

**MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM
2004-2009**

between

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

and

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

together hereinafter referred to as the “Parties”,

WHEREAS the Agreement of 14 October 2003 on the participation of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic in the European Economic Area (hereinafter referred to as the “EEA Enlargement Agreement”) is applicable as of 1 May 2004;

WHEREAS Protocol 38a to the EEA Agreement, incorporated into the EEA Agreement by the EEA Enlargement Agreement, establishes a financial mechanism through which the EFTA States will contribute to the reduction of economic and social disparities in the European Economic Area (hereinafter referred to as the “EEA Financial Mechanism”);

WHEREAS by decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004 the EFTA States have established a Financial Mechanism Committee, which shall manage the EEA Financial Mechanism (2004-2009);

WHEREAS the EEA Enlargement Agreement and the EEA Financial Mechanism will strengthen relations between the EFTA States and the Republic of Slovenia to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between the EFTA States and the Republic of Slovenia 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;

HAVE DECIDED to conclude the following Memorandum of Understanding (hereinafter referred to as the “MoU”):

Article 1

(Objectives)

In accordance with Article 1 of Protocol 38a, the EFTA States have established the EEA Financial Mechanism in order to contribute to the reduction of economic and social disparities in the European Economic Area. Accordingly, the Parties to this MoU shall endeavour to select for funding, projects that contribute to the achievement of that objective.

Article 2

(Legal Framework)

This MoU, agreed between the EFTA States and the Republic of Slovenia, shall be read in conjunction with and subject to the conditions in the following documents, which constitute the legal framework of the EEA Financial Mechanism:

- Protocol 38a to the EEA Agreement (hereinafter referred to as “Protocol 38a”), establishing the EEA Financial Mechanism,
- the Rules and Procedures on the implementation of the EEA Financial Mechanism (hereinafter referred to as the “Rules and Procedures”) and subsequent amendments thereof. The Rules and Procedures are adopted by the EFTA States in accordance with Article 8 of Protocol 38a,
- the Grant Agreements, which will be concluded between the Financial Mechanism Committee and the Beneficiary State for each project.

Article 3

(Financial Framework)

1. In accordance with Article 2 of Protocol 38a, the EFTA States will commit € 600 million to the EEA Financial Mechanism in annual tranches of € 120 million over the period running from 1 May 2004 to 30 April 2009, inclusive.
2. In accordance with Article 5 of Protocol 38a, a total of € 6.120.000 shall be made available to the Republic of Slovenia over the period referred to in Paragraph 1.
3. In accordance with Article 8 of Protocol 38a, the management costs of the EEA Financial Mechanism shall be covered by the amounts referred to above. Further provisions to this effect are set out in the Rules and Procedures.
4. In accordance with Article 6 of Protocol 38a, a review will be carried out in November 2006 and again in November 2008 with a view to reallocating any non-committed available funds for high priority projects from any Beneficiary State.

Article 4

(Roles and Responsibilities)

1. The EFTA States shall make funds available in support of eligible projects proposed by the Republic of Slovenia and agreed on by the Financial Mechanism within the priority sectors listed in Article 6 of this MoU.
2. The Beneficiary State shall assure the full co-financing of projects that benefit from support from the EEA Financial Mechanism.
3. The EEA Financial Mechanism Committee shall manage the EEA Financial Mechanism and take decisions on the granting of financial assistance.
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 and shall serve as a contact point.
5. The Republic of Slovenia has authorized the Government Office for European Affairs to act on its behalf as its national focal point. It shall have overall responsibility for the management of the EEA Financial Mechanisms activities in the Republic of Slovenia, including financial control and audit and serve as a contact point. Its managerial setup is contained in Annex A.
6. The Government Office for European Affairs shall be responsible and accountable for the identification, planning, implementation and monitoring of projects as well as for the use of funds under the EEA Financial Mechanism in accordance with the Rules and Procedures. It shall report on these activities to the FMO. Any irregularities shall be reported to the FMO without delay. The Court of Audit of the Republic of Slovenia carries out independent control activities.
7. As a general rule, the gathering of project applications shall be carried out by open calls for proposals.
8. The Government Office for European Affairs shall ensure that the project promoters are fully committed and equipped to ensure successful project implementation.

