

**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 REPUBLIC OF PORTUGAL,  
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 Republic of Portugal to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between the EFTA States and the Republic of Portugal 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 Republic of Portugal, 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 €31,320,000 shall be made available to the Republic of Portugal 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 Republic of Portugal 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 Republic of Portugal has authorized the Ministry of Towns, Local Administration, Housing and Regional Development (Ministério das Cidades Administração Local, Habitação e Desenvolvimento Regional (MCALHDR)) to act on its behalf as its national focal point. It shall have overall responsibility for the management of the EEA Financial Mechanism’s activities in the Republic of Portugal, including financial control and audit and serve as a contact point. Its managerial setup is contained in Annex A.
6. The MCALHDR 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 Tribunal de Contas of Portugal 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 MCALHDR 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 MCALHDR 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 MCALHDR.
  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 Republic of Portugal shall provide all necessary assistance, information and documentation.

## **Article 10**

### *(Coordination)*

All projects submitted to the EEA Financial Mechanism shall be consistent with the Republic of Portugal'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 of signature.

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

Done in Brussels on 3 February 2005,

For the Republic of Iceland

For the Republic of Portugal

For the Principality of Liechtenstein

For the Kingdom of Norway

## IMPLEMENTATION SYSTEM - MANAGERIAL SET-UP

### A. NATIONAL FOCAL POINT

**The Ministry of Towns, Local Administration, Housing and Regional Development** fulfils the tasks of the **National Focal Point**. The National Focal Point has the overall responsibility for the management and coordination of the EEA Financial Mechanism's activities in **Portugal**, including the overall responsibility for the use of funds, financial control and audit.

Additionally, its responsibilities include, but are not limited to, the following:

- call for, collect, identify and select proposals to be forwarded to the EEA Financial Mechanism
- ensure proper implementation and monitoring of projects
- ensure regular reporting to the Financial Mechanism Office (FMO) on the implementation of projects financed by the EEA Financial Mechanism, as well as to immediately report any irregularities
- organise annual meetings with the Financial Mechanism Committee
- ensure information and publicity about available funds and inform the general public about the projects implemented under the EEA Financial Mechanism
- ensure that project promoters are fully committed and equipped to successfully implement projects
- ensures efficient and correct use of available funds
- ensure complete and sufficient audit trails in all engaged institutions
- ensure effective financial control and audits of approved projects
- store all documents connected with projects realised within the EEA Financial Mechanism for 10 years after the completion of projects

Further arrangements regarding the National Focal Point, such as designation of a unit responsible for the management and implementation of the EEA Financial Mechanisms within the Ministry, shall be elaborated by the Ministry in co-operation with the FMO, and approved by the latter, prior to receiving or calling for any project proposals.

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

The National Focal Point will carry out continuous auditing of approved projects as well as spot checks. The National Focal Point's obligations regarding audit also include:

- organising the auditing of the management and control systems of the administration and execute project audits on a sample basis
- presenting to the FMO an annual audit plan once a year



- compiling and submitting to the FMO a report summarising the outcome of audits conducted over the reporting period, in particular any irregularities detected
- reporting to the FMO without delay any found and/or suspected cases of fraud and irregularity as well as all measures related thereto taken by competent authorities

**The Tribunal de Contas** of Portugal executes independent control. The Tribunal de Contas is independent of the National Focal Point and Paying Authority.

The Focal Point has the duty to provide, in accordance with Article 6.2 of the Rules and Procedures, the FMO with copies of any reports made by the Tribunal de Contas, the National Focal Point, Intermediate Bodies, or any agency tasked with auditing the implementation of the Financial Mechanism, about projects or other activities related to the Financial Mechanism.

