

Anexo 2

Programme Agreement PT04

Handwritten signature and initials in the top right corner of the page.

EEA Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway

and

The Ministry for Environment, Spatial Planning and Energy (MAOTE),
hereinafter referred to as the "National Focal Point",
representing Portugal ,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Adaptation to Climate Change"
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 programme 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 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 programme 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 Reallocation of funds

1. Reallocation of unused or cancelled financial contributions to projects shall be made in compliance with Article 6.9 of the Regulation.
2. 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 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.

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;
- d. the Programme Operator becomes bankrupt, is 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.

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 of 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.

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 Jordan on 7/10/13

Anders Erdal
FMC Chairman

For the National Focal Point

Signed in Lisbon on 7/10/2013

Jorge Moreira da Silva
Minister for Environment, Spatial Planning and Energy

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Increased capacity to assess vulnerability to climate change

Output

Training course on adaptation to climate change for Municipal Officers

Output indicator(s)	Baseline	Target	Source of Verification
Materials produced to support the training course	0	1	A copy of materials produced
Number of Municipalities involved in training	0	20	Presence confirmation (signature sheets) of Officers on sessions and Sessions survey (questionnaire/ classification by officers)
Number of Municipal Officers involved in training	0	40	Presence confirmation (signature sheets) of Officers on sessions and Sessions survey (questionnaire/ classification by officers)

Output

Helpdesk on adaptation to Municipal Officers

Output indicator(s)	Baseline	Target	Source of Verification
Establishment of a helpdesk to support Municipal Officers in the development of Municipal Adaptation Action Plans	0	1	User registration and user survey and Record on helpdesk usage
Use of helpdesk by potential users	0	20	User registration and user survey and Record on helpdesk usage

Output

Municipal Adaptation Strategies

Output indicator(s)	Baseline	Target	Source of Verification
Number of Municipal Adaptation Strategies produced with the support of the programme	0	20	Copies of the strategies submitted

Output

Sectorial Studies and other work on Adaptation to Climate Change

Output indicator(s)	Baseline	Target	Source of Verification
Number of sectors with improved capacity to assess vulnerability to climate change	0	4	The approved projects under the small grants scheme will provide the information for this indicator
Number of sectoral projects supported through AdaPT	0	4	The approved projects under the small grants scheme will provide the information for this indicator

Expected Outcome(s): Increased awareness of and education in climate change adaptation

Output

Training course on climate change for teachers

Output indicator(s)	Baseline	Target	Source of Verification
Materials produced to support the training course	0	1	Copy of the materials produced
Number of teachers involved in training	0	100	Presence confirmation (signature sheets/ e-learning registration) of Teachers on sessions

Output

Climate Change education in schools

Output indicator(s)	Baseline	Target	Source of Verification
Materials produced to support the education activities	0	1	Copy of the materials produced
Number of schools directly involved in the project	0	20	Survey among students and teachers of the Pilot schools
Number of students directly involved in the project	0	1500	Survey among students and teachers of the Pilot schools

Output

Climate change awards for best practices at school level

Output indicator(s)	Baseline	Target	Source of Verification
Number of schools competing for climate award	0	20	Copy of contest procedure
Number of assigned climate awards	0	3	Copy of contest procedure and Questionnaire to the awarded students

Output

"Local Warming" website

Output indicator(s)	Baseline	Target	Source of Verification
Number of climate indicators	0	30	public website
Number of website users	0	200	website statistics and user survey
"Local warming website" created	0	1	public website

2. Conditions**2.1 General**

- 1) The National Focal Point shall ensure that any public support under this programme complies with the procedural and substantive State Aid rules applicable at the time when the public support is granted. The Focal Point shall, by way of the Programme Implementation Agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with State Aid rules, particularly decisions to award grants and set grant rates, and provides such records to the FMC upon request. The approval of the Programme by the FMC does not imply a positive assessment of such compliance.
- 2) Bilateral, output and outcome indicators shall be reported on in the annual programme report.
- 3) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):
 - Keep the excepted equipment in their ownership for a period of at least 5 years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
 - Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
 - Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract; provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant

circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

4) A methodology on the calculation of the flat rate to be applied to indirect eligible costs (overheads) in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO two weeks prior to the earlier of:

4.1 the deadline for providing to the FMC the text of the call for proposals, as required by Article 6.3.4 of the Regulation;

4.2 the date of signature by the Programme Operator of the Project Agreement for the pre-defined project "Local Warming" website.

5) Complementary action under this programme shall be further defined by the Programme Operator in accordance with Article 7.11 of the Regulation.

2.2 Pre-eligibility

Not applicable.

