

30 JUNI 2014

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Norwegian Ministry of Foreign Affairs

and

The Ministry of Finance,
hereinafter referred to as the "National Focal Point",
representing the Czech Republic,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Capacity-building and Institutional Cooperation between Beneficiary
State and Norwegian Public Institutions, Local and Regional Authorities "

hereinafter referred to as the "Programme"

Chapter 1
Scope, Legal Framework, and
Definitions

Article 1.1
Scope

This programme agreement between the Norwegian Ministry of Foreign Affairs (hereinafter referred to as the NMFA) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the Norwegian Financial Mechanism 2009-2014 to the Programme.

Article 1.2
Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, 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 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;
- c. the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Kingdom of Norway and the Beneficiary State; and
- d. any guidelines adopted by the NMFA in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

Article 1.3
Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.5 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4
Annexes and hierarchy of documents

1. The programme decision, including the financial plan (Annex I), and the operational rules (Annex II) form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the former shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the programme proposal are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

Chapter 2
The Programme

Article 2.1
Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and 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.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

Article 2.2

Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the Norwegian Financial Mechanism 2009-2014 in the Beneficiary State and for the full and correct implementation of this programme agreement. In particular, the National Focal Point undertakes to:

- a. comply with its obligations stipulated in the Regulation and this programme agreement;
- b. ensure that the Certifying Authority, the Audit Authority, the Monitoring Committee and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;
- c. take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;
- d. take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;
- e. make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The NMFA shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

Article 2.3

Objective and outcomes of the Programme

- 1. The programme decision sets out the objective, outcome(s), outputs, indicators and targets for the Programme.
- 2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

Article 2.4

Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in the programme decision.

2. In case the Programme is also supported by the EEA Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan shall:

- a. contain a breakdown between the Programme's budget headings using the description put forward in the template for the programme proposal;
- b. indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in the programme decision.

Article 2.5

Special conditions and programme specific rules

- 1. The programme decision shall list any conditions set by the NMFA with reference to paragraph 3 of Article 5.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and, in a timely manner, take the necessary steps to ensure their fulfilment.
- 2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in the operational rules.

Article 2.6

Programme implementation agreement

- 1. With reference to Article 5.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the NMFA of such signing.
- 2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the NMFA in accordance with paragraph 5 of Article 5.8 of the Regulation with regard to the content required according to paragraph 3 thereof. The National Focal Point shall inform the NMFA of any deviation from that confirmed draft which may be subject to a new confirmation according to paragraph 5 of Article 5.8 of the Regulation prior to any payment to the Programme.

Article 2.7

Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 8 and Articles 5.11 and 5.12 of the Regulation as well as statistical reporting in accordance with the Programme Operator's Manual (Annex 9 to the Regulation).

Article 2.8
External monitoring

The external monitoring and audit referred to in Articles 10.1, 10.2, 10.3 and 10.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of its obligations under the programme agreement regarding monitoring of the Programme and/or its projects, financial control and audit.

Article 2.9
Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the NMFA.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without NMFA's prior approval provided that they are limited to the following:
 - a. cumulative transfers between budget headings related to outcomes of an amount less than 10 % of total eligible expenditure of the Programme or € 1,000,000, whichever is higher, and
 - b. changes of internal practices of the Programme Operator that are not stipulated in the programme agreement.
3. Programme specific exceptions from paragraphs 1 and 2, if any, are set in the operational rules.
4. Expenditures incurred in breach of this article are not eligible.
5. Should there be a doubt as to whether the proposed modifications require approval by the NMFA, the National Focal Point shall consult the NMFA before such modifications take effect.
6. Requests for modifications shall be submitted and assessed in accordance with Article 5.9 of the Regulation.

Article 2.10
Communication

1. All communication to the NMFA regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the NMFA towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.
3. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.
4. The NMFA shall ensure that the National Focal Point is informed about communication between the NMFA and the Programme Operator that is relevant for the responsibilities of the National Focal Point under this programme agreement.

