EEA Financial Mechanism 2021-2028

MEMORANDUM OF UNDERSTANDING

ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM

2021-2028

between

ICELAND,

THE PRINCIPALITY OF LIECHTENSTEIN,

THE KINGDOM OF NORWAY,

hereinafter referred to as the “Donor States”

and

THE REPUBLIC OF BULGARIA,

hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”, WHEREAS Protocol 38d 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 2021-2028, establishes a financial mechanism (hereinafter referred to as the "EEA Financial Mechanism 2021-2028") 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 2021-2028 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. 4/2024/SC of 24 October 2024 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 2021-2028;

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 2021-2028;

HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the EEA Financial Mechanism 2021-2028 are to contribute to the reduction of economic and social disparities in the European Economic Area and to strengthen bilateral relations between the Donor States and the Beneficiary States through financial contributions to promote the thematic priorities listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall select programmes for funding that aim to contribute to the achievement of these objectives.

2. The financial contributions shall be available to promote the following thematic priorities:

(a) European green transition;

(b) Democracy, rule of law and human rights;

(c) Social inclusion and resilience.

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 2021-2028:

(a) Protocol 38d to the EEA Agreement on the EEA Financial Mechanism 2021-2028;

(b) the Regulation on the implementation of the EEA Financial Mechanism 2021-2028 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 9.4 of Protocol 38d;

(c) the programme agreements that will be concluded for each programme; and

(d) any guidelines adopted by the Financial Mechanism Committee in accordance with the Regulation.

Article 3
Financial framework

1. In accordance with Article 2 of Protocol 38d, the total amount of the financial contribution is €1,805 million in annual tranches of €257.86 million over the period running from 1 May 2021 to 30 April 2028, inclusive.

2. In accordance with Article 6 of Protocol 38d, a total of €119,256,101 shall be made available to the Beneficiary State over the period referred to in Paragraph 1.

3. In accordance with Article 9.7 of Protocol 38d 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 €110,908,174.

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 thematic priorities listed in Article 3.1 of Protocol 38d and the programme areas listed in the Annex to Protocol 38d. 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 2021-2028 in accordance with Annex B and the Programme Agreements.

3. The Beneficiary State shall ensure an enabling environment for the unimpeded implementation of the Civil Society Fund in the Beneficiary State and shall refrain from taking any measures that might prevent Fund Operators from independently exercising their role.

4. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2021-2028 and take decisions on the granting of financial assistance in accordance with the Regulation.

5. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the "FMO"). The FMO shall serve as a contact point for the Beneficiary State for the day-to-day operations of the EEA Financial Mechanism 2021-2028.

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 2021-2028 as well as for the implementation of the EEA Financial Mechanism 2021-2028 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 and the Audit 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, the financial contribution from the EEA Financial Mechanism 2021-2028 and from the Beneficiary State;

(b) identification of programmes, their objective(s), the Programme Operators, the grant amount and amount of co-financing by programme, the bilateral ambitions as well as any specific concerns relating to the implementation of the programmes;

(c) conditions and/or specific concerns at Beneficiary State level relating to target groups, geographical areas or other issues;

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

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

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

2. The implementation framework is outlined in Annex B.

Article 7
Funds for bilateral relations

In accordance with Article 4.6.1 of the Regulation the Beneficiary State shall set aside funds to strengthen bilateral relations between the Donor States and the Beneficiary State. The agreed amount is reflected in Annex B and is allocated to the funds for bilateral relations at national and programme level. The National Focal Point shall manage the use of the fund for bilateral relations at national level and shall establish a Joint Committee for the Bilateral Fund in accordance with Article 4.9.1 of the Regulation. The Programme Operators shall manage the use of the funds for bilateral relations allocated to their programmes. For Donor partnership programmes, decisions on the use of the funds for bilateral relations in the programme shall be taken by consensus between the Programme Operator and the Donor Programme Partner(s).

Article 8
Country Report

In accordance with Article 2.6 of the Regulation, the National Focal Point shall submit to the FMC an annual Country Report on the implementation of the EEA Financial Mechanism 2021-2028 in the Beneficiary State. The Country Report shall be submitted to the FMC not later than 10 March each year.

Article 9
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 periods, discuss risks and agree on any necessary measures to be taken. The annual meeting shall provide a forum for discussion of issues of bilateral interest.

Article 10
Modification of the annexes

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

2. Cumulative transfers up to 10% of the total eligible expenditure of a programme may be made between programmes without a modification of the Annexes to this Memorandum of Understanding, provided that the change has been agreed by the FMC through modifications of the relevant Programme Agreements.

3. In addition, cost savings and amounts not committed to projects may be transferred to the funds for bilateral relations without a modification of the Annexes to this Memorandum of Understanding or the approval of the

FMC, provided that the transfer has been the subject of prior consultation with the Cooperation Committee of the concerned programme. Any such transfer of funds from a programme shall not affect the objectives or outcomes of the Programme. The National Focal Point shall notify the FMC of such transfers without delay and the FMC shall update the concerned Programme Agreements and the Bilateral Funds Agreement, as relevant.

4. All transfers made in accordance with paragraphs 2 and 3 shall not affect any specific concerns, conditions, objectives or other priorities referred to in this Memorandum of Understanding and shall be in accordance with the provisions of the legal framework.

Article 11
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 12
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 2021-2028 shall be pursued in a framework of close co-operation between the Donor States and the Beneficiary State, respecting the common values and principles 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. 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 non-discrimination in all implementation phases of the EEA Financial Mechanism 2021-2028.

3. All programmes and activities funded by the EEA Financial Mechanism 2021-2028 shall be consistent with respect for these values and principles and abstain from supporting operations that may fail to do so. Their implementation shall comply with the fundamental rights and obligations enshrined in relevant instruments and standards.

4. The Beneficiary State shall take proactive steps in order to ensure adherence to these values and principles at all levels involved in the implementation of the EEA Financial Mechanism 2021-2028.

Article 13
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 ………………………… on …………
For Iceland

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Signed in…………..on… ………………
For the Republic of Bulgaria

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Signed in …………………..….. on …………
For the Principality of Liechtenstein

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Signed in ………………………..… on …………
For the Kingdom of Norway

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ANNEX A

National management and control structures

1. National Focal Point

The Central Coordination Unit Directorate shall act as the National Focal Point (NFP). The Head of the National Focal Point shall be the Director of the Central Coordination Unit Directorate.

The Central Coordination Unit Directorate is an administrative unit within the administration of the Council of Ministers. The Central Co-ordination Unit reports directly to the Head of the NFP. The NFP supports the Deputy Prime-Minister (and Minister of Innovation and Growth) in all activities related to the coordination of EU Funds, including other donors, but the decisions related to the EEA and the NFP are taken at the level of Head of the NFP.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 5.3 thereof. In addition, the National Focal Point shall be responsible for the preparation and submission of irregularities reports on behalf of the Republic of Bulgaria in line with Art. 12.3 of the Regulation.

2. Certifying Authority

The National Fund Directorate (NF) shall act as the Certifying Authority. The Head of the Certifying Authority shall be the Director of National Fund Directorate.

The National Fund Directorate is an administrative unit within the Ministry of Finance. The NF is placed under the responsibility of a Deputy-Minister of Finance.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 5.4 thereof.

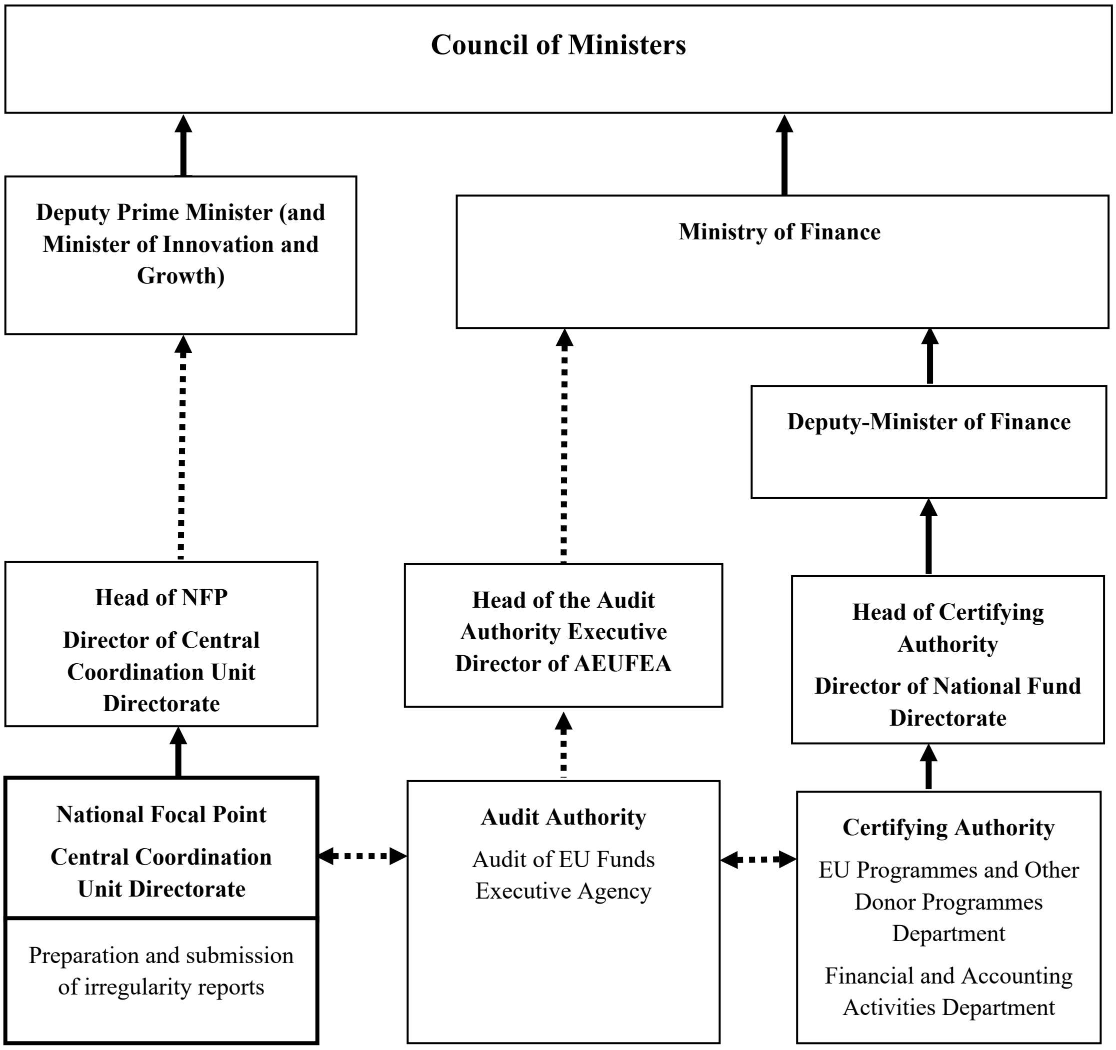
3. Audit Authority

The Audit of European Union Funds Executive Agency (AEUFEA) to the Minister of Finance of the Republic of Bulgaria shall act as the Audit Authority. The Head of the Audit Authority shall be the Executive Director of the Audit of European Union Funds Executive Agency (AEUFEA).

The Audit Authority is functionally independent from the other bodies involved in the management and control system of the EEA Financial Mechanism 2021-28 (e.g. the National Focal Point, the Certifying Authority, the Programme Operators) in Bulgaria. It performs the audit activities according to internationally accepted auditing standards and requirements of the Regulation on the implementation of the EEA Financial Mechanism 2021-28.

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

4. 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

	Bulgaria	**EEA FM contribution**	**National contribution**
	Programmes		
1	Energy Security	€25,000,000	€4,411,765
2	Water Resilience	€26,500,000	€4,676,471
3	Culture	€14,880,000	€2,625,882
4	Local Development	€40,350,000	€7,120,588
	Other allocations		
	Technical assistance to the Beneficiary State (Art. 1.10)	€1,788,841	N/A
	Reserve for completion of projects under FM 2014-21 (Art. 1.11)	N/A	N/A
	Funds for bilateral relations at national level (Art. 4.7)	€1,389,333	N/A
	Funds for bilateral relations at programme level (Art. 4.10)	€1,000,000	N/A
	Net allocation to Bulgaria	€110,908,174	€18,834,706

2. Conditions

N/A

3. Specific concerns

The amount of funds for bilateral relations allocated to each programme shall be included in the respective programme agreements.

