

MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM
2014-2021

Between

ICELAND,
THE PRINCIPALITY OF LIECHTENSTEIN,
THE KINGDOM OF NORWAY,
hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF BULGARIA,
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

WHEREAS Protocol 38c to the EEA Agreement, incorporated into the EEA Agreement by the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Financial Mechanism 2014-2021, establishes a financial mechanism (hereinafter referred to as the “EEA Financial Mechanism 2014-2021”) through which the Donor States will contribute to the reduction of economic and social disparities in the European Economic Area;

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

WHEREAS by decision of the Standing Committee of the EFTA States No. 2/2016/SC of 2 June 2016 the Donor States have given the Financial Mechanism Committee, established by a decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004, a mandate to manage the EEA Financial Mechanism 2014-2021;

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

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

HAVE AGREED on the following:

Article 1 Objectives

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

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

- (a) Innovation, research, education and competitiveness;
- (b) Social inclusion, youth employment and poverty reduction;
- (c) Environment, energy, climate change and low carbon economy;
- (d) Culture, civil society, good governance, fundamental rights and freedoms; and
- (e) Justice and home affairs.

Article 2 Legal Framework

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

- (a) Protocol 38c to the EEA Agreement on the EEA Financial Mechanism 2014-2021;
- (b) the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the “Regulation”) issued by the Donor States in accordance with Article 10.5 of Protocol 38c;
- (c) the programme agreements that will be concluded for each programme; and
- (d) any guidelines adopted by the Financial Mechanism Committee in accordance with the Regulation.

Article 3
Financial Framework

1. In accordance with Article 2.1 of Protocol 38c, the total amount of the financial contribution is € 1,548,150,000 in annual tranches of € 221,160,000 over the period running from 01/05/2014 to 30/04/2021, inclusive.
2. In accordance with Article 6 of Protocol 38c, a total of € 115,000,000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.
3. In accordance with Article 3.2.b) of Protocol 38c, 10.00 % of the total amount referred to in paragraph 2 shall be set aside for a fund for civil society.
4. In accordance with Article 10.4 of Protocol 38c and Article 1.9 of the Regulation, the management costs of the Donor States shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 106,375,000.

Article 4
Roles and responsibilities

1. The Donor States shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the Financial Mechanism Committee within the priority sectors listed in Article 3.1 of Protocol 38c and the programme areas listed in the Annex to Protocol 38c. The Donor States and the Beneficiary State shall cooperate on the preparation of concept notes defining the scope and planned results for each programme.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2014-2021 in accordance with Annex B and the programme agreements.
3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2014-2021 and take decisions on the granting of financial assistance in accordance with the Regulation.
4. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the "FMO"). The FMO shall be responsible for the day-to-day operations of the EEA Financial Mechanism 2014-2021 and shall serve as a contact point.

Article 5
Designation of authorities

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

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.5 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:
 - (a) a list of agreed programmes and the financial contribution from the EEA Financial Mechanism 2014-2021 by programme;

- (b) identification of programmes, their objective, their main focus, as appropriate, the grant rate by programme, the bilateral ambitions as well as any specific concerns relating to target groups, geographical areas or other issues;
 - (c) identification of programme operators, as appropriate;
 - (d) identification of Donor Programme Partners, as appropriate;
 - (e) identification of International Partner Organisations, as appropriate;
 - (f) identification of pre-defined projects to be included in relevant programmes.
2. The implementation framework is outlined in Annex B.

Article 7

Fund for bilateral relations

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

Article 8

Annual meetings

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

Article 9

Modification of the annexes

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

Article 10

Control and Access to Information

The Financial Mechanism Committee, the EFTA Board of Auditors and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

Article 11

Governing Principles

1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.
2. The objectives of the EEA Financial Mechanism 2014-2021 shall be pursued in the framework of close co-operation between the Donor States and the Beneficiary State. The Parties agree to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good

governance, partnership and multi-level governance, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2014-2021.

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

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

Article 12
Entry into Force

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

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

Signed in Brussels on 08/12/2016
For Iceland

Signed in Sofia on 09/12/2016
For the Republic of Bulgaria

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Signed in Brussels on 08/12/2016
For the Principality of Liechtenstein

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Signed in Sofia on 09/12/2016
For the Kingdom of Norway

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National management and control structures

1. National Focal Point

The Central Coordination Unit Directorate shall act as the National Focal Point.

