

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

between

THE KINGDOM OF NORWAY,
hereinafter referred to as “Norway”

and

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

together hereinafter referred to as the “Parties”,

WHEREAS the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 establishes a financial mechanism (hereinafter referred to as the “Norwegian Financial Mechanism 2009-2014”) through which Norway will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the Additional Protocol to the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 consequent to the participation of the Republic of Croatia in the European Economic Area makes the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 applicable *mutatis mutandis* to the Republic of Croatia, with certain exceptions;

WHEREAS the Norwegian Financial Mechanism 2009-2014 aims to strengthen relations between Norway and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between Norway 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 recognise that the Republic of Croatia joins the Norwegian Financial Mechanism 2009-2014 at a very late stage and that this constitutes an exceptional situation with severe time constraints on the implementation of the Norwegian Financial Mechanism 2009-2014 in Croatia;

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the Norwegian Financial Mechanism 2009-2014;

HAVE AGREED on the following:

Article 1 Objectives

1. The overall objectives of the Norwegian 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 Norway 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) Carbon capture and storage;
- (b) Green industry innovation;
- (c) Research and scholarship;
- (d) Human and social development;
- (e) Justice and home affairs;
- (f) Promotion of decent work and tripartite dialogue.

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 Norwegian Financial Mechanism 2009-2014:

- (a) the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as “the Agreement”);
- (b) the Additional Protocol to the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 consequent to the participation of the Republic of Croatia in the European Economic Area (hereinafter referred to as the “Additional Protocol”);
- (c) the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the “Regulation”) issued by Norway in accordance with Article 8.8 of the Agreement;
- (d) the programme agreements that will be concluded for each programme; and
- (e) any guidelines adopted by the Norwegian Ministry of Foreign Affairs (NMFA) in accordance with the Regulation.

Article 3
Financial Framework

1. In accordance with Article 1 of the Additional Protocol, the Agreement shall apply *mutatis mutandis* to the Beneficiary State.
2. In accordance with Article 2 of the Additional Protocol, a total of € 4,600,000 shall be allocated to the Beneficiary State over the period running from 1 July 2013 to 30 April 2014, inclusive; it shall be made available for commitment in a single tranche as from the date of entry into force of the Additional Protocol or of an agreement to apply the Additional Protocol provisionally and until 30 April 2014.
3. In accordance with Article 8.7 of the Agreement and Article 1.8 of the Regulation, the management costs of Norway 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 € 4,255,000.

Article 4
Roles and responsibilities

1. Norway shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the NMFA within the priority sectors listed in Article 3 of the Agreement and the programme areas identified in Annex B of this Memorandum of Understanding. Norway and the Beneficiary State may consult on possible and specific programmes before a formal programme proposal is submitted to the NMFA.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the Norwegian Financial Mechanism 2009-2014 in accordance with Annex B and the programme agreements.
3. The NMFA shall manage the Norwegian Financial Mechanism 2009-2014 and take decisions on the granting of financial assistance in accordance with the Regulation.

4. The NMFA 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 Norwegian 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 Norwegian Financial Mechanism 2009-2014 as well as for the implementation of the Norwegian 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 Norwegian 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 Norway 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 NMFA and the National Focal Point. The annual meeting shall allow the NMFA 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 NMFA and the National Focal Point.

2. Annex B may be changed through an exchange of letters between the NMFA and the National Focal Point.

**Article 9
Control and Access to Information**

The NMFA, the Office of the Auditor General of Norway 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 Norwegian Financial Mechanism 2009-2014 shall be pursued in the framework of close co-operation between Norway 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 Norwegian 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 Norwegian 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 two originals in the English Language.

Signed in on
For the Kingdom of Norway

Signed in on
For the Republic of Croatia

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National management and control structures

1. National Focal Point

The Sector for EU Programmes, within the Directorate for Strategic Planning, at the Ministry of Regional Development and EU Funds shall act as the National Focal Point.

The Sector for EU Programmes reports directly to the Deputy Minister who acts as the Head of the National Focal Point.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 4.3 thereof.

2. Certifying Authority

The Sector for the National Fund within the State Treasury, within the Ministry of Finance shall act as the Certifying Authority. The State Treasury is an administrative organisation in the Ministry of Finance responsible for budget preparation and consolidation, budget execution, state accounting and public debt management.

The National Fund Sector reports directly to the Assistant Minister and State Treasurer who shall act as the Head of the Certifying Authority. The State Treasurer is accountable to the Minister of Finance.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 4.5 thereof.

3. Audit Authority

The Agency for Audit of European Union Programmes Implementation System (ARPA) shall act as the Audit Authority.

ARPA has the capacity of a legal person and is functionally independent from all other authorities and bodies that participate in the management and implementation of the EEA and Norwegian Financial Mechanisms.

