

Manual for Fund Operators of the Active Citizens Fund

Last updated 03.10.18

TABLE OF CONTENTS

LIST OF ABBREVIATIONS	4
LIST OF FIGURES AND BOXES.....	5
ANNEXES.....	7
I. GENERAL	8
II. THE ACTIVE CITIZENS FUND.....	9
2.1 Background	9
2.2 Overarching objectives and principles	9
2.3 Objectives of the Active Citizens Funds.....	10
2.4 Areas of Support.....	10
2.5 Programme Area Specifics	10
2.6 Suggested measures.....	10
2.7 Operational period	11
III. INFORMATION AND COMMUNICATION REQUIREMENTS.....	12
3.1 Preparation of the communication plan.....	12
3.2 Implementation of the communication plan.....	13
3.3 Project promoters	14
3.4 Design and visual profile.....	16
IV. MANAGEMENT SET-UP AND SELECTION OF FUND OPERATOR	17
4.1 Role of the FMO as Programme Operator	17
4.2 Role of the National Focal Point	17
4.3 Process for selection and evaluation for the role of the Fund Operator	17
4.4 Entering into a Programme Implementation Agreement.....	18
V. PROGRAMME DEVELOPMENT AND IMPLEMENTATION	20
5.1 Development of Concept Note.....	20
5.2 Align the Programme with objectives and requirements.....	22
5.3 Coordinate with other EEA and Norway Grants stakeholders	22
5.4 Develop and implement Regional Civil Society Initiatives	22
5.5 Promote and facilitate bilateral cooperation	23
5.6 Build the capacity and sustainability of civil society.....	24
5.7 Provide support for organisations preparing and implementing projects	25
5.8 Programme budget.....	27

5.9 Management fee.....	28
VI. MANAGEMENT AND CONTROL OF THE PROGRAMME	29
6.1 Programme management and control set-up.....	29
6.2 The FO's procedures for the selection of projects and contracting.....	30
6.3 The FO's procedures for reporting from project promoters, verifications, payments to projects, audits and monitoring	31
6.4 The FO's system for preventing, mitigating, detecting, reporting on and remedying suspected or actual cases of irregularities	32
6.5 The FO's system for maintaining full, accurate and systemic records and accounts of the Programme.....	32
VII. SELECTION AND CONTRACTING OF NGO PROJECTS.....	34
7.1 Eligible applicants and partners	34
7.2 Open calls and selection of projects	36
7.3 Selection criteria	37
7.4 Project selection procedure	40
7.5 Conflict of interest.....	46
7.6 Reallocation of funds	47
7.7 Programme modification.....	48
7.8 Pre-defined projects	48
7.9 Project contract and partnership agreement	49
VIII. RESULTS-BASED MANAGEMENT.....	51
8.1 Establish and implement a system to manage for results	51
8.2 Reporting on programme and projects to the FMO	51
8.3 Monitoring and evaluation.....	52
8.4 Risk management.....	52
IX. FINANCIAL MANAGEMENT.....	53
9.1 Project budget, grant rate and co-financing	53
9.2 Eligibility of expenditure	55
9.3 Payments to Fund Operator and programme level financial reporting.....	68
9.4 Forecast of likely payments applications.....	71
9.5 Payments to projects	72
9.6 Verifications of projects.....	72
9.7 Audits	76

X. IRREGULARITIES, FINANCIAL CORRECTIONS, SUSPENSIONS OF PAYMENTS AND COMPLAINTS	79
10.1 Responsibilities related to irregularities.....	79
10.2 Financial corrections and suspension of payments.....	79
10.3 Complaint mechanism	79

LIST OF ABBREVIATIONS

EEA	European Economic Area
EFTA	European Free Trade Association
FM(s)	Financial Mechanism(s)
FMO	Financial Mechanism Office
FMC	Financial Mechanism Committee
FO	Fund Operator
IFAC	International Federation of Accountants
IFR	Interim Financial Report
ISA	International Standards on Auditing
ISAE	International Standard Assurance Engagements
ISQC	International Standards on Quality Control
LGTBI	Lesbian, Gay, Transgender, Bisexual, Intersexed
MCS	Management and control systems
MoU	Memorandum of Understanding
NGO	Non-governmental organisation
NFP	National Focal Point
PDP	Pre-defined project
PIA	Programme Implementation Agreement
ToR	Terms of Reference (for selection of Fund Operator)
VAT	Value-added tax