The Central Coordination Unit Directorate is an administrative unit within the administration of the Council of Ministers. The Director of the Central Coordination Unit Directorate shall perform the functions of Head of the National Focal Point. The Central Co-ordination Unit Directorate reports directly to the Head of the NFP. The NFP supports the Deputy Prime Minister (and Minister of Finance) in all activities related to coordination of EU Funds, including other donors, but the decisions related to EEA and NFM are taken at the level of Head of the NFP.

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

2. Certifying Authority

The National Fund Directorate (NF) shall act as the Certifying Authority.

The National Fund Directorate is an administrative unit within the Ministry of Finance. The NF is placed under the responsibility of the Deputy Minister of Finance. The Director of the NF shall be the Head of the Certifying Authority.

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

3. Audit Authority

The Audit of European Union Funds Executive Agency (AEUFEA) to the Minister of Finance of Republic of Bulgaria shall act as the Audit Authority.

The Audit Authority is a separate structure functionally and administratively independent from the Ministry of Finance. The Deputy-Minister of Finance assists the Minister of Finance by monitoring the activities of AEUFEA.

AEUFEA is functionally independent from the other bodies involved in the management and control system of the EEA Financial Mechanism 2014-2021 (e.g. National Focal Point, Certifying Authority, Programme Operators) in the Beneficiary State. It performs the audit activities according to internationally accepted auditing standards and requirements of the Regulation on the Implementation of the EEA Financial Mechanism 2014-2021. The Executive Director of AEUFEA shall be the Head of the Audit Authority.

The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 5.5 thereof.

4. Irregularities Authority

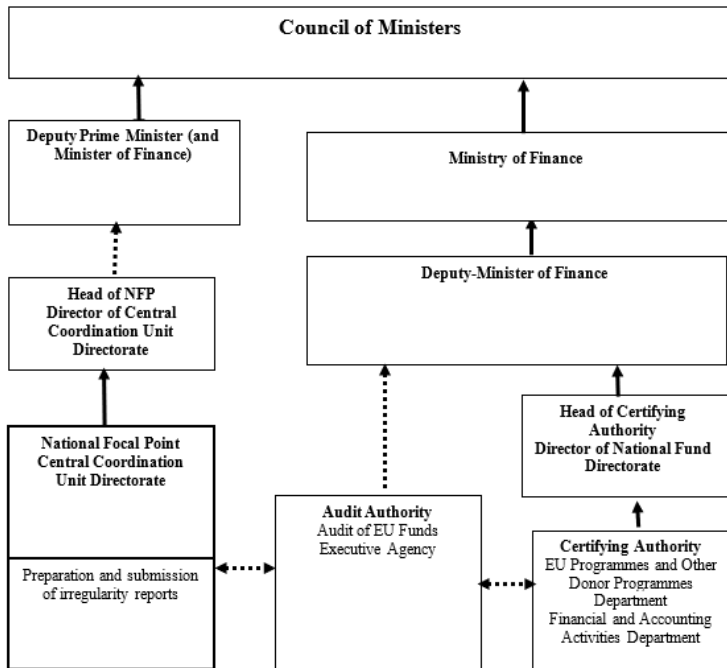
The Central Coordination Unit Directorate (the National Focal Point) shall be responsible for the preparation and submission of irregularities reports. The Central Coordination Unit Directorate is an administrative unit within the administration of the Council of Ministers.

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

5. Strategic Report

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

6. Organigram



Implementation framework

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

1. Financial parameters of the implementation framework

	Bulgaria	EEA Grants contribution	National contribution
	Programmes		
1	Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups	€ 35,500,000	€ 6,264,706
2	Renewable Energy, Energy Efficiency, Energy Security	€ 27,420,000	€ 4,838,824
3	Environment Protection and Climate Change	€ 11,718,397	€ 2,067,952
4	Cultural Entrepreneurship, Heritage and Cooperation	€ 10,273,057	€ 1,812,892
5	Civil Society	€ 16,045,000	N/A
	Other allocations		
	Technical Assistance to the Beneficiary State (Art. 1.10)	€ 730,000	N/A
	Reserve (Art. 1.11)	€ 0	N/A
	Reserve for completion of projects under FM 2009-2014 (Art. 1.12)	N/A	N/A
	Fund for bilateral relations (Art. 4.6.1)	€ 4,688,546	N/A
	Net allocation to Bulgaria	€ 106,375,000	€ 14,984,374

2. Specific concerns

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

The Parties to this Memorandum of Understanding agree that, in addition to measures implemented under the programme 'Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups', at least 10% of the total eligible expenditure of the programme 'Cultural Entrepreneurship, Cultural Heritage and Cultural Exchange' shall target the improvement of the situation for the Roma population. The Parties shall agree on how to reach this target through a plan to be coordinated by the National Focal Point.