ARPA reports directly to the Director of ARPA who shall act as the Head of the Audit Authority. The Director of ARPA is appointed by the Minister of Finance.

The Audit Authority may, in line with paragraph 2 of Article 4.6 of the Regulation, choose to appoint an independent and certified auditor to carry out audits according to paragraphs 1(a) through 1(c) of Article 4.6 of the Regulation. Regardless of any such arrangement, the responsibility for the performance of these tasks remains with the Audit Authority.

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

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

The Service for combating irregularities and fraud (SCIF) within the Ministry of Finance shall act as the national public entity responsible for the preparation and submission of the irregularities reports.

SCIF reports directly to the Head of Service for combating irregularities and fraud who shall act as the Head of the National public entity responsible for the preparation and submission of irregularities

reports. SCIF is an organizational unit within the Ministry of Finance. The Head of Service for combating irregularities and fraud is accountable to an Assistant Minister in the Ministry of Finance.

The roles and responsibilities of SCIF acting as the National public entity responsible for the preparation and submission of irregularity reports are stipulated in the Regulation, in particular Article 11.3 thereof.

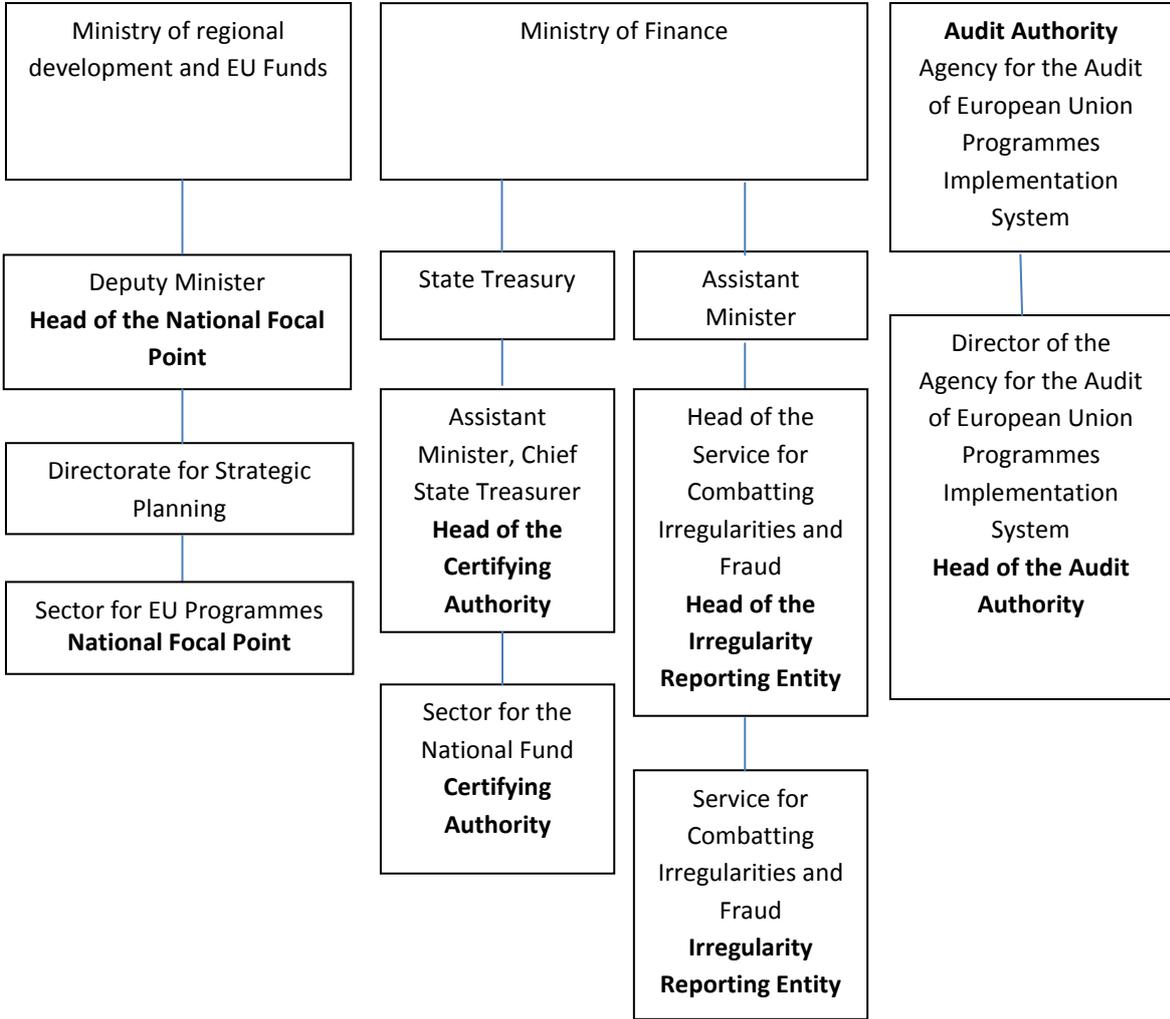
5. Monitoring Committee

The Monitoring Committee shall be established with 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 programme reports

