

**MEMORANDUM OF UNDERSTANDING  
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM  
2004-2009**

between

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

and

THE HELLENIC REPUBLIC,  
hereinafter referred to as the “Beneficiary State”  
  
together hereinafter referred to as the “Parties”,

WHEREAS the Agreement of 14 October 2003 on the participation of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic in the European Economic Area (hereinafter referred to as the “EEA Enlargement Agreement”) is applicable as of 1 May 2004;

WHEREAS Protocol 38a to the EEA Agreement, incorporated into the EEA Agreement by the EEA Enlargement Agreement, establishes a financial mechanism through which the EFTA States will contribute to the reduction of economic and social disparities in the European Economic Area (hereinafter referred to as the “EEA Financial Mechanism”);

WHEREAS by decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004 the EFTA States have established a Financial Mechanism Committee, which shall manage the EEA Financial Mechanism (2004-2009);

WHEREAS the EEA Enlargement Agreement and the EEA Financial Mechanism will strengthen relations between the EFTA States and the Hellenic Republic to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between the EFTA States and the Hellenic Republic 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;

HAVE DECIDED to conclude the following Memorandum of Understanding (hereinafter referred to as the “MoU”):

## **Article 1**

### *(Objectives)*

In accordance with Article 1 of Protocol 38a, the EFTA States have established the EEA Financial Mechanism in order to contribute to the reduction of economic and social disparities in the European Economic Area. Accordingly, the Parties to this MoU shall endeavour to select for funding, projects that contribute to the achievement of that objective.

## **Article 2**

### *(Legal Framework)*

This MoU, agreed between the EFTA States and the Hellenic Republic, shall be read in conjunction with and subject to the conditions in the following documents, which constitute the legal framework of the EEA Financial Mechanism:

- Protocol 38a to the EEA Agreement (hereinafter referred to as “Protocol 38a”), establishing the EEA Financial Mechanism,
- the Rules and Procedures on the implementation of the EEA Financial Mechanism (hereinafter referred to as the “Rules and Procedures”) and subsequent amendments thereof. The Rules and Procedures are adopted by the EFTA States in accordance with Article 8 of Protocol 38a,
- the Grant Agreements, which will be concluded between the Financial Mechanism Committee and the Beneficiary State for each project.

## **Article 3**

### *(Financial Framework)*

1. In accordance with Article 2 of Protocol 38a, the EFTA States will commit € 600 million to the EEA Financial Mechanism in annual tranches of € 120 million over the period running from 1 May 2004 to 30 April 2009, inclusive.
2. In accordance with Article 5 of Protocol 38a, a total of €34.260.000 shall be made available to the Hellenic Republic over the period referred to in Paragraph 1.
3. In accordance with Article 8 of Protocol 38a, the management costs of the EEA Financial Mechanism shall be covered by the amounts referred to above. Further provisions to this effect are set out in the Rules and Procedures.
4. In accordance with Article 6 of Protocol 38a, a review will be carried out in November 2006 and again in November 2008 with a view to reallocating any non-committed available funds for high priority projects from any Beneficiary State.

## **Article 4**

### *(Roles and Responsibilities)*

1. The EFTA States shall make funds available in support of eligible projects proposed by the Hellenic Republic and agreed on by the Financial Mechanism within the priority sectors listed in Article 6 of this MoU.
2. The Beneficiary State shall assure the full co-financing of projects that benefit from support from the EEA Financial Mechanism.
3. The EEA Financial Mechanism Committee shall manage the EEA Financial Mechanism and take decisions on the granting of financial assistance.
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 and shall serve as a contact point.
5. The Hellenic Republic has authorized the Ministry of Economy and Finance, Cohesion Fund Management & Monitoring Special Service (CFM&MSS) to act on its behalf as its national focal point. It shall have overall responsibility for the management of the EEA Financial Mechanisms activities in the Hellenic Republic, including financial control and audit and serve as a contact point. Its managerial setup is contained in Annex A.
6. The CFM&MSS shall be responsible and accountable for the identification, planning, implementation and monitoring of projects as well as for the use of funds under the EEA Financial Mechanism in accordance with the Rules and Procedures. It shall report on these activities to the FMO. Any irregularities shall be reported to the FMO without delay. The Hellenic Republic’s Court of Audit carries out independent control activities.
7. As a general rule, the gathering of project applications shall be carried out by open calls for proposals.
8. The CFM&MSS shall ensure that the project promoters are fully committed and equipped to ensure successful project implementation.