Article 2.11
Contact information

1. The contact information of the National Focal Point and the Programme Operator is as specified in the programme proposal.
2. The contact information for the NMFA and the Financial Mechanism Office are:
Financial Mechanism Office
Att: Director
EFTA Secretariat
Rue Joseph II, 12-16
1000 Brussels
Telephone: +32 (0)2 286 1701
Telefax (general): +32 (0)2 211 1889
E-mail: fmo@efta.int
3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

Article 2.12
Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the NMFA in the programme proposal or other communication prior to the signing of this programme agreement.
2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point in the programme proposal, in connection with the programme proposal, the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3 Projects

Article 3.1 Selection of projects

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 6 of the Regulation and the operational rules.
2. Eligibility of applicants is stipulated in Article 6. 2 of the Regulation and, in accordance with paragraph 3 thereof, subject only to the limitations stipulated in the operational rules.
3. Pre-defined projects shall be outlined in the operational rules.
4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 6.6 of the Regulation.

Article 3.2 Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.
2. In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.
3. The content and form of the project contract shall comply with Article 6.7 of the Regulation.
4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project contract are valid and enforceable under the applicable law of the Beneficiary State.

Article 3.3 Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.5 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 6.8 of the Regulation.
2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from Norway.
3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 7.16 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article before the signing of the project contract.

Article 3.4 Reallocation of funds

1. Reallocation of unused or cancelled financial contributions to projects shall be made in compliance with Article 6.9 of the Regulation.
2. Project grants not reallocated shall be reimbursed to the NMFA in accordance with Article 6.9 of the Regulation.

Chapter 4 Finance

Article 4.1 Eligible expenditures

1. Subject to Article 7.6 of the Regulation, eligible expenditures of this Programme are:
 - a. management costs of the Programme Operator in accordance with the detailed budget in the financial plan;
 - b. payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract;
 - c. expenditure of funds for bilateral relations in accordance with Article 7.7 of the Regulation;
2. Expenditure related to the categories referred to in subparagraphs (d), (e) and (f) of Article 7.1 of the Regulation are eligible in accordance with Chapter 7 thereof if such expenditures are explicitly approved by the NMFA in the programme decision. The implementation of the activities under these categories shall be in compliance with the operational rules.
3. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 7.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 7.3 of the Regulation as well as indirect costs in accordance with Article 7.4 of the Regulation.

Article 4.5

Irregularities, suspension and reimbursements

The NMFA has the right to make use of the remedies provided in the Regulation, in particular Chapter 12 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 11 and 12 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

Chapter 5

Final provisions

Article 5.1

Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the NMFA is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

Article 5.2

Termination

1. The NMFA may, after consultation with the National Focal Point, terminate this programme agreement if:

- a. a general suspension decision according to Article 12.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 12.1 of the Regulation has not been lifted within 6 months of such a decision;
- b. a suspension of payments according to Article 12.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;
- c. a request for reimbursement according to Article 12.2 of the Regulation has not been complied with within one year from such a decision;
- d. the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or
- e. the Programme Operator has, in the opinion of the NMFA, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 7.14 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the NMFA of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 5.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraphs 1 and 2 are set in the programme decision. Programme specific rules on the eligibility of expenditure set in the programme decision or in the operational rules shall be complied with.

Article 4.2

Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 7.13 of the Regulation.

Article 4.3

Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 8.2, 8.3 and 8.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in the operational rules.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 8.1 of the Regulation.

5. Chapter 8 of the Regulation shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

Article 4.4

Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the Norwegian Financial Mechanism 2009-2014 to the Programme in accordance with Article 8.8 of the Regulation.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the NMFA to make use of the remedies provided in Chapter 12 of the Regulation.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the NMFA, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the NMFA or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The NMFA does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the NMFA for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the NMFA, its officials or employees, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

Article 5.4
Entry into force and duration

1. This programme agreement shall enter into force on the date of the last signature of the Parties.

2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.


This programme agreement is drawn up in two originals in the English language.