Under the funds for bilateral relations at national level cooperation on information integrity shall be explored.

The agreed allocations to the programmes and bilateral funds include the EEA Financial Mechanism contribution to Bulgaria related to the challenges experienced as a result of the invasion of Ukraine, which amounts to €6,606,986. The funding shall be made available through the bilateral funds and to projects across all programmes. The planned use of these funds shall be described in the Concept Notes for the programmes.

The Parties to this Memorandum of Understanding agree that, in addition to measures implemented under the Local Development programme, at least 10% of the total eligible expenditure of the Culture programme shall target the inclusion and empowerment of Roma in line with international and European human rights standards.

The Parties shall agree on how to reach this target through a plan to be coordinated and submitted by the National Focal Point prior to the signature of the first Programme Agreement(s). The plan shall be based on consultation with relevant stakeholders.

Gender equality and digitalization will be mainstreamed and form part of all relevant programme areas. The Concept Notes shall describe how this shall be achieved.

4. 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. Energy Security

Programme objective(s):	Acceleration of the green transition towards a more sustainable society
Programme grant:	€25,000,000
Programme co-financing:	€4,411,765
Programme Operator:	Ministry of Energy
Donor Programme Partner(s):	Norwegian Water Resources and Energy Directorate
International Partner Organisation(s):	N/A
Programme area(s):	Green Transition
Programme specific concerns:	The programme shall allocate approximately €15 million to a call for proposals to support the development of renewable energy communities. At least three pilot projects shall be supported. Addressing the geographical dimension of a just green transition shall be explored when developing the Concept Note. Consultation with relevant stakeholders shall be carried out during the development of the Concept Note. Capacity building measures, including of the Ministry of Energy, related to capture of CO2 for storage and utilisation that contribute to the area of support "Industrial carbon management" shall be developed in the Concept Note. The possibility to support a pilot project(s) for a publicly owned building(s) with a focus on heating/cooling and nature-based energy solutions, including innovative digital solution for energy management, shall be explored when developing the Concept Note. Consultation with relevant stakeholders shall be carried out during the development of the Concept Note.

The possibility to support the development of an online platform for the National Decarbonisation Fund of Bulgaria with a maximum grant from the programme of €1 million shall be explored when developing the Concept Note.

Support for feasibility studies for hydropower storage shall be explored when developing the Concept Note.

Measures related to energy security and connectivity in the Black Sea region shall be explored in the Concept Note.

B. Water Resilience

Programme objective(s):	Acceleration of the green transition towards a more sustainable society
Programme grant:	€26,500,000
Programme co-financing:	€4,676,471
Programme Operator:	Ministry of Environment and Waters
Donor Programme Partner(s):	Norwegian Environment Agency
International Partner Organisation(s):	OECD
Programme area(s):	Green Transition
Programme specific conditions:	N/A
Programme specific concerns:	The programme aims to contribute to the areas of support: "air, water and soil pollution", "climate change adaptation", "biodiversity and ecosystems", "circular economy" and "green governance". A pre-defined project on acquiring and making operational a research vessel with the aim of carrying out scientific research and environmental monitoring of the Black Sea shall be developed in the Concept Note. The grant amount for the research vessel shall be identified in the Programme Agreement. The research vessel shall be owned and operated by the competent Bulgarian public authorities. The pre-defined project shall be implemented with the Norwegian Institute for Marine Research (IMR) as a donor project partner. Dedicated resources shall be allocated to design, manage, and closely monitor the implementation of the project at project and programme level. Milestones shall be defined in the Concept Note and set in the Programme Agreement to monitor the progress of the project and to allow for timely implementation of alternative measures, primarily within the programme, if the milestones are not met. The possibility of predefining a project on diffuse pollution of inland waters in collaboration with a donor project partner shall be explored in the Concept Note. A pre-defined project with the OECD with a grant from the programme of at least €1.6 million that contributes to the area of support "green governance" shall be developed in the Concept Note.

The programme will be implemented in conjunction with the Water Resilience Programme implemented under the Norwegian Financial Mechanism 2021-2028.

