

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

between

THE REPUBLIC OF MALTA,
hereinafter referred to as the "Beneficiary State"

and

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

together hereinafter referred to as the "Parties",

*Certified true copy
of the original*



12.10.11
Mr. Joseph Cole
Director General
European and Economic Affairs

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 € 2,900,000 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 €2,682,500.

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.

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**

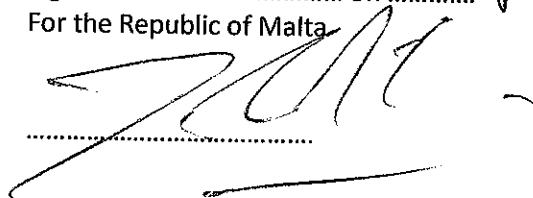
1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.
2. The objectives of the EEA Financial Mechanism 2009-2014 shall be pursued in the framework of close co-operation between the Donor States and the Beneficiary 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**

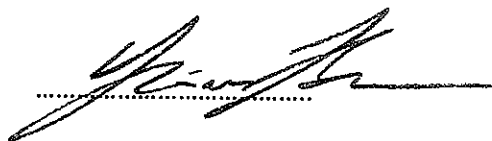
This Memorandum of Understanding shall enter into force on the day after the date of its last signature.

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

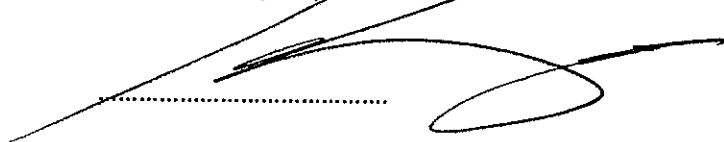
Signed in Valletta on 27. Sept. 2011
For the Republic of Malta



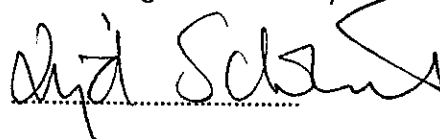
Signed in Breuneh on 15th October 2011
For Iceland



Signed in Fürst on 14 October 2011
For the Principality of Liechtenstein



Signed in Valletta on 27. Sept. 2011
For the Kingdom of Norway



National management and control structures

1. National Focal Point

The Funds and Programmes Division (FPD) within the Office of the Prime Minister (OPM) shall act as the National Focal Point. The Director General of FPD shall act as the head of the National Focal Point. The FPD reports to the Permanent Secretary (EU Funds).

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

2. Certifying Authority

The EU Paying Authority Directorate within the Ministry of Finance, the Economy and Investment (MFEI) shall act as the Certifying Authority. The Director of the EU Paying Authority Directorate shall act as the head of the Certifying Authority.

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 and Investigations Department (IAID) shall act as the Audit Authority. The Director General of IAID shall act as the head of the Audit Authority. The IAID is an independent unit within the Office of the Prime Minister established by Legal Act. The IAID reports to the Internal Audit and Investigations Board (IAIB), which is appointed by the Prime Minister of Malta. The Secretary to Cabinet is the Chairperson of the IAIB.

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

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


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

The Audit Authority shall be responsible for the preparation and submission of irregularities reports.

The roles and responsibilities of the Audit Authority in relation to the preparation and submission of irregularities reports 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.



National management and control structures

1. National Focal Point

The Funds and Programmes Division (FPD) within the Office of the Prime Minister (OPM) shall act as the National Focal Point. The Director General of FDP shall act as the head of the National Focal Point. The FPD reports to the Permanent Secretary (EU Funds).

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

2. Certifying Authority

The EU Paying Authority Directorate within the Ministry of Finance, the Economy and Investment (MFEI) shall act as the Certifying Authority. The Director of the EU Paying Authority Directorate shall act as the head of the Certifying Authority.

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 and Investigations Department (IAID) shall act as the Audit Authority. The Director General of IAID shall act as the head of the Audit Authority. The IAID is an independent unit within the Office of the Prime Minister established by Legal Act. The IAID reports to the Internal Audit and Investigations Board (IAIB), which is appointed by the Prime Minister of Malta. The Secretary to Cabinet is the Chairperson of the IAIB.

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

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

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

The Audit Authority shall be responsible for the preparation and submission of irregularities reports.

The roles and responsibilities of the Audit Authority in relation to the preparation and submission of irregularities reports are stipulated in the Regulation, in particular Article 11.3 thereof.