2.3 Pre-payment

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

2.6 Other

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 22/04/2013-30/04/2016

Eligibility of programme proposal preparation costs: 30/03/2012-21/04/2013

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€3,529,412
Programme estimated eligible cost (€)	€3,529,412
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€3,000,000

3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€352,941	€0
Increased capacity to assess vulnerability to climate change	€2,200,000	€0
Increased awareness of and education in climate change adaptation	€890,000	€0
Fund for bilateral relations	€52,942	€0
Complementary action	€15,882	€0
Preparation of programme proposal	€17,647	€0
Reserve for exchange rate losses	€0	€0
Total	€3,529,412	€0

* The advance payment is composed of €0 in grant amount and €0 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€30,000

3.5 Small Grant Scheme

Outcome	Increased capacity to assess vulnerability to climate change
Total Amount Reserved	€700,000
Grant Amount at Project Level	€50,000 – 200,000
Duration of the Project	0 – 18 months
Maximum Grant Rate at Project Level	100.00%

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Portuguese Environment Agency, as manager of Portuguese Carbon Fund.

The Programme will be implemented through two open calls and a small grant scheme. In addition, the pre-defined project "Local Warming website" will be implemented.

The Programme will support the start-up of projects on adaptation to climate change in Portugal. The main challenges at this initial stage are to develop and disseminate practical tools to support the adaptation process, to increase awareness and capacity and mobilize actors for action on climate change adaptation, and to fill in the information and knowledge gaps in all relevant sectors. The Programme will address these challenges.

The Programme has four main components, all of which are focused on climate change and adaptation:

- Local adaptation strategies and training of municipality officers;
- Climate change education and award, addressing public education on climate change at school level;
- A Local Warming website, to prepare and disseminate information on past and future climate trends;
- A small grant scheme focused on sectors that are vulnerable to the effect of climate change.

1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. Project applications including one or more project partners from the Donor States will be positively discriminated.

* 1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Article 7 of the Regulation.

By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment may be eligible if the equipment is an integral and necessary component for the implementation or development of a technology that is essential for achieving the outcome of the project. The Programme Operator will check and verify compliance with this condition.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

- Call 1: The maximum amount of grant assistance is €1,500,000.
- Call 2: The maximum amount of grant assistance is €490,000.
- Small grant scheme: the minimum amount of grant assistance is €50,000; the maximum amount is €200,000.

2.2 Project grant rate:

The project grant rate shall be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects and/or the project promoter or partner, where relevant. The remaining costs of the project shall be provided or obtained by the Project Promoter. In the case of projects implemented by NGOs, as defined in Article 1.5.1(m) of the Regulation, the maximum grant rate may be up to 90% of the eligible expenditures of the project.

3. Selection of projects

3.1 Selection procedures:

All selection procedures for projects under the calls for proposals shall be in accordance with Article 6.5 of the Regulation. The independent and impartial experts referred to in Article 6.5.2 of the Regulation shall be independent of the Programme Operator, the Selection Committee and the project applicants.

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

- Call for proposals 1: The call shall be launched no later than four months after the signing of the programme implementation agreement, and in any case no later than in the last quarter of 2013. The call shall make available €1,500,000 and shall be open for at least 2 months. One project shall be selected under the call.

- Call for proposals 2: The call shall be launched no later than four months after the signing of the programme implementation agreement, and in any case no later than in the last quarter of 2013. The call shall make available at least €490,000 and shall be open for at least 2 months. One project shall be selected under the call.

- Small grant scheme: The call shall be launched no later than six months after the signing of the programme implementation agreement, and in any case no later than in the first quarter of 2014. The call shall make available at least €700,000. The call shall be open for at least 2 months.

Should funds remain uncommitted as a result of the call for proposals 1 and call for proposals 2, the Programme Operator shall make those funds available under the small grant scheme, in line with Article 5.6 paragraph 2 of the Regulation.

Should funds remain uncommitted as a result of the call under the small grant scheme, a second call may be launched no later than in the first quarter of 2014 and shall make available any remaining funds for re-granting up to the limit set in Article 5.6 paragraph 2 of the Regulation.

3.3 Selection criteria:

The final project selection criteria to be applied shall be detailed in the framework of the calls for proposals in accordance with Article 6.3 of the Regulation and shall be discussed in the Cooperation Committee and be subject to the agreement of the Donor Programme Partner. The criteria shall be based on the programme proposal.

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

4.1 Payment flows:

Payment flows towards to final beneficiaries will take the form of advance payments, interim payments and payments of the final balance.

Project Promoters have the possibility to request an advance payment that in normal circumstances should not exceed 10% of the total grant amount, depending on the liquidity needs. Exceptionally, and in duly justified cases, this percentage can be increased up to 25%. An advance payment is disbursed within 20 working days after the project contract is signed.

Interim payments shall be made to Project Promoters based on approved payment claims.

After receiving a statement from the external auditor that the costs are eligible under the Programme and in line with the Regulation, the Programme Operator's financial department will have 20 working days to make the payment of the interim financial report to the Project Promoter.

The sum of the advance and interim payments may not exceed 90% of the total project grant at any time during project.

The payment of the final balance will be disbursed within 60 calendar days after the approval of the final report.

