

AGREEMENT
BETWEEN THE KINGDOM OF NORWAY AND
THE EUROPEAN COMMUNITY
ON A NORWEGIAN FINANCIAL MECHANISM
FOR THE PERIOD 2004-2009

ARTICLE 1

The Kingdom of Norway undertakes to set up a financial mechanism to reduce social and economic disparities in the European Economic Area. The aim of this mechanism is to contribute to the consolidation of the capacity of the new Member States to take part fully in an enlarged European Economic Area internal market through the financing of grants to investment projects in the priority sectors listed in Article 3. The commitments undertaken by Norway under this Agreement are based on Norway's participation in the European Economic Area as an EFTA State.

ARTICLE 2

The total amount of the financial contribution provided for in Article 1 shall be EUR 567 million, to be made available for commitment in annual tranches of EUR 113,4 million over the period running from 1 May 2004 to 30 April 2009, inclusive.

ARTICLE 3

The grants shall be available for projects in the same sectors as under the EEA Financial Mechanism, but with priority for projects in the areas of:

- (a) implementation of Schengen acquis, support of National Schengen Action Plans as well as strengthening the judiciary,

- (b) environment, inter alia with emphasis on strengthening the administrative capacity to implement relevant acquis and investments in infrastructure and technology with priority given to municipal waste management,
- (c) regional policy and cross-border activities,
- (d) technical assistance relating to implementation of acquis communautaire.

ARTICLE 4

The Norwegian contribution in the form of grants shall not exceed 60% of the project cost except in projects otherwise financed by central, regional or local government budget allocations, where the contribution may not exceed 85% of total cost. Community ceilings for cofinancing shall not be exceeded in any case.

The applicable rules on state aid shall be complied with.

The Commission of the European Communities shall screen the proposed projects for their compatibility with Community objectives.

The responsibility of the Kingdom of Norway for the projects is limited to providing funds according to the agreed plan. No liability to third parties will be assumed.

ARTICLE 5

The funds shall be made available to the Beneficiary States (Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia) in accordance with the following distribution key:

Beneficiary State	Percentage of Total Contribution
Czech Republic	11,0%
Estonia	4,0%
Cyprus	0,6%
Latvia	6,0%
Lithuania	7,1%
Hungary	13,1%
Malta	0,3%
Poland	49,0%
Slovenia	2,2%
Slovakia	6,7%

ARTICLE 6

With a view to reallocating any non-committed available funds for high priority projects from any Beneficiary State, a review shall be carried out in November 2006 and again in November 2008.

ARTICLE 7

The financial contribution provided for in Article 1 shall be closely coordinated with the contribution from the EFTA States provided for by the EEA Financial Mechanism.

In particular, the Kingdom of Norway shall ensure that the application procedures are identical for both financial mechanisms referred to in the previous paragraph.

Any relevant changes in EU cohesion policies shall be taken into account as appropriate.

ARTICLE 8

The Norwegian government, or an entity appointed by the Norwegian government, will manage the Norwegian Financial Mechanism.

Further provisions for the implementation of the Financial Mechanism will be issued by the Norwegian government as necessary.

Management costs shall be covered by the overall amount referred to in Article 2.

ARTICLE 9

This Agreement shall be ratified or approved by the Contracting 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 same day as the Treaty concerning the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union of 16 April 2003, provided that the instruments of ratification or approval of the following related agreements and protocols have been deposited as well:

- (a) Agreement on the Participation of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic in the European Economic Area,
- (b) Additional Protocol to the Agreement between the European Economic Community and the Republic of Iceland consequent on the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union,

- (c) Additional Protocol to the Agreement between the European Economic Community and the Kingdom of Norway consequent on the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union, and
- (d) Agreement in the form of an Exchange of Letters between the European Community and the Kingdom of Norway concerning certain agricultural products.

If any of the Beneficiary States listed in Article 5 do not become part to the EEA on 1 May 2004, this Agreement shall be subject to the necessary adjustments.