## **Article 5**

### *(Annual Meetings and Reporting)*

1. In order to ensure the effective implementation of the EEA Financial Mechanism, the Parties agree to hold annual meetings between the Financial Mechanism Committee and the Focal Point. The Focal Point shall at the meeting present an annual report, which shall amongst other things address:
  - the progress made towards the achievement of the overall objective of the EEA Financial Mechanism,
  - the progress of project identification in the Beneficiary State,

- the reporting of ongoing project implementation against established criteria,
  - financial progress pertaining to commitments and disbursements,
  - fields of intervention and measures for the following year.
2. The CFM&MSS shall organise the meetings, in cooperation with the FMO. The Commission of the European Communities may be invited to observe the meetings.
  3. The minutes of the meetings shall be drafted by the CFM&MSS.
  4. The first meeting shall be held no later than one year after the entry into force of this MoU.

## **Article 6**

### *(Priority Sectors)*

1. In accordance with Article 3 of Protocol 38a, grants shall be available for projects in the following priority sectors:
  - (a) Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy;
  - (b) Promotion of sustainable development through improved resource use and management;
  - (c) Conservation of European cultural heritage, including public transport, and urban renewal;
  - (d) Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions as well as the democratic processes, which support it;
  - (e) Health and childcare.
2. Academic research may be eligible for funding in so far as it is targeted at one or more of the priority sectors.

## **Article 7**

### *(Programming Framework)*

1. With a view to ensuring effective use of the EEA Financial Mechanism funding and without prejudice to Article 6 above, particular attention shall be given to the fields of intervention outlined in the programming framework in Annex B to this MoU.
2. Annex B shall be subject to review in the annual meetings referred to in Article 5 above.

## **Article 8**

### *(Specific Forms of Grant Assistance)*

1. In accordance with the Priority Sectors referred to in Article 6 and with particular attention given to the fields of intervention outlined in the Programming Framework referred to in Article 7, the Parties have agreed to establish, within the overall amount referred to in Article 3, the Specific Forms of Grant Assistance listed in Annex C.
2. The Parties shall conclude Grant Agreements laying down the terms and conditions of each grant commitment.
3. Annex C shall be subject to review in the annual meetings referred to in Article 5 above.

## **Article 9**

### *(Control and Access to Information)*

The EEA 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 projects as well as the use of funds. The Hellenic Republic shall provide all necessary assistance, information and documentation.

## **Article 10**

### *(Coordination)*

All projects submitted to the EEA Financial Mechanism shall be consistent with the Hellenic Republic's national priorities and relevant arrangements with the European Union.

## **Article 11**

### *(Governing Principles)*

1. The implementation of this MoU shall in all aspects be governed by the Rules and Procedures of the EEA Financial Mechanism and subsequent amendments thereof.
2. The Parties agree to apply the highest degree of transparency and accountability in the implementation of the EEA Financial Mechanism, as well as objectives and principles of good governance, sustainable development and gender equality.

**Article 12**

*(Entry into Force)*

This MoU shall enter into force on the day after the date of the last signature.

\*\*\*\*\*

The present Memorandum of Understanding is signed in four originals in the English language.

Signed in Brussels on \_\_\_\_\_

For the Republic of Iceland

Signed in Oslo on \_\_\_\_\_

For the Hellenic Republic

Signed in Brussels on \_\_\_\_\_

For the Principality of Liechtenstein

Signed in Oslo on \_\_\_\_\_

For the Kingdom of Norway

## Annex A

### IMPLEMENTATION SYSTEM – MANAGERIAL SET-UP

In accordance with Article 4 of the MOU, Annex A describes and explains the managerial set up within the Hellenic Republic. The aim is to secure transparency and a broad-based decision-making processes, as well as satisfactory financial control and audit procedures for the implementation of the EEA Financial Mechanism.

#### A. HELLENIC NATIONAL FOCAL POINT

The Hellenic National Focal Point for the EEA Financial Mechanism is the **Ministry of Economy and Finance, Cohesion Fund Management & Monitoring Special Service (CFM&MSS)**, which is a unit within the Ministry of Economy and Finance (Υπουργείο Οικονομίας και Οικονομικών – Ειδική Υπηρεσία Διαχείρισης και Παρακολούθησης Ταμείου Συνοχής (ΕΥΔ&ΠΤΣ)).

