

EEA Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway

and

The Ministry of Regional Development,
hereinafter referred to as the “National Focal Point”,
representing the Republic of Poland
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”

for the financing of the Programme “Local and Regional Initiatives to
Reduce National Inequalities and to Promote Social Inclusion”

hereinafter referred to as the “Programme”

Chapter 1 Scope, Legal Framework, and Definitions

Article 1.1 Scope

This programme agreement between the Financial Mechanism Committee (hereinafter referred to as the FMC) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the EEA Financial Mechanism 2009-2014 to the Programme.

Article 1.2 Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, 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 Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Beneficiary State; and
- (d) any guidelines adopted by the FMC in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

Article 1.3 Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.5 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4 Annexes and hierarchy of documents

1. The programme decision, including the financial plan (Annex I), and the operational rules (Annex II) form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the former shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the programme proposal are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

Chapter 2 The Programme

Article 2.1 Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and 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.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

Article 2.2

Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the EEA Financial Mechanism 2009-2014 in the Beneficiary State and for the full and correct implementation of this programme agreement. In particular, the National Focal Point undertakes to:

- (a) comply with its obligations stipulated in the Regulation and this programme agreement;
- (b) ensure that the Certifying Authority, the Audit Authority, the Monitoring Committee and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;
- (c) take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;
- (d) take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;
- (e) make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The FMC shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this Agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

Article 2.3

Objective and outcomes of the Programme

1. The programme decision sets out the objective, outcome(s), outputs, indicators and targets for the Programme.
2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

Article 2.4

Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in the programme decision.

2. In case the Programme is also supported by the Norwegian Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan shall:

- (a) contain a breakdown between the Programme's budget headings using the description put forward in the template for the programme proposal;
- (b) indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in the programme decision.

Article 2.5

Special conditions and programme specific rules

1. The programme decision shall list any conditions set by the FMC with reference to paragraph 3 of Article 5.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and, in a timely manner, take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in the operational rules.

Article 2.6

Programme implementation agreement

1. With reference to Article 5.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the FMC of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the FMC in accordance with paragraph 5 of Article 5.8 of the Regulation with regard to the content required according to paragraph 3 thereof. The National Focal Point shall inform the FMC of any deviation from that confirmed draft which may be subject to a new confirmation according to paragraph 5 of Article 5.8 of the Regulation prior to any payment to the Programme.

Article 2.7

Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 8 and Articles 5.11 and 5.12 of the Regulation as well as statistical

reporting in accordance with the Programme Operator's Manual (Annex 9 to the Regulation).

Article 2.8
External monitoring

The external monitoring and audit referred to in Articles 10.1, 10.2, 10.3 and 10.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of its obligations under the programme agreement regarding monitoring of the Programme and/or its projects, financial control and audit.

Article 2.9
Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the FMC.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without FMC's prior approval provided that they are limited to the following:
 - (a) cumulative transfers between budget headings related to outcomes of an amount less than 10 % of total eligible expenditure of the Programme or € 1,000,000, whichever is higher, and
 - (b) changes of internal practices of the Programme Operator that are not stipulated in the programme agreement.
3. Programme specific exceptions from paragraphs 1 and 2, if any, are set in the operational rules.
4. Expenditures incurred in breach of this article are not eligible.
5. Should there be a doubt as to whether the proposed modifications require approval by the FMC, the National Focal Point shall consult the FMC before such modifications take effect.
6. Requests for modifications shall be submitted and assessed in accordance with Article 5.9 of the Regulation.

Article 2.10
Communication

1. All communication to the FMC regarding to this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the FMC towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.

3. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

4. The FMC shall ensure that the National Focal Point is informed about communication between the FMC and the Programme Operator that is relevant for the responsibilities of the National Focal Point under this Agreement.

Article 2.11
Contact information

1. The contact information of the National Focal Point and the Programme Operator is as specified in the programme proposal.

2. The contact information for the FMC and the Financial Mechanism Office are:

Financial Mechanism Office
Att: Director
EFTA Secretariat
Rue Joseph II, 12-16
1000 Brussels
Telephone: +32 (0)2 286 1701
Telefax (general): +32 (0)2 211 1889
E-mail: fmo@efta.int

3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

Article 2.12
Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the FMC in the programme proposal or other communication prior to the signing of this programme agreement.

2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point in the programme proposal, in connection with the programme proposal, the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3 Projects

Article 3.1 Selection of projects

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 6 of the Regulation and the operational rules.
2. Eligibility of applicants is stipulated in Article 6.2 of the Regulation and, in accordance with paragraph 3 thereof, subject only to the limitations stipulated in the operational rules.
3. Pre-defined projects shall be outlined in the operational rules.
4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 6.6 of the Regulation.

