

PROTOCOL 38A^{1}

ON THE EEA FINANCIAL MECHANISM

Article 1

The EFTA States shall contribute to the reduction of economic and social disparities in the European Economic Area through the financing of grants to investment and development projects in the priority sectors listed in Article 3.

Article 2

The total amount of the financial contribution provided for in Article 1 shall be EUR 600 million, to be made available for commitment in annual tranches of EUR 120 million over the period running from 1 May 2004 to 30 April 2009, inclusive.

Article 3

1. The grants shall be available for projects in the following priority sectors:
 - (a) protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy;
 - (b) promotion of sustainable development through improved resource use and management;
 - (c) conservation of European cultural heritage, including public transport, and urban renewal;
 - (d) human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions as well as the democratic processes, which support it;
 - (e) health and childcare.
2. Academic research may be eligible for funding in so far as it is targeted at one or more of the priority sectors.

Article 4

1. The EFTA 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 co-financing shall not be exceeded in any case.
2. The applicable rules on state aid shall be complied with.
3. The Commission of the European Communities shall screen the proposed projects for their compatibility with Community objectives.
4. 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 5

^{1} Protocol inserted by the EEA Enlargement Agreement (OJ L 130, 29.4.2004, p. 3 and EEA Supplement No 23, 29.4.2004, p. 1), e.i.f. 1.5.2004.

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

Beneficiary State	Percentage of Total Contribution
Czech Republic	8,09%
Estonia	1,68%
Greece	5,71%
Spain	7,64%
Cyprus	0,21%
Latvia	3,29%
Lithuania	4,50%
Hungary	10,13%
Malta	0,32%
Poland	46,80%
Portugal	5,22%
Slovenia	1,02%
Slovakia	5,39%

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

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 are identical for both financial mechanisms referred to in the previous paragraph.
3. Any relevant changes in the Community's cohesion policies shall be taken into account, as appropriate.

Article 8

1. The EFTA States shall establish a Committee that will manage the EEA Financial Mechanism.
2. Further provisions for the implementation of the EEA Financial Mechanism will be issued by the EFTA States as necessary.
3. Management costs shall be covered by the overall amount referred to in Article 2.

Article 9

At the end of the five-year period and without prejudice to the rights and obligations under the Agreement, the Contracting Parties will in the light of Article 115 of the Agreement review the need to address economic and social disparities within the European Economic Area.

Article 10

If any of the Beneficiary States listed in Article 5 of this Protocol should not become a Contracting Party to the Agreement on 1 May 2004, or if there should be changes in membership in the EFTA pillar of the European Economic Area, this Protocol shall be subject to the necessary adjustments.