies": a single technology that is less environmental harmful than the technology used today, encompassing technologies and processes to manage pollution (i.e. air/water/soil pollution control, waste management) and to use resources more efficiently. Indicator: Definition of "applied": An enterprise is using a solutions/technology/product already developed/available in the market and adjust it to the enterprises' own need. These types of projects will often include a R&D component related to adjustment of material, process etc. applicant/enterprise's needs.

[3] Definition of "profit": Difference between operating income and operating expenses.

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| | | | Estimated annual growth in turnover[4] | N/A | Percentage | Project Promoters' records | Annually (APR) | N/A | N/A | 10 % |
| | | | Estimated annual re-use of processed waste for other operational processes | N/A | Annual number | Project Promoters' records | Annually (APR) | 0 | 2019 | 122993 |
| | | | Number of products or services commercialized (new-to-the-market)[5] | Sector | Cumulative number | Project Promoters' records | Annually (APR) | 0 | N/A | 13 |
| | | | Share of enterprises' staff who declare better skills/competencies in their field[6] | N/A | Percentage | Survey results | Annually (APR) | N/A | N/A | 30 % |
| | | | Survival rate of start-ups measured 1 year from the last day of the eligibility period of projects[7] | N/A | Percentage | Project Promoters' records | Annually (APR) | N/A | N/A | 80 % |
| | | | Estimated annual collection of waste from operational processes for re-use or recycling (in tons) | N/A | Annual number | Project Promoters' records | Annually (APR) | 0 | 2019 | 107494 |
| | | | Estimated annual decrease of energy consumption (in MWh) | N/A | Annual number | Energy audit reports, Energy certificates | Annually (APR) | 0 | N/A | 4,300 |
| | | | Estimated annual decrease of other emissions (in kgs)[8] | N/A | Annual number | Project Promoter's report | Annually (APR) | 0 | N/A | 7,166 |
| | | | Estimated annual fuel consumption reduction (in litres) | N/A | Annual number | Energy audit reports, Energy certificates | Annually (APR) | 0 | N/A | 71,166 |
| | | | Number of new Intellectual Property Rights (Copyright, | Financial Mechanism | Cumulative number | Copies of filed application(s), Registration | Annually (APR) | 0 | N/A | 5 |

[4] Measuring results in enterprises supported by the Programme. Definition of "value creation": initiatives to bring value to enterprise's shareholders and customers. Definition of "sustainable growth": Building a better society based on the three dimensions of sustainability; economic sustainability, environmental sustainability and social sustainability. Definition of "turnover": Enterprise's net revenue for a fiscal year (after deduction of VAT, trade reductions and other indirect taxes).

[5] This indicator measures products and services in the blue, green and ICT Sectors. Definition of "green" products and services: Goods and services having less of an impact on the environment (less polluting and less resource intensive), or less impact on human health than traditional equivalents and which are economically viable. Indicator: Definition of "commercialization" is the process by which a new product or service is introduced into the general market. The process is broken into phases, from the initial introduction of the product through its mass production and adoption. It takes into account the production, distribution, marketing, sales and customer support required to achieve commercial success.

[6] The Programme will finance training which is part of enterprise's business plan (linked to output 1.6. to develop business skills). The indicator will be related to persons who will participate in training activities; the expectation is that 80% from the trained persons will declare better skills/competences;

[7] Definition of "start-up": An SME established as a legal entity at least 3 months before the launch of a call under this Programme and with no more 3 years of existence in the year of submission of an application under this Programme.

[8] Non-greenhouse gases: sulphur oxides (SO2), nitrogen oxides (NO2), carbon monoxide (CO) and emissions of volatile organic compounds (VOC), excluding methane.

