

MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM
2009-2014

between

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

and

THE REPUBLIC OF ESTONIA,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties",

WHEREAS Protocol 38b 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 2009-2014, establishes a financial mechanism (hereinafter referred to as the “EEA Financial Mechanism 2009-2014”) 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 2009-2014 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. 5/2010/SC of 9 December 2010 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 2009-2014;

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 2009-2014;

the Parties HAVE AGREED on the following:

Article 1 Objectives

1. The overall objectives of the EEA Financial Mechanism 2009-2014 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) Environmental protection and management;
- (b) Climate change and renewable energy;
- (c) Civil society;
- (d) Human and social development; and
- (e) Protecting cultural heritage.

Academic research may be eligible for funding in so far it is targeted at one or more of the priority sectors.

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 2009-2014:

- (a) Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014;
- (b) the Regulation on the implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8.8 of Protocol 38b;
- (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 of Protocol 38b, the total amount of the financial contribution is € 988.5 million in annual tranches of € 197.7 million over the period running from 1 May 2009 to 30 April 2014, inclusive.
2. In accordance with Article 5 of Protocol 38b, a total of € 23 million shall be made available to the Beneficiary State over the period referred to in Paragraph 1.
3. In accordance with Article 8.7 of Protocol 38b and Article 1.8 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 € 21,275,000.

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 38b and the programme areas identified in Annex B of this Memorandum of Understanding. The Donor States and the Beneficiary State may consult on possible and specific programmes before a formal programme proposal is submitted to the Financial Mechanism Committee.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2009-2014 in accordance with Annex B and the programme agreements.
3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2009-2014 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 2009-2014 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 2009-2014 as well as for the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State in accordance with the Regulation. In accordance with Article 4.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and an appropriate national

entity responsible for the preparation and submission of irregularities reports are designated in Annex A.

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.1 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:

- (a) a list of agreed programme areas, the financial contribution from the EEA Financial Mechanism 2009-2014 by programme area;
- (b) identification of programmes, their main focus and outcomes, as appropriate, as well as any specific concerns relating to target groups, geographical areas or other issues;
- (c) identification of programme operators, if appropriate;
- (d) initiatives to strengthening the bilateral relations between the Donor States and the Beneficiary State, including the identification of programme areas in which donor partnership programmes as referred to in Article 3.2 shall be prepared, the designation of donor programme partners, the allocation of funds for such programmes, and programmes, or component thereof, that are dedicated exclusively to donor partnership projects;
- (e) in specific cases, the identification of pre-defined projects to be included in relevant programmes;
- (f) identification of small grant schemes, as appropriate.

2. The implementation framework is outlined in Annex B.

Article 7
Annual meetings

In accordance with Article 2.3 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.

Article 8
Modification of the annexes

1. Annex A may be subject to review at the annual meetings. Amendments to Annex A agreed upon at the annual meetings do not require a formal change to this Memorandum of Understanding. Such amendments shall be confirmed through an exchange of letters between the FMC and the National Focal Point.
2. Annex B may be changed through an exchange of letters between the FMC and the National Focal Point.

Article 9
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 10
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 2009-2014 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, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2009-2014.
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 2009-2014.

Article 11
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 on
For Iceland

Signed in on
For the Republic of Estonia

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Signed in on
For the Principality of Liechtenstein

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Signed in on
For the Kingdom of Norway

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National management and control structures

1. National Focal Point

The Ministry of Finance of the Republic of Estonia shall act as the National Focal Point. The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 4.3 thereof.

The tasks of the National Focal Point are fulfilled by three departments of the Ministry of Finance of the Republic of Estonia: the Structural and Foreign Assistance Department, the State Budget Department and the EU Payments Department. These departments are accountable to the Deputy Secretary-General for State Fiscal Policy, who will act as the head of the National Focal Point.

The Structural and Foreign Assistance Department shall fulfil the tasks of the National Focal Point stipulated in the Regulation except the tasks related to strategic planning of the use of the contribution from the EEA Financial Mechanism 2009-2014 and assessment of programme proposals. The Structural and Foreign Assistance Department is responsible for coordination and management of the EU structural funds and foreign assistance.

The State Budget Department shall fulfil the tasks of the National Focal Point related to strategic planning of the use of the contribution from the EEA Financial Mechanism 2009-2014 and assessment of programme proposals. The State Budget Department is responsible for programming the EU structural funds and foreign assistance.

2. Certifying Authority

In accordance with Article 4.2.3 of the Regulation the National Focal Point takes on the tasks of the Certifying Authority.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 4.5 thereof. In accordance with Article 4.2.3 of the Regulation the adequate functional separation of tasks related to payments from other tasks within the National Focal Point shall be ensured.

The EU Payments Department of the Ministry of Finance shall fulfil the tasks of the Certifying Authority stipulated in the Regulation. The EU Payments Department is responsible for financial management of the EU structural funds and foreign assistance.

