

08 SEP. 2014

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Norwegian Ministry of Foreign Affairs

and

The Ministry of Regional Development and EU Funds,
hereinafter referred to as the "National Focal Point",
representing Croatia ,

hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Norwegian Financial Mechanism Programme"

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.

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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 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.

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 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.

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.

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

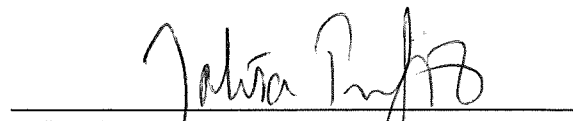
Signed in Ostlo on 28.7.2014



Anders Erdal
Deputy Director General

For the National Focal Point

Signed in Zagreb on 18.8.2014



Jakša Puljiz
Deputy minister

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Improved efficiency of the court systems, including the development of systems for case handling

Output

Courthouse building reconstructed and rehabilitated

Output indicator(s)	Baseline	Target	Source of Verification
Number of new offices created within the courthouse building	0	6	Progress and Final Report

Output

Time management and quality of reporting on judicial efficiency piloted and rolled out

Output indicator(s)	Baseline	Target	Source of Verification
Number of courts that introduced new time management methodologies	0	16	List of participants from workshop; Final Report

2. Conditions

2.1 General

- 1) Bilateral, 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 NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.
 - 3) 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.
 - 4) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters:
 - Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
 - Keep 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
 - Set 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.
 - 5) 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, use of that equipment for the overall objectives of the project after the project completion would serve no economic purpose.
- The National Focal Point shall furthermore ensure that the programme Operator keeps a list of the excepted equipment for each project.

6) 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. When competitive procurement procedures are applied, the National Focal Point shall ensure that the Programme Operator ensures that Project Promoters in their tender documents do not describe the object of the contract in a manner which could restrict fair competition, e.g. by reference to trade marks, patents or origin, unless such references are specifically authorized by law.

7) The National Focal Point shall ensure that the Programme Operator ensures that there is no funding overlap with activities financed by other sources.

8) The Grant Offer is subject to any comments or observations made by the European Commission in relation to the screening process.

9) Together with the Strategic Report, the National Focal Point shall provide the FMO with a statement of all co-financing provided by project promoters to their projects during the previous calendar year.

10) The National Focal Point shall ensure that the Programme Operator ensures that an ex ante control of public procurement procedures and documentation carried out within the sub-project 2 "Renovation and reconstruction of Karlovac courthouse" of the pre-defined project is carried out by a competent independent entity, other than the project promoter.

2.2 Pre-eligibility

1) Expenditures under sub-project 2 "Renovation and reconstruction of Karlovac courthouse" of the pre-defined project shall not be eligible before the NMFA has received a complete, precise and coherent description of the project's activities, implementation schedule and expected outcomes, outputs and indicators accompanied by a detailed budget for the entire pre-defined project, broken down by activity and including unit costs, and has confirmed the allocation to the pre-defined project.

2.3 Pre-payment

N/A

2.4 Pre-completion

N/A

2.5 Post-completion

N/A

2.6 Other

N/A

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 30/04/2014-30/04/2017

Eligibility of programme proposal preparation costs: 01/02/2014-29/04/2014

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€3,723,606
Programme estimated eligible cost (€)	€3,723,606
Programme grant rate (%)	98.0110%
Maximum amount of Programme grant (€)	€3,649,543

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€366,299	€25,000
Improved efficiency of the court systems, including the development of systems for case handling	€3,229,846	€255,000
Fund for bilateral relations	€121,961	€0
Complementary action	€0	€0
Preparation of programme proposal	€5,500	€5,500
Reserve for exchange rate losses	€0	€0
	€3,723,606	€285,500

* The advance payment is composed of €279,821 in grant amount and €5,679 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	€35,901

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 Sector for EU Programmes within the Ministry of Regional Development and EU Funds (National Focal Point).

The programme consists of one pre-defined project, implemented via two sub-projects:

- 1) Cooperation activities with the Council of Europe on strengthening the efficiency and professionalism of the Croatian judicial system.
- (2) Renovation of the Karlovac courthouse to support the efficiency of the judiciary by improving working conditions.

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. The following exception will apply:

By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment will be eligible in projects 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.

Indirect costs in projects shall be claimed in accordance with the Regulation and in particular, Article 7.4.1 thereto. Where a flat-rate is applied, this shall be set in line with Article 7.4.1(b) of the Regulation and the level of the flat rate shall be set in accordance with a methodology provided by the Programme Operator.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

Not applicable.

2.2 Project grant rate:

Not applicable.

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

The Programme Operator shall ensure that the project grant is made available to the Project Promoters in a timely manner.

Project promoters which are direct state budgetary users:

For project promoters which are direct state budgetary users, funds are made available through the state treasury in accordance with the project promoters needs.

Project promoters which are direct state budget users submit requests to the programme operator for advance instalments according to needs. Upon approval by the programme operator the requested amounts are made available in the state treasury by the Ministry of Finance – Certifying Authority.

Requests for funds to be made available in the state treasury may be submitted on a continuous basis according to project promoters needs.

Project promoters which are not direct state budgetary users:

Funds for Project Promoters which are not direct users of the state budget are made available in the form of an advance payment of up to 30% of the total awarded grant amount and subsequently through advance instalments which may each be up to 30% of the total awarded grant amount. The total sum of requested advance payments and instalments may be up to 90% of the awarded grant amount. The remaining 10% of the total awarded grant amount may be paid out after the approval of a final report.

