



Brussels, 23.2.2016  
COM(2016) 84 final

ANNEX 1

## ANNEX

to the

**proposal for a Council Decision**

**on the signing, on behalf of the European Union, and provisional application of the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on an EEA Financial Mechanism 2014-2021, the Agreement between the Kingdom of Norway and the European Union on a Norwegian Financial Mechanism for the period 2014-2021, the Additional Protocol to the Agreement between the European Economic Community and the Kingdom of Norway and the Additional Protocol to the Agreement between the European Economic Community and Iceland**

**AGREEMENT  
BETWEEN THE EUROPEAN UNION, ICELAND,  
THE PRINCIPALITY OF LIECHTENSTEIN AND THE KINGDOM OF NORWAY  
ON AN EEA FINANCIAL MECHANISM 2014-2021**

THE EUROPEAN UNION,

ICELAND,

THE PRINCIPALITY OF LIECHTENSTEIN,

THE KINGDOM OF NORWAY,

WHEREAS the Parties to the Agreement on the European Economic Area ("EEA Agreement") agreed on the need to reduce the economic and social disparities between their regions with a view to promoting a continuous and balanced strengthening of trade and economic relations between them,

WHEREAS, in order to contribute to that objective, the EFTA States have established a Financial Mechanism in the context of the European Economic Area,

WHEREAS the provisions governing the EEA Financial Mechanism for the period 2004-2009 have been set out in Protocol 38a and the Addendum to Protocol 38a to the EEA Agreement,

WHEREAS the provisions governing the EEA Financial Mechanism for the period 2009-2014 have been set out in Protocol 38b and the Addendum to Protocol 38b to the EEA Agreement,

WHEREAS the need to alleviate economic and social disparities within the European Economic Area persists, and therefore a new mechanism for the financial contributions of the EEA EFTA States should be established for the period 2014-2021,

HAVE DECIDED TO CONCLUDE THE FOLLOWING AGREEMENT:

#### ARTICLE 1

The text of Article 117 of the EEA Agreement shall be replaced by the following:

"Provisions governing the Financial Mechanisms are set out in Protocol 38, Protocol 38a, the Addendum to Protocol 38a, Protocol 38b, the Addendum to Protocol 38b and Protocol 38c."

#### ARTICLE 2

A new Protocol 38c shall be inserted after Protocol 38b to the EEA Agreement. The text of Protocol 38c is provided for in the Annex to this Agreement.

### ARTICLE 3

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.

It shall enter into force on the first day of the second month after the last instrument of ratification or approval has been deposited.

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 4

This Agreement, drawn up in a single original in the Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Italian, Latvian, Lithuanian, Hungarian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish, Swedish, Icelandic 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

For the European Union

For Iceland

For the Principality of Liechtenstein

For the Kingdom of Norway

**ANNEX**  
***PROTOCOL 38 C***  
***on the EEA Financial Mechanism (2014-2021)***

*Article 1*

1. Iceland, Liechtenstein and Norway (“the EFTA States”) shall contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of their relations with the Beneficiary States, through financial contributions in the priority sectors listed in Article 3.

2. All programmes and activities funded by the EEA 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 1548.1 million, to be made available for commitment in annual tranches of EUR 221.16 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 Protocol.

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) 10% of the total of the country specific allocations shall be set aside for a fund for civil society, which shall be made available in accordance with the distribution key referred to in Article 6.

#### *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 under EU cohesion policy concluded with the European Commission, the EFTA States 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 EFTA contribution 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 EFTA States.
  
