

21 AOUT 2013

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Norwegian Ministry of Foreign Affairs

and

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

together hereinafter referred to as the "Parties"

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

hereinafter referred to as the "Programme"

**Chapter 1**  
**Scope, Legal Framework, and**  
**Definitions**

**Article 1.1**  
**Scope**

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

**Article 1.2**  
**Legal Framework**

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, constitute the legal framework of the Norwegian Financial Mechanism 2009-2014:

a. the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the Agreement);

b. the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by Norway in accordance with Article 8(8) of the Agreement;

c. the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Kingdom of Norway and the Beneficiary State; and

d. any guidelines adopted by the NMFA in accordance with the Regulation.

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

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

**Article 1.3**  
**Definitions**

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

**Article 1.4**  
**Annexes and hierarchy of documents**

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

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

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

**Chapter 2**  
**The Programme**

**Article 2.1**  
**Co-operation**

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

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities.

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

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

Article 2.2

Main responsibilities of the Parties

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

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

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

Article 2.3

Objective and outcomes of the Programme

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

Article 2.4

Programme grant

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

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

3. The financial plan shall:

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

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

Article 2.5

Special conditions and programme specific rules

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

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in the operational rules.

Article 2.6

Programme implementation agreement

1. With reference to Article 5.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the NMFA of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the NMFA in accordance with paragraph 5 of Article 5.8 of the Regulation with regard to the content required according to paragraph 3 thereof. The National Focal Point shall inform the NMFA of any deviation from that confirmed draft which may be subject to a new confirmation according to paragraph 5 of Article 5.8 of the Regulation prior to any payment to the Programme.

Article 2.7

Reporting

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

#### Article 2.8

##### External monitoring

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

#### Article 2.9

##### Modification of the Programme

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

#### Article 2.10

##### Communication

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

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.

3. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

4. The NMFA shall ensure that the National Focal Point is informed about communication between the NMFA and the Programme Operator that is relevant for the responsibilities of the National Focal Point under this programme agreement.

#### Article 2.11

##### Contact information

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

#### Article 2.12

##### Representations and Warranties

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

## Chapter 3 Projects

### Article 3.1 Selection of projects

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

### Article 3.2 Project contract

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

### Article 3.3 Project partners and partnership agreements

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

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

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

### Article 3.4 Reallocation of funds

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

## Chapter 4 Finance

### Article 4.1 Eligible expenditures

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

Article 4.5

Irregularities, suspension and reimbursements

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.

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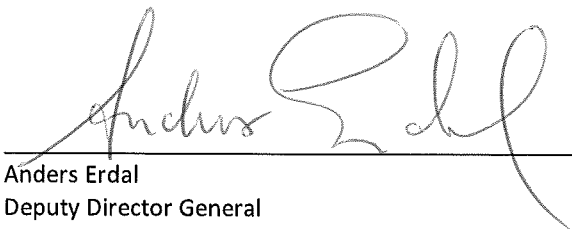
This programme agreement is drawn up in two originals in the English language.

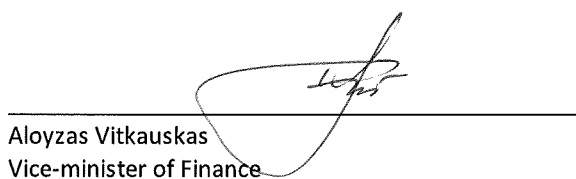
For the NMFA

For the National Focal Point

Signed in Oslø on 15.8.2013

Signed in VILNIUS on 28/08/2013

  
Anders Erdal  
Deputy Director General

  
Aloyzas Vitkauskas  
Vice-minister of Finance

## Annex I - Programme Decision

### 1. Expected Outcomes & Indicators for Outputs

#### Expected Outcome(s):

Enhanced institutional capacity and human resources development in public institutions, local and regional authorities in the Beneficiary States

#### Output

Improved level of capacities in Lithuanian institutions

Output indicator(s)	Baseline	Target	Source of Verification
Percentage of successfully implemented projects	0	75	Final reports of the projects

#### Output

Improved skills and capacities of the human resources of Lithuanian institutions

Output indicator(s)	Baseline	Target	Source of Verification
Number of participants of various training activities	0	300	Final reports of the projects

### 2. Conditions

#### 2.1 General

1. The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):

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

2. Bilateral, output and outcome indicators shall be reported on in the annual programme report.

3. 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.