The advance payment shall be made available to the project promoter 30 days after the signature of the project implementation agreement. Subsequent advance instalments shall be requested in connection with the submission of project progress reports. In justified cases the programme operator may make exceptions to the above.

Any pre-financing provided to project promoters through advance payments or advance instalments shall be measured against all incurred eligible expenditure reported in project progress- or final reports. Any unused amounts shall be paid back to the Programme Operator prior to 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 pre-financing requirements of the Council of Europe can be met and that all payments due from the project promoter to the Council of Europe are made without delay.

4.2 Verification of payment claims

Project progress reports shall be submitted to the programme operator for approval no less than three times a year and a final report at completion of the project, together with a verified list of incurred expenditure including a description of the incurred costs.

The validity of the project progress reports/final report shall be confirmed by ensuring the conformity between the substance of the information provided in the report and previously requested financing against the list of reported incurred expenditure. This shall be done with 100% of all claims.

Information on incurred expenditure included in the progress report/final report shall be verified by the Programme operator during on-spot checks for each project during implementation and at completion of the project. During on-spot checks the project promoter shall make available to the programme operator all original proof of expenditure or alternatively accounting documents of equivalent probative value for verification.

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 further be outlined in the description of the Programme Management and Control Systems according to the Article 4.8.2 of the Regulation.

4.3 Monitoring and reporting

The Programme operator shall monitor projects on the basis of a mixed system of progress reports, on-spot verifications and bimonthly meetings with Project Promoters.

(a) Progress and final reports

- The submission of progress reports by project promoters shall be made three times per year.
- A final report shall be submitted at the completion of the project.
- The template for the Progress Reports/Final Report shall be developed by the programme operator and cover both physical and financial progress of the projects. The progress reports will provide information on physical and financial progress, overall results and results against objective and outcome indicators. The report shall also highlight any risks to implementation and potential issues with recommendations for mitigating actions.

(b) Bimonthly meetings

- Bimonthly meetings will be held by the programme operator with each individual project promoter in order to examine project progress and specific issues that could present risks for successful project implementation so that necessary corrective actions can be taken in time. Minutes of the meetings as well as a follow up table will be addressed by the programme operator to the parties concerned.

(c) On-the-spot verifications

- For all projects the programme operator will ensure the quality of the implementation towards expected outcomes by conducting on-the-spot visits.
- On-the-spot verifications shall also be carried out by the Programme Operator's payment claim manager annually and at the completion of each project for the purposes of ensuring verification of expenditure reported by project promoters in progress reports and the final report.
- On-spot verification of incurred expenditure shall be conducted by the programme operator in all projects at least once per year. 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 not less than 1.5 % of the total programme budget to a Fund for Bilateral Cooperation. The fund for bilateral relations at programme level shall be implemented jointly with the funds for bilateral relations at national level, referred to in Article 3.5 of the Regulation.

All details and modalities relating to the implementation of the bilateral fund at programme level shall be specified in the work plan and implementation system for the bilateral fund at national level, to be concluded in line with the provisions of the technical assistance agreement.

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.

Project title: Improving the quality and efficiency of the judicial system through infrastructure development and better management

Name of project promoter: Ministry of Justice

Project partners: N/A

Donor Project Partner: Council of Europe

Estimated total eligible project cost: €3,829,663

Grant rate: 84.34%

Maximum contribution from the Programme: €3,229,846

The project will consist of two sub-projects. The pre-defined project will include the following activities:

Sub-project 1: "Improvement of time management of court cases and the quality of the delivery of justice – cooperation with the Council of Europe"

This sub-project shall aim to improve the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ project. No less than €504,663 shall be allocated to these activities. Subject to a final decision on project activities and the conclusion of a Partnership Agreement between the Ministry of Justice and the Council of Europe, no less than € 348,065 shall be allocated to the Council of Europe.

Main activities:

- A comparative analysis by Council of Europe experts on the SATURN guidelines and time management tools used by Municipal and County courts so far and development of an action plan
- Implementation of the action plan in the courts at Karlovac and the drafting of a guidance manual based on the experience
- Rollout of measures in the guidance manual to 15 Courts through a programme of workshops
- Assistance in the development of standards , norms and case weighting
- Assistance in the revision of the Judicial Performance Framework
- Assistance in the development of the role of judicial inspectors in Monitoring Time Management of Courts
- The piloting of satisfaction surveys for court users and the development of an action plan to guide measures to address the findings.

Sub-project 2: "Renovation and reconstruction of Karlovac courthouse"

This sub-project shall aim to renovate and refurbish the large courthouse at Karlovac in order to increase office space, improve conditions for judges and court users and make the facility accessible to people with limited mobility.

Main activities:

- Extension of existing office space (6 new offices constructed)
 - Installation of elevator
 - Toilets renovated and adapted for persons with reduced mobility (on each floor)
 - New hydro isolation in basement in order to assure better safety conditions for archive;
- Movable ramp for persons with reduced mobility at the entrance (ground floor) to Karlovac court house.

7. Modification of the programme

N/A

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as the version signed by the PO on 28.03.2014, including all subsequent correspondence and communication between the NMFA, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

N/A