Article 5

(Annual Meetings and Reporting)

1. In order to ensure the effective implementation of the EEA Financial Mechanism, the Parties agree to hold annual meetings between the Financial Mechanism Committee and the Focal Point. The Focal Point shall at the meeting present an annual report, which shall amongst other things address:
 - the progress made towards the achievement of the overall objective of the EEA Financial Mechanism,
 - the progress of project identification in the Beneficiary State,

- the reporting of ongoing project implementation against established criteria,
 - financial progress pertaining to commitments and disbursements,
 - fields of intervention and measures for the following year.
2. The Government Office for European Affairs shall organise the meetings, in cooperation with the FMO. The Commission of the European Communities may be invited to observe the meetings.
 3. The minutes of the meetings shall be drafted by the Government Office for European Affairs.
 4. The first meeting shall be held no later than one year after the entry into force of this MoU.

Article 6

(Priority Sectors)

1. In accordance with Article 3 of Protocol 38a, grants shall be available for projects in the following priority sectors:
 - (a) Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy;
 - (b) Promotion of sustainable development through improved resource use and management;
 - (c) Conservation of European cultural heritage, including public transport, and urban renewal;
 - (d) Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions as well as the democratic processes, which support it;
 - (e) Health and childcare.
2. Academic research may be eligible for funding in so far as it is targeted at one or more of the priority sectors.

Article 7

(Programming Framework)

1. With a view to ensuring effective use of the EEA Financial Mechanism funding and without prejudice to Article 6 above, particular attention shall be given to the fields of intervention outlined in the programming framework in Annex B to this MoU.
2. Annex B shall be subject to review in the annual meetings referred to in Article 5 above.

Article 8

(Specific Forms of Grant Assistance)

1. In accordance with the Priority Sectors referred to in Article 6 and with particular attention given to the fields of intervention outlined in the Programming Framework referred to in Article 7, the Parties have agreed to establish, within the overall amount referred to in Article 3, the Specific Forms of Grant Assistance listed in Annex C.
2. The Parties shall conclude Grant Agreements laying down the terms and conditions of each grant commitment.
3. Annex C shall be subject to review in the annual meetings referred to in Article 5 above.

Article 9

(Control and Access to Information)

The EEA 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 projects as well as the use of funds. The Republic of Slovenia shall provide all necessary assistance, information and documentation.

Article 10

(Coordination)

The Republic of Slovenia and the FMO shall closely coordinate the use of the EEA Financial Mechanism with the use of the Norwegian Financial Mechanism. All

projects submitted to the Mechanisms shall be consistent with the Republic of Slovenia's national priorities and relevant arrangements with the European Union.

Article 11

(Governing Principles)

1. The implementation of this MoU shall in all aspects be governed by the Rules and Procedures of the EEA Financial Mechanism and subsequent amendments thereof.
2. The Parties agree to apply the highest degree of transparency and accountability in the implementation of the EEA Financial Mechanism, as well as objectives and principles of good governance, sustainable development and gender equality.

Article 12

(Entry into Force)

This MoU shall enter into force on the day after the date of the last signature.

The present Memorandum of Understanding is signed in four originals in the English language.

Signed in Brussels on _____

For the Republic of Iceland

Signed in Ljubljana on _____

For the Republic of Slovenia

Signed in Brussels on _____

For the Principality of Liechtenstein

Signed in Brussels on _____

For the Kingdom of Norway

ANNEX A

SLOVENIA'S MANAGERIAL SET-UP FOR THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM

A. FOCAL POINT

The Focal Point (FP) for the EEA Financial Mechanism is the **Government Office for European Affairs (GOEA) (Služba Vlade RS za evropske zadeve)**. The FP has the overall responsibility for the management of the EEA Financial Mechanism's activities in the Republic of Slovenia as described in this Memorandum of Understanding and the Rules of Procedures, including the overall responsibility for the use of funds, financial control and audit. Additionally, its responsibilities include but are not limited to the following:

- have overall responsibility for reaching the Financial Mechanism's objectives and the use of funds, financial control and audit;
- call for, collect, and select project proposals to be forwarded to Financial Mechanism Office (FMO);
- ensure appropriate implementation and monitoring of projects;
- chair the Monitoring Committee and the Steering Committee;
- ensure the regular reporting to the FMO on implementation of projects financed by the EEA Financial Mechanism, as well as immediate reporting on any irregularities;
- ensure information and publicity regarding availability of funds and inform the general public about projects implemented under the EEA Financial Mechanism;
- ensure that the project promoters are fully committed and equipped to successfully implement projects, programmes and other specific forms of grant assistance and
- store all documents connected with projects realised within the EEA Financial Mechanism.
- signs an agreement with the applicant to ensure the correct implementation of the project.