C. Culture

Programme objective(s):	Increased participation, sustainability and diversity in arts, culture and cultural heritage
Programme grant:	€14,880,000
Programme co-financing:	€2,625,882
Programme Operator:	Ministry of Culture
Donor Programme Partner(s):	Norwegian Directorate for Cultural Heritage Arts and Culture Norway
International Partner Organisation(s):	N/A
Programme area(s):	Culture
Programme specific concerns:	The programme shall strengthen the capacity of art, culture and cultural heritage to drive sustainable local development, resilience and social cohesion, especially through strengthening democracy, the freedom of cultural expression, open dialogue, resistance to disinformation, and through increasing participation and community engagement, particularly in disadvantaged areas. The programme shall contribute to the inclusion and empowerment of Roma through targeted measures developed in consultation with relevant stakeholders and meet the target set in section 3 "Specific concerns" of this Annex. At least 40% of the total eligible expenditure of the programme shall be made available to support artistic and cultural creation, exchange and mobility. The programme shall focus on networked cooperation between cultural operators and local stakeholders in cultural programming and education to enhance outreach and promote human rights, cultural diversity and the participation and cultural self-expression of women, social, ethnic and cultural minorities, and persons in vulnerable situations with specific regard to Roma. The programme shall also support the sustainable revitalisation of cultural heritage sites to create vibrant and inclusive cultural and community hubs that reflect the local identity, respond to local needs and harness the potential of local cultural resources. The possibility of predefining a project building capacity for the preservation of and interdisciplinary research on underwater cultural heritage shall be explored when developing the Concept Note. The maximum level of funding for investment in infrastructure and equipment (hard measures) shall be 60% of the total eligible expenditure of the programme. The National Focal Point and the Programme Operator shall, at the latest by the submission of the Concept Note, demonstrate adequate programme management capacity and expertise to fulfil the Programme Operator's responsibilities.

The National Institute of Immovable Cultural Heritage shall contribute to the development of the programme.

D. Local Development

Programme objective(s):	More resilient, inclusive and sustainable communities Enhanced quality, access and relevance of education and training for the green and digital transitions, human rights, democracy and youth employment Enhanced inclusion and empowerment of Roma
Programme grant:	€40,350,000
Programme co-financing:	€7,120,588
Programme Operator:	Ministry of Education and Science
Donor Programme Partner(s):	Norwegian Association of Local and Regional Authorities Liechtenstein National Agency for International Education Affairs Norwegian Directorate for Higher Education and Skills The Icelandic Centre for Research
International Partner Organisation(s):	EU Agency for Fundamental Rights
Programme area(s):	Local Development, Good Governance and Inclusion Education, Training and Youth Employment Roma Inclusion and Empowerment
Programme specific concerns:	The programme shall strengthen good governance at the local level supporting models for community-led development based on participation and social innovation to enhance social inclusion, economic and social resilience in small and medium-sized municipalities. The programme shall target disadvantaged regions and deprived neighborhoods with a focus on groups in vulnerable situations, including children, young people, elderly, and Roma. At least 20% of the total eligible expenditure of the programme shall be allocated to improve education, training and employment opportunities and outcomes, to build functional skills for the green and digital transition, media literacy and critical thinking, and to promote youth-led social innovation. The programme shall strengthen the capacity of relevant stakeholders within the education sector to fully benefit from the opportunities offered by European funding instruments. The programme shall support the inclusion and empowerment of Roma both through targeted measures and as a horizontal concern throughout the programme, focused on increasing the participation of Roma and on combating anti-gypsism and discrimination towards Roma. The programme shall include scholarships to Roma university students to enhance educational outcomes and improve employment opportunities.

Measures to build capacity for Roma civil society shall be explored when developing the Concept Note.

Consultation with relevant Roma and pro-Roma stakeholders shall be carried out when developing measures during the Concept Note under the Programme Area “Roma Inclusion and Empowerment”.

A pre-defined project with the National Association of the Municipalities (NAMBR) and the Norwegian Association of Local and Regional Authorities (KS) shall be explored in the Concept Note.

The maximum level of funding for investment in infrastructure and equipment (hard measures) shall be 60% of the total eligible expenditure of the programme.