With reference to Articles 2.2 and 5.11 of the Regulation, and in light of the role of the National Focal Point as Programme Operator, the National Focal Point shall submit to the NMFA a combined Strategic Report and annual programme report. The combined report shall be submitted to the NMFA no later than 31 January each year. The Parties shall endeavour to hold the annual meeting in the fourth quarter of every year.

7. Organigram



ANNEX B

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

| Croatia | Norwegian FM contribution |
|---|----------------------------------|
| Programme area | |
| Decent Work and Tripartite Dialogue | € 100,000 |
| Civil Society Support | € 353,200 |
| Judicial Capacity-building and Cooperation | € 3,649,543 |
| Other allocations | |
| Technical assistance to the Beneficiary State (Art. 1.9) | € 69,000 |
| Fund for bilateral relations at national level (Art. 3.5.1) | € 83,257 |
| Net allocation to Croatia | € 4,255,000 |

2. Specific concerns

Bilateral relations between Norway and Croatia shall be strengthened with the aim of stimulating long-term cooperation, including through partnership at project level in all programme areas supported.

The fund for bilateral relations at national level referred to in the table above shall be implemented jointly with the funds for bilateral relations at programme level referred to in Article 3.6 of the Regulation. The total allocation to the two funds shall amount to no less than € 138,000.

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.

Due to the limited timeframe available for the preparation of the implementation of the Norwegian Financial Mechanism 2009-2014 in Croatia, the parties agree that the first date of eligibility of expenditure for Technical Assistance and for preparation of programmes shall be 1 February 2014. Furthermore, the parties agree that in accordance with paragraph 4 of Article 7.14 of the Regulation, expenditures incurred in projects may be eligible until 30 April 2017.

The Parties agree that with respect to the small size of the allocation, the support will be provided through three programmes: The Global Fund for Decent Work and Tripartite Dialogue, a NGO Programme and a Norwegian Financial Mechanism Programme.

3. Substantive parameters of the implementation framework

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

A. Programme Area: Decent Work and Tripartite Dialogue

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| <i>Programme:</i> | Decent Work and Tripartite Dialogue |
| <i>Objective:</i> | Decent work promoted and tripartite cooperation improved between employer's organisations, trade unions and public authorities in supporting equitable and sustainable economic and social development |
| <i>Expected outcomes:</i> | Improved social dialogue and tripartite dialogue structures and practices |
| <i>Programme Operator:</i> | Innovation Norway |
| <i>Programme grant:</i> | € 100,000 |
| <i>Project Promoter:</i> | Ministry of Labour and Pension System |
| <i>Pre-defined project:</i> | One single pre-defined project will be implemented in cooperation with the Union of Autonomous Trade unions of Croatia (UATUC). |

B. Programme Area: Civil Society Support Programme

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|----------------------------|--|
| <i>Programme:</i> | NGO Programme |
| <i>Objective:</i> | Strengthened civil society development and enhanced contribution to social justice, democracy and sustainable development |
| <i>Programme Operator:</i> | The Financial Mechanism Office is entrusted with operating the programme in line with Article 5.13 of the Regulation |
| <i>Programme grant:</i> | € 353,200 |
| <i>Specific concern:</i> | The programme shall be implemented jointly with the allocation to Funds for Non-Governmental Organisations under the EEA Financial Mechanism. € 100,000 of the allocation for this Programme shall be used for a project targeting the improvement of the situation of the Roma population. |

C. Norwegian Financial Mechanism Programme

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| <i>Programme Operator:</i> | National Focal Point |
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| <i>Programme grant:</i> | € 3,649,543 |
| <i>Programme Area:</i> | Judicial Capacity-building and Cooperation |
| <i>Objective:</i> | A fairer and more efficient judicial system |
| <i>Pre-defined project:</i> | One pre-defined project will be implemented via two sub-projects. |
| <i>Project Promoter:</i> | Ministry of Justice |
| <i>Project grant:</i> | € 3,229,846 |
| <i>Specific concerns:</i> | <p>The two sub-projects shall be as follows:</p> <p>(1) Cooperation activities with the Council of Europe on strengthening the efficiency and professionalism of the Croatian judicial system. No less than € 504,663 shall be allocated to these activities.</p> <p>(2) Renovation of the Karlovac courthouse to support the efficiency of the judiciary by improving working conditions.</p> |