Intermediate bodies

On the basis of an agreement with the FMO, the FP may delegate some tasks related to project preparation and implementation to Intermediate Bodies (relevant ministries, relevant organisations of public administration and other agreed bodies). Their tasks and responsibilities will be defined in detail in a legal act, agreement or memorandum of understanding between the Intermediate Body and GOEA.

The tasks of the FP that can be entrusted (in form of agreement) with the selected Intermediate body are:

- supervise and control the implementation of projects in accordance with the agreements concluded with the beneficiaries and carry out necessary controls;
- report to the FP on progress of implementation of projects;
- detect irregularities and report them to FP, and

- store all documents relating to projects realised within the EEA Financial Mechanism.

Auditing

In accordance with the Slovenian Constitution the **Court of Audit of the Republic of Slovenia** is the highest body for supervising state accounts, the state budget and all public spending in Slovenia. The Constitution further provides that the Court of Audit is independent in the performance of its duties and bound by the Constitution and law. The Court of Audit Act also defines that the acts with which the Court of Audit exercises its powers of audit cannot be challenged before the courts or other state bodies.

Budget Supervisory Office is an independent office within the framework of the Ministry of Finance, charged with public internal financial control of all EU funds, as well as funds from EEA Financial Mechanism, with no responsibilities for implementation and management.

All Slovenian institutions participating in activities of the EEA Financial Mechanism shall be audited by their Internal Audit Units.

B. PAYING AUTHORITY

Further provisions on financial flows, the paying authority, and financial management will be elaborated as soon as possible in an agreement between the FMO and the FP, confirmed by the EFTA States and the Republic of Slovenia in the form of exchange of letter. The agreement shall contain provisions on the role of the National Fund and the Central Finance and Contract Unit. The agreement shall put in place an efficient payment system ensuring that funds from the EEA Financial Mechanism are being used efficiently and correctly and in accordance with the principles of sound financial management. The system shall ensure that the processing of payment claims is independent from other entities or agencies involved in the implementation of the EEA Financial Mechanism.

If the full involvement of the National Fund and/or the Central Finance and Contract Unit in the verification of payment claims, certification of disbursement requests, and other tasks related to the financial flow and financial management of the EEA Financial Mechanisms in the Beneficiary State is not possible, the FMO reserves the right to appoint and hire a monitoring agent which will have the task of certifying the correctness and accuracy of submitted disbursement requests. The cost of such a monitoring agent will be deducted from the net amounts referred to in Article 1.9 of the Rules and Procedures. The involvement of a monitoring agent will not to any extent relieve the FP of its responsibility for ensuring the correctness and accuracy of payment claims and the duty to report on any suspected or detected irregularities.

The agreement shall be concluded and confirmed before calls for proposals take place and before any project proposals are submitted to the FMO.

C. ADDITIONAL IMPLEMENTING STRUCTURES

Steering Committee

The Steering Committee is chaired by the FP. The Steering Committee is an advisory body to the FP regarding the identification, development and selections of proposals. The Steering Committee shall be comprised of members from FP as well as other ministries and actors from civil society. The EEA Financial Mechanism shall be invited to observe meetings and be allowed to comment on proceedings. Where appropriate, interested parties from the sectors in which assistance is applied for may be allowed to take part in meetings of the Committee.

The Steering Committee's tasks include giving opinion and making recommendation to the FP on which projects should be forwarded to the FMO. In order to properly evaluate project applications Steering Committee may create working groups and use individual experts or other institutions.

It is expected that the majority of the funds are allocated to individual projects.

GOEA will appoint the Steering Committee.

The Steering Committee shall include representatives of:

- the FP;
- relevant line ministries or governmental bodies;
- social and economic partners;
- local level government, and
- NGOs.

Monitoring Committee

The Monitoring Committee is appointed and chaired by FP. It will be independent from potential applicants and operates on behalf of FP. The Monitoring Committee will be responsible for monitoring the course and manner of project progress in the frame of EEA Financial Mechanism. Monitoring Committee's responsibilities include but are not limited to the following:

- periodical review of progress of projects;
- examining and approval of periodical reports the use of financial resources and
- ensures that the FP is fully informed about the progress of projects.

The Government of the Republic of Slovenia will appoint Monitoring Committee.

The Monitoring Committee shall include representatives of:

- the FP;
- relevant line ministries or governmental bodies;
- social and economic partners;
- regional and local level government, and
- NGOs.

