MEMORANDUM OF UNDERSTANDING

ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM

2014-2021

between

ICELAND,

THE PRINCIPALITY OF LIECHTENSTEIN,

THE KINGDOM OF NORWAY,

hereinafter referred to as the "Donor States"

and

THE CZECH REPUBLIC,

hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties", WHEREAS Protocol 38c 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 2014-2021, establishes a financial mechanism (hereinafter referred to as the "EEA Financial Mechanism 2014-2021") 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 2014-2021 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. 2/2016/SC of 2 June 2016 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 2014-2021;

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 2014-2021;

HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the EEA Financial Mechanism 2014-2021 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) 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; and

(e) Justice and home affairs.

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 2014-2021:

(a) Protocol 38c to the EEA Agreement on the EEA Financial Mechanism 2014-2021;

(b) the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 10.5 of Protocol 38c;

(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 2.1 of Protocol 38c, the total amount of the financial contribution is € 1548.1 million in annual tranches of € 221.16 million over the period running from 1 May 2014 to 30 April 2021, inclusive.

2. In accordance with Article 6 of Protocol 38c, a total of € 95,500,000 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.

3. In accordance with Article 3.2.b) of Protocol 38c, 10% of the total amount referred to in paragraph 2 shall be set aside for a fund for civil society.

4. In accordance with Article 10.4 of Protocol 38c and Article 1.9 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 € 88,337,500.

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 38c and the programme areas listed in the Annex to Protocol 38c. The Donor States and the Beneficiary State shall cooperate on the preparation of concept notes defining the scope and planned results for each programme.

2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2014-2021 in accordance with Annex B and the programme agreements.

3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2014-2021 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 2014-2021 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 2014-2021 as well as for the implementation of the EEA Financial Mechanism 2014-2021 in the Beneficiary State in accordance with the Regulation. In accordance with Article 5.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and the Irregularities Authority are designated in Annex A.

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.5 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:

(a) a list of agreed programmes and the financial contribution from the EEA Financial Mechanism 2014-2021 by programme;

(b) identification of programmes, their objective, their main focus, as appropriate, the grant rate by programme, the bilateral ambitions as well as any specific concerns relating to target groups, geographical areas or other issues;

(c) identification of programme operators, as appropriate;

(d) identification of Donor Programme Partners, as appropriate;

(e) identification of International Partner Organisations, as appropriate;

(f) identification of pre-defined projects to be included in relevant programmes.

2. The implementation framework is outlined in Annex B.

Article 7
Fund for bilateral relations

In accordance with Article 4.6 of the Regulation the Beneficiary State shall set aside funds to strengthen bilateral relations between the Donor States and the Beneficiary State. The National Focal Point shall manage the use of the fund for bilateral relations and shall establish a Joint Committee for Bilateral Funds in accordance with Article 4.2 of the Regulation.

Article 8
Annual meetings

In accordance with Article 2.7 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. The annual meeting shall provide a forum for discussion of issues of bilateral interest.

Article 9
Modification of the annexes

Annex A and B may be amended through an exchange of letters between the FMC and the National Focal Point.

Article 10
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 11
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 2014-2021 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, partnership and multi-level governance, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2014-2021.

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 2014-2021.

4. No later than 31 December 2020, the Parties to this Memorandum of Understanding shall review progress in the implementation of this Memorandum of Understanding and thereafter agree on reallocations within and between the programmes, where appropriate. The conclusion of this review shall be taken into account by the National Focal Point when submitting the proposal on the reallocation of the reserve referred to in Article 1.11 of the Regulation.

Article 12
Entry into Force

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

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

Signed in Brussels on 30/8 '17
For Iceland

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Signed in Praha on 4/9 2017
For the Czech Republic

Milena Mrázková
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Signed in Praha on 4/9/17
For the Principality of Liechtenstein

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Signed in Praha on 4/9-17
For the Kingdom of Norway

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ANNEX A

National management and control structures

1. National Focal Point

The International Relations Department within the Ministry of Finance of the Czech Republic shall act as the National Focal Point.

The International Relations Department within Section 07 - International Relations of the Ministry of Finance is directly subordinated to the Deputy Minister of Section 07.

The Director of International Relations Department shall act as the Head of the National Focal Point.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 5.3 thereof.