For the NMFA


For the National Focal Point

Signed in Brussels on 12/6-14

Signed in Prague on 24/06/2014



Anders Erdal
Deputy Director General



Martin Pros
Deputy Minister

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s):

Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development

Output

Increased effectiveness and efficiency of Czech institutions in combating corruption.

Output indicator(s)	Baseline	Target	Source of Verification
Number of state officials, police officers, judges, state prosecutors, etc trained in preventing and combating corruption, identifying and pursuing corruption-related proceeds	0	350	Project documentation, lists of presentations, lists of participants, interim reports, final report
Number of trained staff with strengthened technical capacity	0	30	List of trained users, number of users with certification, programme reports

Output

Increased knowledge of anti-corruption practices

Output indicator(s)	Baseline	Target	Source of Verification
Number of delivered studies or comparative analyses of legislative environment	0	3	Adoption of studies

Output

Software programme for data-mining delivered

Output indicator(s)	Baseline	Target	Source of Verification
Number of software programmes delivered	0	1	Programme reports
Percentage of cases with in-depth analysis	30	60	Programme reports
The average time (in months) for investigation of a case	3	2	Programme reports

Output

Increased publicity for anti-corruption measures

Output indicator(s)	Baseline	Target	Source of Verification
Number of publicity measures	0	4	Programme reports

2. Conditions

2.1 General

- 1) Bilateral indicators, outcome and output indicators shall be reported on in the annual report.
- 2) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):
 - Keep the excepted equipment in their ownership for a period of at least five years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
 - Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
 - Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract;

provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

3) The National Focal Point shall ensure that Article 7.16 of the Regulation, as well as national and European Union law on public procurement are complied with at any level in the implementation of the programme and the projects. The National Focal Point shall, by way of the programme implementation agreement, ensure that the Programme Operator maintains written records of all assessments concerning the organization of procurement procedures and compliance with procurement rules, and provides such records to the NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.

4) The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

5) The National Focal Point shall ensure that the Programme Operator ensures that the Project Promoter secures sufficient advance payments to meet the pre-financing requirements of the Council of Europe under the pre-defined project.

6) An updated detailed budget for management costs and an updated budget for component 1 of the pre-defined project as described in Annex II, Section 6, shall be submitted to the FMO, along with a description of the additional activities, within two months from the signing of the Programme Agreement.

7) The Programme Operator shall appraise the component 1 of the pre-defined project in line with Article 5.5.3 of the Regulation. Component 2 of the pre-defined project shall be appraised after the elaboration of a feasibility study that shall test and confirm the findings of the needs assessment already carried out. If relevant, the feasibility study shall propose alternative options for reaching the objectives of component 2.

8) The National Focal Point shall ensure that the Programme Operator conducts an external audit of the pre-defined project before the submission of the final project report. The audit shall be conducted by an entity selected through public tender in line with the national legislation.

9) The use of the fund for bilateral relations, the criteria for awarding support from the fund, the grant rate, the maximum grant amount, and the bilateral indicators will be developed by the Programme Operator and the Project Steering Committee and approved by the Programme Operator.

10) Participation of NGOs and representatives of the private sector shall, where relevant, be secured in events organised under the Programme, such as seminars, conferences and workshops.

2.2 Pre-eligibility

1) Project costs related to component 1 under the pre-defined project shall be eligible as of the date on which the National Focal Point notifies the FMC of a positive appraisal of component 1 by the Programme Operator. Except for the costs of the feasibility study referred to in Article 2.1.7 which are eligible as of 13 January 2014, project costs related to component 2 under the pre-defined project shall be eligible as of the date on which the National Focal Point notifies the FMC of a positive appraisal of component 2 by the Programme Operator.

2.3 Pre-payment

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

2.6 Other

Not applicable.

