

AGREEMENT BETWEEN THE KINGDOM OF NORWAY AND THE EUROPEAN UNION ON A NORWEGIAN FINANCIAL MECHANISM FOR THE PERIOD 2014-2021

Article 1

1. The Kingdom of Norway undertakes to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of its relations with the Beneficiary States, through a separate Norwegian Financial Mechanism in the priority sectors listed in Article 3.

2. All programmes and activities funded by the Norwegian Financial Mechanism 2014-2021 shall be based on the common values of respect for human dignity, freedom, democracy, equality, the rule of law and the respect for human rights including the rights of persons belonging to minorities.

Article 2

1. The total amount of the financial contribution provided for in Article 1 shall be EUR 1253.7 million, to be made available for commitment in annual tranches of EUR 179.1 million over the period running from 1 May 2014 to 30 April 2021 inclusive.

2. The total amount shall consist of country specific allocations as specified in Article 6 and a global fund for regional cooperation as specified in Article 7.

Article 3

1. The country specific allocations shall be made available for the following priority sectors:

- (a) **Innovation, research, education and competitiveness;**
- (b) **Social inclusion, youth employment and poverty reduction;**
- (c) **Environment, energy, climate change and low carbon economy;**
- (d) **Culture, civil society, good governance, fundamental rights and freedoms;**
- (e) **Justice and home affairs.**

The programme areas within the priority sectors outlining the objectives and areas of support are set out in the Annex to this Agreement.

- 2.
- a) The priority sectors shall, in accordance with the procedure referred to in Article 10 paragraph 3, be chosen, concentrated and adapted, according to the different needs in each Beneficiary State, taking into account its size and the amount of the contribution.
 - b) 1 % of the total of the country specific allocations shall be set aside for a fund for the Promotion of Decent Work and Tripartite Dialogue, which shall be made available in accordance with the distribution key referred to in Article 6.
 - c) Cooperation with civil society, cross-border cooperation and cooperation with neighbouring third countries shall be encouraged.

Article 4

1. In order to achieve concentration on priority sectors and to ensure efficient implementation, in line with the overall objectives referred to in Article 1, and taking into account the Europe 2020 strategy for smart, sustainable and inclusive growth, including a focus on employment, national priorities, country-specific recommendations and Partnership Agreements concluded with the European Commission, the Kingdom of Norway shall conclude with each Beneficiary State a Memorandum of Understanding in accordance with Article 10, paragraph 3.
2. Consultations with the European Commission shall take place at a strategic level and shall be held during the negotiations of the Memoranda of Understanding as defined in Article 10 paragraph 3, with a view to promoting

complementarity and synergies with EU cohesion policy, as well as exploring opportunities for applying financial instruments to increase the impact of financial contributions.

Article 5

1. The contribution from the Kingdom of Norway shall, with respect to those programmes under the country specific allocations for which the Beneficiary States shall have implementation responsibility, not exceed 85 percent of programme cost, unless otherwise decided by the Kingdom of Norway.
2. The applicable rules on state aid shall be complied with.
3. The responsibility of the Kingdom of Norway for the projects is limited to providing funds according to the agreed plan. No liability to third parties will be assumed.

Article 6

The country specific allocations shall be made available to the following Beneficiary States: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia, in accordance with the following distribution:

Beneficiary State	Funds (million EUR)
Bulgaria	95.1
Croatia	46.6
Cyprus	5.1
Czech Republic	89.0
Estonia	35.7
Hungary	105.7
Latvia	51.9
Lithuania	61.4
Malta	3.6
Poland	411.5
Romania	227.3
Slovakia	58.2
Slovenia	17.8

Article 7

1. The global fund for regional cooperation shall be made available for an amount of EUR 44.75 million. It shall contribute to achieving the objectives of the Norwegian Financial Mechanism as defined in Article 1.
2. 60 % of the fund shall be made available for the promotion of sustainable and quality youth employment with particular focus on the following areas:
 - (a) Job and training mobility programmes for young people, focusing specifically on those who are not in employment, education or training;
 - (b) Dual learning programmes, apprenticeships, youth inclusion;
 - (c) Knowledge sharing, policy exchange of best practices and mutual learning between organisations/institutions providing youth employment services.

This part of the fund shall be made available to projects involving Beneficiary States and other EU Member States with a youth unemployment rate above 25% (Eurostat reference year 2013), and shall involve at least two countries, including at least one Beneficiary State. Norwegian entities can participate as partners.
3. 40 % of the fund shall be made available for regional cooperation across the priority sectors listed in Article 3, in particular knowledge sharing, policy exchange for best practices and institution building.

This part of the fund shall be made available to projects involving Beneficiary States and neighbouring third countries. Projects shall involve at least three countries, including at least two Beneficiary States. Norwegian entities can participate as partners.

Article 8

A mid-term review shall be carried out by the Kingdom of Norway by 2020 with a view to redistributing any non-committed available funds within the allocations to the individual Beneficiary States concerned.