The task of maintaining accounting records on financial transactions realised shall be assigned to the State Shared Service Centre which is administered by the Ministry of Finance of the Republic of Estonia. The National Focal Point shall regularly control accounting records maintained by the State Shared Service Centre.

3. Audit Authority

The Financial Control Department of the Ministry of Finance of the Republic of Estonia shall act as the Audit Authority. The Financial Control Department's main responsibilities are coordination and analysis of the internal control systems and organisation of internal audit in governmental agencies. The Financial Control Department carries out the functions of the Audit Authority for the EU structural funds and foreign assistance. The head of the Financial Control Department shall be the head of the Audit Authority. The Financial Control Department is accountable to the Secretary-General of the Ministry of Finance of the Republic of Estonia.

The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 4.6 thereof.

The Audit Authority shall be functionally independent of the National Focal Point.

The National Focal Point shall provide the FMC with copies of any audit report that is made by the National Audit Office of Estonia regarding the implementation of the EEA Financial Mechanism 2009-2014.

4. National public entity responsible for the preparation and submission of irregularities reports.

The Structural and Foreign Assistance Department of the Ministry of Finance of the Republic of Estonia shall be responsible for the preparation and submission of irregularities reports. The roles and responsibilities of the entity responsible for the preparation and submission of irregularities reports are stipulated in the Regulation, in particular Article 11.3 thereof.

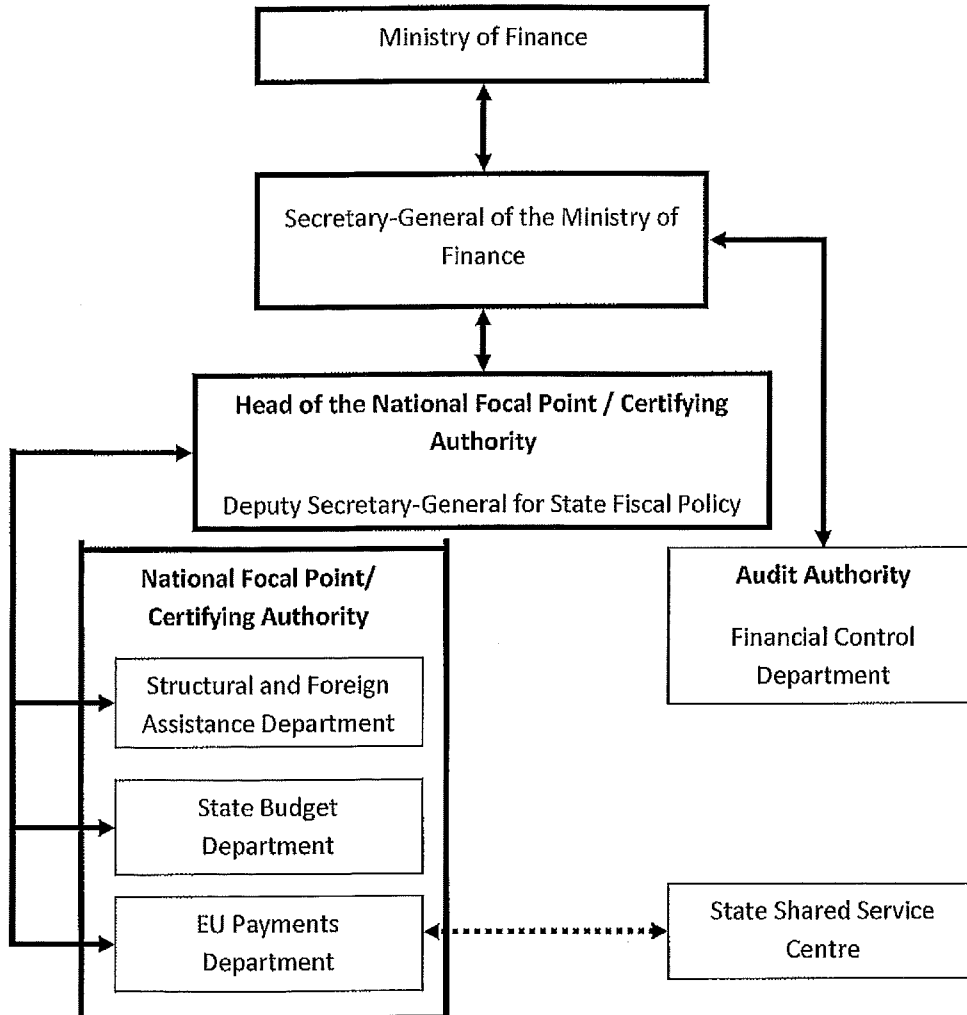
5. Monitoring Committee

The Monitoring Committee shall be established within six months of the signing of the Memorandum of Understanding. Its role is stipulated in the Regulation, in particular Article 4.4 thereof.