### **Financial Flow (Paying Authority)**

The Direcção Geral do Desenvolvimento Regional (DGDR) functions as the Paying Authority. Its responsibilities are, among others, to:

- receive requests for disbursements from Project Promoters, Programme, Block Grant and Seed Money Intermediaries, or final beneficiaries, where appropriate
- check requests, verify and certify to the FMO the authenticity and correctness of submitted documents
- verify the co-financing amounts allocated to projects
- submit certified requests for disbursements to the FMO, accompanied by all the necessary documentary evidence demonstrating fulfilment of the conditions for each disbursement
- receive funds from the FMO (or from its designated Disbursement Agent)
- ensure pre-financing of projects from the state budget in case of need
- maintain necessary documentation and audit trail of payments
- hold a register of irregularities related to the EEA Financial Mechanism
- reimburse unduly paid amounts to the FMO
- hold a designated bank account to which the funds from the EEA Financial Mechanism will be deposited
- manage the bank account and make the necessary transactions via an electronic payment system
- conduct accounting on all financial transactions
- store originals of relevant documents for 10 years after completion of projects

## **B. ADDITIONAL IMPLEMENTING STRUCTURES (Steering Committee, Monitoring Committee, and Intermediate Bodies)**

**The Steering Committee** is an advisory body to the National Focal Point and/or the relevant Intermediate Body regarding the identification, development and selection of proposals.

The Steering Committee's tasks include giving an opinion and making recommendations to the National Focal Point on the selection of projects to be submitted to the Financial Mechanism Committee. In order to properly evaluate project programmes and block grant applications, the Steering Committee may create working groups and use individual experts or other institutions.

A representative of the National Focal Point shall chair the Steering Committee. The Committee shall be made up of representatives of:

- the National Focal Point
- relevant line ministries
- the Paying Authority (DGDR)
- social and economic partners
- NGOs
- academic institutions
- regional and local governments

The National Focal Point will appoint the members of the Steering Committee

The FMO and, where appropriate, representatives of other institutions and organisations, will be invited to observe the meetings of the Committee.

**The Monitoring Committee** will operate on behalf of the National Focal Point. It should be independent from potential applicants. The Monitoring Committee will be responsible for monitoring the progress of already accepted projects and for providing an overall guidance to the National Focal Point on the project selection process, and the efficiency of the implementation of the EEA Financial Mechanism. The Monitoring Committee's responsibilities include, but are not limited to, the following:

- review the overall progress and financial reports
- periodical review of the project progress
- review of the project selection process
- examine and approve periodical reports on the use of financial resources
- ensure that the Focal Point is fully informed about the progress of projects and their compliance with terms and conditions of grants.

The Committee shall be made up of representatives of:

- the National Focal Point
- the Paying Authority (DGDR)
- relevant line ministries
- social and economic partners
- NGOs
- academic institutions
- regional and local governments

The Chairman of the Committee invites, as observers, representatives of the FMO.

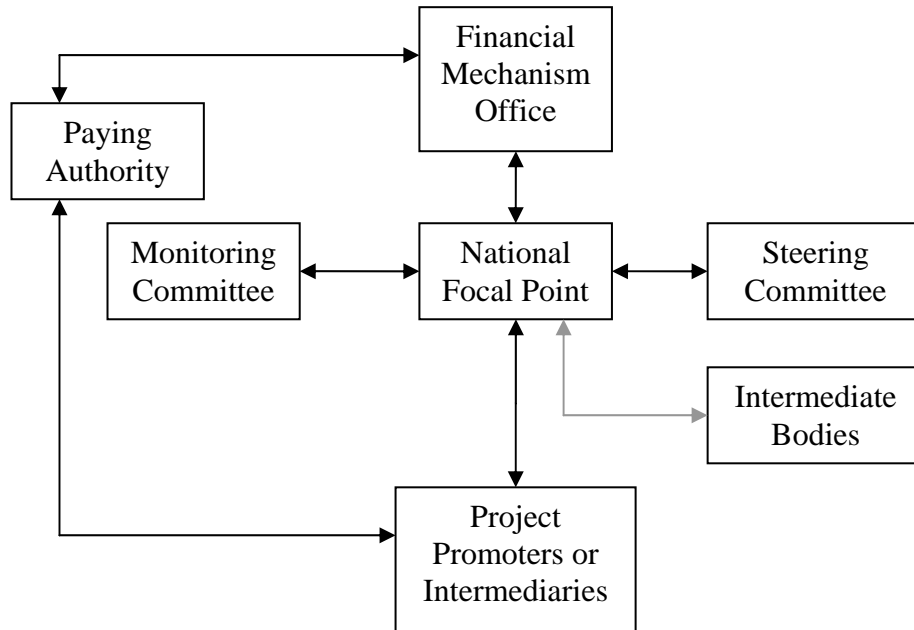
### **Intermediate Bodies**

The tasks of Intermediate Bodies will be entrusted with relevant line ministries responsible for each focus area under Annex B. The main tasks that the National Focal Point may delegate to the Intermediate Bodies are to:

- evaluate project applications within their focus area and recommend to the National Focal Point selected projects for financing
- prepare project progress reports
- monitor project implementation, in particular in relation to preparation for National Focal Point's periodical monitoring reports on the use of financial resources
- detect irregularities and report on them to National Focal Point
- inform the general public about the projects implemented under the EEA Financial Mechanism
- store all documents relating to projects realised within the EEA Financial Mechanism for 10 years after the completion of projects

### **C. APPLICATION PROCEDURE**

Proposals for projects should be submitted to the National Focal Point. The National Focal Point makes an initial review of the compliance with its application procedures, including relations to the priority areas, and forwards the application for review to the Steering Committee, as well as to the relevant Intermediate Body when appropriate. After reviewing recommendations from the Steering Committee, or if the Steering Committee cannot agree on recommendations, the National Focal Point decides, taking into account recommendations from the relevant Intermediate Body, whether the application is to be forwarded to the FMO. If the Focal Point decides not to forward an application to the FMO, it notifies the applicant and explains what corrections or additions are required. If the Focal Point is satisfied that the application is in an appropriate format, in accordance with Protocol 38a and is in furtherance of the overall goal of the EEA Financial Mechanism, it may forward the application to the FMO.



**Procurement**

Any procurement shall comply with the relevant law applicable in Portugal.

**Language**

All communication between the EEA Financial Mechanism and Portuguese institutions and authorities shall be in English. Original documents in Portuguese provided to the EEA Financial Mechanism shall be accompanied by translations into English. Documents that do not need to be sent to the EEA Financial Mechanism can be prepared in Portuguese.

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

**Priority Area**

- |   |  |
|---|--|
| <b>Conservation of the European cultural heritage</b> | <ul style="list-style-type: none"><li>- Protection and renewal of immovable cultural heritage</li><li>- Improvement of care and protection of movable cultural heritage</li><li>- Renewal of urban areas and historical parts in regions</li><li>- Renewal of historical and cultural heritage in regions</li><li>- Small-scale revitalisation of brown fields in towns and municipalities</li></ul> |
| <b>Human resource development</b>                     | <ul style="list-style-type: none"><li>- Improve and modernise services of public administrations at regional and local levels, including social services</li><li>- Improve and mainstream gender equality in public services</li></ul>   |
| <b>Protection of the environment</b>                  | <ul style="list-style-type: none"><li>- Reduction of pollution, mainly in urban public transport</li><li>- Improvement of water management systems</li><li>- Coastal management</li></ul>  |
| <b>Promotion of sustainable development</b>           | <ul style="list-style-type: none"><li>- Sustainable forest management</li><li>- Implementation of sustainable public service centres in rural areas</li><li>- City networks for competition and internationalisation</li></ul>   |
| <b>Academic research and development</b>              | <ul style="list-style-type: none"><li>- Academic research and development within the above mentioned areas as well as in the health sector</li></ul>   |

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

According to Article 2.2.3 of the rules and Procedures, specific forms of grant assistance (block grants and seed money facility) may be established in addition to individual projects and programmes. Initially, the following specific forms of grant assistance may be developed for final approval according to the application procedures of the Rules and Procedures.

**1. Funds for Non-Governmental Organisations**

Funds for non-governmental associations, operating in all priority sectors.

**2. Scholarship and Training Funds**

Scholarship and Training funds to be developed within the environmental, cultural, public administration and health and childcare sectors.

**3. Individual research projects**

Individual research projects in any of the priority sectors realised in the framework of the EEA Financial Mechanism.

**4. Technical Assistance Fund**

Measures relating to information on and promotion of the possibilities of using funds from the EEA Financial Mechanism, preparation of technical documentation and translation of documents, and the assistance of experts and advisors.