The deadlines for submitting and assessing interim financial reports will be set in the project contract. Project Promoters will report to the Programme Operator on incurred expenditures, actual progress and pre-payment forecast through the interim reports at least three times per year.

The payment flows procedure will be further outlined in the description of the Programme management and control systems according to article 4.8.2 of the Regulation.

4.2 Verification of payment claims:

The Programme Operator will conduct the verification and approval of project interim financial reports and the final reports for all projects based on a "four eye" system. In order to ensure functional separation of the teams responsible for implementation of the Programme from the unit performing verification of payment claims, the Programme Operator will engage an external auditor

to perform such verification. The external auditor will provide a declaration for conflict of interest prior to accepting an engagement.

Project Promoters compile and submit interim financial reports (an invoice or a payment claim) within 15 working days from the end of the reporting period set in the project contract along with supporting proof of expenditures, if such are required. The reporting period shall not exceed four months. The Programme Operator will forward the interim report and the supporting proof of expenditure within five working days to an external auditor for verification of the payment claim. The external auditor will analyse the received information, control the availability of the relevant documents and perform an assessment of the eligibility of expenditures. The verification process should be completed by the external auditor within 15 working days of receiving the necessary supporting documents. It shall provide a statement that the costs are eligible under the Programme and in line with the Regulation.

The verification procedure of the payment claims of the final report shall follow the same rules as for interim financial reports.

In case of verification of expenditure incurred by a donor project partner, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the donor project partner's country, shall be seen as sufficient proof of costs incurred.

The verification procedures for payment claims will be further outlined in the description of the Programme management and control systems according to article 4.8.2 of the Regulation.

4.3 Monitoring and reporting:

The Programme Operator will monitor at least a sample of projects under the Programme, selected based on risk assessment and including random samples. The projects will be monitored through: project reports, project reviews and project visits (on-site visits) based on the annual monitoring plan.

Monitoring of the project reports will be done every four months. Projects reviews will be conducted twice per year for the pre-defined project and at least once per year for all other projects. On-site visits will be organised at least twice per year for the pre-defined project and at least once per year for all other projects.

The aim of the project reports, project reviews and on-site visits is to make sure that the project is implemented in accordance with the requirements of the Regulation and the project contracts, to verify procurement procedures and the cost efficiency of incurred expenditures and to assess the achievement of sectorial objectives and indicators and the impact of the results of projects.

On-site visits on an ad-hoc basis will also be carried out when suspicions arise that the information provided by the Project Promoter is incorrect or misleading. On-the-spot checks on ad-hoc basis may also be organised for other reasons. Information about the date of the on-site visit on ad-hoc basis should normally not be provided to the Project Promoter in advance.

Irregularities will be handled in accordance with Chapter 11 of the Regulation.

Information on Reporting and Monitoring shall be further outlined in the description of the Programme's Management and Control System according to Article 4.8.2 of the Regulation.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations:

The Programme Operator shall set aside 1.5% (EUR 52,942) of the eligible expenditure of the Programme to a fund to facilitate bilateral relations.

The details of the use of the bilateral fund, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the Programme Operator in cooperation with the Donor Programme Partner and will be subject to the approval of the Cooperation Committee.

5.2 Complementary action:

The Programme Operator shall set aside 0.45% (EUR 15,882) of the eligible expenditure of the Programme to complementary actions. Complementary action under this Programme shall be further defined by the Programme Operator in accordance with

Article 7.11 of the Regulation.

5.3 Reserve for exchange rate losses:

Not applicable.

5.4 Small Grant Schemes:

One small grant scheme shall be implemented in the framework of the Programme. The Programme Operator shall operate the small grant scheme.

One call for proposals shall be launched under the small grant scheme. The eligible applicants, timing, budget, minimum and maximum grant amount, grant rate, the payment flows, verification of payment claims, monitoring and reporting rules related to the small grant scheme are set in the relevant parts of this Annex and Annex I.

6. Pre-defined projects

The name of the pre-defined project:	Local Warming website
Project Promoter:	The Portuguese Sea and Atmosphere Institute (IPMA)
Project partner:	IDL – Associated Laboratory of the University of Lisbon
Maximum grant amount:	€400,000
Grant rate:	100%
Estimated total project cost:	€400,000
Expected outcome:	"Increased awareness of and education in climate change"

The project aims to create a one-stop gateway to a systematised collection of data and information related to climate change and climate change adaptation. It will compile, produce and disseminate past and future scientific climatic information and indicators, processed in a user friendly way and made available to the public. The following activities will be implemented:

- Review of adaptation and climate national sites, and the identification of user needs;
- Preparation of the scientific information, and a prototype website;
- Release of the "Local Warming" website, including a release seminar and press conference;
- Monitoring of the project impact and success.

7. Modification of the programme

Any modifications of the Programme will follow the rules set forth in the Regulation and in 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 the version signed by the Programme Operator on 24 October 2012 and shall include all subsequent correspondence and communication between the Donors, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.