The National Focal Point has the overall responsibility for the management and monitoring of the activities of the EEA Financial Mechanism in the Hellenic Republic, as described in this Memorandum of Understanding (MoU), and serves as a contact point in accordance with the Rules and Procedures adopted by the Financial Mechanism Committee, including the overall responsibility for the use of funds, financial control and audit. Its responsibilities include, but are not limited to, the following:

- negotiating the specifications of the priority sectors within the Hellenic Republic with the Financial Mechanism Committee;
- organising calls for proposals within the priority sectors;
- identifying, evaluating and classifying the proposals;
- forwarding the final selected projects to the Financial Mechanism Office (FMO);
- ensuring correct implementation and monitoring of projects;
- ensuring regular reporting to the Financial Mechanism Office (FMO) on the implementation of projects financed by the Financial Mechanism;
- reporting to the FMO on financial control and audits in cooperation with the Financial Control Committee of Greece;
- evaluating and submitting to the FMO any occurred requests for amendments related to projects under implementation;
- organising annual meetings with the Financial Mechanism Committee;
- ensuring information and publicity about available funds;
- ensuring that project promoters are fully committed and equipped to successfully implement projects;
- storing all documents connected with projects realised within the Financial Mechanism for 10 years after the completion of projects;
- chairing the Monitoring Committee;

- ensuring a complete and sufficient audit path in all engaged institutions in co-operation with the Financial Control Committee of Greece.

In order to appropriately evaluate projects, the National Focal Point can use the services of experts.

In accordance with the Rules and Procedures, the National Focal Point will ensure that financial control and auditing of projects is conducted in compliance with applicable rules. In doing so, the National Focal Point shall ensure:

- efficient and correct use of available funds;
- complete and sufficient audit trails in all institutions;
- effective financial control and audits of approved projects.

These tasks shall be performed as described below.

### **Auditing arranged by the National Focal Point**

The National Focal Point is responsible for the financial control and audit. It shall perform, or have performed, inspections-audits on all projects or groups of projects that are being implemented by the approved agencies, including spot checks. The National Focal Point shall report any detected or suspected irregularities to the FMO. The National Focal Point will, in accordance with Article 6.2 of the Rules and Procedures, provide the FMO with copies of any report that is made by it, the Financial Control Committee or the Single Paying Authority about projects or other activities related to the EEA Financial Mechanism.

The **Single Paying Authority (Αρχή Πληρωμής)** – an independent body of the Ministry of Economy and Finance - will carry out financial control and audits of sampled approved projects. It will issue reports to the National Focal Point as well as to the Financial Control Committee.

**Financial Control Committee (Επιτροπή Δημοσιονομικού Ελέγχου (ΕΔΕΑ))** – an independent body of the Hellenic Republic, has the right to carry out financial control and audits. The audit of the Financial Control Committee is separate from the audit of the Hellenic Republic’s Court of Audit, which has the right to conduct its own audit. The responsibilities of the Financial Control Committee include, but are not limited to, the following:

- carrying out sample audits of projects, including spot and field inspections;
- preparing annual audit plans and a summary of audit reports and submitting them to the National Focal Point;
- carrying out systemic auditing of the National Focal Point, verifying the effectiveness of the installed management system and ensuring sound financial management;
- ensuring efficient and prompt investigation of any suspected and actual cases of fraud and irregularity and reporting these to the National Focal Point.

## **Disbursement arrangements by the National Focal Point/Paying Authority**

The Single Paying Authority shall serve as the Paying Authority. Grant assistance disbursements will be made to a designated bank account at the Ministry of Economy and Finance managed and controlled by the Paying Authority. The tasks of the Paying Authority include, but are not limited to, the following:

- managing the account on which the grant is kept;
- certifying to the FMO that expenditure declarations are made on the basis of reliable and verified documents;
- drawing up and submitting disbursement claims to the FMO and applications for advance payments;
- reporting on financial flows to the National Focal Point;
- ensuring that payments are made to the final beneficiaries as quickly as possible and within the specified deadlines;
- verifying the allocation and transfer of the available funds from Financial Mechanism and national funds;
- reimbursing unduly paid amounts to the FMO;
- controlling the regularity of eligible expenditures based on a representative sample of the approved operations.

