

10 DEC. 2013

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 "Conservation and Revitalisation of Cultural and Natural Heritage"

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

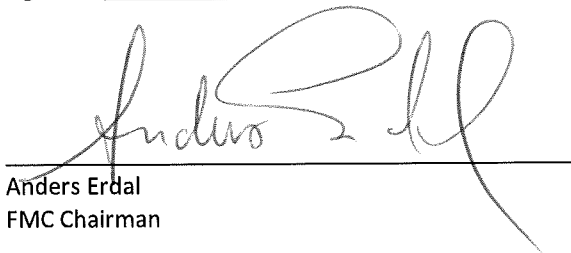
1. This programme agreement shall enter into force on the date of the last signature of the Parties.

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

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

For the FMC

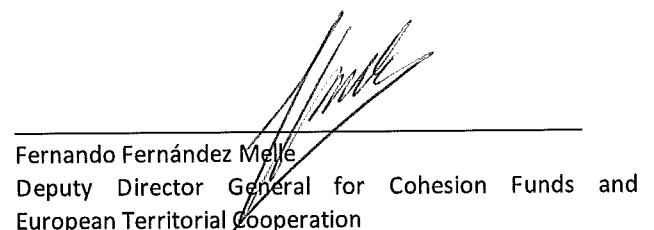
Signed in Oslø on 18.11.2013



Anders Erdal
FMC Chairman

For the National Focal Point

Signed in Madrid on 27-11-2013



Fernando Fernández Melle
Deputy Director General for Cohesion Funds and European Territorial Cooperation

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Cultural heritage made accessible to the public

Output

New museums and cultural centres created

Output indicator(s)	Baseline	Target	Source of Verification
Number of new cultural centres developed providing access to Spanish cultural heritage	0	1	Reports provided by the Programme Operator

Output

Objects of cultural heritage value made accessible to the public

Output indicator(s)	Baseline	Target	Source of Verification
Number of objects of cultural heritage value made accessible to the public	0	2000	Reports provided by the Programme Operator

Output

Increased access to cultural heritage

Output indicator(s)	Baseline	Target	Source of Verification
Number of annual visits to the Federico Garcia Lorca Centre	0	300000	Reports provided by the Programme Operator

Output

New pedagogical programmes developed for children

Output indicator(s)	Baseline	Target	Source of Verification
Number of new pedagogical programmes developed for children	0	12	Reports provided by the Programme Operator

Output

Cultural activities developed and presented

Output indicator(s)	Baseline	Target	Source of Verification
Number of cultural activities developed and presented	0	12	Reports provided by the Programme Operator

2. Conditions

2.1 General

1) 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 the FMC does not imply a positive assessment of such compliance.

2) 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 organisation 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.

- 3) Bilateral, outcome and output indicators shall be reported on in the annual report.
- 4) The National Focal Point shall ensure that the Programme includes activities fostering tolerance and anti-discrimination and that funding towards the multicultural heritage of Spain, cultural diversity and intercultural dialogue will be reported on inter alia in the annual and final programme reports.
- 5) The National Focal Point shall ensure that any net revenues generated as a result of project activities shall be used to further the project's objectives for a period of five years following the completion of the project.
- 6) The National Focal Point shall ensure that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.
- 7) The National Focal Point shall ensure that the Programme Operator ensures that the Project Promoter:
 - Keeps any buildings purchased, constructed, renovated or reconstructed under the project in its ownership for a period of at least 5 years following the completion of the project and continues to use such buildings for the benefit of the overall objectives of the project for the same period;
 - Keeps any buildings purchased, constructed, renovated or reconstructed under the project 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
 - Sets aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project 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.
- 8) The National Focal Point shall ensure that the Programme Operator ensures that the Project Promoter who has, 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):
 - Keeps the excepted equipment in its ownership for a period of at least five years following the completion of the project and continues to use that equipment for the benefit of the overall objectives of the project for the same period;
 - Keeps 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
 - Sets 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 National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.
- 9) The National Focal Point shall ensure that the pre-defined project "Centro Federico Garcia Lorca" under this Programme is appraised by an external and independent entity in order to verify its quality and contribution to the objectives of the Programme as well as its compliance with EU and national legislation. This appraisal shall be carried out by an entity impartial to and independent of the Programme Operator, prior to the signing of a project contract. It will also assess the financial management and risks regarding this project.
- 10) The National Focal Point shall ensure that the Programme Operator's responsibilities regarding the verification of payments claims described in Article 4.7.1.c) of the Regulation and monitoring and control functions described in Article 4.7.1.e) and f) of the Regulation will be carried out by an entity independent of and unrelated to the Programme Operator. The precise division of responsibilities between the Programme Operator and this entity will be described in detail in the Programme's management and control system.
- 11) Any payments to the pre-defined project "Centro Federico Garcia Lorca" shall not take place before the FMC has received and approved a detailed project plan and assessment of the pre-defined project, including inter alia indicators, a detailed budget and details on the plan for the fund for bilateral relations. The plan shall include details of the plan to involve at least one Donor Project Partner in the project. The plan shall also contain a description of the Programme Operator's actions to mitigate risks in relation to public procurement and the financial management of the project.