LIST OF FIGURES AND BOXES

Figures

Figure 1: Main components of the Active Citizens Funds

Figure 2: From the MoU to the Programme Implementation Agreement

Figure 3: Main responsibilities of the FO in the selection of projects

Figure 4: The “3 Es” – Economy, Efficiency and Effectiveness

Figure 5: Main Audit Requirements

Boxes with examples

Regional Civil Society Initiatives	22
Bilateral activities under the Fund for Bilateral Relations	24
Capacity building at sector level	25
Support to organisations preparing and implementing projects	26
Procedure in relation to amounts recovered and returned by project promoters to be described in the MCS	32
Auditor’s conclusion on the MCS	33
Project evaluation score sheet	40
Need for third expert	41
Justified modification of ranking	44
Verification of selection process by the FO	45
Conflict of interest	46
Measures to remedy a conflict of interest situation	47
Eligible and non-eligible in-kind contribution – overtime	54
Eligible and non-eligible costs – final date of eligibility	55
Hourly rate calculation – personnel costs	60

Eligible costs – equipment depreciation 63

Costs arising directly from requirements imposed by the project contract 64

Calculation of indirect expenditures 65

Calculation of the management fee retention 68

Calculation of the proposed expenditures - IFR 69

Calculation of the required audit coverage 76

ANNEXES

A. Civil Society Bilateral Manual

- i. Bilateral partnership contract template

B. Civil Society Results Manual

C. Templates

- i. Suggested template for implementation plan¹
- ii. Suggested template for selection committee minutes²
- iii. Suggested template for call texts³
- iv. Suggested template for a project budget
- v. Suggested template for expenditures certification report by an independent auditor

D. Programme Implementation Agreement template

¹ A template for implementation plan will be provided by the FMO following selection of the FO

² Will be provided by the FMO during first year of programme implementation

³ Will be provided by the FMO during first year of programme implementation

I GENERAL

This Manual applies to the implementation of the programmes for civil society, the Active Citizens Funds, funded by the EEA and Norwegian Financial Mechanisms 2014-21. The Active Citizens Funds are established under Programme Area 15 'Civil Society'. The purpose of the Manual is to clarify specific references in the Programme Implementation Agreement and provide further rules and guidance to the Fund Operators in the development and implementation of the Active Citizens Funds.

There shall be one Active Citizens Fund in each beneficiary state, with funding provided from the EEA Financial Mechanism 2014-2021, but funding may also be provided from the Norwegian Financial Mechanism 2014-2021 (hereinafter the FM or FMs). The following documents constitute the legally binding framework that applies to the present Manual:

- [Protocol 38c of the EEA Agreement on the EEA Financial Mechanisms 2014-2021](#) and the Agreement between the Kingdom of Norway and the European Union on a Norwegian Financial Mechanism for the Period 2014-2021, as applicable; (hereinafter referred to together as 'the Agreements')
- [The Regulation on the implementation of the EEA Financial Mechanism 2014-2021](#) (the Regulation) and the Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021, as applicable⁴
- The Memorandum of Understanding (MoU) signed between the donor state(s) and the beneficiary state

In line with paragraph 2. (b) of Article 10 of Protocol 38c, the EFTA States shall operate and be responsible for the implementation, including management and control, of the fund for civil society, unless otherwise agreed in the Memorandum of Understanding. Article 6.13 of the Regulation further details that unless otherwise agreed in the MoU, the Financial Mechanism Office (FMO) shall be responsible for the operations of programmes falling under the programme area 'Civil Society'.