4. 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 NMFA the text of the call for proposals, as required by Article 6.3.4 of the Regulation.

5. The National Focal point shall ensure that the Programme Operator submits to the NMFA a detailed breakdown of the management costs for this programme, in accordance with the requirements of the Regulation and the Programme Operators' Manual.

6. The National Focal Point shall ensure that the Programme Operator consults with and coordinates the implementation of the Programme and the projects thereunder with relevant Programme Operators in Lithuania as well as relevant Programme Operators in other Beneficiary States of the EEA and/or Norwegian Financial Mechanisms 2009-2014 in order to create synergies.

#### 2.2 Pre-eligibility

Expenditures under the pre-defined project "Strengthening of the Lithuanian and Norwegian Police cooperation and capacities to



fight against Domestic and Gender-based Violence" shall not be eligible before the NMFA has received a detailed description of the budget of the project, broken down by activity with an associated timeline and a clear indication of the role of and allocation to the donor project partner(s) and has confirmed the maximum grant to the project.

### 2.3 Pre-payment

### 2.4 Pre-completion

### 2.5 Post-completion

### 2.6 Other

## 3. Eligibility of costs

### 3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 19/04/2013-30/04/2017

Eligibility of programme proposal preparation costs: 05/04/2011-18/04/2013

### 3.2 Grant rate and co-financing

Programme estimated total cost (€)	€9,411,765
Programme estimated eligible cost (€)	€9,411,765
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€8,000,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€941,176	€200,000
Enhanced institutional capacity and human resources development in public institutions, local and regional authorities in the Beneficiary States	€8,329,410	€1,500,000
Fund for bilateral relations	€141,179	€50,000
Complementary action	€0	€0
Preparation of programme proposal	€0	€0
Reserve for exchange rate losses	€0	€0
Total	€9,411,765	€1,750,000

\* The advance payment is composed of €1,487,500 in grant amount and €262,500 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	€80,000

### 3.5 Small Grant Scheme

Outcome	Enhanced institutional capacity and human resources development in public institutions, local and regional authorities in the Beneficiary States
Total Amount Reserved	€1,882,352
Grant Amount at Project Level	€10,000 – 150,000
Duration of the Project	12 – 24 months
Maximum Grant Rate at Project Level	85.00%

## Annex II - Operational Rules

### 1. Eligibility

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

The Programme Operator is the Ministry of the Interior of the Republic of Lithuania.

Certain tasks related to implementation and monitoring of the programme will be delegated to the implementing agency (IA) which is the Central Project Management Agency (CPMA).

The Donor Programme Partners are the Norwegian Association of Local and Regional Authorities (KS), the Norwegian Environment Agency and the National Police Directorate (POD).

The Programme will be implemented by way of one call for proposals for large projects, one small grant scheme and three pre-defined projects.

The programme aims at capacity building and human resource development, and fostering co-operation among public institutions and local and regional partners in Lithuania. Projects will be based partnerships and cooperation and transfer of know-how and good practice and experience between Norwegian and Lithuanian public institutions.

#### 1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. By way of further specification, the following entities are considered eligible as applicants under the small grant scheme and under the call for proposals for large projects:

- Local and regional authorities;
- Institutions of regional and local authorities (any public institution, which provides services for the community and is located and registered in a certain municipality or region, including but not limited to, schools, hospitals, youth organizations, day care centres, community centres, sports organizations, museums, culture houses, communal services providing enterprises, fire brigades, etc.);
- Not-for-profit public institutions, which provide educational services according to their statutes;
- Associations of local and regional authorities.