## **B. ADDITIONAL IMPLEMENTING STRUCTURES**

**The Steering Committee** is an advisory body to the National Focal Point in respect of the identification, evaluation and classification of proposals. The Steering Committee's task is to provide opinions and recommendations to the National Focal Point on projects that are eligible for support within the EEA Financial Mechanism. In order to appropriately evaluate projects, the Steering Committee could create working groups and use the services of individual experts or other institutions. The Steering Committee shall operate in an open and transparent manner.

The Steering Committee is independent from potential applicants. It will be comprised of representatives of the National Focal Point, Ministry of Environment, Ministry of Culture, Ministry of Health, Ministry of Development., Ministry of Employment and Social Protection, NGOs, social and economic partners, and regional and local governments.

**The Monitoring Committee** – The Ministry of Economy and Finance will establish a Monitoring Committee for the EEA Financial Mechanism in order to secure an open and transparent implementation of the EEA Financial Mechanism.

The Monitoring Committee is broad-based, comprised of members from relevant ministries, social and economic partners, actors from civil society and NGOs, representatives of regional and local administrations. Representatives from the FMO and the Norwegian Embassy in Athens shall be invited to attend meetings of the Monitoring Committee with an observer status.

The Committee is responsible to the National Focal Point for the monitoring of project realisation within the framework of EEA Financial Mechanism. The Monitoring Committee is in particular responsible for the following:

- reviewing overall progress and financial reports;
- reviewing periodically the project progress;
- reviewing the process in respect of the strategic priorities;
- examining and approving periodical reports on the use of financial resources;
- ensuring that the National Focal Point is fully informed about the progress of programs, projects and other specific forms of grant assistance and compliance with terms and conditions of the grant;
- ensuring that publicity measures are correctly followed by Project Promoters.

### **Reforms and restructuring of implementation**

The National Focal Point shall keep the FMO fully informed of any reforms or restructuring of systems, structures, procedures, or legislation related to audits, monitoring, financial management, financial flow, or procurement, resulting from any agreement with the European Commission regarding the implementation of any financial assistance from the European Community. The Hellenic Republic shall ensure that the implementation of the EEA Financial Mechanism will benefit fully from any such reforms or restructuring. Any transitional provisions from the current (2000-2006) to the next programming period (2007-2013), as agreed between the Hellenic Republic and the EU shall also apply to the EEA Financial Mechanism. In particular, the National Focal Point shall, prior to announcing calls for applications or submitting any applications to the FMO, provide the FMO with information requested by the FMO regarding the implementation of the arrangement between the Hellenic Republic and the EU, agreed to in a letter from Greek authorities of 3 June 2005.

### **Procurement**

Any procurement shall be carried out in accordance with the relevant European Community acquis. If the applicable law in the Hellenic Republic provides for stricter rules, either generally, or particularly for procurement related to the implementation of financial assistance provided by the European Community, such rules shall also be applied to the implementation of the financial assistance from the EEA Financial Mechanism. In cases where public procurement procedures are not required, in full or in part, the National Focal Point shall ensure that the purchase of works, goods and services is conducted in a manner ensuring the optimal use of the funds provided by the EEA Financial Mechanism.

## **C. APPLICATION PROCEDURE**

The application procedure is divided into two parts; before and after applications have been submitted to the FMO.

Hence, the necessary steps before the National Focal Point submits the applications to the FMO are as follows:

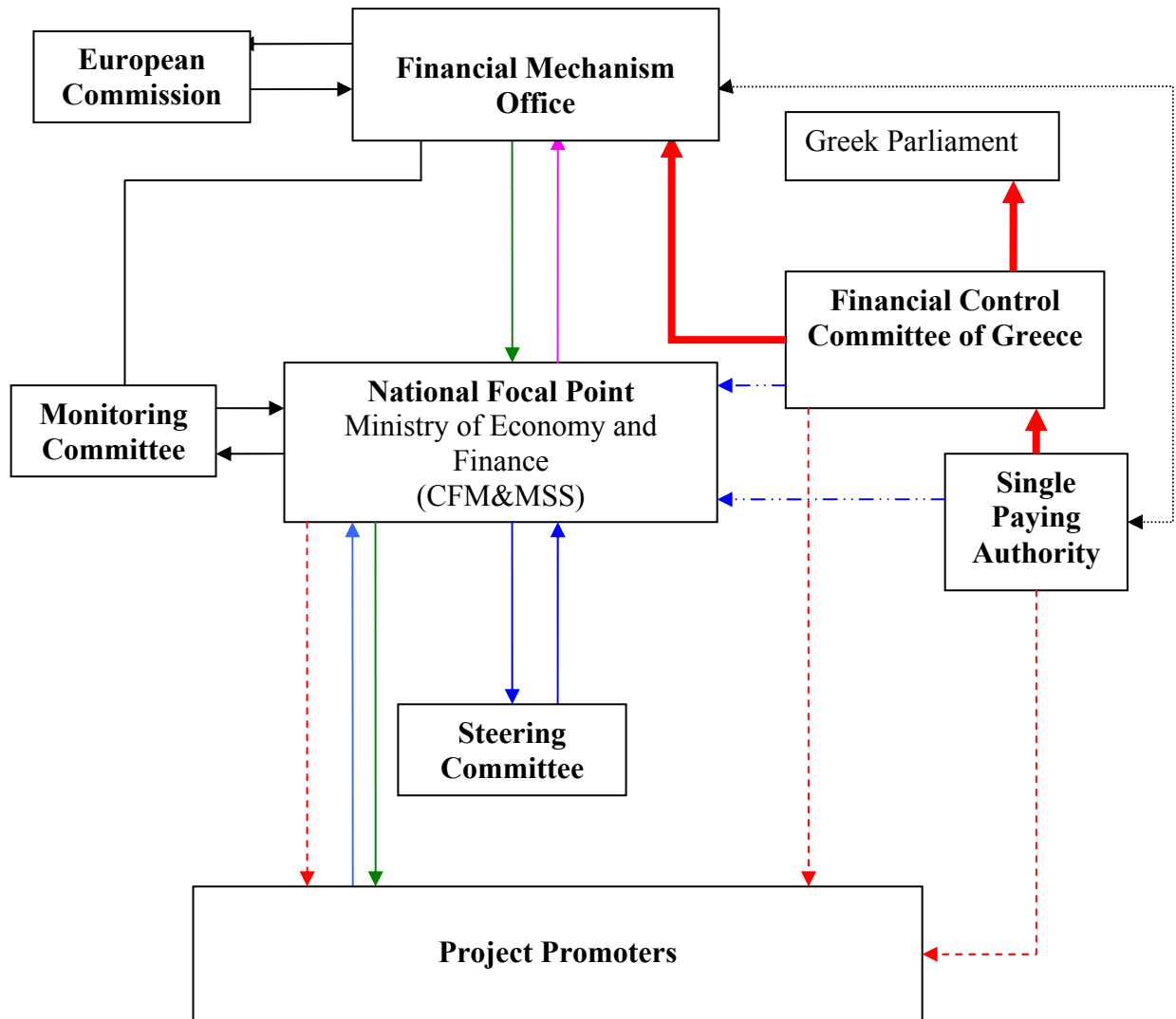
- The National Focal Point organises a national open call for proposals fully indicating the priority sectors, the description of the application and evaluation procedure, the type of eligible potential project promoters, and any other matter which is relevant to the process.
- The National Focal Point, in co-operation with the Steering Committee, will agree on and define the evaluation and eligibility criteria used in the evaluation process of the applications.
- The National Focal Point, in co-operation with the Steering Committee, will examine and evaluate project applications, ensure that they are within the priorities stipulated in Protocol 38a, and that they are in furtherance of the overall goal of the Financial Mechanism.
- If the National Focal Point and the Steering Committee find that additional information is needed from the applicant for the application to be considered, the National Focal Point will notify the applicant and explain what corrections or additions are required.
- After the completion of the evaluation process, the National Focal Point, in co-operation with the Steering Committee, will proceed to the classification of the project proposals.
- The classification suggested by the National Focal Point will be presented to the Deputy Minister of Economy and Finance in order to enable a Ministerial Decision concerning the approved applications to be issued.
- As soon as the Ministerial Decision is issued, the National Focal Point forwards the applications to the FMO.
- Applicants whose project application is not approved by the Ministerial Decision will be notified by the National Focal Point.

It should be noted that the aforementioned procedure may be repeated more than once, depending on the number of calls for proposals.

The necessary steps after the National Focal Point submits the applications to the FMO are as follows:

- The National Focal Point notifies the applicant of the project's approval or rejection by the Financial Mechanism Committee.
- If the application is approved by the Financial Mechanism Committee, a grant agreement shall be concluded between the Committee and the National Focal Point on behalf of the Hellenic Republic, setting out the terms and conditions of grant assistance as well as the roles and responsibilities of the parties.
- The National Focal Point will, on behalf of the Hellenic Republic, sign the grant agreement with the Financial Mechanism Committee.
- Subsequently, the National Focal Point will sign a separate agreement with the applicant to ensure the correct implementation of the project.