Article 9

1. The financial contribution provided for in Article 1 shall be closely coordinated with the contribution from the EFTA States provided for by the EEA Financial Mechanism.
2. In particular, the Kingdom of Norway shall ensure that the application procedures and implementation modalities are essentially the same for both financial mechanisms referred to in the previous paragraph.
3. Any relevant changes in the European Union's cohesion policy shall be taken into account, as appropriate.

Article 10

The following shall apply to the implementation of the Norwegian Financial Mechanism:

1. The highest degree of transparency, accountability and cost efficiency shall be applied in all implementation phases, as well as principles of good governance, partnership and multi-level governance, sustainable development, and equality between men and women and non-discrimination.

The objectives of the Norwegian Financial Mechanism shall be pursued in the framework of close cooperation between the Beneficiary States and the Kingdom of Norway.
2. The Kingdom of Norway shall operate and be responsible for the implementation, including management and control, of the following funds:
 - (a) the global fund for regional cooperation as set out in Article 7, paragraph 1;
 - (b) a fund for the Promotion of Decent Work and Tripartite Dialogue as set out in Article 3, paragraph 2b);
3. The Kingdom of Norway shall conclude with each Beneficiary State a Memorandum of Understanding concerning the respective country specific allocation, excluding such funds as referred to in paragraph 2, which shall set out the multi-annual programming framework and the structures for management and control.
 - a) On the basis of the Memoranda of Understanding, the Beneficiary States shall submit proposals for specific programmes to the Kingdom of Norway which shall appraise and approve the proposals and conclude grant agreements with the Beneficiary States for each programme. On explicit request from the Kingdom Norway or the Beneficiary State concerned, the European Commission shall undertake a screening of a proposal for a specific programme before its adoption, to ensure compatibility with the European Union's cohesion policy.
 - b) The implementation of the agreed programmes shall be the responsibility of the Beneficiary States which shall provide for an appropriate management and control system in order to ensure sound implementation and management.
 - c) The Kingdom of Norway may carry out controls according to their internal requirements. The Beneficiary States shall provide all necessary assistance, information and documentation to this effect.
 - d) The Kingdom of Norway may suspend financing and require recovery of funds in the case of irregularities.
 - e) Partnerships shall, where appropriate, be applied in the preparation, implementation, monitoring and evaluation of the financial contribution in order to ensure broad participation. Partners may include, inter alia, local, regional and national levels, as well as the private sector, civil society and social partners in the Beneficiary States and the Kingdom of Norway.
 - f) Any project under the multi-annual programming framework in the Beneficiary States may be implemented in cooperation between, inter alia, entities based in the Beneficiary States and in the Kingdom of Norway, in accordance with the applicable rules on public procurement.
4. The management costs of the Kingdom of Norway shall be covered by the total amount referred to in Article 2, paragraph 1, and shall be specified in the provisions for the implementation referred to in paragraph 5.
5. The Kingdom of Norway, or an entity appointed by it, shall be responsible for the overall management of the Norwegian Financial Mechanism. Further provisions for the implementation of the Norwegian Financial Mechanism will be issued by the Kingdom of Norway after consultation with the Beneficiary States which may be assisted by the European Commission. The Kingdom of Norway shall endeavour to issue these provisions before the signing of the Memoranda of Understanding.

6. The Kingdom of Norway shall report on its contribution to the objectives of the Norwegian Financial Mechanism and, as appropriate, on the eleven thematic objectives for the European Structural and Investment Funds 2014-2020¹.

Article 11

1. This Agreement shall be ratified or approved by the Parties in accordance with their own procedures. The instruments of ratification or approval shall be deposited with the General Secretariat of the Council of the European Union.
2. It shall enter into force on the first day of the second month after the last instrument of ratification or approval has been deposited.
3. Pending the completion of the procedures referred to in paragraphs 1 and 2, this Agreement shall be applied on a provisional basis as from the first day of the first month following the deposit of the last notification to this effect.

Article 12

This Agreement, drawn up in a single original in the Bulgarian, Czech, Croatian, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Italian, Latvian, Lithuanian, Hungarian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish, Swedish and Norwegian languages, the text in each of these languages being equally authentic, shall be deposited with the General Secretariat of the Council of the European Union, which will remit a certified copy to each of the Parties to this Agreement.

Done at Brussels, this of [year]

For the European Union

For the Kingdom of Norway

¹ 1) Strengthening research, technological development and innovation; 2) enhancing access to, and use and quality of, information and communication technologies; 3) enhancing the competitiveness of small and medium-sized enterprises (“SMEs”), of the agricultural sector and of the fishery and aquaculture sector; 4) supporting the shift towards a low-carbon economy in all sectors; 5) promoting climate change adaptation, risk prevention and management; 6) preserving and protecting the environment and promoting resource efficiency; 7) promoting sustainable transport and removing bottlenecks in key network infrastructures; 8) promoting sustainable and quality employment and supporting labour mobility; 9) promoting social inclusion, combating poverty and any discrimination; 10) investing in education, training and vocational training for skills and lifelong learning; 11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration.