

**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 POLAND,
hereinafter referred to as the “Beneficiary State”
together hereinafter referred to as the “Parties”,

(as amended on 18 December 2007 and on 9 November 2010)

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 Poland to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between the EFTA States and the Republic of Poland 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 Poland, 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 €280.800.000 shall be made available to the Republic of Poland 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 Poland 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 Poland has authorized a National Focal Point, designated in Annex A, to act on its behalf. The National Focal Point shall have overall responsibility for the management of the EEA Financial Mechanisms activities in the Republic of Poland, including financial control and audit and serve as a contact point. Its managerial setup is contained in Annex A.
6. The National Focal Point 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.
7. As a general rule and based on the nature of the project, the gathering of applications shall be carried out by open calls for proposals.
8. The National Focal Point 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 effective implementation of the EEA Financial Mechanism, the Parties agree to hold annual meetings between the Financial Mechanism Committee and the National Focal Point. The National 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 National Focal Point shall organise the meetings in cooperation with the FMO. The Commission of the European Communities may be invited to observe the meetings.
3. Annexes A, B, and C may be subject to review in the annual meetings. Amendments to the Annexes agreed upon at such meetings do not require a formal change to this MoU. Such amendments shall be confirmed through an exchange of letters between the EEA Financial Mechanism Committee and the National Focal Point.
4. The minutes of the meetings shall be drafted by the National Focal Point.
5. 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)

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.

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.

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 Poland shall provide all necessary assistance, information and documentation.

Article 10

(Coordination)

The Republic of Poland and the FMO shall closely coordinate the use of the EEA Financial Mechanism with the use of the Norwegian Financial Mechanism. All projects submitted to the Mechanisms shall be consistent with the Republic of Poland'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.

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

Done in Brussels on 28 October 2004.

For the Republic of Iceland,

For the Republic of Poland

For the Principality of Liechtenstein,

For the Kingdom of Norway,

*Annexes for the Memorandum of
Understanding on the implementation
of the EEA Financial Mechanism
2004-2009*

Annex A

Polish managerial set-up for the implementation of the EEA Financial Mechanism

Implementation system

1. The EEA Financial Mechanism Committee (FMC) manages the EEA Financial Mechanism and decides on the granting of assistance.
2. The Financial Mechanism Office (FMO) is responsible for the day-to-day implementation of the EEA Financial Mechanism and serves as a contact point.
3. National Focal Point - the Ministry of Regional Development fulfils tasks of a National Focal Point. The National Focal Point has the overall responsibility for the management of the EEA Financial Mechanism's activities in Poland as described in this Memorandum of Understanding (MoU) and the Rules and Procedures adopted by the Financial Mechanism Committee, including the overall responsibility for the use of funds, financial control and audit. In particular, its responsibilities include but are not limited to the following:
 - collect proposals from all intermediate bodies and, with its reasoned opinion of the proposed projects, submit them to the Financial Mechanism Office,
 - ensure correctness of management and implementation of realised projects,
 - chair the Monitoring Committee,
 - ensure efficiency and correctness of use of available funds,
 - draw up annual reports on implementation to be forwarded for approval to the Monitoring Committee and submitted to the Financial Mechanism Office,
 - ensure a complete and sufficient audit path in all engaged institutions,
 - ensure information and publicity about available funds,
 - store all documents relating to projects realised within the EEA Financial Mechanism.

The role of the National Focal Point is to be further elaborated in Grant Agreements between the EEA Financial Mechanism and the Beneficiary State.

4. Intermediate Body - the tasks of Intermediate Bodies have been entrusted with the ministries responsible for each priority sector (see Table 1). Under the overall management and responsibility of the National Focal Point, the main tasks of the Intermediate Body are as follows:
 - call for and collect applications for projects within the priority area from potential beneficiaries,
 - ensure regularity of the management of projects realised within the EEA Financial Mechanism,
 - monitor project implementation, in particular preparation of National Focal Point's periodical reports on the use of financial resources,
 - prepare applications for amendment and transfer these to the National Focal Point,
 - detect irregularities and report these to the 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
 - conduct formal, technical and content-related application appraisal
 - present to the members of the Steering Committee a ranking list together with justification

5. The Intermediate Body can delegate certain managerial tasks to auxiliary institutions. The Intermediate Body and auxiliary institutions will sign a legal agreement on the taking over by auxiliary institutions of some of the managerial and implementation functions. In this case, the Intermediate Body retains its overall responsibility and is fully responsible to the National Focal Point for the efficiency and accuracy of the management and implementation of the EEA Financial Mechanism.