2. Certifying Authority

The National Fund Department of the Ministry of Finance of the Czech Republic shall act as the Certifying Authority.

The National Fund Department within Section 06 – Public Budgets of the Ministry of Finance is directly subordinated to the Deputy Minister of Section 06.

The Director of the National Fund Department 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 5.4 thereof.

3. Audit Authority

The Audit Authority Department of the Ministry of Finance of the Czech Republic shall act as the Audit Authority.

The Audit Authority Department within Section 04 – Financial Management and Audit is directly subordinated to the Deputy Minister of Section 04.

The Director of the Audit Authority Department shall act as the head of the Audit Authority.

The Audit Authority Department is independent and functionally separated from the Certifying Authority and the National Focal Point.

The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 5.5 thereof.

4. Irregularities Authority

The National Fund Department of the Ministry of Finance of the Czech Republic shall act as the Irregularities Authority.

The National Fund Department within Section 06 – Public Budgets of the Ministry of Finance is directly subordinated to the Deputy Minister of Section 06.

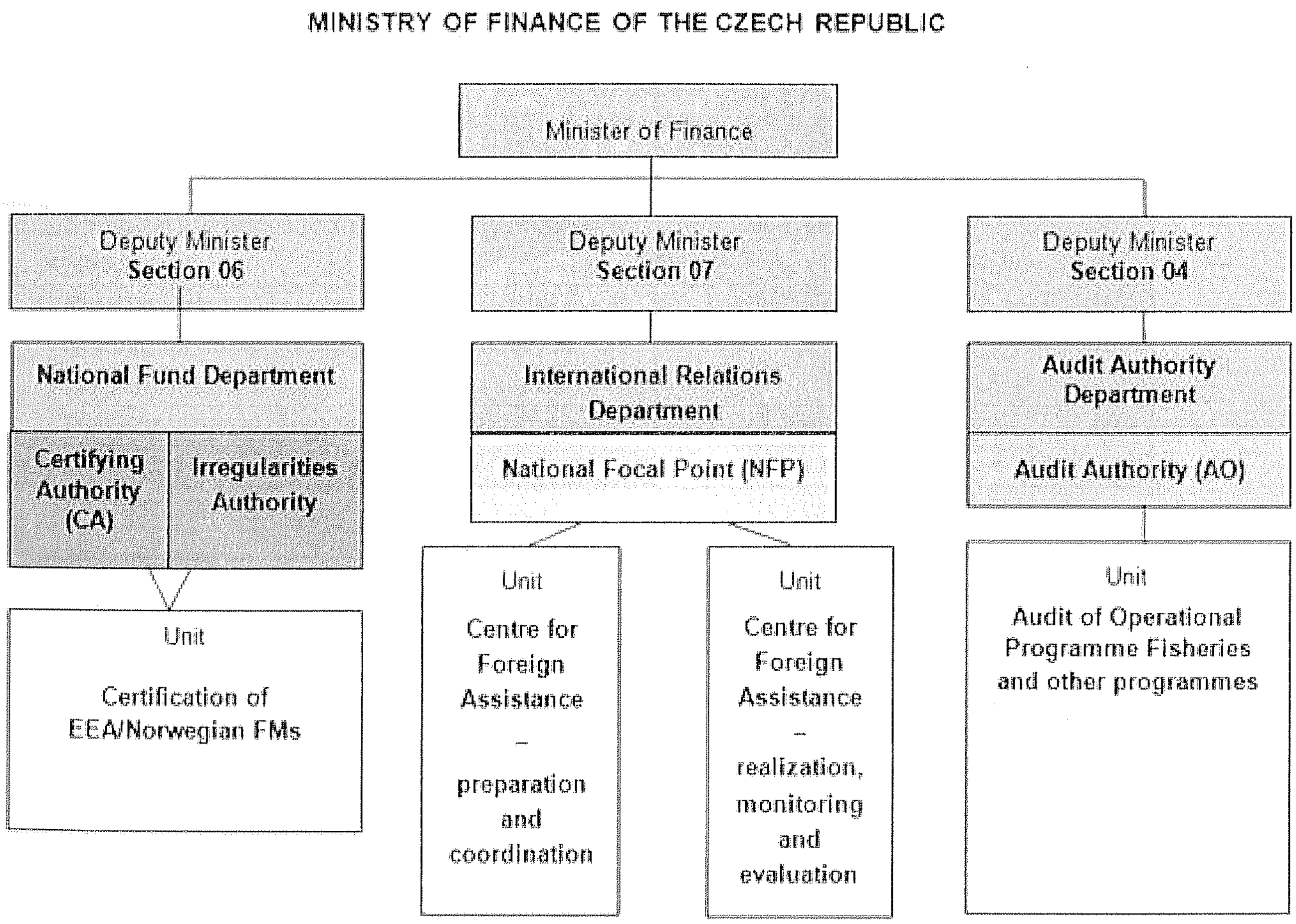
The Director of the National Fund Department shall act as the Head of the Irregularities Authority.

