

EEA Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee  
established by Iceland, Liechtenstein and Norway

and

The Ministry of Finance and Public Administrations,  
hereinafter referred to as the "National Focal Point",  
representing Spain ,  
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Environmental and Climate Change-related Research and Technology"

hereinafter referred to as the "Programme"

## Chapter 1

### Scope, Legal Framework, and Definitions

#### Article 1.1

##### Scope

This programme agreement between the Financial Mechanism Committee (hereinafter referred to as the FMC) 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 EEA 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 EEA Financial Mechanism 2009-2014:

- a. Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014;
- b. the Regulation on the implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8(8) of Protocol 38b;
- c. the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Beneficiary State; and
- d. any guidelines adopted by the FMC 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 EEA 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 FMC 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 Norwegian 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 FMC 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 FMC of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the FMC 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 FMC 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 FMC.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without FMC'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 FMC, the National Focal Point shall consult the FMC 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 FMC 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 FMC 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 FMC shall ensure that the National Focal Point is informed about communication between the FMC 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 FMC 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 FMC 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 the Donor States.
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 FMC 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 FMC 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

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 FMC 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.

The FMC 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 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 EEA Financial Mechanism 2009-2014 to the Programme in accordance with Article 8.8 of the Regulation.

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 FMC 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 FMC 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 FMC, 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.

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 FMC 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 FMC, 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 FMC or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The FMC 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 FMC 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 FMC, its members or alternate members, nor the EFTA States, 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.

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

For the FMC

For the National Focal Point

Signed in Oslø on 30.7.2013

Signed in \_\_\_\_\_ on \_\_\_\_\_

  
\_\_\_\_\_  
Anders Erdal  
Chairman

\_\_\_\_\_  
Fernando Fernández Melle  
Deputy Director

## Annex I - Programme Decision

### 1. Expected Outcomes & Indicators for Outputs

**Expected Outcome(s):** Increased development and application of technology that benefits the environment

#### Output

Increased number of enterprises producing innovation in the targeted sector

Output indicator(s)	Baseline	Target	Source of Verification
Number of enterprises funded under this Programme	0	60	CDTI database

#### Output

Knowledge transfer from universities and research institutions

Output indicator(s)	Baseline	Target	Source of Verification
Number of contracts with universities/research centres in funded projects	0	10	CDTI database

## 2. Conditions

### 2.1 General

1. Bilateral indicators, outcome and output indicators shall be reported on in the annual programme report.
2. The National Focal Point shall ensure that any public support under this Programme complies with the procedural and substantive state aid rules applicable at the time when the public support is granted. The National Focal Point shall, by way of the programme implementation agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with state aid rules, particularly decisions to award grants and set grant rates, and provides such records to the FMC upon request. The approval of the Programme by FMC does not imply a positive assessment of such compliance.
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 of 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 FMC upon request. The approval of the Programme by the FMC does not imply a positive assessment of such compliance.
4. The details of use of the bilateral fund, the detailed procedures and criteria for awarding support from the fund, and other relevant details will be developed by the Programme Operator and approved by the Cooperation Committee.

### 2.2 Pre-eligibility

Not applicable.

### 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): 10/06/2013-30/04/2017

Eligibility of programme proposal preparation costs: 18/11/2011-09/06/2013

#### 3.2 Grant rate and co-financing

Programme estimated total cost (€)	€18,472,132
Programme estimated eligible cost (€)	€18,472,132
Programme grant rate (%)	98.6080%
Maximum amount of Programme grant (€)	€18,215,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€1,403,000	€0
Increased development and application of technology that benefits the environment	€16,754,050	€0
Fund for bilateral relations	€277,082	€0
Complementary action	€0	€0
Preparation of programme proposal	€38,000	€0
Reserve for exchange rate losses	€0	€0
Total	€18,472,132	€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	€138,347

#### 3.5 Small Grant Scheme

Not applicable

## Annex II - Operational Rules

### 1. Eligibility

#### 1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Centre for Technical Industrial Development (CDTI). Innovation Norway (IN) is the Donor Programme Partner.

The Programme will contribute to funding research and development (R&D) projects in the following areas:

- Environmental technologies
- Climate Change and energy efficiency
- Renewable energies

The Programme will support measures related to hydroelectric, solar, wind and marine energy sectors.

Cooperation projects including EEA partners shall be encouraged by the Programme Operator, and be specifically included in the text of the open call(s).

#### 1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. The following specifications apply:

- Eligible applicants (Project Promoters) are enterprises established in Spain.

Project partners, as defined in Article 1.5(w) of the Regulation, shall be able to contribute to the implementation of projects through the conclusion of a sub-contracting agreement or a cooperation agreement with the relevant project promoter. The sub-contracting and cooperation agreements shall as a minimum include the provisions listed in Article 6.8.2 and 6.8.3 of the Regulation.

#### 1.3 Special rules on eligibility of costs:

In general, costs are eligible in accordance with chapter 7 of the Regulation, with the following exception:

- Purchase of real estate and land shall not be eligible.

Travel allowances shall be eligible both for Project Promoters and project partners, in line with Article 7.3(b) of the Regulation.

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.

### 2. Financial parameters

#### 2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for is €26,250; the maximum amount is €750,000.

#### 2.2 Project grant rate:

The EEA grant rate will not exceed 15% of total eligible project costs. The remaining costs of the project shall be provided or obtained by the Programme Operator and the Project Promoter.