Table 1.

Priority	Intermediate Body	Auxiliary institution for Intermediate Body
Protection of the environment, including the human environment, through, <i>inter alia</i> , reduction of pollution and promotion of renewable energy	Ministry of Environment	The National Fund for Environmental Protection and Water Management
Promotion of sustainable development through improved resources use and management	Ministry of Environment	The National Fund for Environmental Protection and Water Management
Conservation of European cultural heritage including public transport, and urban renewal	Ministry of Culture and National Heritage	
Human resources development through, <i>inter alia</i> , promotion of education and training, strengthening of administrative or public service capacities of the local government or its institutions as well as the democratic processes that support it	Ministry of Foreign Affairs	
Health and childcare	Ministry of Health	The Office for Foreign Aid Programs in Health Care in the Ministry of Health
Academic research grants	Ministry of Science and Higher Education	

6. The National Focal Point will create one Monitoring Committee for the EEA Financial Mechanisms and the Norwegian Financial Mechanism. The Committee is responsible to the National Focal Point for the monitoring of project realisation within the framework of both Financial Mechanisms. The Monitoring Committee is in particular responsible for the following:
- periodically review the progress of the projects being realised,
 - examine and approve the periodical reports on the use of financial resources,
 - assess the efficiency and effectiveness of using financial resources available in the framework of both Mechanisms.

The Committee shall be made up of representatives of:

- the ministries involved in the implementation of funds from both Mechanisms,
- social and economic partners, including employers' and employees' organisations,
- non-governmental institutions,
- regional and local level government.

The Chairman of the Committee invites, as observers, representatives of the Financial Mechanism Office, and, as appropriate, representatives of other institutions and organisations, whose presence could be essential to the effective implementation of the assistance provided by the EEA Financial Mechanism.

7. Steering Committee - all Intermediate Bodies have to appoint Steering Committees. Based on the ranking list of eligible projects and the justification, as presented by the Intermediate Body, the Steering Committee decides on the possible financing from the EEA Financial Mechanism projects on the ranking list. The Steering Committees' tasks include giving an opinion and making recommendations 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 will operate in an open and transparent manner.

The Committee shall be made up of representatives of:

- the Intermediate Body, depending on priority sectors,
- regional and local level government,
- social and economic partners.

The Chairman of the Committee invites, as observers, representatives of National Focal Point, the Paying Authority and, as appropriate, representatives from other institutions and organisation, whose presence could be essential to the effective implementation of the assistance provided by the EEA Financial Mechanism.

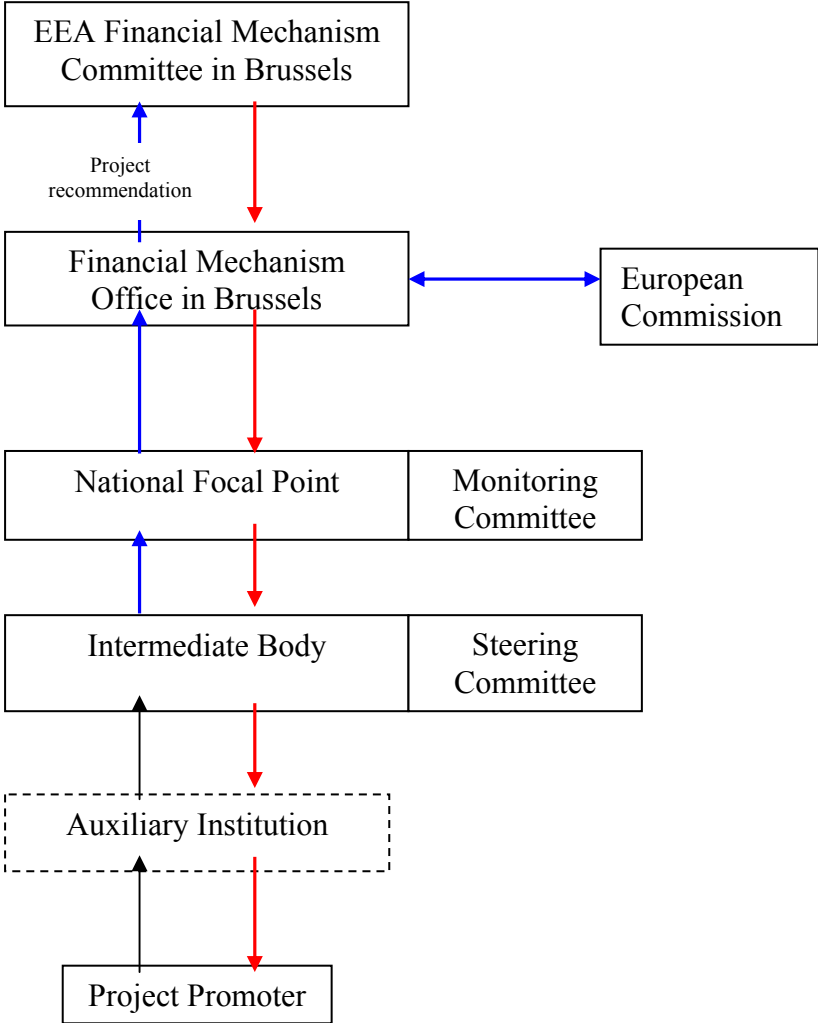
8. Paying Authority functions for both Financial Mechanisms are performed by the Ministry of Finance. Grant assistance disbursement will be made to a designated bank account at the Ministry of Finance. The tasks of the Paying Authority are in particular to:
- manage the accounts on which grants from both Mechanisms are kept,
 - certify to the Financial Mechanism Office that expenditure declarations are made on the basis of reliable and verified documents,
 - report on finance flow to the National Focal Point,
 - draw up and submit to the Financial Mechanism Office payment applications for reimbursement of the expenditures and applications for advance payments,
 - ensure that payments are made to the final beneficiaries as quickly as possible and within the specified deadlines.

Furthermore, the Paying Authority is responsible to the National Focal Point for developing, implementing and maintaining the procedures for financial management and control. The Paying Authority will verify application of these procedures by the Intermediate Body.

9. The Ministry of Finance, through its subordinate departments, performs the tasks of an Audit Institution. Its main responsibility is to:
- carry out audits of projects,
 - preparation of yearly audit plan and a summary of audit reports and submitting them to the National Focal Point,
 - reconcile the summary amounts certified to the FMO with the individual expenditure records and original supporting documents held at the various administrative levels and by the final beneficiaries including, where the latter are not the final recipients of funding, the bodies or firms carrying out operations,
 - verify the allocation and transfer of the available funds from both Financial Mechanisms and national funds,
 - control the regularity of eligible expenditures based on a representative sample of the operations approved,
 - ensure efficient and prompt investigation of any suspected and actual cases of fraud and irregularity and reporting these to the National Focal Point,
 - prepare yearly audit reports for the National Focal Point.

10. In order to facilitate timely transfers of funds to Project Promoters and Intermediaries, the FMC shall provide the National Focal Point with an advance payment (working capital) to be held on an account by the Paying Authority. Payments to Project Promoters and Intermediaries may be transferred from the working capital when Polish national conditions for payments have been met. The amount, special reporting requirement, set-off mechanism and other modalities and conditions shall be specified in an instruction issued by the EEA Financial Mechanism Committee to the National Focal Point. The instruction shall be binding for the National Focal Point.

Project implementation chart for all priority sectors



—▶	Project Proposal
—▶	Project selected at national level
—▶	Accepted project

The application procedure

Information relating to the gathering of project proposals will be announced according to availability of funds and projects. As a general rule and based on the nature of the project, the collection of applications shall be carried out by open calls for proposals. The applications should be submitted to the Intermediate Body/Auxiliary Body, which evaluates the completeness of applications and assesses them on the formal aspects. If any faults are found, applications shall be corrected by the applicants upon request from the Intermediate Body/Auxiliary Body. Applications, after preliminary assessment, will be evaluated according to technical and content-related criteria by the Intermediate Body/Auxiliary Body, which awards points to the projects. The procedure results in the preparation of a ranking list of eligible projects, including justification. The list is forwarded to the Steering Committee for approval. The Steering Committee can make justified changes to the list before approval. The list, as approved by the Steering Committee as its recommendations, is submitted to the National Focal Point. Based on the recommendations of the Steering Committee, the National Focal Point decides which proposals are eligible for submission to the Financial Mechanism Office (FMO) and submits such proposals to the FMO along with its reasoned opinion. According to the Rules and Procedures, the FMO makes recommendations on the proposals and submits them to the EEA Financial Mechanism Committee, which makes the final decision on the co-financing of the project. On the basis of a positive decision, a Grant Agreement will be concluded between the EEA Financial Mechanism Committee and the National Focal Point.

Annex B

The programming framework referred to in Article 7 of the Memorandum of Understanding

Within the overall framework of the priority areas mentioned in Article 6 of the MoU, particular attention shall be given to the Focus Areas indicated below. The EEA Financial Mechanism aims to contribute to the reduction of economic and social disparities in the European Economic Area and strengthen the bilateral relations between Poland and the EEA EFTA States.

PRIORITY SECTORS	FOCUS AREAS
<p>Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy</p>	<p>Priority objective To reduce the quantity of hazardous substances in the environment through, among other things, protection of air and surface waters and rational waste management.</p> <p>Types of eligible projects Construction and modernisation of environmental protection infrastructure:</p> <ul style="list-style-type: none"> - restrictions in usage of individual heating systems in favour of communal/municipal heating networks; - replacement of obsolete heating energy sources by modern, energy-saving and ecological ones; - thermal-insulation work in public utility buildings; - investments in the field of use of renewable energy sources, such as small hydropower plants of up to 5 Mega Watts (MW), use of solar energy and of biomass in individual heating systems; - construction, rebuilding or modernisation of municipal waste water treatment plants and sewage pipeline systems; - organisation of selective solid waste collection and its subsequent reuse through recycling.
<p>Promotion of sustainable development through improved resources use and management</p>	<p>Priority objective To promote and bring into effect the principles of sustainable development amongst authorities and communities.</p> <p>Types of eligible projects Institution strengthening projects in the following areas:</p> <ul style="list-style-type: none"> - reduction of energy, raw material and water consumption of manufacturing and services activities through improvement of efficiency of productive resources use; - use of alternative energy sources; - support for the creation of a “green workplace” and “green procurement”; - enhancement of environmental education through creation of networks for environmental learning; - activities encouraging protection, improvement and restoration of biodiversity, including marine resources and areas included in the Nature 2000 sites; - activities for supporting forest management
<p>Conservation of European cultural heritage including public transport and urban renewal</p>	<p>Priority objective To preserve and reconstruct the European cultural heritage and its surroundings and to create national cultural tourism products in historical cities (especially Warszawa, Kraków, Wrocław, Poznań, Gdańsk).</p> <p>Types of eligible projects Projects of a minimum value of 1 million euros in the fields of:</p> <ul style="list-style-type: none"> - revitalisation, conservation, renovation, modernisation and adaptation of historical objects and complexes and their surroundings for cultural purposes, especially those implemented under national strategies for the development of cultural tourism products; - revitalisation of historical urban areas; - revitalisation, conservation, renovation, modernisation and adaptation of fortification complexes and buildings for cultural purposes; - revitalisation of post-industrial objects with a high historical value for cultural purposes, in particular for modernity museums; - renovation, protection and preservation of martyrdom and memory sites;