#### 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 equipment will be eligible if the equipment is an integral and necessary component for achieving the outcome of the project. The CPMA will check and verify compliance with this condition.
- c) The cost and depreciation of second hand equipment is not considered eligible expenditure.

Indirect eligible costs can be claimed by the application of a flat rate of up to 20% of total eligible direct costs. The CPMA shall prepare and the Programme Operator shall describe a methodology that shall ensure the fair apportionment of the overall overheads in the call for proposal(s) 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:

The minimum amount of grant assistance applied for under the call for proposals for large projects is €170,000; the maximum amount is €1,000,000.

The minimum amount of grant assistance applied for under the small grant scheme is €10,000; the maximum amount is €150,000.

#### 2.2 Project grant rate:

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

### 3. Selection of projects

#### 3.1 Selection procedures:

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 (including number of calls, duration of calls, and estimated size):**

There shall be at least one call for applications for the call for proposals for large projects. The first call shall be launched no later than in the first quarter of 2014 and make available the total re-granting amount of € 4,287,358.

There shall be at least one call for applications for the small grant scheme. The first call shall be launched no later than in the first quarter of 2014 and make available the total re-granting amount of € 1,882,352.

In case there are funds uncommitted as a result of either of the two calls for applications referred to above, an additional call for applications may be launched, no later than in the second quarter of 2014 and shall make available any remaining funds for re-granting. This call may take the form of a call for proposals for large projects and/or a small grant scheme.

The total allocation to all small grant schemes shall not exceed 20% of the total eligible expenditure of the programme.

Any savings realised following the signature of the project contracts for the pre-defined projects shall be added to the total re-granting amount.

The calls shall be open for at least for 2 months.

**3.3 Selection criteria:**

Detailed project selection criteria shall be developed by the Programme Operator and discussed in the Cooperation Committee and shall be subject to the agreement of the Donor Programme Partners. They shall, as a minimum, reflect the following main principles:

- All projects to be implemented under this Programme are to be based on partnerships between entities in Norway and entities in Lithuania. More specifically, there is to be at least one partner from Norway co-operating with the Project Promoter of each project.

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

**4.1 Payment flows**

The 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 the eligible expenditures. The advance payment ceilings and off-set mechanism will be adapted to each Project Promoter's liquidity and specified in the Project Contract. An advance payment bank guarantee will be requested from Project Promoters who belong to the private sector. Additional information on the advance payment conditions and off-set mechanism shall be further outlined in the description of the Programme Operator's management and control systems according to Article 4.8.2 of the Regulation.

The interim payments will be based upon incurred costs.

The Programme Operator has the possibility to withhold up to 5% 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 CPMA. The CPMA will finish the verification process within 45 working days after receiving all necessary supporting documents linked to the payment request. The conclusion of the CPMA on the eligibility of costs included in the payment request will be sent to the Programme Operator and to the Project Promoter.

The rules and frequency of payment requests provided by the Project Promoter will be set in the Project Contract. The payment request based upon incurred expenditures will have to be provided no more than once per month and at least once every third month.

Depending on the risk level and the amount of documents of each payment request the CPMA will use two methods – 100% check and the sampling method. The CPMA will use Stratified systematic sampling method for verification of the payment requests to insure the best representativeness. It means that the costs are stratified to the different groups of costs (works, salaries etc.) and for the different groups the systematic sampling is applied. Depending on the results of sample check, the sample size can be

increased. The methods of verification of costs are periodically reviewed and improved.

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*

The Programme Operator and the CPMA are jointly responsible for the carrying out of monitoring as specified in Article 4.7.1 (f) of the Regulation.