This Manual applies to the Active Citizens Funds, which, based on paragraph 4 of Article 6.13 of the Regulation, are implemented by Fund Operators, appointed and contracted by the FMO. This Manual should be read in conjunction with the Civil Society Results Manual (Annex B) and other annexes. When the operations of the programme for civil society is entrusted to the FMO in line with paragraph 3 of Article 6.13 of the Regulation, the Regulation shall not apply, only this Manual, and any document referred to within shall be applicable for the implementation of such a programme.

⁴ In case the operation of the programme for civil society is entrusted to FMO the Regulation does not apply, only with respect to Article 6.13 therein. Regulation on the implementation of the Norwegian Financial Mechanism 2014-21 applies only in cases, where the EEA programme for civil society receives additional funding from the Norwegian FM.

II THE ACTIVE CITIZENS FUND

2.1 BACKGROUND

Civil society plays an important role in strengthening democratic governance, defending human rights and engaging citizens in decision-making at local, national and European levels. Actors of civil society includes, but is not limited to, non-governmental organisations (NGOs), social enterprises, community organisations, grass-roots initiatives, informal groups and civic activists. They are independent from the state, and are active in different fields, including active citizenship, gender equality, social inclusion, environment etc. Civil society organisations are formed on the basis of shared values, beliefs and objectives and are usually close to local communities. They come together on a voluntary basis to bring about and advocate for social change, empower, represent and defend vulnerable and socially excluded groups, and trigger social innovation.

Support to civil society is a key priority for the EEA and Norwegian FMs, funded by Iceland, Liechtenstein and Norway. The FMs have a specific Programme Area for Civil Society. According to Protocol 38c to the EEA Agreement on the EEA and Norwegian Financial Mechanisms 2014-21, 10% of the total of the country specific allocations shall be set aside for a fund for civil society in each of the 15 beneficiary states.⁵ The donors consider this to be a minimum amount.

2.2 OVERARCHING OBJECTIVES AND PRINCIPLES

The Active Citizens Funds shall contribute to the overall objectives of the FMs to reduce economic and social disparities, and to strengthen bilateral relations between the donor states and the beneficiary states.

The programmes shall be based on the common values of respect of human dignity, freedom, democracy, equality, the rule of law and the respect for human rights including the rights of persons belonging to minorities.⁶ The programmes shall also adhere to the following main principles of implementation:

- Principles of good governance; they shall be participatory and inclusive, accountable, transparent, responsive, effective and efficient. There shall be zero-tolerance towards corruption
- They shall be consistent with sustainable development, long-term economic growth, social cohesion and environmental protection
- They shall follow a results and risk management approach

⁵ Beneficiary states: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia.

⁶ Article 1.2 of Protocol 38c on the EEA and Norwegian Financial Mechanisms (2014-2021).

2.3 OBJECTIVES OF THE ACTIVE CITIZENS FUNDS

The Active Citizens Funds are established under the priority sector 'Culture, Civil Society, Good Governance and Fundamental Rights and Freedoms' and within Programme Area 15 'Civil Society'. The objective of the Programme Area is: Civil society and active citizenship strengthened and vulnerable groups empowered.

The Active Citizens Funds shall also contribute to strengthening bilateral relations between civil society and other entities in the beneficiary state and entities in the donor states as well as promoting regional exchange and networking, with a view of sharing knowledge and best practice across civil society.

2.4 AREAS OF SUPPORT

In order to reach the objective, the Active Citizen Funds may allocate funding to these five areas of support:

- Democracy, active citizenship, good governance and transparency
- Human rights and equal treatment through combating any discrimination on the grounds of racial or ethnic origin, religion or belief, gender, disability, age, sexual orientation or gender identity
- Social justice and inclusion of vulnerable groups
- Gender equality and gender-based violence
- Environment and climate change

2.5 PROGRAMME AREA SPECIFICS

The Active Citizens Funds shall adhere to the following conditions, which are considered key to fulfilling the Programme objective:

- At least a third of the regranting amount shall be allocated to democracy and human rights relevant projects
- All programmes shall include youth inclusion
- Protection of the environment and climate change shall only be supported as part of measures to promote civic participation, advocacy, social innovation and active citizenship
- Provision of welfare and basic services shall only be supported as part of wider actions addressing awareness-raising, advocacy, empowerment and reform initiatives
- At least 15% of the regranting amount shall contribute to capacity development and sustainability of civil society including NGOs

2.6 SUGGESTED MEASURES

The following list elaborates on the areas of support by giving examples of types of activities that are eligible under the grants. The list is non-exhaustive.

