

H.E. Mr. Panagiotis Rigas, Deputy Minister,  
Ministry of Economy, Competitiveness and Shipping of the Hellenic Republic  
10 Nikis Street  
Syntagma Square  
105 63 Athens  
GREECE

Reference: EL0001-LTR-403

Brussels, 19 May 2011

Subject: Suspension of Payments to Greece

Dear Mr. Rigas,

This is in reference to the letter addressed to the FMO dated 21 April 2011. Thank you for the reply, the Donors are however concerned that it has taken more than four months to respond to this urgent matter.

Your letter informs the FMO that Greece is in the process of implementing a new payment system in order to ensure the smooth transfer of funds to project promoters. Although it is mentioned that the system should be completed in March 2011, it is not evident from other statements made in the letter that the payment system is in place.

Based on the information provided regarding the co-financing paid to project promoters so far, it is clear that co-financing in some instances has not been paid to project promoters and in other cases the co-financing has not been paid in full. Considering that the Single Paying Authority has certified parallel co-financing in several Project Interim Reports (PIRs), this implies that the SPA has signed off on and submitted misleading information to the FMO.

PIR PART III - Payment Claim and Cash Co-financing  
PAYMENT CLAIM AND CASH CO-FINANCING CERTIFICATION

*“The Paying Authority hereby certifies that, when appropriate, the cash co-financing committed to the project in the previous reporting period has been paid, and that the cash co-financing required for this reporting period will be paid.”*

The Donors would like to point out that the Greek Focal Point and Single Paying Authority have an obligation to ensure the proper management of the EEA Grants 2004-2009 in Greece. It is not up to the discretion of these departments to make judgements of which project promoters should receive co-financing payments or not, without consulting with the Donors and the FMO first.

It has also come to the Donors' attention that not all funds that the FMO has disbursed to projects have been further disbursed to project promoters, and that some funds have not been disbursed in time. This is in breach of the Grant Agreement Terms and Conditions, Art. 4.3, Transfer and Use of the Grant. Article 4.3 states that the Focal Point has an obligation to ensure that the Single Paying Authority further transfers funds in their entirety to the project promoters within 15 working days of receipt from the FMO.

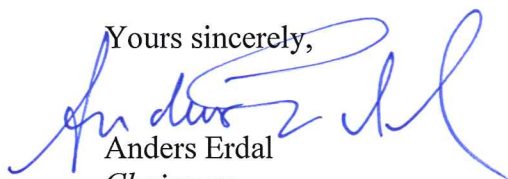
Should administrative capacity be an issue, then the Technical Assistance Fund (EL0011) can and should be used to secure the necessary assistance, in order for the Greek Focal Point to uphold its obligations of properly managing the EEA Grants.

Taking the above into account, the FMC has decided to suspend payments of funds to Greece with immediate effect, until the following is carried out and confirmed by the Greek Focal Point:

- The Greek Focal Point shall confirm that the new system to facilitate the efficient transfer of funds and parallel co-financing is in place.
- The Greek Focal Point / Single Paying Authority shall immediately release any retained co-financing to the project promoters and send an official letter to the FMO confirming that this has been done.
- The Greek Focal Point / Single Paying Authority shall transfer all retained advance payments, and if relevant, other retained funds to project promoters without further delay. In the event that this cannot be done, the Focal Point shall inform the FMO of the specific cases as soon as possible, such that a debit note can be issued for the reimbursement of these funds to the FMO.

The Donors expect to receive a confirmation that the above has been carried out no later than 6 June 2011, in order to allow further implementation.

Yours sincerely,



Anders Erdal

*Chairman*

*Financial Mechanism Committee*

Copy: Head of Certifying Authority, Mr. Dimitrios Sousounis  
Royal Norwegian Embassy in Athens