On-the-spot checks will be conducted at least once in the project's implementation (except in the projects under the small grant scheme where on-the-spot checks may be carried out on a sample basis), and can also be conducted on an ad-hoc basis when considered necessary. Planned on-the-spot checks will be carried out based on the on-spot-checks annual plan. The Project Promoter will be informed about the date of the planned on-the-spot check in advance. On-the-spot checks on ad-hoc basis could be organized when suspicions arise that the information provided by the Project Promoter is incorrect or misleading. On-the-spot checks on ad-hoc basis could be also organized based on other reasons. Only in such cases, information about the date of the on-the-spot-check on ad-hoc basis may be provided to the Project Promoter in advance. On-the-spot checks are carried out by the CPMA.

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

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

## **5. Additional mechanisms within the programme**

### *5.1 Funds for bilateral relations*

The details of the use of the bilateral fund, the indicative split between measures (a) and (b) of the bilateral fund as per paragraph 1 of Article 3.6 of the Regulation, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the Programme Operator in cooperation with the Donor Programme Partner and will be subject to the approval of the Cooperation Committee.

A partner search forum shall be organised prior to the close of the call for proposals. Expenses incurred by project promoters and project partners for participation in this forum shall be eligible.

### *5.2 Complementary action*

Not applicable.

### *5.3 Reserve for exchange rate losses*

Not applicable.

### *5.4 Small Grant Schemes*

One small grant scheme shall be organised within the Programme. A further small grant scheme may be launched, under the conditions outlined in part 3.2 of this Annex.

The relevant parameters of the small grant scheme(s) are regulated in the relevant parts of this Annex.

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

1) "Sustainable energy and environmental quality management for the local level"

The project promoter is Association of Local Authorities in Lithuania

Project partners: N/A

Donor project partner: The Norwegian Association of Local and Regional Authorities (KS)

Estimated total eligible project cost: €387,200

Grant rate: 100%

Maximum contribution from the Programme: €387,200

The project promotes cooperation in the field of sustainable energy and environmental quality between experts and policy makers in Norwegian and Lithuanian municipalities.

The objective of the project is to strengthen the administrative capacities of Lithuanian municipal officials and municipal politicians in two priority areas:

1. environment (renewal of air quality monitoring plans and their implementation);
2. sustainable energy policies (development/renewal of Sustainable Energy Plans, promotion of local and renewable energy sources).

## 2) "Partnership project on greenhouse gas inventory"

The project promoter is Ministry of Environment

Project partners: N/A

Donor project partner: Climate and Pollution Agency (KLIF)

Estimated total eligible project cost: €772,500

Grant rate: 100%

Maximum contribution from the Programme: €772,500

The objective of the project is capacity building and improvement of Lithuania's National system for the preparation of Greenhouse Gas (GHG) inventory and reporting GHG projections to comply with the relevant UNFCCC, Kyoto protocol and EU reporting requirements. Expected outcomes of the project activities are:

- A training programme for Lithuanian GHG inventory experts;
- The development of GHG inventory Quality assurance/Quality control (QA/QC) procedures as well as documenting, archiving system improvement;
- Implementation of studies to fill in the reporting gaps in several GHG inventory areas;
- Assistance in development of national system for GHG projections reporting.

## 3) "Strengthening of the Lithuanian and Norwegian Police cooperation and capacities to fight against Domestic and Gender-based Violence"

The project promoter is the Police Department under the Ministry of the Interior, Lithuania

Project partners: N/A

-Donor project partner: National Police Directorate (POD).

Estimated total eligible project cost: €1,000,000

Grant rate: 100%

Maximum contribution from the Programme: €1,000,000

The main objective of the project is to develop the professional qualifications of the police officers responding and investigating cases of domestic violence most frequently, to provide them with theoretical knowledge, to form their skills related to efficient responding and making proper decisions. Norwegian experts in this field will be invited to share their experience and good practice, help train instructors from central and regional police institutions, and participate in training of police officers.

The project also includes:

-an information and publicity campaign; and

-purchase of equipment related to the project (maximum 25% of the total eligible project cost).

## 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 14 February 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.