	<ul style="list-style-type: none"> - building and extension of public and non-profit cultural institutions of European meaning; - building, extension, reconstruction and adaptation of cultural infrastructure in places of symbolic importance for Polish culture; - complex conservation programmes of mobile monuments and conservation and digitalisation of history book collections and archives; - creation of protection systems for illegal removal of works of art and protection of mobile and immobile monuments against robbery and destruction.
<p>Human resources development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it</p>	<p>Priority objectives Enhancement of self-governmental administration through broadening of knowledge and enhancement of skills of the representatives of public administration at voivodship, powiat and gmina level. In addition, strengthening of civil society through enhancement of the non-governmental sector, with particular attention to the realisation of equal rights for men and women.</p> <p>Types of eligible projects</p> <ul style="list-style-type: none"> - promotion of vocational training for the broad group of voivodship, powiat and gmina level employees; - development of training curricula on the basis of identified tasks of self-governmental administration, including issues relating to equal rights for men and women; - elaboration of competence standards in the area of EU integration; - training for employees of voivodship, powiat and gmina administration; - support for constancy and information activities for self-governmental administration and the non-governmental sector; - development of appropriate educational tools and promotion of local partnerships; - modernisation of local and regional government administration services and improvement of efficiency and implementation of best business practices through the use of latest IT software and technology; - support for co-operation between self-government and NGOs.
<p>Health and childcare</p>	<p>Priority objectives Improvement of living standards through, among others, prevention and health promotion programmes, improvement of the quality of services provided by healthcare units and increase of access to and streamlining of primary and specialised healthcare. Projects within this priority sector should focus on small towns and rural areas, where availability of medical services and information is substantially limited. The activities implemented in the field of health and childcare should be consistent with the national or regional healthcare development strategies.</p> <p>Types of eligible projects</p> <ul style="list-style-type: none"> - prevention and health promotion programmes; - perinatal healthcare improvement programmes¹; - programmes increasing social awareness on modern family planning methods and mature parenthood standards; - programmes within a scope of therapeutic telemedicine systems and medical Internet-based education and data collection systems; - improvement of access to and quality of healthcare; - programmes aimed at integration of societies menaced by pathology and prevention of juvenile crime (with special emphasis on overcoming social pathologies like drug addiction and alcoholism);

¹ Perinatal health is a comprehensive activity, embracing mother, embryo and infant. It is aimed at ensuring constant care, prevention and proper medical treatment in the preconception, pregnancy, childbirth and childbed period.

	<ul style="list-style-type: none"> - projects aimed at the integration of disabled children with fully abled children; - projects aimed at realisation of open access recreation zones for children.
Grants for academic research	<p>Priority objectives To support implementing bodies through provision of knowledge of best technological practice, which may be used within the EEA Financial Mechanism. This aim will be achieved through the distribution of financial resources for research by scientific institutions and research teams, and support in the exchange of science and technology between Poland and the EEA countries.</p> <p>Types of eligible projects Research projects from all the disciplines and areas of science realised under the EEA Financial Mechanism.</p>

Annex C
Specific forms of grants assistance referred to in
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 will be developed for final approval according to the application procedures of the Rules and Procedures.

1. Technical Assistance Fund

Measures relating to information on and promotion of the possibilities of using funds from the EEA Financial Mechanism, preparation of management, implementation system, including monitoring, control and audit in the institutions involved in the implementation of the EEA Financial Mechanism and translation of documents and the assistance of experts and advisors

2. Funds for Non-governmental Organisations

Fund for non-governmental associations operating in all priority sectors

3. Scholarship and Training Funds

Scholarship and training funds to be developed within the environmental, cultural, public administration and health and childcare sectors, as well as student exchanges between Poland and the EEA EFTA countries, including strengthening language training

4. Seed Money Facility

A seed money facility will be developed according to the Rules and Procedures for the EEA Financial Mechanism.

5. Cultural Exchange Fund

A cultural exchange fund will be developed to foster cultural exchange between Poland and the EFTA States.