The roles and responsibilities of the Irregularities Authority are stipulated in the Regulation, in particular Article 12.3 thereof.

5. Strategic Report

In accordance with Article 2.6 of the Regulation, the National Focal Point shall annually submit to the FMC a Strategic Report on the implementation of the EEA Financial Mechanism 2014-2021 in the Beneficiary State. The Strategic Report shall be submitted to the FMC at least two months before the annual meeting unless otherwise agreed.

6. Organigram



ANNEX B

Implementation framework

In accordance with Article 2.5 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

	Czech Republic	**EEA FM contribution**	**National contribution**
	Programmes		
1	Research	€ 14,000,000	€ 2,470,588
2	Education	€ 6,500,000	€ 1,147,059
3	Health	€ 14,000,000	€ 2,470,588
4	Culture	€ 28,000,000	€ 4,941,176
5	Good Governance	€ 5,000,000	€ 882,353
6	Civil Society	€ 15,000,000	N/A
	Other allocations		
	Technical assistance to the Beneficiary State (Art. 1.10)	€ 1,432,500	N/A
	Reserve (Art. 1.11)	€ 2,495,000	N/A
	Reserve for completion of projects under FM 2009-2014 (Art. 1.12)	€ 0	N/A
	Fund for bilateral relations (Art. 4.6.1)	€ 1,910,000	N/A
	Net allocation to Czech Republic	€ 88,337,500	€ 11,911,764

2. Specific concerns

Bilateral relations between the Donor States and the Czech Republic shall be strengthened with the aim of stimulating and developing long-term cooperation within all areas listed in the Annex to Protocol 38c. It is also an ambition to strengthen bilateral cooperation at political level and European level in areas of common interest.

For programmes where the National Focal Point takes the role of Programme Operator, the National Focal Point and the Programme Operator shall at the latest by the submission of the programme concept note submit a plan to ensure adequate programme management capacity of the Programme Operator and guarantees of adequate functional separation between the National Focal Point and the Programme Operator.

The Parties of this Memorandum of Understanding agree that the programmes 'Education', 'Health' and 'Culture' shall include concrete measures directly targeting Roma inclusion. The allocation for Roma inclusion shall be identified in the concept note. The National Focal Point shall report on the overall progress made towards addressing this mainstream concern on a yearly basis.

3. Substantive parameters of the implementation framework

The programmes described below are to be implemented subject to the approval of the FMC, in accordance with Article 6.3 of the Regulation.

A. Programme: Research

Programme objective:	Enhanced research-based knowledge development
Programme grant:	€ 14,000,000
Programme co-financing:	€ 2,470,588
Programme Operator:	Ministry of Finance
Donor programme partner:	Research Council of Norway (NFR)
Programme areas:	Research Business Development, Innovation and SMEs
Special concerns:	The programme shall primarily focus on the programme area 'Research'. Cooperation between research institutions and SMEs in order to facilitate commercialization of innovative ideas, products and processes, shall be encouraged. The programme shall support applied research. The Technology Agency of the Czech Republic (TACR) shall be actively involved in and effectively contributing to the development and implementation of the programme. The details of cooperation between the Programme Operator and the TACR and specific responsibilities shall be defined during the concept note phase. The programme will be implemented in conjunction with the programme 'Research' implemented under the Norwegian Financial Mechanism 2014-2021.
Bilateral ambitions:	€ 75,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

