

MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM
2009-2014

between

ICELAND,
THE PRINCIPALITY OF LIECHTENSTEIN,
THE KINGDOM OF NORWAY,
hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF CYPRUS,
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

WHEREAS Protocol 38b to the EEA Agreement, incorporated into the EEA Agreement by the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Financial Mechanism 2009-2014, establishes a financial mechanism (hereinafter referred to as the “EEA Financial Mechanism 2009-2014”) through which the Donor States will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the EEA Financial Mechanism 2009-2014 aims to strengthen relations between the Donor States and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS by decision of the Standing Committee of the EFTA States No. 5/2010/SC of 9 December 2010 the Donor States have given the Financial Mechanism Committee, established by a decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004, a mandate to manage the EEA Financial Mechanism 2009-2014;

WHEREAS the enhanced co-operation between the Donor States and the Beneficiary State will contribute to securing a stable, peaceful and prosperous Europe, based on good governance, democratic institutions, the rule of law, respect for human rights and sustainable development;

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the EEA Financial Mechanism 2009-2014;

the Parties HAVE AGREED on the following:

Article 1 **Objectives**

1. The overall objectives of the EEA Financial Mechanism 2009-2014 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between the Donor States and the Beneficiary States through financial contributions in the priority sectors listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall endeavour to select for funding programmes that contribute to the achievement of these objectives.

2. The financial contributions shall be available in the following priority sectors:

- (a) Environmental protection and management;
- (b) Climate change and renewable energy;
- (c) Civil society;
- (d) Human and social development; and
- (e) Protecting cultural heritage.

Academic research may be eligible for funding in so far it is targeted at one or more of the priority sectors.

Article 2 **Legal Framework**

This Memorandum of Understanding shall be read in conjunction with the following documents which, together with this Memorandum of Understanding, 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 programme agreements that will be concluded for each programme; and
- (d) any guidelines adopted by the Financial Mechanism Committee in accordance with the Regulation.

Article 3 **Financial Framework**

1. In accordance with Article 2 of Protocol 38b, the total amount of the financial contribution is € 988.5 million in annual tranches of € 197.7 million over the period running from 1 May 2009 to 30 April 2014, inclusive.
2. In accordance with Article 5 of Protocol 38b, a total of € 3,850,000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.
3. In accordance with Article 8.7 of Protocol 38b and Article 1.8 of the Regulation, the management costs of the Donor States shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 3,561,250.

Article 4 **Roles and responsibilities**

1. The Donor States shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the Financial Mechanism Committee within the priority sectors listed in Article 3.1 of Protocol 38b and the programme areas identified in Annex B of this Memorandum of Understanding. The Donor States and the Beneficiary State may consult on possible and specific programmes before a formal programme proposal is submitted to the Financial Mechanism Committee.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2009-2014 in accordance with Annex B and the programme agreements.
3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2009-2014 and take decisions on the granting of financial assistance in accordance with the Regulation.
4. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the “FMO”). The FMO shall be responsible for the day-to-day operations of the EEA Financial Mechanism 2009-2014 and shall serve as a contact point.

Article 5 **Designation of authorities**

The Beneficiary State has authorised a National Focal Point to act on its behalf. The National Focal Point shall have the overall responsibility for reaching the objectives of the EEA Financial Mechanism 2009-2014 as well as for the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State in accordance with the Regulation. In accordance with Article 4.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and an appropriate national entity responsible for the preparation and submission of irregularities reports are designated in Annex A.

Article 6

Multi-annual Programming Framework

1. In accordance with Article 2.1 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:
 - (a) a list of agreed programme areas, the financial contribution from the EEA Financial Mechanism 2009-2014 by programme area;
 - (b) identification of programmes, their main focus and outcomes, as appropriate, as well as any specific concerns relating to target groups, geographical areas or other issues;
 - (c) identification of programme operators, if appropriate;
 - (d) initiatives to strengthening the bilateral relations between the Donor States and the Beneficiary State, including the identification of programme areas in which donor partnership programmes as referred to in Article 3.2 shall be prepared, the designation of donor programme partners, the allocation of funds for such programmes, and programmes, or component thereof, that are dedicated exclusively to donor partnership projects;
 - (e) in specific cases, the identification of pre-defined projects to be included in relevant programmes;
 - (f) identification of small grant schemes, as appropriate.
2. The implementation framework is outlined in Annex B.
3. Annex C outlines certain specific concerns relating to the Republic of Cyprus.

Article 7

Annual meetings

In accordance with Article 2.3 of the Regulation an annual meeting shall be held between the FMC and the National Focal Point. The annual meeting shall allow the FMC and the National Focal Point to examine progress achieved over the previous reporting period and agree on any necessary measures to be taken.