Article 3.2 Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.
2. In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.
3. The content and form of the project contract shall comply with Article 6.7 of the Regulation.
4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project contract are valid and enforceable under the applicable law of the Beneficiary State.

Article 3.3 Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.5 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 6.8 of the Regulation.
2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from the Donor States.
3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as

would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 7.16 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article before the signing of the project contract.

Article 3.4 Time limits for awarding grants and reallocation of funds

1. The Programme Operator shall make its grant decisions within the time limits set in the Regulation.
2. Reallocation of unused or cancelled financial contributions to projects shall be made in compliance with Article 6.9 of the Regulation.
3. Decisions to reallocate funds to already approved projects shall be taken no later than 30 April 2015.
4. Project grants not reallocated shall be reimbursed to the FMC in accordance with Article 6.9 of the Regulation.

Chapter 4 Finance

Article 4.1 Eligible expenditures

1. Subject to Article 7.6 of the Regulation, eligible expenditures of this Programme are:
 - (a) management costs of the Programme Operator in accordance with the detailed budget in the financial plan;
 - (b) payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract;
 - (c) expenditure of funds for bilateral relations in accordance with Article 7.7 of the Regulation;
2. Expenditure related to the categories referred to in subparagraphs (d), (e) and (f) of Article 7.1 of the Regulation are eligible in accordance with Chapter 7 thereof if such expenditures are explicitly approved by the FMC in the programme decision. The implementation of the activities under these categories shall be in compliance with the operational rules.
3. Eligible expenditures of projects are those actually incurred by the Project Promoter or project

(d) the Programme Operator becomes bankrupt, is

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partners, meet the criteria set in Article 7.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 7.3 of the Regulation as well as indirect costs in accordance with Article 7.4 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 7.14 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the FMC of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 Article 5.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraphs 1 and 2 are set in the programme decision. Programme specific rules on the eligibility of expenditure set in the programme decision or in the operational rules shall be complied with.

Article 4.2 Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 7.13 of the Regulation.

Article 4.3 Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 8.2, 8.3 and 8.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in the operational rules.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 8.1 of the Regulation.

5. Chapter 8 of the Regulation shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

Article 4.4

Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the EEA Financial Mechanism 2009-2014 to the Programme in accordance with Article 8.8 of the Regulation.

Article 4.5

Irregularities, suspension and reimbursements

The FMC has the right to make use of the remedies provided in the Regulation, in particular Chapter 12 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 11 and 12 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with

Chapter 5 Final provisions

Article 5.1 Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the FMC is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

Article 5.2 Termination

1. The FMC may, after consultation with the National Focal Point, terminate this programme agreement if:

- (a) a general suspension decision according to Article 12.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 12.1 of the Regulation has not been lifted within 6 months of such a decision;
- (b) a suspension of payments according to Article 12.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;
- (c) a request for reimbursement according to Article 12.2 of the Regulation has not been complied with within one year from such a decision;

deemed to be insolvent, or declares that it does

- not have the financial capacity to continue with the implementation of the Programme; or
- (e) the Programme Operator has, in the opinion of the FMC, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.
2. This programme agreement can be terminated by mutual agreement between the Parties.
3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the FMC to make use of the remedies provided in Chapter 12 of the Regulation.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the FMC, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.
2. Nothing contained in the programme agreement shall be construed as imposing upon the FMC or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.
3. The FMC does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme

or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the FMC for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the FMC, its members or alternate members, nor the EFTA States, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

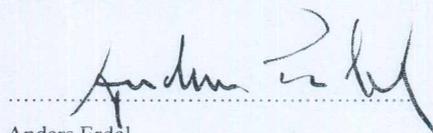
Article 5.4
Entry into force and duration

1. This programme agreement shall enter into force on the date of the last signature of the Parties.
2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

This programme agreement is drawn up in two originals in the English language.