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| | | | Trademark, Patents) applications submitted | | | acknowledgement from relevant Patent Office | | | | |
| | Output 1.1 | Enterprises supported to develop innovative green technologies, processes, solutions, products or services | Number of enterprises using external research expertise/research institution to develop green technologies/processes/solutions | N/A | Cumulative number | Project Promoters' records | Semi-annually (APR and September IFR) | 0 | N/A | 5 |
| | | | Number of large enterprises supported to apply green technologies/processes/solutions (new-to-the-enterprise) | N/A | Cumulative number | Copies of contracts signed with Project Promoters | Semi-annually (APR and September IFR) | 0 | N/A | 10 |
| | | | Number of large enterprises supported to commercialise green products or services (new-to-the-market) | N/A | Cumulative number | Copies of contracts signed with Project Promoters | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of large enterprises supported to develop green technologies/processes/solutions | N/A | Cumulative number | Copies of contracts signed with Project Promoters | Semi-annually (APR and September IFR) | 0 | N/A | 3 |
| | | | Number of SMEs supported to develop green technologies/processes/solutions[9] | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters | Semi-annually (APR and September IFR) | 0 | N/A | 8 |
| | | | Number of SMEs supported to apply green technologies/processes/solutions (new-to-the-enterprise) | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters | Semi-annually (APR and September IFR) | 0 | N/A | 30 |
| | | | Number of SMEs supported to commercialise green products or services (new-to-the-market) | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters | Semi-annually (APR and | 0 | N/A | 4 |

[9] Definition of "support" – the Programme is mainly given financial support to enterprises. However, through the scheme Boost to Romanian business sector, different types of advice and trainings will be given to enterprises by intermediaries, such as clusters and business organisations. Indicator: Def "SMEs and large enterprises": SMEs are enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. The enterprise is considered large when it is characterized by at least one of the three elements mentioned above: employ more than 250 persons, has annual turnover which exceeds EUR 50 million, and/or an annual balance sheet total exceeding EUR 43 million

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| | | | | | | | September IFR) | | | |
| | Output 1.2 | Enterprises supported to green their business operations | Number of large enterprises supported to improve energy efficiency | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 11 |
| | | | Number of SMEs supported to improve energy efficiency | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 32 |
| | Output 1.3 | Enterprises supported to improve industrial processes, products or services with ICT solutions | Number of large enterprises supported to apply ICT technologies/processes/solutions (new-to-the-enterprise) | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 2 |
| | | | Number of SMEs supported to apply ICT technologies/processes/solutions (new-to-the-enterprise) | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 6 |
| | Output 1.4 | Enterprises supported to develop innovative ICT technologies, solutions, processes, products or services | Number of enterprises using external research expertise/research institution to develop ICT technologies/processes/solutions | N/A | Cumulative number | Project Promoter's records | Semi-annually (APR and September IFR) | 0 | N/A | 2 |
| | | | Number of large enterprises supported to commercialise ICT products or services (new-to-the-market) | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of large enterprises supported to develop ICT technologies/processes/solutions | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of SMEs supported to commercialise ICT products or services (new-to-the-market) | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project | Semi-annually (APR and | 0 | N/A | 5 |

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| | | | | | | Promoters' records, Partnership agreements | September IFR) | | | |
| | | | Number of SMEs supported to develop ICT technologies/processes/solutions | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 2 |
| | Output 1.5 | Enterprises supported to develop innovative technologies, processes, solutions, products or services based on blue resources | Number of enterprises using external research expertise/research institution to develop blue technologies/processes/solutions | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of large enterprises supported to apply blue technologies/processes/solutions | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of large enterprises supported to commercialise blue products or services (new-to-the-market) | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of large enterprises supported to develop blue technologies/processes/solutions | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of SMEs supported to apply blue technologies/processes/solutions | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 4 |
| | | | Number of SMEs supported to commercialise blue products or services (new-to-the-market) | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 1 |
| | | | Number of SMEs supported to develop blue technologies/processes/solutions | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project | Semi-annually (APR and | 0 | N/A | 1 |

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| | | | | | | Promoters' records, Partnership agreements | September IFR) | | | |
| | Output 1.6 | Start-ups supported for business growth | Number of start-ups supported with investments in technology/machinery/equipment | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 40 |
| | Output 1.7 | Enterprises supported to improve capacity for business development | Number of persons trained | Financial Mechanism, Gender, Roma | Cumulative number | Project Promoters' records, Attendance sheets | Semi-annually (APR and September IFR) | 0 | N/A | 150 |
| | | | Number of large enterprises that have received business skills support (training, coaching, mentoring etc.)[10] | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 5 |
| | | | Number of business organizations/clusters that have supported SMEs to increase their knowledge about topics in fields such as like business models, eco-innovation, circular economy, internationalization, Corporate Social Responsibility (CSR) | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 5 |
| | | | Number of start-ups that have received business skills support (training, coaching, mentoring etc.) | N/A | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' reports, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 40 |
| | | | Number of SMEs that have received business skills support (training, coaching, mentoring etc.) | Financial Mechanism | Cumulative number | Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements | Semi-annually (APR and September IFR) | 0 | N/A | 15 |

[10] Definition of "business skills support" – means activities which enable persons to develop core competencies to start and/or growth businesses; it could refer to protection of intellectual property, Corporate Social Responsibility, financial planning, business model etc.

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| PA01 | Bilateral Outcome | Enhanced collaboration between beneficiary and donor state entities involved in the programme | Level of satisfaction with the partnership | N/A | Scale 1-7 | Survey results | Annually (APR) | 6.83 | 2020 | 4.5[11] |
| | | | Level of trust between cooperating entities in Beneficiary States and Donor States | N/A | Scale 1-7 | Survey results | Annually (APR) | 6.78 | 2020 | 4.5[12] |
| | | | Number of jointly registered applications for Intellectual Property Protection | Donor State | Cumulative number | Copies of filed application(s)/registration reference | Annually (APR) | 0 | N/A | 2 |
| | | | Level of knowledge of bilateral business opportunities among the supported enterprises | N/A | Scale 1-5 | Survey results | Annually (APR) | 0 | N/A | 4 |
| | | | Share of donor business partnerships which continue after project implementation period | N/A | Percentage | Survey results | Annually (APR) | 0 % | N/A | 30 % |
| | | | Share of cooperating organisations that apply the knowledge acquired from bilateral partnership | N/A | Percentage | Survey results | Annually (APR) | N/A | N/A | 50 % |
| | Bilateral Output 1 | Donor partnership projects established | Share of donor partnership projects out of the financed projects | N/A | Percentage | Survey results | Semi-annually (APR and September IFR) | 0 % | N/A | 50 % |
| | Bilateral Output 2 | Knowledge and technology transfer between Donor States entities and Romanian entities | Number of projects with the aim of transferring technology (new know-how, technologies, processes or methods transferred) | Donor State | 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 | 50 |
| | Bilateral Output 3 | Donor business partnerships with expected shared results established | Number of donor partnership projects with expected shared results (partners are involved professionally in planning and implementation and can claim credit for achieved results) | Donor State | 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 | 15 |

[11] Target is ≥4.5, and an increase on the baseline value
[12] Target is ≥4.5, and an increase on the baseline value

**Conditions**

General

2. The Fund Operator shall seek to ensure that synergies with the programmes 'Research', ‘Education, Scholarships, Apprenticeships and Youth Entrepreneurships' and 'Renewable Energy, Energy Efficiency, Energy Security' are further elaborated and opened up for in the calls for proposals.

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 | 14/10/2016 | 30/04/2025 |
| **Grant rate and co-financing** | | |
| Programme eligible expenditure (€) | | € 43,000,000 |
| Programme grant rate (%) | | 100.00 % |
| Maximum amount of Programme grant - EEA Financial Mechanism (€) | | € 23,000,000 |
| Maximum amount of Programme grant - Norwegian Financial Mechanism (€) | | € 20,000,000 |
| Maximum amount of Programme grant - Total (€) | | € 43,000,000 |