Article 8

Modification of the annexes

1. Annex A may be subject to review at the annual meetings. Amendments to Annex A agreed upon at the annual meetings do not require a formal change to this Memorandum of Understanding. Such amendments shall be confirmed through an exchange of letters between the FMC and the National Focal Point.
2. Annex B may be changed through an exchange of letters between the FMC and the National Focal Point.

Article 9

Control and Access to Information

The Financial Mechanism Committee, the EFTA Board of Auditors and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

Article 10
Governing Principles

1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.
2. The objectives of the EEA Financial Mechanism 2009-2014 shall be pursued in the framework of close co-operation between the Donor States and the Beneficiary State. The Parties agree 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 in all implementation phases of the EEA Financial Mechanism 2009-2014.
3. The Beneficiary State shall take proactive steps in order to ensure adherence to these principles at all levels involved in the implementation of the EEA Financial Mechanism 2009-2014.

Article 11
Entry into Force

This Memorandum of Understanding shall enter into force on the day after the date of its last signature.

This Memorandum of Understanding is signed in four originals in the English Language.

Signed in on
For Iceland

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Signed in on
For the Republic of Cyprus

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Signed in on
For the Principality of Liechtenstein

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Signed in on
For the Kingdom of Norway

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National management and control structures

1. National Focal Point

The Directorate General for European Programmes, Coordination and Development shall act as the National Focal Point. The Directorate General for European Programmes, Coordination and Development is an independent service in the public sector, functionally and operationally responsible to the Minister of Finance, who is the political head of the Directorate General for European Programmes, Coordination and Development.

The Permanent Secretary of the Directorate General for European Programmes, Coordination and Development is the Head of the National Focal Point. The Permanent Secretary of the Directorate General for European Programmes, Coordination and Development is administratively accountable to the Council of Ministers.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 4.3 thereof.

2. Certifying Authority

The Directorate for European Funds and Financial Control of the Treasury of the Republic shall act as the Certifying Authority. The Directorate for European Funds and Financial Control is one of the four Directorates of the Treasury and acts as the Certifying Authority for the EU's Structural and Cohesion Funds in the 2007-2013 programming period. The Treasury is an independent service in the public sector headed by the Accountant General who is appointed by the President of the Republic.

The Head of the Certifying Authority is the Chief Accountant in charge of the Directorate for European Funds and Financial Control of the Treasury of the Republic.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 4.5 thereof.

3. Audit Authority

The Internal Audit Service of the Republic of Cyprus shall act as the Audit Authority.

The Internal Audit Service is an independent Service established by Law. The Internal Audit Service acts as Audit Authority for the EU's Structural and Cohesion Funds in the 2007-2013 Programming Period.

The Internal Audit Service is headed by the Commissioner of Internal Audit, appointed by the Council of Ministers. The Commissioner of Internal Audit is the Head of the Audit Authority.

The Internal Audit Service reports to the Internal Audit Board. The Internal Audit Board acts as the conduit between the Council of Ministers and the Internal Audit Service. It comprises of five members and is chaired by the Minister of Finance.

The Audit Authority shall be functionally independent of the National Focal Point and the Certifying Authority.

The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 4.6 thereof.

4. National public entity responsible for the preparation and submission of irregularities reports.

The Directorate for European Funds and Financial Control of the Treasury of the Republic (Certifying Authority) shall act as the national public entity responsible for the preparation and submission of irregularity reports.

The roles and responsibilities of the Treasury of the Republic of Cyprus are stipulated in the Regulation, in particular Article 11.3 thereof.