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Programme Operator is the State Secretary of Culture in Spain within the Ministry of Education, Culture and Sport.

The Programme shall contribute to the safeguarding and conserving of cultural and natural heritage for future generations and to making this heritage publicly accessible.

The Programme shall be implemented by way of one pre-defined project "Centro Federico Garcia Lorca Centre - Equipment and activity plan".

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, with the following exceptions:

- a) By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment will be eligible in the pre-defined project where the equipment is installed at the end of the project and the utilisation of the equipment starts after the closure of the project and/or in those cases where the equipment's use after project completion is limited to activities in line with the project's objectives.
- b) In-kind contributions are not eligible.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

Not applicable.

2.2 Project grant rate:

See Section 6.

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 pre-defined project will be in the form of advance payment, interim pre-financing and payment of the final balance.

The Project Promoter has the possibility to request an advance payment depending on liquidity needs, but not exceeding 33% of the total grant amount. Advance payment is disbursed within 45 working days after the project contract is signed, and the

advance payment is off-set against subsequent approved interim reports.

The deadlines for submitting and assessing interim financial reports will be set in the project contract. The Project Promoter will report to the Programme Operator on incurred expenditures, actual progress and interim pre-financing requests through the interim reports. Reimbursement of incurred expenditures will be disbursed within 45 working days after the approval of the interim reports.

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 45 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 Programme Operator will delegate the verification of payment claims to an external auditing company.

~~The Project Promoter compiles and submits interim reports in line with the deadlines set in the project contract, and the external auditing company assesses and approves the eligibility of incurred costs included in the interim report and the pre-financing request. The incurred expenditures will be reviewed on the basis of a 100% check of incurred costs.~~

In line with Article 7.13.3 of the Regulation, 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 project partner's country, shall, subject to Article 7.13.5, be seen as sufficient proof of costs incurred by a Project Promoter or a project partner whose primary location is in a Donor State or a Beneficiary State.

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 delegate the monitoring and reporting to an external auditing company.

The project shall continuously be monitored through the review of reports submitted by the Project Promoter. Interim reports shall as a minimum describe:

- a) the technical progress of the project, fulfilment of project outputs, information on tender procedures, problems arisen and the mitigation measures taken, project promotion, project sustainability arrangements;
- b) the financial progress of the project, project expenses compared to the budget and pre-financing request for the next reporting period.

The final report shall describe the achievement of the overall objective of the project in addition to other requirements specified in the project contract.

In addition to this, on-the-spot checks will be made based on the annual monitoring plan. An on-the-spot check will be conducted at least once during project implementation. The aim of the on-the-spot checks is to make sure that the project is implemented in accordance with the requirements of the Regulation and the project contract, to verify procurement procedures and the cost efficiency of incurred expenditures and project performance.

On-the-spot checks on 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 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 a minimum of 1.5% of the total eligible expenditure of the Programme for a fund for bilateral relations.

The fund for bilateral relations will be used for the search of Donor Project Partner(s) and for activities related to the preparation of the project (measure a) and networking activities and exchange of experience (measure b).

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

The Programme consists of one pre-defined project: "Centro Federico Garcia Lorca – Equipment and activity plan".

Project Promoter: the Centro Federico Garcia Lorca Consortium

Maximum contribution from the Programme: €4,545,000

Project grant rate: 75%

Estimated total project cost: €6,075,000

Expected outcome: "Cultural heritage made accessible to the public"

The project aims to safeguard, conserve and promote the cultural heritage of and related to the life and work of Federico Garcia Lorca, to increase people's access to this heritage and culture for example through high profile exhibitions, events and cultural activities, and to develop a comprehensive didactic programme for children and stimulate their access to culture. In accordance with Article 5.4.2 of the Regulation the Programme Operator shall take into account any economic benefit, e.g. cost savings or increased profit, which is a result from receiving a financial contribution. Economic benefits shall be used in a manner which supports the objectives of the project.

The project will:

- Stimulate and promote the conservation of the Federico Garcia Lorca archive as part of Spain's cultural heritage and safeguard it for future generations;
- Actively promote strategies and policies to increase public awareness about this heritage and increase people's access to it;
- Contribute to children's access to culture for example through a comprehensive didactic programme;
- Provide space and support for high profile exhibitions, events and cultural activities aimed at increasing people's awareness about cultural diversity and about the role culture plays in promoting European values and stimulating intercultural dialogue and mutual understanding;
- Promote bilateral cultural cooperation between cultural players in Spain and those from Iceland, Liechtenstein and/or Norway.

7. Modification of the programme

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

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as the version signed by the Programme Operator on 17 July 2012, including all subsequent correspondence and communication between the FMC, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.