| PA | Budget Heading | EEA Grants | Norway Grants | Total grant | Programme grant rate | Programme co-financing | Programme eligible expenditure | Advance payment |
|---|---|---|---|---|---|---|---|---|
| PA01 | Programme management | € 1,916,666 | € 1,533,334 | € 3,450,000 | 100.00 % | € 0 | € 3,450,000 | € 500,000 |
| PA01 | Outcome 1 (EEA Grants) | € 21,083,334 | | € 21,083,334 | 100.00 % | € 0 | € 21,083,334 | € 4,000,000 |
| PA01 | Outcome 1 (Norway Grants) | | € 18,466,666 | € 18,466,666 | 100.00 % | € 0 | € 18,466,666 | € 0 |
| **Total** | | **€ 23,000,000** | **€ 20,000,000** | **€ 43,000,000** | **100.00 %** | **€ 0** | **€ 43,000,000** | **€ 4,500,000** |

| Retention of management costs | |
|---|---|
| Retention of management costs - Percentage of the management costs | 10.00 % |
| Retention of management costs - Planned Euro value | € 345,000 |

**Business Development, Innovation and SMEs**
EEA Financial Mechanism 2014-2021
Norwegian Financial Mechanism 2014-2021

**Operational rules (Annex II)**

1. **Programme summary**

This Annex sets out the operational rules for the program. The programme agreement is based on the MoU, the concept note and comments made by the FMC. Commitments, statements and guarantees, explicit as well as implicit, made in the concept note, are binding for the Fund Operator (FO) unless otherwise explicitly stipulated in the annexes to this programme implementation agreement.

The Programme Operator is the Financial Mechanism Office (FMO). The Fund Operator is Innovation Norway.

The programme shall support the outcome "increased competitiveness for Romanian enterprises within the focus areas Green Industry Innovation, ICT and Blue Growth" by way of at least two open calls for project proposals and three Small Grant Schemes (SGS).

The calls for project proposals and the first Small Grant Scheme (SGS 1) will support a wide range of project initiatives aimed at improving the economic performance of Romanian enterprises in order to contribute to increased value creation and sustainable growth. Call 1 and call 2 for project proposals and SGS 1 shall provide support to enterprises that develop, apply or commercialize Green, ICT or Blue products, services or innovative technologies/processes/solutions.

The second and third Small Grant Schemes (SGS 2 and SGS 3) will stimulate Romanian enterprises within the focus areas Green Industry Innovation, ICT and Blue Growth by way of two approaches: SGS 2 will provide support for business growth in 'start-ups'. SGS 3 will support initiatives for the development of business skills.

**2. Eligibility**

*2.1 Eligible applicants:*

| **Modality** | **Eligible applicants (Project Promoters)** | **Eligible partners** |
|---|---|---|
| Call for proposals 1 (EEA FM), focus areas:<br><br>**Green Industry Innovation,**<br><br>**Blue Growth,**<br><br>**ICT** | Enterprises with no more than 25% public ownership, established as legal persons in Romania.<br><br>Eligible project promoters for the focus area Green Industry Innovation and Blue Growth must have been established for at least three fiscal years at the deadline for submission of project proposals.<br><br>Eligible project promoters for the focus area ICT must have been established for at least one fiscal year at the deadline for submission of project proposals. | Any public or private entity, commercial or non-commercial, established as a legal person in Norway, Iceland, Liechtenstein or in Romania. |