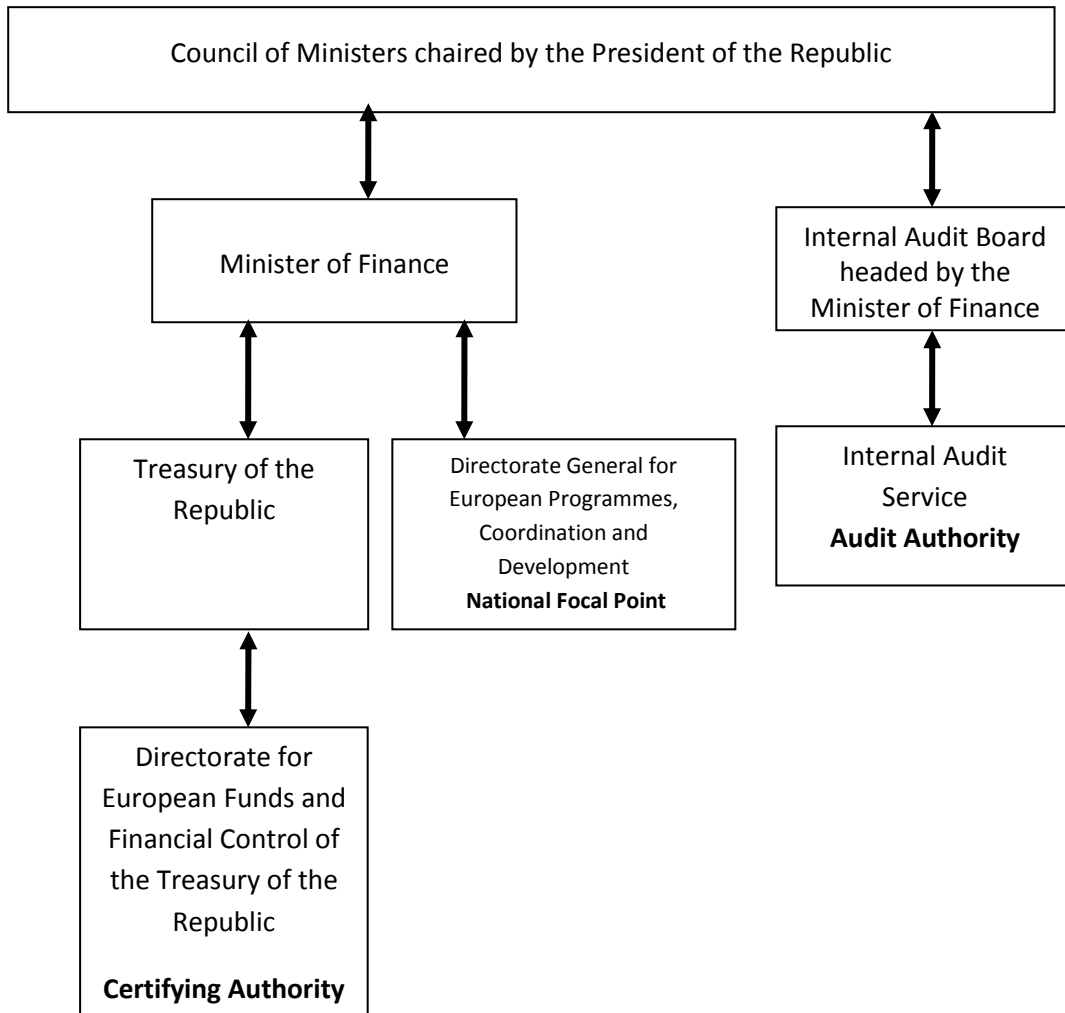
5. Monitoring Committee

The Monitoring Committee shall be established within six months of the signing of the Memorandum of Understanding. Its role is stipulated in the Regulation, in particular Article 4.4 thereof.

6. Strategic Report and annual programme reports

With reference to Articles 2.2 and 5.11 of the Regulation, and in light of the role of the National Focal Point as Programme Operator, the National Focal Point shall submit to the FMC a combined Strategic Report and annual programme report. The combined report shall be submitted to the FMC no later than 31 January each year. The Parties shall endeavour to hold the annual meeting in the month of February every year.

7. Organigram



Implementation framework

In accordance with Article 2.1 of the Regulation, the Parties to this Memorandum of Understanding have agreed on an implementation framework outlined in this annex.

1. Financial parameters of the implementation framework

| Cyprus | EEA FM contribution |
|--|----------------------------|
| Programme area | |
| Biodiversity and Ecosystem Services | € 1,155,500 |
| Funds for Non-Governmental Organisations | € 1,320,750 |
| Children and Youth at Risk | € 385,000 |
| Conservation and Revitalisation of Cultural and Natural Heritage | € 623,000 |
| Other allocations | |
| Technical assistance to the Beneficiary State (Art. 1.9) | € 57,750 |
| Fund for bilateral relations at national level (Art. 3.5.1) | € 19,250 |
| Net allocation to Cyprus | € 3,561,250 |

2. Specific concerns

Bilateral relations between the Donor States and Cyprus shall be strengthened with the aim of stimulating long-term cooperation, including through partnership at project level in all programme areas supported.

The appraisal of programme proposals will take due account of relevant human rights- and governance-related standards of the Council of Europe (such as those monitored by CPT, GRECO, GRETA, ECRI etc.), including the Convention for the Protection of Human Rights and Fundamental Freedoms.

The Parties agree that with respect to the small size of the allocation, the support will be provided through two programmes: The Fund for Non-Governmental Organisations, and a programme operated by the Directorate General for European Programmes, Coordination and Development (National Focal Point) consisting of three pre-defined projects.