For the FMC

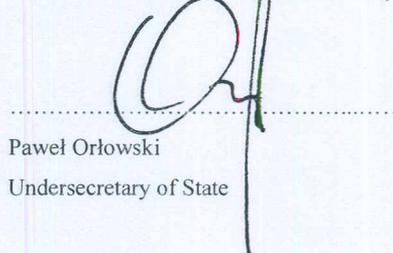
Signed in Oslo on 17/04/2012



Anders Erdal
Chairman

For the National Focal Point

Signed in Oslo on 17/04/2012



Paweł Orłowski
Undersecretary of State

EEA Financial Mechanism 2009-2014

Programme Decision (Annex I)

1. Indicators for Expected Outcomes & Outputs

Expected Outcome:	Regions and urban areas are cooperating in the fields of public and private services, business development and innovation, to stimulate social and economic development
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Standard Indicator	Baseline	Target	Source of Verification
Number of measures promoting cooperation and economic development between urban and rural institutions.	0	11	Information to verify indicator will be derived both from beneficiaries of pre-defined project and "open-call" projects in reporting process. The PO will also verify the information received in monitoring process, especially in the process of on the spot checks

Optional Indicator	Baseline	Target	Source of Verification
Number of partnerships between self-government units and between local authorities and representatives of the NGO sector and business	0	12	Information to verify indicator value will be derived both from beneficiaries of pre-defined projects and the open-call projects in reporting process. The PO will also verify the information received in the monitoring process, especially through on-the-spot controls of projects implementation.
Number of institutions with strengthened capacity	0	11	Preparation of strategies in question is part of the pre-defined project. Only the eventually developed strategies that meet the standards set in the Cooperation Model developed earlier will be included.

Output	Indicator	Baseline	Target	Source of Verification
Building competences for intermunicipal and inter-sectoral cooperation as tools for local and regional development	Building competences for inter municipal and inter-sectoral cooperation as tools for local and regional development	0	1	The outcome will be achieved through the implementation of the pre-defined project of APC/KS, which is necessary for effective identification of self-government units, partnerships and to prepare valuable application forms as well as the formulation of appropriate legislative recommendations for the future, supporting the achievement of results.
Increased inter-municipal and intersectoral cooperation in planning and implementation of social and economic development strategies between local governments participating in the Project.	Number of (pilot) strategies in territorial dimension, developed in accordance with the model of intermunicipal and inter-sectoral cooperation	0	11	Preparation of strategies in question is part of the pre-defined project. Only the eventually developed strategies that meet the standards set in the Cooperation Model developed earlier will be included
Increased inter-municipal and intersectoral cooperation in planning and implementation of social and economic development strategies between local governments participating in the Project.	Number of social and private partners who participated in consultations on strategy by formulating opinions / conclusions concerning planned measures	0	150	It is assumed that on average the strategy will be consulted by 15 entities

Local government units in Poland possess the knowledge of the developed model(s) of inter municipal and inter-sectoral cooperation	The percentage of entities participating in the project (self-governments and partner institutions involved in building strategies and action plans, training, consulting and trips), which gave a positive assessment of the model of inter-municipal and inter-sectoral cooperation.	0	60	(measured in %)The basis for assessment will be opinions of the leading (highest rank) representatives of self-governments and partner institutions who participated in the project
Local government units in Poland possess the knowledge of the developed model(s) of inter municipal and inter-sectoral cooperation	Number of people who familiarized themselves with the model(s) of cooperation through regional seminars and/or participation in the competition "Self-government Leader of Management; downloading the documentation of the model(s) from the project websites: www.jst.org.pl , www.dobrepraktyki.pl	0	2000	It is estimated that at least 2,000 people will become familiar with the model, including: Seminars - 200 people; Competition - 200. Documentation of the project (list of attendees at seminars and competition conferences, competition applications) and at least 1,600 people will download the documentation from the website
Project partners presented the representatives of government with recommendations for legislative action that will increase the efficiency of cooperation in the field of public and private service and business development and innovation	A set of legal recommendations with justification was presented to the Joint Commission of Central and Local Government, responsible ministers and/or appropriate parliamentary committees	0	1	Based on minutes of meetings - Joint Commission of Central and Local Government and / or parliamentary commissions.

2. Conditions

2.1 General

- 1) The Programme Operator must submit to the FMC a partnership agreement at the pre-defined project level, before the project agreement is signed with the Association of Polish Cities (ZMP).
- 2) The Programme Operator must provide the FMC with detailed selection criteria two weeks before the launch of the first call.
- 3) The Focal Point must submit the Programme Operators appraisal of the pre-defined project to the FMC for approval

2.2 Pre-eligibility

Not applicable.

2.3 Pre-payment:

The PO must provide the implementation set-up of the bilateral fund before the first disbursement.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

3. Eligibility of Costs

3.1 Eligibility period

The eligibility period of costs (excluding programme proposal preparation costs) is: 12th April 2012 – 30th April 2017.

The eligibility period of programme proposal preparation costs is: 17th June 2011 – 12th April 2012.