6. Strategic Report and annual meetings

In accordance with Article 2.2 of the Regulation, the National Focal Point shall annually submit to the FMC a Strategic Report on the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State. The Parties shall endeavour to hold the annual meeting in the month of May every year.

7. Organigram



Implementation framework

In accordance with Article 2.1 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

Estonia	EEA FM contribution
Programme area	
Integrated Marine and Inland Water Management	€ 6,900,000
Funds for Non-governmental Organisations	€ 2,300,000
Children and Youth at Risk	€ 6,505,000
Conservation and Revitalisation of Cultural and Natural Heritage	€ 4,510,000
Scholarships	€ 600,000
Other allocations	
Technical assistance to the Beneficiary State (Art. 1.9)	€ 236,152
Fund for bilateral relations at national level (Art. 3.5.1)	€ 223,848
Net allocation to Estonia	€21,275,000

2. Specific concerns

Bilateral relations between the Donor States and Estonia shall be strengthened with the aim of stimulating long-term cooperation, in particular in the programme areas listed below with donor programme partners, as well as through other means such as partnership at project level in all programme areas supported.

The appraisal of Programme Proposals will take due account of relevant human rights- and governance-related standards of the Council of Europe (such as those monitored by CPT, GRECO, GRETA, ECRI etc.), including the Convention for the Protection of Human Rights and Fundamental Freedoms.

3. Substantive parameters of the implementation framework

The programmes described below are to be prepared and, subject to FMC approval, implemented in the Beneficiary State.

A. Programme Area: Integrated Marine and Inland Water Management

<i>Programme:</i>	Integrated Marine and Inland Water Management
<i>Objective:</i>	Good environmental status in European marine and inland waters
<i>Expected outcomes:</i>	Established environmental targets and management plans for marine and inland waters

Improved environmental information on impact, status and trends
Developed strategies and measures for adapting to a changing climate

Programme grant: € 6,900,000
Programme Operator: Ministry of the Environment
Donor programme partner: The Norwegian Environment Agency (NEA)
Specific concerns: The Programme shall include assessment of and measures in the Baltic Sea related to biological diversity, ecosystem services and pollution from ships, including assessing the feasibility of LNG as an alternative fuel.

B. Programme Area: Funds for Non-governmental Organisations

Programme: Fund for Non-governmental Organisations
Objective: Strengthened civil society development and enhanced contribution to social justice, democracy and sustainable development

Programme grant: € 2,300,000
Programme Operator: The Financial Mechanism Office is entrusted with operating the programme in line with Article 5.13 of the Regulation.
Specific concerns: The Programme shall include support to multicultural dialogue and the integration of national minorities as well as developing social services with focus on activities targeting children and youth. It shall also support NGO capacity building.

C. Programme Area: Children and Youth at Risk

Programme: Children and Youth at Risk
Objective: Improved well-being of children and young people at risk
Expected outcomes: Effective and efficient measures addressing vulnerable groups of children and youth facing particular risks implemented
Policies and standards of intervention in the field of juvenile justice developed and implemented in view to ensuring protection and securing full rights during detention and a wide range of opportunities for young offenders to re-integrate society created

Programme grant: € 6,505,000
Programme Operator: Estonian Ministry of Education and Research, in cooperation with the Ministry of Social Affairs and the Ministry of Justice
Donor programme partner: Norwegian Association of Local and Regional Authorities (KS)
Main focus: The Programme shall focus on implementing an evidence-based parenting programme; prevention of problems through formal and informal education; community-based early

detection and intervention; and re-socialising juvenile offenders.

Specific concern:

Support provided under this Programme shall ensure strengthening the capacity of municipalities in addressing the main focus of the Programme. Activities may be initiated at both central and local levels. Attention shall be given to municipalities with a high percentage of national minorities.

D. Programme Area: Conservation and Revitalisation of Cultural and Natural Heritage

Programme: Conservation and Revitalisation of Cultural and Natural Heritage

Objective: Cultural and natural heritage for future generations safeguarded and conserved and made publicly accessible

Programme grant: € 4,510,000

Programme Operator: Estonian Ministry of Culture

Donor programme partner: Norwegian Directorate for Cultural Heritage (RA)

Main focus: The Programme shall focus on the preservation and revitalisation of manor house schools.

E. Programme Area: Scholarships

Programme: EEA Scholarship Programme

Objective: Enhanced human capital and knowledge base in the Beneficiary States

Programme grant: € 600,000

Programme Operator: Estonian Ministry of Education and Research

Donor programme partners: The Icelandic Centre for Research – RANNIS (Iceland), the National Agency for International Education Affairs – AIBA (Liechtenstein), and the Norwegian Centre for International Cooperation in Higher Education – SIU (Norway). SIU will function as lead Donor Programme Partner.

Specific concern: The programme shall be implemented jointly with the Norwegian-Estonian Scholarship Programme as well as the Norwegian-Estonian Research Cooperation Programme under the Norwegian Financial Mechanism.