D. APPLICATION PROCEDURE

Before the FP submits the application to the FMO

Proposals for projects should be submitted to the FP, which, after an initial review, forwards the application for review to the Steering Committee. After positive recommendations from the Steering Committee, and if the FP is satisfied that the application is in an appropriate format, in accordance with the Agreement, and is in furtherance of the overall goal of the EEA Financial Mechanism, it may forward the application to the FMO with its reasoned opinion. If the Steering Committee recommends against forwarding an application to the FMO, the FP notifies the applicant about this decision. If the FP finds that additional information is needed from the applicant for the application to be considered, it will notify the applicant and explain the corrections or additions required.

After the FP submits the application to the FMO

The FP notifies the applicant of the approval or rejection of the project by the Financial Mechanisms Committee. If the application is approved, the FP, on behalf of the Beneficiary State, signs a Grant Agreement with the Financial Mechanism Committee. The FP then signs a separate agreement with the applicant to ensure the correct implementation of the project.

ANNEX B

THE PROGRAMMING FRAMEWORK REFERRED TO IN ARTICLE 7 OF THE MEMORANDUM OF UNDERSTANDING ON THE EEA FINANCIAL MECHANISM

Within the overall framework of the priorities mentioned in Article 6 of the MoU, particular attention shall be given to the Focus Areas indicated below. The EEA Financial Mechanism also aims to strengthen the bilateral relations between Slovenia and the EEA/EFTA states.

	PRIORITY AREAS	FOCUS AREAS
1	Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> • Promotion of energy efficiency; • Development of monitoring systems for ground water, waste water and air pollution; • Development and implementation of waste collection and recycling systems; • The assessment of the implementation of EU legislation on the condition of air, water and land in Slovenia; • The regulation of greenhouse gas emissions; • Reducing fuel consumption and promoting the use of public transport.
2	Promotion of sustainable development	<ul style="list-style-type: none"> • Promote the sustainable management of specific urban and landscape areas; • Strengthening education and research in the field of sustainable development; • Establish a national GPS network as a basis for the Spatial Data Infrastructure (SDI) needed to support Land Administration / Cadastre, Environmental information, Physical planning/Land development and public sector management; • Implementation of the European Landscape Convention; • Protection, improvement and restoration of biodiversity.
3	Conservation of European cultural heritage	<ul style="list-style-type: none"> • Preservation and possible utilisation of architectural heritage in Slovenia; • Renewal and revitalisation of the old city centres; • Fostering the cultural cooperation in the border regions; • Digitalisation of cultural heritage.
4	Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> • Increasing the competence and administrative capacity of local authorities; • Education and training for children with special needs (foster replacements, centres for education and care and schools for children with special needs); • Training for local governments in the field of EU legislation; • Support social integration of the disadvantaged groups; • Establish programmes to mainstream gender equality.
5	Health and childcare	<ul style="list-style-type: none"> • Improvement of the learning and development environment for children with special needs; • Programmes to support the improvement of the conditions at children's hospitals; • Education and training for children with special needs (foster replacements, centres for education and care and schools for children with special needs).
6	Academic Research	<ul style="list-style-type: none"> • Support the exchange of students, lecturers and experts from educational and research institutions between Slovenia and EEA/EFTA states in key areas as defined in priority areas 1- 5.

**SPECIFIC FORMS OF GRANT ASSISTANCE REFERRED TO IN ARTICLE
8 OF THE MEMORANDUM OF UNDERSTANDING**

The parties have agreed on the following grant schemes to be developed:

1. NGO fund

A fund for non-governmental and non-profit organisations operating in the areas outlined in Annex B. The parties have agreed that tentatively 10 percent of the fund will be set aside for an NGO fund to be established.

2. Technical expert fund

The fund will support co-operation and the transfer of knowledge (including scholarships and training) between Slovenian subjects and subjects in the EEA/EFTA states in the areas outlined in Annex B.

The co-operation will be enabled on all administrative level (national and local government), state institutions, universities and schools, professional chambers and unions and non-governmental and non-profit organisations.

3. Fund for co-operation among educational and research institutions

The fund will support the exchange of students, lecturers and experts from educational and research institutions between Slovenia and EEA/EFTA states in key areas as defined in Annex B.

4. Technical assistance fund

1. The fund will enhance the administrative capacity for the implementation of the EEA Financial Mechanism in the beneficiary state. It will support measures relating to information on and the promotion of the possibilities of using funds from the EEA Financial Mechanism, the preparation of technical documentation, the translation of documents and the assistance of experts and advisors.