2. The applicable rules on state aid shall be complied with.
  
3. The responsibility of the EFTA States 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, Greece, Hungary, Latvia, Lithuania,

Malta, Poland, Portugal, Romania, Slovakia and Slovenia, in accordance with the following distribution:

<b>Beneficiary State</b>	<b>Funds (million EUR)</b>
Bulgaria	115.0
Croatia	56.8
Cyprus	6.4
Czech Republic	95.5
Estonia	32.3
Greece	116.7
Hungary	108.9
Latvia	50.2
Lithuania	56.2
Malta	4.4
Poland	397.8
Portugal	102.7
Romania	275.2
Slovakia	54.9
Slovenia	19.9

*Article 7*

1. The global fund for regional cooperation shall be made available for an amount of EUR 55.25 million. It shall contribute to achieving the objectives of the EEA Financial Mechanism as defined in Article 1.
  
2. 70 % 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. The EFTA States can participate as partners.

- 3. 30 % 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. The EFTA States can participate as partners.

#### *Article 8*

A mid-term review shall be carried out by the EFTA States 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 this Protocol shall be closely coordinated with the bilateral contribution from Norway provided for by the Norwegian Financial Mechanism.
- 2. In particular, the EFTA States 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 EEA 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 EEA Financial Mechanism shall be pursued in the framework of close cooperation between the Beneficiary States and the EFTA States.

2. a) The EFTA States shall operate and be responsible for the implementation, including management and control, of the global fund for regional cooperation as set out in Article 7, paragraph 1;

b) The EFTA States shall operate and be responsible for the implementation, including management and control, of the fund for civil society as set out in Article 3, paragraph 2b) unless otherwise agreed in the Memorandum of Understanding as defined in article 10 paragraph 3.

3. The EFTA States shall conclude with each Beneficiary State a Memorandum of Understanding concerning the respective country specific allocation, excluding the fund referred to in paragraph 2 (a), 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 EFTA States which shall appraise and approve the proposals and conclude grant agreements with the Beneficiary States for each programme. On explicit request from the EFTA States 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 EFTA States 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 EFTA States 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 EFTA States.

- 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 EFTA States, in accordance with the applicable rules on public procurement.
4. The management costs of the EFTA States 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 EFTA States shall establish a Committee for the overall management of the EEA Financial Mechanism. Further provisions for the implementation of the EEA Financial Mechanism will be issued by the EFTA States after consultations with the Beneficiary States which may be assisted by the European Commission. The EFTA States shall endeavour to issue these provisions before the signing of the Memoranda of Understanding.
  6. The EFTA States shall report on their contribution to the objectives of the EEA Financial Mechanism and as appropriate, to the eleven thematic objectives of the European Structural and Investment Funds 2014-2020<sup>1</sup>.

### *Article 11*

At the end of the period as defined in Article 2 and without prejudice to the rights and obligations under the Agreement, the Contracting Parties shall, in the light of Article 115 of the Agreement, review the need to address economic and social disparities within the European Economic Area.

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<sup>1</sup>

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.

## **Annex to Protocol 38C**

### **Innovation, Research, Education and Competitiveness**

1. Business Development, Innovation and SMEs
2. Research
3. Education, Scholarships, Apprenticeships, and Youth Entrepreneurship
4. Work-life Balance

### **Social Inclusion, Youth Employment and Poverty Reduction**

1. European Public Health Challenges
2. Roma Inclusion and Empowerment
3. Children and Youth at Risk
4. Youth Participation in the Labour Market
5. Local Development and Poverty Reduction

### **Environment, Energy, Climate Change and Low Carbon Economy**

1. Environment and Ecosystems
2. Renewable Energy, Energy Efficiency, Energy Security
3. Climate Change Mitigation and Adaptation

### **Culture, Civil Society, Good Governance, and Fundamental Rights and Freedoms**

1. Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation
2. Civil Society
3. Good Governance, Accountable Institutions, Transparency
4. Human Rights – National Implementation

### **Justice and Home Affairs**

1. Asylum and Migration
2. Correctional Services and Pre-trial Detention
3. International Police Cooperation and Combatting Crime
4. Effectiveness and Efficiency of the Judicial System, strengthening Rule of Law
5. Domestic and Gender-based Violence
6. Disaster Prevention and Preparedness