3.1 Grant rate and co-financing:

Programme estimated total cost	€10,993,712
Programme estimated eligible cost	€10,993,712
Programme grant rate (%)	86.82%
Maximum amount of programme grant	€9,544,500

3.2 Maximum eligible costs (€) and Advance payment amount (€):

Budget heading	Eligible expenditure	Advance payment
Programme Management	€1,010,594	€103,721
Regional and urban cooperation in the fields of public and private services, business development and innovation, to stimulate social and economic development.	€9,701,548	€400,000
Fund for bilateral relations	€168,432	€34,000
Complementary action	-	-
Preparation of programme proposal	€850	€850
Reserve for exchange rate losses	€112,288	€0
Total	€10,993,712	€538,571

3.3 Retention of management costs:

Retention of management costs - percentage of the grant amount.	10%
Retention of management costs – planned euro value	€87,740

3.4 Small grant scheme:

No small grant scheme

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Operational rules (Annex II)

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The programme shall support the development of:

- 1) integrated development strategies for the whole city area of Polish cities - of a general, or sectoral character;
- 2) operational plans (local action plans) which aim to achieve strategic objectives of the Polish Law on the principles of implementation of development policy. The programme includes a pre-defined project by the Association of Polish Cities (ZMP) in partnership with the Union of Local and Regional Authorities of Norway (KS). This project aims to strengthen competences for inter-municipal and inter-sectorial cooperation as tools for local and regional development through education and information activities.

Other projects will be prepared in co-operation between various self-government units or between local government and social partners. The aim of these projects is to develop pilot integrated strategies and operational plans for development of functional urban areas; and to strengthen stakeholder participation (civil society, private sector) in the decision-making processes; as well as to foster development through co-operation and networking between Polish urban centres, as opposed to currently prevailing competition.

1.2 Eligible applicants:

Eligible applicants are primarily: self-government authorities at various levels (communes, poviats, voivodships and its associations) in particular at municipal level. Nevertheless, the catalogue of eligible applicants includes all institutions of the public and private sector with legal personality and acting in the public interest, state budget units without legal personality, and other state agencies.

1.3 Special rules on eligibility of costs:

Chapter 7 of the Regulation on the implementation of the European Economic Area (EEA) Financial Mechanism 2009-2014, hereinafter referred to as the Regulation, contains the rules on eligibility of costs.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for is EUR 350 000; the maximum amount is EUR 550 000.

2.2 Project grant rate:

Grants from the programme will not exceed 90% of total eligible project costs (including the pre-defined project). The remaining costs of the project shall be provided or obtained by the Project Promoter (PP).

3. Selection of projects

3.1 Selection procedures:

The selection procedures will build on already established and successfully used procedures of the programme Operator (PO). They will mainly follow the procedures provided for in

Article 6.5 of the Regulation with the exception that an additional appeals procedure after the review by two independent and impartial experts is added and that the Selection Committee makes a final decision on which projects are supported, which is not subject to review by the Programme Operator.

The Programme Operator (PO) shall review the applications for compliance with administrative and eligibility criteria. At this stage of formal review the applicants have the possibility of correcting errors and/or supplementing the application documents within the period specified by the PO. Applicants whose applications will be rejected at the stage of the formal review will be informed in writing and given a reasonable time to appeal that decision.

Each application which meets the administrative and eligibility criteria shall be reviewed by two independent and impartial experts appointed by the PO. The two experts who are independent from the PO will separately score the projects according to the selection criteria adopted by the Selection Committee which is published in the Beneficiary Guide. In a situation where the difference in scores given to the application by each of the two experts will be greater than 30% of a higher score, the Operator shall designate an additional third expert for the review.

Applicants are informed of the results of this content-related review of the experts and have the right to appeal their decision to PO and subsequently to the Focal point.

After completion of the appeal procedure, the PO prepares the ranking list of proposals recommended for funding based on the scores awarded by experts and submits it to the Selection Committee. Projects submitted to the Committee after the content-related review will include justification along with recommendations for selected proposals. The Committee, after the analysis of the ranking list, may, in justified cases, change the order of listed projects eligible for support. Apart from the basic list of recommended projects, the Committee also indicates projects that should be on the reserve list.

The PO checks whether the recommendations of the Selection Committee are consistent with the principles and purpose of the Programme. Then the Operator will inform the applicants of the results of the assessment and publish the approved ranking list on the Programme website.

3.2 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

There shall be one call for applications which is planned to be conducted by the Programme Operator in the fourth quarter of 2012. The estimated duration of the call and selection process is 5 months. The estimated amount available for projects within the call is approximately 7.4 million EUR. Prior to the call a pre-defined project will be implemented.

In the case of an insufficient number of proposals submitted in the call referred to above or proposals with insufficient substantive value, a supplementary call or calls can be conducted.