- Advocacy, awareness-raising and outreach to citizens
- Watchdog and monitoring, including following up on recommendations of international monitoring bodies
- Citizen activism, volunteering and civic participation
- Participation in policy and decision-making processes, including promoting an enabling environment for civil society
- Support for freedom of expression, investigative journalism and media
- Countering hate speech, including support to networks working with hate crime victims
- Promoting LGBTI rights and anti-discrimination activities
- Capacity building of the civil society sector, including sustainability, networking and accountability of NGOs
- Partnerships between NGOs, public and private sector entities
- Civic education and training
- Research and analysis to inform policy-making
- Social innovation and social enterprise development
- Intercultural dialogue, including platforms for minority/majority interactions
- Inter-generational cooperation
- Awareness-raising and capacity building on environmental issues including climate change and adaptation
- Access to information, participation in decision-making and access to justice in environmental matters in accordance with the [Aarhus Convention](#)

2.7 OPERATIONAL PERIOD

PIA art. 1.13

The operational period of an Active Citizens Fund is from the signing of the Programme Implementation Agreement (PIA) until 31 December 2024. The final date of eligibility of project costs shall be no later than 30 April 2024. In justified cases, the Fund Operator may request a shortened operational period. This is to be requested prior to signature of the PIA, agreed with the FMO and stated in Annex I to the Programme Implementation Agreement.

III INFORMATION AND COMMUNICATION REQUIREMENTS

The Fund Operator is responsible for implementing information and communication activities that provide information on the Programme's objective, implementation and achievements to the general public of the beneficiary state, potential beneficiaries, the civil society sector and its partners, in line with the publicity requirements set out in this Manual and with the Communication and Design Manual.

These information and communication activities have the aim of:

- Increasing public awareness about the contribution and role played by the donors
- Strengthening public awareness of and engagement with the objective and activities of the Active Citizens Fund and the issues it addresses
- Ensuring broad visibility and communication of results and achievement at Programme and project levels
- Informing potential and actual beneficiaries and partners about the opportunities offered under the Active Citizens Fund
- Ensuring transparency about how the funding is used

The Fund Operator reports to the FMO, and informs the donor state embassies and National Focal Point, on major information and communication events. Communication activities are coordinated with the donor state embassies when applicable.

The Fund Operator also ensures that project promoters fulfil their information and communication obligations, referred to in Chapter 3 of the PIA.

3.1 PREPARATION OF THE COMMUNICATION PLAN

Each Fund Operator includes a communication plan with the draft Programme Implementation Agreement. The communication plan aims to create awareness of the existence, objectives, possibilities for and actual bilateral cooperation with entities in Iceland, Liechtenstein and/or Norway, the implementation, results and the overall impact of support from the donors through the Programme.

The communication plan includes at least the following:

- a description of the communication objectives and target groups
- the strategy and content of the information and communication measures, including activities, tools, timeframe and estimated budget
- how the information and communication measures are to be evaluated in terms of visibility and awareness of the project

- information on the Programme's website (see below)
- information on responsibilities within the FO and its partners for implementation of information and communication measures, including a contact person.

3.2 IMPLEMENTATION OF THE COMMUNICATION PLAN

The Fund Operator is responsible for implementing the communication plan and ensuring that information and communication activities reach the widest possible audience.

