

11 SEP. 2013

30 SEP. 2013

EEA Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway

and

The Managing Authority for International Cooperation Programmes, National Development Agency,
hereinafter referred to as the "National Focal Point",

representing Hungary,

hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Energy Efficiency"

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

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 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.

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.

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.

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

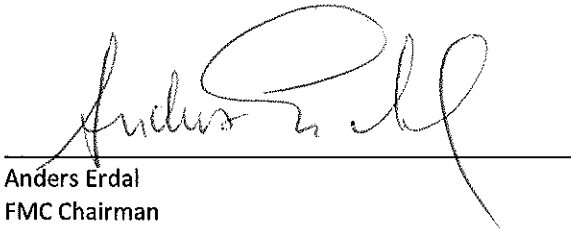
1. This programme agreement shall enter into force on the date of the last signature of the Parties.

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.

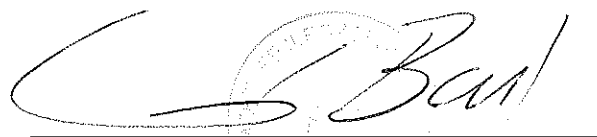
For the FMC

Signed in Ostlo on 6.9.2013


Anders Erdal
FMC Chairman

For the National Focal Point

Signed in Budapest on 20.9.2013


Balázs Simó
Director General

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Improved energy efficiency in buildings

Output

Completed energy efficiency investments on public schools

Output indicator(s)	Baseline	Target	Source of Verification
Number of completed energy efficiency investments on public schools	0	9	Project reports prepared by the beneficiaries

Output

Energy certificates of public schools involved into the programme

Output indicator(s)	Baseline	Target	Source of Verification
Number of energy certificates of public schools involved into the programme showing a significant improvement in energy classification due to the investment	0	9	Project reports prepared by the beneficiaries

Expected Outcome(s): Improved capacity at national, regional and local level to undertake energy-efficiency measures

Output

Training materials to improve energy efficiency capacities

Output indicator(s)	Baseline	Target	Source of Verification
Number of training materials developed (Training material I., for operators, Training material II. for teachers)	0	18	Project reports prepared by the beneficiaries

Output

Staff members at public schools with increased capacity to undertake energy-efficiency measures

Output indicator(s)	Baseline	Target	Source of Verification
Number of staff members at public schools with increased capacity to undertake energy-efficiency measures (Training I., for operators, Training II. for teachers)	0	99	Project reports prepared by the beneficiaries

Expected Outcome(s): Increased awareness of and education in energy efficiency

Output

Webpage to show the energy efficiency measures realised in the public schools

Output indicator(s)	Baseline	Target	Source of Verification
Number of persons visiting the webpage	0	9000	Report of the Programme Operator at the end of the programming period

Output

Publications to enhance awareness raising based on the local project's experiences

Output indicator(s)	Baseline	Target	Source of Verification
Number of publications produced with awareness raising content	0	9	Project reports prepared by the beneficiaries

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 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) Bilateral outcome and outcome indicators shall be reported on in the annual programme report.

3) 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 5 years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
- Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract; provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

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 any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

6) A methodology on the calculation of the flat rate to be applied to indirect eligible costs (overheads) in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO no later than two weeks prior to the deadline for providing to the FMC the text of the call for proposals, as required by Article 6.3.4 of the Regulation.

7) Any interest earned at any level on EEA FM funds in Hungary, held by National Authorities until they are transferred to the Programme Operators or by Programme Operators and intended for re-granting, is a resource for the FMC and shall be reported on and reimbursed to the FMC in line with the procedures foreseen in Article 8.7 of the Regulation.

8) The Programme Operator shall coordinate with relevant Programme Operators in Hungary (including but not limited to HU09 and HU10) in order to ensure synergies and avoid double financing.