3. Substantive parameters of the implementation framework

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

A. Programme Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups

Programme objective: Strengthened social and economic cohesion

Programme grant: € 35,500,000

Programme co-financing: € 6,264,706

Programme Operator: Ministry of Education and Science

Donor Programme Partners(s): Norwegian Association of Local and Regional Authorities (KS)

<i>International Partner Organisation(s):</i>	Council of Europe (CoE)
<i>Programme area(s):</i>	Local Development and Poverty Reduction Children and Youth at Risk Roma Inclusion and Empowerment
<i>Special-concerns:</i>	<p>The programme shall ensure a systemic approach to local development and poverty reduction integrating measures in education, employment, housing, and health (including initiatives addressing the health needs of vulnerable groups).</p> <p>The programme shall combat exclusion and discrimination of Roma. Municipalities in disadvantaged areas with a high percentage of Roma population shall be given priority.</p> <p>The possibility of predefining project(s) with the Council of Europe and, as relevant, other stakeholders shall be explored when developing the concept note.</p> <p>Developing further the results of projects funded under the EEA Financial Mechanism 2009-2014 shall be explored when developing the concept note.</p> <p>A maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) shall be identified in the concept note.</p>
<i>Bilateral ambitions:</i>	€ 100,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

B. Programme Renewable Energy, Energy Efficiency, Energy Security

<i>Programme objective:</i>	Less carbon intensive energy and increased security of supply
<i>Programme grant:</i>	€ 27,420,000
<i>Programme co-financing:</i>	€ 4,838,824
<i>Programme Operator:</i>	Ministry of Energy
<i>Donor Programme Partners(s):</i>	Norwegian Water Resources and Energy Directorate (NVE) National Energy Authority (OS)
<i>Programme area(s):</i>	Renewable Energy, Energy Efficiency, Energy Security
<i>Special-concerns:</i>	<p>Special concern shall be given to hydroelectric power and geothermal energy as a source of renewable energy.</p> <p>Special concern shall be given to energy efficiency.</p>
<i>Bilateral ambitions:</i>	€ 280,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

C. Programme Environment Protection and Climate Change

<i>Programme objective:</i>	Improved environmental status in ecosystems and reduced adverse effects of pollution and other human activities
<i>Programme grant:</i>	€ 11,718,397
<i>Programme co-financing:</i>	€ 2,067,952
<i>Programme Operator:</i>	Ministry of Environment and Water
<i>Donor Programme Partners(s):</i>	Norwegian Environment Agency (NEA)
<i>Programme area(s):</i>	Environment and Ecosystems Climate Change Mitigation and Adaptation
<i>Special-concerns:</i>	Exploring the potential for Carbon capture and storage shall be assessed in the concept note phase.
<i>Bilateral ambitions:</i>	€ 1,381,603 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

D. Programme Cultural Entrepreneurship, Heritage and Cooperation

<i>Programme objective:</i>	Social and economic development strengthened through cultural cooperation, cultural entrepreneurship and cultural heritage management
<i>Programme grant:</i>	€ 10,273,057
<i>Programme co-financing:</i>	€ 1,812,892
<i>Programme Operator:</i>	Ministry of Culture
<i>Donor Programme Partners(s):</i>	Arts and Culture Norway (ACN)
<i>Programme area(s):</i>	Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation
<i>Special-concerns:</i>	<p>The programme shall focus on the role that culture and cultural heritage play in local and regional development with emphasis on employment, social inclusion and cultural entrepreneurship.</p> <p>The programme shall support projects that relate to the documentation of the cultural history of social, ethnic and cultural minorities and groups.</p> <p>The involvement of minority groups in cultural projects and their access to culture, and the addressing of the needs of minority groups, such as Roma, inter alia through measures in education shall be explored in the concept note phase.</p> <p>No more than 60 % of the total eligible expenditure of the programme shall be available for infrastructure (hard measures).</p> <p>The programme shall contribute to the improvement of the situation for the Roma population and shall contribute towards the target set in section 2 ‘Specific concerns’ of this Annex.</p>
<i>Bilateral ambitions:</i>	€ 626,943 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

E. Programme Civil Society

<i>Programme objective:</i>	Civil society and active citizenship strengthened and vulnerable groups empowered
<i>Programme grant:</i>	€ 16,045,000
<i>Programme co-financing:</i>	Not-applicable
<i>Programme Operator:</i>	The Financial Mechanism Office in accordance with Article 6.13 of the Regulation.
<i>Programme area(s):</i>	Civil Society