B. Programme: Education

Programme objective:	Enhanced human capital and knowledge base
Programme grant:	€ 6,500,000
Programme co-financing:	€ 1,147,059
Programme Operator:	Centre for International Cooperation in Education - Dům zahraniční spolupráce
Donor programme partners:	The Norwegian Centre for International Cooperation in Higher Education (SIU) National Agency for International Education Affairs (AIBA)

Programme area:	Education, Scholarships, Apprenticeships and Youth Entrepreneurship
Special concerns:	The programme shall be open to cooperation at all levels of education. Institutional cooperation, as well as mobility for staff and students at all levels of education, including apprenticeship, shall be targeted. This programme shall include support of inclusive education and contribute to the improvement of the situation for disadvantaged groups including the Roma population. The programme shall address democracy and citizenship education and related topics.
Bilateral ambitions:	€ 75,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

C. Programme: Health

Programme objective:	Improved prevention and reduced inequalities in health
Programme grant:	€ 14,000,000
Programme co-financing:	€ 2,470,588
Programme Operator:	Ministry of Finance
Donor programme partner:	Norwegian Institute of Public Health (FHI)
Programme area:	European Public Health Challenges
Special concerns:	The programme shall support prevention of communicable and non-communicable diseases as well as antimicrobial resistance. The programme shall support mental health promotion and prevention of mental illness with particular emphasis on children's mental health and well-being. Civil society empowerment in the health sector, including user involvement in strengthening the role of patients shall be supported. The programme shall address social inequalities in health with a special focus on the health needs of the Roma population. Ministry of Health of the Czech Republic shall act as Programme Partner and shall be actively involved in and effectively contributing to the development and implementation of the programme.
Bilateral ambitions:	€ 125,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

D. Programme: Culture

Programme objective:	Social and economic development strengthened through cultural cooperation, cultural entrepreneurship and cultural heritage management
Programme grant:	€ 28,000,000
Programme co-financing:	€ 4,941,176
Programme Operator:	Ministry of Finance
Donor programme partners:	Icelandic Centre for Research (RANNIS) - TBD Norwegian Directorate for Cultural Heritage (RA) Norwegian Arts Council (ACN)
Programme area:	Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation
Special concerns:	The programme shall consist of cultural heritage management related to the revitalising of heritage and contributing to social and economic development. The programme shall include support for cultural and creative activities with a cultural entrepreneurial outlook stimulating social inclusion and local development. The programme shall include support for cultural heritage of minorities (including Roma and Jewish heritage). The programme shall contribute to a greater awareness about the culture of social, ethnic and cultural minorities. It shall aim at improving the access of minority groups (such as Roma) to culture and at addressing the needs of these minorities. The concrete measures directly targeting Roma inclusion shall be further explored during the preparation of the concept note. No more than 60% of the total eligible expenditure of the programme shall be available for infrastructure (hard measures). At least 12% of the total eligible expenditure shall be set aside for cultural cooperation and exchange between the Donor States and the Czech Republic. The Ministry of Culture of the Czech Republic shall act as Programme Partner and shall be actively involved in and effectively contributing to the development and implementation of the programme.
Bilateral ambitions:	€ 200,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint

	Committee for Bilateral Funds from allocating additional funds to the programme.

E. Programme: Good Governance

Programme objective:	Integrity and accountability of public administration improved
Programme grant:	€ 5,000,000
Programme co-financing:	€ 882,353
Programme Operator:	Ministry of Finance
International Partner Organisation:	Council of Europe (CoE)
Programme area:	Good Governance, Accountable Institutions, Transparency
Special concerns:	The programme shall aim at improving good governance of public institutions. The programme shall implement measures to address corruption and money laundering. The participation of CoE as International Partner Organisation shall be focused on this component of the programme.
Pre-defined projects:	The possibility of pre-defining projects with the Organisation for Economic Co-operation and Development (OECD) on improving public administration shall be explored during the concept note phase.
Bilateral ambitions:	€ 50,000 shall be allocated to the programme from the fund for bilateral relations. This does not prevent the Joint Committee for Bilateral Funds from allocating additional funds to the programme.

F. Programme: Civil Society

Programme objective:	Civil society and active citizenship strengthened and vulnerable groups empowered
Programme grant:	€ 15,000,000
Programme co-financing:	Not applicable
Programme Operator:	The Financial Mechanism Office in accordance with Article 6.13 of the Regulation.
Programme area:	Civil Society
Special concerns:	Not applicable