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

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 22/04/2013-30/04/2017

Eligibility of programme proposal preparation costs: 13/11/2011-21/04/2013

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€9,896,471
Programme estimated eligible cost (€)	€9,896,471
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€8,412,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€989,647	€150,000
Improved energy efficiency in buildings	€8,578,262	€0
Improved capacity at national, regional and local level to undertake energy-efficiency measures	€43,544	€0
Increased awareness of and education in energy efficiency	€87,089	€0
Fund for bilateral relations	€148,447	€0
Complementary action	€0	€0
Preparation of programme proposal	€49,482	€49,482
Reserve for exchange rate losses	€0	€0
Total	€9,896,471	€199,482

* The advance payment is composed of €169,560 in grant amount and €29,922 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	€84,120

3.5 Small Grant Scheme

Not applicable

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures

The Managing Authority for Environmental Programmes of the National Development Agency is the designated Programme Operator for this programme. Certain tasks related to implementation and monitoring of the programme will be delegated to the implementing agency (IA) which is the International Development and Fund Coordination Agency.

The programme will promote increased energy efficiency in public schools, as well as capacity building, awareness raising and education in relation to energy efficiency. The estimated CO₂ reduction and/or avoidance is 2,357 tonnes/year. The estimated energy saved is 9,089 MWh/year.

The Programme shall be implemented by way of one call for proposals "Improving Energy Efficient Public Schools".

1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. By way of further specification from the general rules on eligibility of applicants, only public primary and secondary schools are eligible applicants.

1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 7 of the Regulation, with the following exceptions:

- a) In-kind contributions are not considered eligible expenditure.
- b) By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new and second hand 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 eligible costs can be claimed by the application of a flat rate of up to 15% of total eligible direct costs. The Programme Operator shall describe a methodology that shall ensure the fair apportionment of the overall overheads in the open call text. All Project Promoters or project partners must apply the methodology established by the Programme Operator when setting the precise level of this flat rate.

2. Financial parameters

2.1 Minimum and maximum grant amount per project in Open Call:

The minimum amount of grant assistance applied for under the call for proposals is €330,000; the maximum amount is €965,000.

2.2 Project grant rate:

The project grant rate shall not exceed 85% of the eligible costs of the projects and shall be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects and/or the project promoter or partner, where relevant. The remaining costs of the project shall be provided or obtained by the Project Promoter.

3. Selection of projects

3.1 Selection procedures in the Open Call:

All selection procedures carried out under this Programme shall be in accordance with the procedures specified in the Regulation. The independent and impartial experts required by Article 6.5.2 of the Regulation shall be independent of and impartial to both project applicants and the Selection Committee.

3.2 Open calls and availability of funds:

There shall be at least one call for proposals. The call shall be launched no later than in the third quarter of 2013 and make available at least €8,708,894. Should funds remain uncommitted as a result of the first call, a second call may be launched no later than in the second quarter of 2014 and shall make available any remaining funds for re-granting.

3.3 Selection criteria:

The final project selection criteria to be applied shall be detailed in the framework of the calls for proposals in accordance with Article 6.3 of the Regulation. The criteria shall be based on the proposal of the Programme Operator, and as a minimum contain the following general principles:

- Relevance of the project
- Relevance of bilateral partnership
- Sustainability
- Overall project design (timeline, realistic budget, etc.)

- Level of foreseen energy savings and improvements in energy efficiency classification
- Impact of awareness raising activities
- Size of target groups reached
- Use of innovative solutions
- Environmental impact and contribution to the achievement of aims, outcomes and outputs of the Programme.

Priority shall be given to projects with the highest reduction of CO₂ emissions in order to ensure the achievement of objectives of the programme by using the available budget as efficiently as possible.

The selection criteria shall favour an even geographical distribution of schools affected by the programme. For this reason – if the submitted applications allow – at least one project shall be selected in every region. The selection criteria shall also favour projects that target and reach socially deprived groups.

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

4.1 Payment flows

Payments towards the end beneficiaries will be in the form of advance payments, interim payments and payments of the final balance.

The Project Promoters have the possibility to request an advance payment not exceeding 30% of grant amount in the case of projects funded under the open call. The request will need to be justified and is subject to approval by the Programme Operator. The advance payment off-set mechanism will be adapted to each Project Promoter's liquidity needs and included as part of the Project Contract.