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 13/01/2014-30/04/2017
 Eligibility of programme proposal preparation costs: 17/06/2011-12/01/2014

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€1,760,000
Programme estimated eligible cost (€)	€1,760,000
Programme grant rate (%)	100.0000%
Maximum amount of Programme grant (€)	€1,760,000

3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€56,130	€0
Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development	€1,664,308	€0
Fund for bilateral relations	€26,400	€0
Complementary action	€10,000	€0
Preparation of programme proposal	€3,162	€0
Reserve for exchange rate losses	€0	€0
	€1,760,000	€0

* The advance payment is composed of €0 in grant amount and €0 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€5,613

3.5 Small Grant Scheme

Not applicable

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Programme Operator (PO) is the International Relations Department, Ministry of Finance.

The programme shall contribute to an improved implementation in the Czech Republic of the recommendations made by the Council of Europe's Group of States against Corruption (GRECO) to the Czech Republic and other related offences, especially money laundering.

The programme will support the following types of activities:

- Threat assessment, analysis of legal text and practice
- Training
- Study visits
- Purchase of technical equipment for the Financial Analytical Unit in the Ministry of Finance and the Unit for Uncovering Corruption and Financial Crime within the Police of the Czech Republic, including a system for automated mining of unstructured data.

The Programme shall be implemented through one pre-defined project with two components:

1. Bilateral cooperation with the Council of Europe to ensure an improved implementation of the recommendations made by Greco.
2. The purchase of technical equipment to improve the technical capacity of the Financial Analytical Unit, Ministry of Finance as well as the Unit of the Police of the Czech Republic for analysing corruption and financial crime.

A Project Steering Committee composed of members from the Project Promoter and the Project Partners, shall be established for the whole project. It shall be chaired by the Project Promoter. The Project Steering Committee shall provide advice on the preparation and implementation of the project. It shall furthermore discuss and give input to the information and publicity plan for the project. The NMFA, the Programme Operator and the Norwegian Embassy in Prague shall be invited to the meetings of the Project Steering Committee as observers.

1.2 Eligible applicants:

Not applicable.

1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 7 of the Regulation.

- By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment will be eligible if the equipment is an integral and necessary component for achieving the outcome of the project. The Programme Operator will check and verify compliance with this condition.
- Overhead costs are not eligible at programme level nor at project level.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The minimum and maximum grant amount for the pre-defined project is addressed under Section 6 of this annex.

2.2 Project grant rate:

Grants from the programme shall not exceed 80% of total eligible project costs. The project grant rate shall be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects and/or the project promoter or partner, where relevant. The remaining costs of the project shall be provided or obtained by the Project Promoter.

3. Selection of projects

3.1 Selection procedures:

Not applicable.

3.2 *Open calls and availability of funds (including number of calls, duration of calls, and estimated size):*

Not applicable.

3.3 *Selection criteria:*

Not applicable.

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 *Payment flows:*

Payment flows towards the final beneficiaries will be in the form of reimbursement of incurred expenditures and payment of the final balance.

Reimbursement of incurred expenditures will be made within 15 working days after the approval of the interim report.

The Programme Operator may withhold up to 10% of the total grant amount for the payment of the final balance. The payment of the final balance will be disbursed within 15 working days after the approval of the final report.

Notwithstanding the above description of the financial flows, the Programme Operator shall ensure that, in the case of projects implemented in partnership with the Council of Europe, advance payments and all subsequent payments to the project from the Programme are sufficient to ensure that the Council of Europe's pre-financing requirements can be met and that all payments due from the project promoter to the Council of Europe are made without delay.

Information on payment flows shall be further outlined in the description of the Programme's Management and Control System according to Article 4.8.2 of the Regulation.

4.2 *Verification of payment claims:*

The Project Promoter will report on incurred expenditures, actual project progress and progress on indicators for a reporting period of 4 months. The verification of incurred costs will be on the basis of all (100%) incurred expenditure. The deadlines for submitting the payment claims and the final report will be set in the project contract.

In case of verification of expenditure incurred by the Council of Europe, a financial report certified by the Treasurer of the Council of Europe, detailing the funds received for the financing of the project and the expenditure incurred shall be considered appropriate proof of expenditure, in line with Article 7.13.3 of the Regulation.

The verification procedures for payment claims will be further outlined in the description of the Programme management and control systems according to article 4.8.2 of the Regulation.

4.3 *Monitoring and reporting:*

In addition to monitoring following the approval of incurred expenditures, the Programme Operator will carry out an on-the-spot check of the pre-defined project at least once during project implementation. The Programme Operator shall delegate this task to an external entity selected through a tender procedure in line with national legislation.

The aim of on-the-spot checks is to make sure that the project is implemented in accordance with the requirements of the Regulation and all documents governing programme implementation and the project contract, to verify procurement procedures and the cost efficiency of incurred expenditure, and to assess the achievement of the project's objectives and indicators.

Irregularities will be handled in accordance with Chapter 11 of the Regulation.

Information on Reporting and Monitoring shall be further outlined in the description of the Programme's Management and Control System according to Article 4.8.2 of the Regulation.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations:

The Programme Operator will set aside minimum 1,5 % of the total programme budget to a Fund for bilateral relations.

The use of the fund for bilateral relations, the criteria for awarding support from the fund, the grant rate, the maximum grant amount, and the bilateral indicators will be developed by the Programme Operator and the Project Steering Committee and approved by the Programme Operator.

Costs under the bilateral fund are eligible in accordance with Chapter 7.7 of the Regulation.

5.2 Complementary action:

An amount has been set aside in the budget table in Annex I, Section 3.3 for complementary action.

Complementary action under this Programme shall be further defined by the Programme Operator and the Project Steering Committee and approved by the Programme Operator.

5.3 Reserve for exchange rate losses:

Not applicable.

5.4 Small Grant Schemes:

Not applicable.

6. Pre-defined projects

There will be one pre-defined project implemented under the Programme.

Project title: Strengthening the anti-corruption and anti-money laundering systems in the Czech Republic.

Project Promoter: Financial Analytical Unit, Ministry of Finance

Partner(s): Unit for Uncovering Corruption and Financial Crime, Police of the Czech Republic

Donor Project Partners: Council of Europe

Estimated total eligible project cost: €2,080,385

Grant rate: 80%

Maximum contribution from the Programme: €1,664,308

Estimated duration: 21 months

Programme outcome: 'Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development'.

Project outcome: Increased effectiveness and efficiency of Czech institutions in combating corruption.

The Project has two components:

1. *Bilateral cooperation with the Council of Europe to ensure improved implementation of the recommendations made by the Greco.*

The following measures will be implemented:

- Risk and threat assessment in the areas of corruption and related offences (especially money laundering);
- Proposals for improvement of criminal law and enforcement measures in the area of anti-corruption;
- Legal analyses and legislative proposals concerning transparency of financing of political parties and election campaigns;
- Assistance to the improvement of whistle blower protection to fulfil Greco recommendations;
- Further joint activities which shall be agreed between the parties, and approved by the NMFA.

Estimated total eligible cost for component 1: €871,169

Contribution from the Programme: €696,935

2. *Improving the ICT capacity of the Financial Analytical Unit, Ministry of Finance and the Unit for uncovering corruption and financial crime, Police of the Czech Republic, including a system for automated mining of unstructured data.*

The aim of component 2 is to create an effective IT support system to increase internal effectiveness of the Financial Analytical Unit

when processing information leading to the uncovering of financial crime and corruption.

A needs assessment shall be carried out. The type of equipment to be purchased shall be decided after the needs assessment. There shall thereafter be a feasibility study of the system for automated data mining.

Estimated total eligible cost: €1,209,216

Maximum contribution from the Programme: €967,373

The maximum contribution to component 2 from the Programme cannot be amended without approval of the NMFA.

7. Modification of the programme

Any modifications of the Programme will follow the rules set forth in the Regulation.

Any modification of the Project will follow the rules set forth in Section 3.14.6 of the programme proposal.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as a reference to the version signed by the Programme Operator on 19 April 2012 and shall include all subsequent correspondence and communication between the NMFA, the Financial Mechanism Office, the National Focal Point and the Programme Operator, recorded in DoRIS.

9. Miscellaneous

Not applicable.