### 3. Selection of projects

#### 3.1 Selection procedures:

The selection procedures shall be in accordance with Article 6.5 of the Regulation, with the specificities detailed below.

Each project application that meets the administrative and eligibility criteria shall be reviewed by experts from the Programme Operator and from the Institute for Energy Diversification and Saving (IDAE). All experts shall be impartial and independent of the Selection Committee and the project applicants. In addition, IDAE experts shall be independent of the Programme Operator.

Both the Programme Operator's experts and IDAE experts shall produce a report on their assessment of the applications. The

Programme Operator shall provide the two reports with a ranked list of projects to the Selection Committee, together with written assessments carried out by experts from competent sectorial ministries, depending on the technical scope of each proposal. The Selection Committee shall review the list of projects and may modify the ranking in justified cases. The Selection Committee may establish a cut-off threshold below which projects will be ineligible.

The Selection Committee shall submit the ranked list of projects to technical experts and financial experts of the Programme Operator, who shall confirm the technical aspects of the applications, the financial viability of the project and the project applicant and adjust the project budget. The technical and financial experts shall be independent of the Selection Committee. In addition, the financial experts shall be different from the experts referred to in paragraph 2 of this section.

The Programme Operator's Management Team shall verify that the selection process has been conducted in accordance with the Regulation and that the recommended projects comply with the rules and objectives of the Programme. Following such verification the Executive Board of CDTI shall make a decision on which projects shall be supported.

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

There shall be at least one call for applications. The call shall be launched no later than in the fourth quarter of 2013 and make available €16,754,050. The call shall be open at least for 2 months. A second call may be launched if there are funds uncommitted as a result of the first call.

### 3.3 Selection criteria:

As a minimum, the following selection criteria will be taken into account:

- Technical and scientific quality of the proposal and degree of innovation;
- Financial and technical capacity of the project promoter / project partner(s) to implement the project;
- Capacity of the company to exploit the output;
- Potential market opportunities for the project's results;
- Impact on internationalisation of the company's activities.

Applications for donor partnership projects shall be given additional points.

The criteria will be further detailed in the Guidelines for Applicants and the final selection criteria will be included in the text of the calls for proposals.

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

### 4.1 Payment flows:

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

The Project Promoters have the possibility to request an advance payment depending on liquidity needs, but not exceeding 25% of the total grant amount and not exceeding €250,000. An advance payment is disbursed within 5 working days after the project contract is signed, and the advance payment is off-set against subsequent approved reimbursement claims.

Project Promoters will report to the Programme Operator on incurred expenditures and actual progress in line with pre-defined milestones set in the project contract. Reimbursement of incurred expenditures shall be made within 20 working days after the approval of the milestone reports.

The Programme Operator will withhold at least 10% of the total grant amount for the payment of the final balance. The payment of the final balance will be disbursed within 20 working days after the approval of the final report.

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

### 4.2 Verification of payment claims:

The verification of payment claims is the responsibility of the Programme Operator.

The Project Promoters will submit an audit report certified by an independent and certified auditor together with the milestone

reports and the final project report. The audit report shall certify that the claimed costs are incurred in accordance with the Regulation and national legislation and accounting practices.

The Programme Operator will verify the eligibility of expenditures, the project progress and progress on the indicators. The Programme Operator will finalise the verification of payment claims within 90 working days after receiving all supporting documents needed to approve the milestone reports and the final project report.

In case of verification of expenditure incurred by a donor project partner, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the donor project partner's country, shall be seen as sufficient proof of costs incurred.

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:

The Programme Operator will monitor all projects through the milestone reports and the final project report. The milestone report is the final project report for projects with an implementation period of less than one year.

In addition to the milestone reporting and the final project report, the Programme Operator will carry out on-the-spot checks based on the annual monitoring plan. All projects will undergo at least one on-the-spot check during project implementation. The aim of the on-the-spot checks is to make sure that projects are implemented in accordance with the requirements of the Regulation and the project contracts, to verify procurement procedures and the cost efficiency of incurred expenditures.

On-the-spot checks on an ad-hoc basis can also be carried out when suspicions arise that the information provided by the Project Promoter is incorrect or misleading or in case of deviations from expected project progress. On-the-spot checks on an ad-hoc basis may also be organised for other reasons.

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 shall set aside minimum 1.5% of the total programme budget to a fund for bilateral relations.

The use and implementation of the bilateral fund shall be agreed with the Donor Programme Partner and decided upon in the Cooperation Committee.

The following activities will be supported:

- a) search for project partners from the Donors States prior to or during the preparation of a project application and the development of such partnerships.
- b) networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between Project Promoters and entities in the Donor States.

The final beneficiaries of the fund will be potential and actual project promoters, as well as relevant donor state entities. In case of open calls under the fund, the selection procedures and criteria for awarding support from the fund will be published together with the calls.

The Programme Operator and Donor programme Partner can agree on a wider scope of the fund. Activities going beyond point a) and b) above shall however be consulted with the FMC.

### 5.2 Complementary action:

Not applicable.

### 5.3 Reserve for exchange rate losses:

Not applicable.

5.4 Small Grant Schemes:

Not applicable.

## **6. Pre-defined projects**

Not applicable.

## **7. Modification of the programme**

Any modifications of the programme and the submission of the revised budget will follow the rules set forth in the Regulation and in Article 2.9 of the programme agreement.

Any modification of the projects will follow the rules set forth in 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 10 May 2012 and shall include all subsequent correspondence and communication between the Donors, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

## **9. Miscellaneous**

Not applicable.