The interim payments will be based upon incurred costs. The Programme Operator has the possibility to withhold up to 10 per cent of the total grant for the final balance.

4.2 Verification of payment claims

The payment request prepared by the Project Promoter will be reviewed by the Implementing Agency (IA). The IA will finish the verification process within 15 days after receiving all necessary supporting documents linked to the payment request. The conclusion of the IA on the eligibility of costs included in the payment request will be sent to the Programme Operator for final approval which should not take more than 5 days.

The rules and frequency of payment requests provided by the Project Promoter will be set in the Project Contract.

Proof of expenditure shall only be submitted with the payment claim for costs above a certain threshold to be determined by the PO/IA, in the range of €1,700 - €2,000 for the Open Call. Expenditures falling below this threshold should be summarized and will be controlled during on-the-spot verifications.

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 this Regulation, the national law and accounting practices of the project partner's country, shall, subject to Article 7.13.5 of the Regulation, be seen as sufficient proof of costs incurred by a project partner whose primary location is in a Donor State.

The detailed procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting outlined in the programme proposal will further be detailed in the description of the Programme Operator's management and control systems according to Article 4.8.2 of the Regulation.

4.3 Monitoring and reporting

Project promoters shall submit project progress reports on project implementation and one final report following project completion.

The Programme Operator and the IA will monitor the projects by reviewing project reports and through monitoring visits and on-the-spot checks. Monitoring visits will be conducted by the Programme Operator and will assess whether the project is implemented in accordance with the project contract and all relevant regulations and will identify potential risks and related mitigation measures.

On-the-spot checks will be conducted every year by the Implementing Agency on a sample of projects selected on the basis of risk analysis or random sample. Monitoring activities will be supported by external experts.

The aim of the on-the-spot checks is to make sure that the project is implemented in accordance with the requirements of all

relevant regulations and the project contracts, to verify procurement procedures and the cost efficiency of incurred expenditures. On-the-spot checks and monitoring visits on an ad-hoc basis will also be carried out when suspicions arise that the information provided by the Project Promoter is incorrect or misleading. On-the-spot checks on an ad-hoc basis can also be organised for other reasons. Information about the date of the ad-hoc on-the-spot checks should normally not be provided to the Project Promoter in advance.

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 Fund for bilateral relations

Support under the Bilateral Fund will be available for activities under measure "B" (networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between Project Promoters and entities in the Donor State).

The Bilateral Fund will provide Networking Grants for Public Schools participating in a project selected through the main call for proposals. The Networking Grants will serve as knowledge transfer, collection and adaptation of best practices established in the Donor States in the field of awareness of and education in energy efficiency. NGOs active in the field of environmental protection, awareness of and education in energy efficiency will also be eligible to apply for Networking Grants (this constitute an exception to Article 3.6 of the Regulation).

The size of the grant shall not exceed € 1,500 per person, per travel and shall be reimbursed on the basis of costs actually incurred. The bilateral fund will be administrated by the Programme Operator and the Implementing Agency. The procedures for awarding support from the fund will be published on the Programme Operator's and the Implementing Agency's web page. The Selection Committee will evaluate applications submitted to this fund. Applications can be submitted after the main call for proposals has been published.

Funds shall also be set aside for activities that are organised by the Programme Operator and contribute to the objectives of the Programme with the primary aim of strengthening co-operation between the Programme Operator and similar entities within the Beneficiary States and the Donor States, and exchanging experiences and best practices related to the implementation of the Programme. Eligible activities shall include the Programme Operator's and other relevant stakeholders' participation in meetings and workshops organised by the Programme Operator or other Programme Operators, or in other events/seminars/activities agreed with the Donor States.

The eligibility of costs shall be in line with Article 7.7 of the Regulation.

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 will follow the rules 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 version signed by the Programme Operator on 12 July 2012 and shall include all subsequent correspondence and communication between the NMFA, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.