## Project Implementation Chart



- - - - -> Financial Control and Audits
- · - · -> Reports to the National Focal Point
- > Project proposals
- > Project Selected at national level
- > Approved projects
- > Independent reports
- > Disbursement requests

## ANNEX B

### THE PROGRAMMING FRAMEWORK REFERRED TO IN ARTICLE 7 OF THE MEMORANDUM OF UNDERSTANDING OF THE EEA FINANCIAL MECHANISM

	<b>PRIORITY AREA</b>	<b>FOCUS AREAS</b>
1	Protection of the environment	<ul style="list-style-type: none"> <li>▪ Improved Water Protection and Management of the aquatic environment</li> <li>▪ Improved water supply on islands through desalination units</li> <li>▪ Development of alternative sources of energy by using renewable resources</li> <li>▪ Reduction of pollution in degraded urban areas</li> </ul>
2	Protection of sustainable development	<ul style="list-style-type: none"> <li>▪ Improved management and effective use of natural resources in selected sensitive areas, e.g. in olive oil production</li> <li>▪ Strengthen citizens' (primarily children) sensitivity to environmental issues and strengthen environmental education through the development of network systems and of a pilot training ecological park in selected urban areas with increased environmental problems</li> <li>▪ Traffic reduction in specific heavily affected areas through development and promotion of intelligent traffic regulation and control systems</li> </ul>
3	Conservation of the European cultural heritage	<ul style="list-style-type: none"> <li>▪ Designation and mapping of archaeological, historical, architectural and folkloric heritage in certain areas, through integrated programmes of planning, utilisation and promotion</li> <li>▪ Development of thematic spaces for the exhibition of archaeological, architectural, historical and religious monuments</li> <li>▪ Use of new technologies for the upgrading of exhibition practices and management of archaeological, historical and religious collections e.g. catalogue listing, environmental conditions monitoring etc.</li> <li>▪ Improve the accessibility for disabled persons to archaeological, historical and religious areas e.g. physical access development, design of special exhibits etc.</li> </ul>
4	Human resources development	<ul style="list-style-type: none"> <li>▪ Reinforcement of social integration within the framework of priorities established in the national social development program (with special focus on immigrants), including language training</li> <li>▪ Develop competence and administrative capacity of local public authorities through the use of new technologies</li> <li>▪ Reduce xenophobia and racism through the promotion of partnership initiatives i.e. between schools and local communities</li> <li>• Traffic behaviour training</li> </ul>

5	Health and childcare	<ul style="list-style-type: none"> <li>▪ Transfer of best practices in care and nursing standards for vulnerable groups – emphasising childcare – through the development of networks between different local authorities</li> <li>▪ Improved childcare through the development of local and national information services, including common standards to be applied by local childcare partnerships, and establishment of a national help line for assistance and information</li> <li>▪ Research programs and pilot implementation of preventive medicine</li> <li>▪ Improved care for abused women and children, including victims of trafficking in human beings</li> </ul>
6	Academic research	<ul style="list-style-type: none"> <li>▪ Activities which contribute to the aforementioned subjects 1-5</li> </ul>

## Annex C

### **SPECIFIC FORMS OF GRANT ASSISTANCE REFERRED TO IN ARTICLE 8 OF THE MEMORANDUM OF UNDERSTANDING**

The parties have agreed on the following grant schemes to be further developed for final approval.

1. Fund for **Scholarships** and mobility programmes. The Fund will support co-operation and transfer of knowledge in the areas outlined in Annex B.
2. **Technical Assistance Fund**. The Fund will support activities concerning costs related to publicity activities, workshops, preparation of technical documentation, translation of documents, monitoring agent etc.
3. **Seed Money Fund**. The Fund will, in general, support all activities described in the section on “Seed Money” of the Rules and Procedures approved by the Financial Mechanism Committee of the EEA Financial Mechanism. The fund will support the preparation of all projects that receive a positive evaluation in terms of the total financial and physical description of the proposal, in order to secure that these applications are sufficiently developed and detailed before being forwarded to the Financial Mechanism Office for appraisal, screening by the European Commission and a final decision by the Financial Mechanism Committee.