5. Monitoring Committee

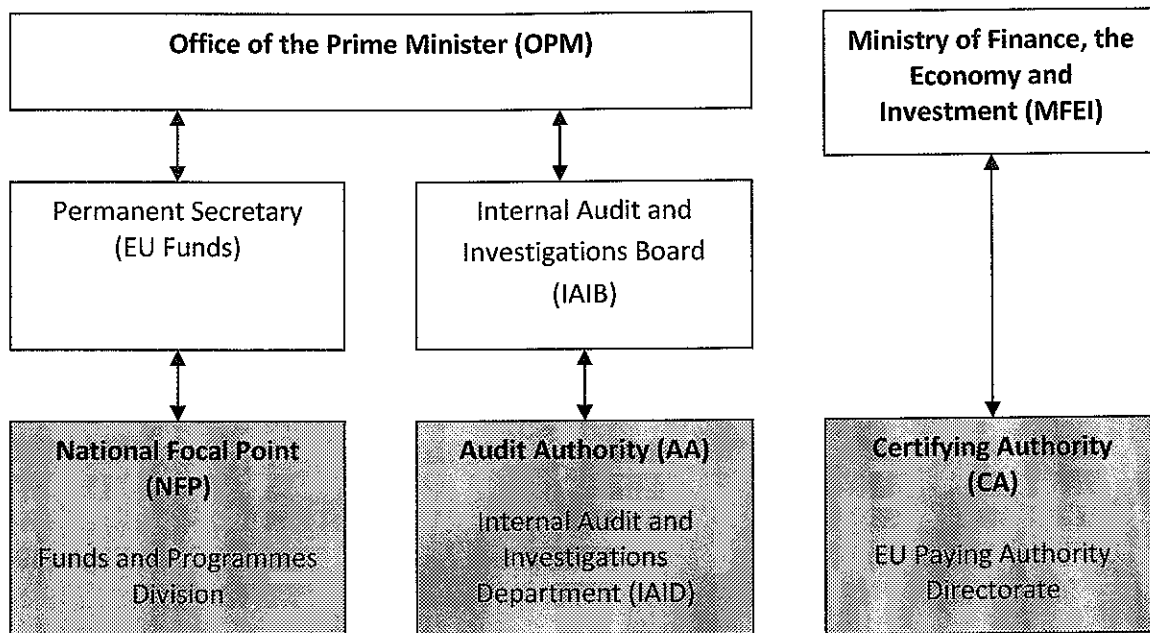
The Monitoring Committee shall be established within six months of the signing of the Memorandum of Understanding. Its role is stipulated in the Regulation, in particular Article 4.4 thereof.

6. Strategic Report and annual meetings

In accordance with Article 2.2 of the Regulation, the National Focal Point shall annually submit to the FMC a Strategic Report on the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State. The Parties shall endeavour to hold the annual meeting in the first quarter of every year.

7. Organigram

The following organigram describes the position of the main public authorities involved in the implementation of the EEA Financial Mechanism 2009-2014:



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

Malta	EEA FM contribution
Programme area	
Renewable Energy	€ 850,000
Adaptation to Climate Change	€ 500,000
Funds for Non-governmental Organisations	€ 500,000
Conservation and Revitalisation of Cultural and Natural Heritage	€ 789,000
Other allocations	
Technical assistance to the Beneficiary State (Art. 1.9)	€ 29,000
Fund for bilateral relations at national level (Art. 3.5.1)	€ 14,500
Net allocation to Malta	€2,682,500

2. Specific Concerns

Bilateral relations between the EEA EFTA States and Malta 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:

- A. the "EEA Financial Mechanism Programme" consisting of the Programme Areas "Adaptation to Climate Change", "Renewable Energy", and "Conservation and Revitalisation of Cultural and Natural Heritage". The implementation of the Programme shall involve the competent line ministries and other relevant stakeholders in respect of programming and implementation; and
- B. the Fund for Non-governmental Organisations.

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: "Adaptation to Climate Change", "Renewable Energy", 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.

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.

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. EEA Financial Mechanism Programme

Programme Area: Renewable Energy

Objectives: Increased share of renewable energy in energy use
Outcome: Increased renewable energy production
Programme Operator: Office of the Prime Minister, Funds and Programmes Division
Pre-defined project: Name of project: CO2 Energy – Development of Algae-Derived Bio-Fuel Production Plant for CO2 Sequestration from Waste Management Activities in Malta
Project Grant: € 850,000

Programme Area: Adaptation to Climate Change

Objectives: Reduced human and ecosystem vulnerability to climate change
Outcome: Developed strategies and measures for adapting to a changing climate
Programme Operator: Office of the Prime Minister, Funds and Programmes Division
Pre-defined project: Name of project: National Oil Spill Contingency System Donor
Project Partner: The Norwegian Coastal Administration (Kystverket)
Project Grant: € 500,000

Programme Area: Conservation and Revitalisation of Cultural and Natural Heritage

Objectives: Cultural and natural heritage for future generations safeguarded and conserved and made publicly accessible
Outcome: Cultural heritage restored, renovated and protected
Programme Operator: Office of the Prime Minister, Funds and Programmes Division
Pre-defined project: Name of project: A new environmental management system for the Hal-Saflieni Hypogeum World Heritage Site
Project Grant: € 789,000

B. Programme Area: Funds for Non-Governmental Organisations

<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 Grant:</i>	€ 500,000
<i>Programme Operator:</i>	The Financial Mechanism Office is entrusted with operating the programme in line with Article 5.13 of the Regulation.
<i>Specific concerns:</i>	The programme shall address the specific needs of migrants, gender related issues and combating domestic violence.