| | | |
|---|---|---|
| Call for proposals 2 (Norwegian FM), focus areas:<br><br>**Green Industry Innovation,**<br><br>**Blue Growth,**<br><br>**ICT** | Enterprises with no more than 25% public ownership, established as legal persons in Romania.<br><br>Eligible project promoters for the focus area Green Industry Innovation and Blue Growth must have been established for at least three fiscal years at the deadline for submission of project proposals.<br><br>Eligible project promoters for the focus area ICT must have been established for at least one fiscal year at the deadline for submission of project proposals. | Any public or private entity, commercial or non-commercial, established as a legal person in Norway or in Romania. |
| Small grant scheme 1 and 4,<br><br>**focus areas:**<br><br>**Green Industry Innovation,**<br><br>**Blue Growth,**<br><br>**ICT** | SMEs, established as legal persons in Romania.<br><br>For the component Green Industry Innovation, not-for-profit organisations established as legal persons in Romania are also eligible.<br><br>Eligible project promoters for the focus area Green Industry Innovation must have been established for at least three fiscal years at the deadline for submission of project proposals.<br><br>Eligible project promoters for the focus areas Blue Growth and ICT must have been established for at least one fiscal year at the deadline for submission of project proposals. | Any public or private entity, commercial or non-commercial, established as a legal person in Norway, Iceland, Liechtenstein or in Romania. |
| Small grant scheme 2,<br><br>Initiatives for business growth in start-ups | Small and micro enterprises established as legal persons in Romania.<br><br>Eligible applicants must have been established for at least six months but not more than four years at the deadline for submission of project proposals. | Any public or private entity, commercial or non-commercial, established as a legal person in Norway, Iceland, Liechtenstein or in Romania. |

| | | |
|---|---|---|
| | Eligible applicants must be unlisted small enterprises up to four years following their registration, which have not yet distributed profits and have not been formed through a merger. | |
| Small grant scheme 3, Initiatives for development of business skills | SMEs and not-for profit organisations established as legal persons in Romania. | Any public or private entity, commercial or non-commercial, established as a legal person in Norway, Iceland, Liechtenstein or in Romania. |

Amounts uncommitted following one call may be transferred to subsequent calls supported by the same Financial Mechanism. Individual projects shall not receive support from both the EEA and the Norwegian Financial Mechanisms.

*2.2 Special rules on eligibility of costs:*
Not applicable

**3. Bilateral relations**
*3.1 Bilateral relations*
The Programme shall contribute to strengthening bilateral relations between Romania 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 calls for proposals, as well as by encouraging donor partnership projects in call texts.

Innovation Norway shall organise an annual Cooperation Meeting, to advise on the preparation, implementation and progress of the programme, as well as on the use of the bilateral fund. Representatives of the Romanian Ministry for Business Environment, the Icelandic Centre for Research (RANNIS), the FMO and the Donor States shall be invited to attend the Cooperation Meeting. In addition, the Fund Operator shall seek advice and involve relevant actors during programme implementation and may invite such actors to attend the Cooperation Meeting.

**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):*

| **Implementation modality** | **Indicative timing** | **Total available amount (€)** | **Maximum / Minimum grant applied for (€)** |
|---|---|---|---|
| **Call for proposals 1**<br><br>**(EEA FM)** | 2018<br><br>In case funds remain uncommitted further to the selection of projects, the Fund Operator may launch additional calls. | 7,728,005<br><br>(Green Industry Innovation: 6,563,305<br><br>Blue Growth: 0<br><br>ICT: 1,164,700) | 2,000,000/200,000 |

| | | | |
|---|---|---|---|
| **Call for proposals 2**<br><br>**(Norwegian FM)** | 2020<br><br>In case funds remain uncommitted further to the selection of projects, the Fund Operator may launch additional calls. | 18,466,666<br><br>(Green Industry Innovation: 17,282,166<br><br>ICT: 1,184,500) | 2,000,000/200,000 |
| **Call for proposals 3**<br><br>**(EEA FM)** | 2021 | 7,355,329<br><br>(Green Industry Innovation: 3,145,029<br><br>Blue Growth: 2,525,000<br><br>ICT: 1,685,300) | 2,000,000/200,000 |
| | | | |
| **Small grant scheme 1**<br><br>**(EEA FM)** | 2018<br><br>In case funds remain uncommitted further to the selection of projects, the Fund Operator may launch additional calls. | 491,759<br><br>(Green Industry Innovation: 280,059<br><br>Blue Growth: 0<br><br>ICT: 211,700) | 200,000/50,000 |
| **Small grant scheme 2 - Support to start-ups**<br><br>**(EEA FM)** | 2021 | 1,000,000 | 200,000/10,000 |
| **Small grant scheme 3 - Soft skills**<br><br>**(EEA FM)** | 2021<br><br>In case funds remain uncommitted further to the selection of projects, the Fund Operator may launch additional calls. | 1,000,000 | 200,000/10,000 |
| **Small grant scheme 4**<br><br>**(EEA FM)** | 2021 | 5,508,241<br><br>(Green Industry Innovation: 2,500,000<br><br>Blue Growth: 1,219,941<br><br>ICT: 1,788,300) | |

Amounts uncommitted following one call may be transferred to subsequent calls supported by the same Financial Mechanism. Individual projects shall not receive support from both the EEA and the Norwegian Financial Mechanisms.

*4.2 Selection procedures:*

The Fund Operator will check the fulfilment of administrative and eligibility criteria contained in the call for proposals. In the case of applications not complying with the administrative and eligibility criteria the Fund Operator will contact the applicant to clarify the information provided or request the provision of additional information. Applicants will be given 10 working days to submit the information requested. Applications submitted in a language other than English will be automatically rejected.

Following the conclusion of the administrative and eligibility check, all applicants will be informed in writing about the status of their project.

All applications which fulfil administrative and eligibility criteria will be further assessed by two experts from the Fund Operator. The experts shall evaluate the projects against the selection criteria contained in the call for proposals. In the selection criteria, the Fund Operator may give priority to projects from regions that have the lowest density of SMEs per capita in Romania. If necessary, the Fund Operator may use external expertise on a case by case basis.

The result of the experts' evaluation shall be a ranking list that forms the basis of the Fund Operator's selection committee's discussion. The selection committee will make the final decision to reject or approve the applications.

Prior to the final decision, the FMO and the NFP shall be provided with the ranking list at reasonable time to give their input.

After the selection procedure is complete, information of the results and the decision on the award of grants will be communicated to the applicants and published online.

*4.3 Project grant rate:*

Grants to all projects from the programme may be up to 90% 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*

Not applicable

*5.2 Financial Instruments*

Not applicable

**6. Programme Management**

*6.1 Payment flows*

The Fund Operator shall ensure that payments to projects are made in a timely manner. Interim and final payments to the projects shall be based on approved project reports.

Payments of the project grant shall take the form of an advance payment, interim payments and a final payment. The advance payment shall be calculated as a percentage of the total grant awarded to the project and its level shall be set out in the project contract. The maximum level of the advance payment and the total amount of interim payments shall be as follows:

| Project implementation duration | Advance payment | Interim Payments | Final payment |
|---|---|---|---|
| All | 10%-20% | 80%-70% | 10% |

The advance payment shall be paid following the signature of the project contract, within one month of the submission of a request by the project promoter. Subsequent payments shall be paid following the approval of project interim reports and no later than one month from the date of approval. The final payment, if applicable, will be paid following approval of the final report and no later than one month from the date of approval.

The approval of project interim and final reports shall take place within three months from the submission of the required information.

The periodicity of reporting periods, and deadlines for reporting will be further detailed in the description of the Fund Operator's management and control systems.

*6.2 Verification of payment claims*

Project promoters shall submit interim and final project reports containing information on project progress and incurred expenditure.

The incurred expenditure reported shall 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 requirements for proof of expenditures shall be set out in the project contract.

On–the-spot verifications of projects, which may be carried out on a sample basis, shall be carried out.

The detailed procedure for verification will be further detailed in the description of the Fund Operator's management and control systems.

*6.3 Monitoring and reporting*

The Fund Operator shall monitor, record and report on progress towards the programme's outcomes in accordance with the provisions contained in this Agreement. The Fund Operator shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the project promoters in order to enable the Fund Operator to meet its obligations to the FMO and the Donor States.

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

*6.4 Programme administrative structures*

Not applicable

**7. Communication**

The Programme Operator shall comply with Chapter 3 of the main text of this Agreement, the Information and Communication Requirements in Annex 3 of the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 and the Communication plan for the programme.

**8. Miscellaneous**

Not applicable