Any pre-defined project shall be approved jointly by the FMC and the National Focal Point prior to the signing of the project contract.

The amounts allocated to Programme Areas: 'Biodiversity and Ecosystem Services' 'Children and Youth at Risk' and 'Conservation and Revitalisation of Cultural and Natural Heritage' are subject to a deduction to meet management costs of the Programme Operator and costs related to bilateral funds, referred to in Articles 7.10 and 3.6 of the Regulation, respectively. The amount of the deduction shall be agreed upon in the programme agreement.

3. Substantive parameters of the implementation framework

The programmes described below are to be prepared and, subject to FMC approval, implemented in the Beneficiary State.

A. Programme Area: Biodiversity and Ecosystem Services

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|-----------------------------|---|
| <i>Programme:</i> | EEA Financial Mechanism |
| <i>Objective:</i> | Halt loss of biodiversity |
| <i>Programme Operator:</i> | The Directorate General for European Programmes, Coordination and Development – National Focal Point |
| <i>Project grant:</i> | € 1,155,500 |
| <i>Pre-defined project:</i> | Biodiversity Conservation in Restoration and Management of the Amiantos Asbestos Mine at Troodos National Forest Park |
| <i>Description:</i> | Main aim of the project is reforestation Evaluate and re-organize the restoration works carried out in the Amiantos Asbestos Mine in line with best practice internationally. Training and capacity building Restore the environment in the core of Amiantos Asbestos Mine by applying principles of habitat and landscape restoration and biodiversity conservation measures. |
| <i>Project Promoter:</i> | Department of Forests, Ministry of Agriculture, Natural Resources and Environment |
| <i>Co-financing:</i> | 15% of the eligible project cost shall be provided by the Project Promoter |
| <i>Specific concerns:</i> | The project details will be elaborated during the programming period. Bilateral cooperation with Norwegian partners should be considered. |

B. Programme Area: Funds for Non-Governmental Organisations

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|----------------------------|---|
| <i>Programme:</i> | Fund for Non-Governmental Organisations |
| <i>Objective:</i> | Strengthened civil society development and enhanced contribution to social justice, democracy and sustainable development |
| <i>Programme Operator:</i> | The Programme Operator shall be selected through competitive tendering procedures. The FMC shall be invited to attend as an observer to these procedures. The terms of reference for the Programme Operator shall be developed in close cooperation with the FMC. |
| <i>Programme grant:</i> | € 1,320,750 |
| <i>Specific concern:</i> | 30% of the fund shall be earmarked for bi-communal projects. At least 30% of the re-granting shall cover core areas of |

support as defined in the Programme paper. The Programme shall also include support to environment and climate change initiatives and provision of welfare and basic services, as well as capacity building.

C. Programme Area: Children and Youth at Risk

Programme: EEA Financial Mechanism
Objective: Improved well-being of children and young people at risk
Programme Operator: The Directorate General for European Programmes, Coordination and Development – National Focal Point
Project grant: € 385,000
Pre-defined project: Day Care Centre for children and youth with mental and physical disabilities

The aim of the project is to develop the infrastructure (buildings demolition, renovation and constructions plus purchase of equipment) of the Nea Eleousa residential centre for people with severe mental disabilities and multiple physical disabilities in view to transform it into a Day Care Centre for children and youth with multiple disabilities (mental, cognitive, social).

Project Promoter: Social Welfare Services of the Ministry of Labour and Social Insurance.

Specific concerns: The project should be related to improving of approaches to, and standards of care through soft measures, such as staff training.

D. Programme Area : Conservation and Revitalisation of Cultural and Natural Heritage

Programme: EEA Financial Mechanism
Objective: Cultural and natural heritage for future generations safeguarded and conserved and made publicly accessible
Programme Operator: The Directorate General for European Programmes, Coordination and Development – National Focal Point
Programme grant: € 623,000
Specific concerns: A pre-defined project of European cultural heritage value will be selected and agreed between the parties.

ANNEX C

The project promoters and end beneficiaries shall refrain from any acts or omissions that

- a) Are incompatible with the property rights of natural or legal persons protected under the applicable law of the Republic of Cyprus, the Convention for the Protection of Human Rights and Fundamental Freedoms or the case law of the European Court of Human Rights;
- b) Imply acceptance of entry or exit points of the Republic of Cyprus beyond those that are compatible with international law.

Payments to project promoters shall only be made through legally operating banking institutions in the Republic of Cyprus.

The overall objective and guiding principle of the bi-communal projects is to contribute to an enduring, comprehensive and just settlement of the Cyprus issue based on a bi-communal, bi-zonal federation with political equality, as set out in the relevant UN Security Council resolutions.