3.3 Selection criteria:

The selection criteria will be developed by the PO and adopted by the Selection Committee at its first meeting and subsequently submitted to the Financial Mechanism Committee (FMC).

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 Payment flows

The PO shall ensure that funds are available for payments to projects in a timely manner.

Payments towards the end beneficiaries will be in the form of advance payments and a final payment in the form of a reimbursement of incurred expenditure. Payments to projects are made on the basis of approved interim reports.

The first advance payment shall be requested by the Project Promoter in the application form but may not exceed 20% of project eligible expenditure. Subsequent advance payments shall be requested through interim financial reports but only after 70% of the previously provided advance payment has been incurred.

The advance payments shall be offset against incurred expenditure reported in the interim reports.

The Programme Operator may retain up to 5% of the Project Grant until the final report is approved.

4.2 Verification of payment claims

Project promoters shall submit interim reports to the PO containing information on project progress, advance payment requests, and incurred expenditure.

Verification and approval of interim reports of Projects' Promoters will be performed by the Programme Operator. The interim reports of the PO are verified and approved by the Certifying Authority.

The procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting will further be outlined in the description of the Programmes management and control systems according to article 4.8.2 of the Regulation.

4.3 Monitoring and reporting

Project Promoters shall be required to report on project progress and outputs in interim reports and at the end of the project in a final report.

On-the-spot checks are carried out by the Programme Operator.

On-the-spot checks will be conducted annually on a sample of projects selected on the basis of a risk analysis. The analysis takes into account the material and financial progress of a project, the time remaining to project completion, reported irregularities, and the correctness of prepared reporting documentation.

On the spot checks can also be conducted on an ad-hoc basis when considered necessary.

Information on Reporting and Monitoring, and periodicity of reporting, will further be outlined in the description of the Programme's management and control systems according to article 4.8.2 of the regulation.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations

In order to promote the creation and development of partnerships at the level of the project (including predefined project), the PO will establish a Bilateral Cooperation Fund under the Programme offering funds of not less than 1.5% of the total eligible costs for the Programme which will be used for the two fund categories containing following activities:

-building bilateral relations in order to undertake cooperation to develop and submit the application form in the open call and then to implement the project with advisory participation of the partner,

-exchange of experience, knowledge, technology, and best practices between the applicant / beneficiary and the organization(s) from a donor countries (organization of conferences, seminars, workshops and study visits).

Eligible applicants are all project partners as defined in Article 1.5.1(w) of the Regulation.

Applicants will apply for the funds under the Bilateral Cooperation Fund on the basis of a separate application for financing, which will be assessed by the PO.

Conditions for applying for funds and their amounts will be specified in the application notice, which will be posted on the website of the PO.

Funds of the Bilateral Cooperation Fund intended to build bilateral relations to undertake cooperation to develop and submit the application will be distributed on the basis of reimbursement of costs incurred for preparation of projects submitted in partnership and eligible for funding under this Programme.

The partnership agreement on bilateral cooperation should be provided to the PO prior to the conclusion of the grant agreement for the project.

The Fund set-up, including the selection procedures, the criteria for awarding support from the funds, the grant rate, the maximum grant amount, the budgetary split between the two fund categories will be further outlined in a document submitted to the FMC.

5.2 Complementary action
Not applicable.

5.3 Reserve for exchange rate losses
The reserve for exchange rate losses will be used to cover exchange rate losses on the programme level, resulting from the difference in the exchange rate used when awarding grants to programmes in comparison to the exchange rate used for the settlement of project grants.

5.4 Small Grant Schemes
This Programme does not provide for small grant schemes.

6. Pre-defined projects

One pre-defined project is a part of the Programme Proposal, as foreseen in the MoU. "Building competences for inter-municipal and inter-sectoral cooperation as tools for local and regional development".

The Project Promoter is the Association of Polish Cities (ZMP).

The project will be implemented in partnership between ZMP and the Union of Local and Regional Authorities of Norway (KS). In addition, ZMP will perform certain tasks in the framework of the aforementioned project in partnership with the Association of Polish Counties and the Union of Rural Communes of the Republic of Poland.

Further information on this project is stipulated in the Annex 2 to the Programme proposal and in the appraisal report which will be submitted by the National Focal Point (NFP) to the FMC for approval.

7. Modification of the Programme

The rules on modifications of Programmes are in Article 5.9 of the Regulation and Article 2.9 of the Programme Agreement.

8. Programme proposal version

Any reference to the Programme proposal in this programme agreement shall be interpreted as a reference to the version signed by the PO on 7 December 2011 including the additional information provided by the PO on 14 March 2012.

9. Miscellaneous

Not applicable.