The Fund Operator shall provide potential beneficiaries with clear and detailed information on at least the following:

- the calls for proposals
- eligibility criteria for project funding
- application procedures
- selection criteria, procedures and decision-making
- the objective of and possibilities for networking and bilateral cooperation with entities from the donor countries, including contact details of the Donor Contact Point(s)
- contacts who can provide information on the Programme and available funding

Relevant partners for information and communication activities include:

- national, regional and local authorities
- national, regional and local media
- Embassies and other representatives of Iceland, Liechtenstein and/or Norway;
- development agencies
- trade, professional and business associations
- economic and social partners
- civil society
- educational institutions,
- think tanks, and/or
- information centres on Europe.

The Fund Operator submits the open call documents in English to the FMO at least four weeks before they are launched, in order for this information to be published on the website of the EEA and Norway Grants.

Organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the Programme make visible the support of the donor states.

3.2.1 Web requirements

Each Fund Operator must create a stand-alone website dedicated to the Active Citizens Fund. The webpage shall use web-responsive design and comply with the Web Content Accessibility

Guidelines for the visually impaired and include the following information in the language(s) of the beneficiary state and English⁷:

- information on the Programme, the EEA and Norway Grants and the donors
- an overview of open calls, including documents pertaining to the open calls
- information on selection criteria, procedures and deadlines
- information on all funded projects, including contact information, a description of the projects and their duration, the amount of funding allocated to the projects and information on cooperation with donor state entities
- information on impact, achievements and results of the Programme
- relevant documents, including the annual programme reports and the Final Programme Report
- a link to the website of the EEA and Norway Grants [www.eeagrants.org]
- a link to the website of the EEA and Norway Grants in the beneficiary state
- links to websites of Donor Contact Point(s)
- FO contact information
- links to results and impact from the previous programme for civil society under the EEA and Norway Grants

3.3 PROJECT PROMOTERS

3.3.1 Responsibilities of the project promoter

The project promoter provides information on the project to the widest possible audience at the appropriate national, regional and/or local levels. The Project Promoter develops and implements the Communication Plan as described below. The project promoter reports to the Fund Operator on information and communication obligations.

3.3.2 Preparation of the communication plan

Potential beneficiaries shall include a communication plan in their project application, with the aim of creating awareness of the existence, the objectives, any bilateral cooperation with entities in Iceland, Liechtenstein and/or Norway, the implementation, results and the impact of support from the Donors to the project, in accordance with Article 1.2.2 of the PIA.

The communication plan shall include at least the following:

- a. the aims and target groups, including stakeholders on national, regional and/or local levels and the general public
- b. the strategy and content of the information and communication measures, including activities, communication tools and timeframe, having regard to the added value and impact of the funding from the Donors

⁷ <http://www.w3.org/TR/WCAG20>

- c. at least two information activities on progress, achievements and results in the project, such as a seminar or a conference with stakeholders, a press conference or press event, including a launch activity and/or a closing activity for the project. For projects whose grant size is less than EUR 50 000, one information activity is sufficient and can be of smaller scale
- d. measures for making information on the project available on the web, either through a dedicated website or through a dedicated webpage on the organisation's existing website with linking between the pages. The information of the project must be regularly updated in the language(s) of the beneficiary state.
- e. All projects receiving a minimum of EUR 150 000 support through the programme shall be required to have a dedicated project website with information in English as well as the national language
- f. information on the web shall include information about the project, its progress, achievements and results, the cooperation with entities in Iceland, Liechtenstein and Norway, relevant photos, contact information and a clear reference to the Programme and the EEA and Norway Grants
- g. information on the administrative departments or bodies responsible for implementation of the information and communication measures, including a contact person
- h. an indication of how the information and communication measures are to be evaluated in terms of visibility and awareness of the project its objectives and impact, and the Donors.

3.3.3 Implementation of the communication plan

The project promoter implements the communication plan.

Organisers of information events such as conferences, seminars, fairs and exhibitions in connection with implementation of the project make explicit and visible the support of the donor countries.

Project promoters of projects fulfilling the following two conditions put up a billboard at the site of each operation, during implementation, in line with requirements of the Communication and Design Manual:

- a. projects whose total grant amount to the project exceeds EUR 50 000
- b. the operation consists in the financing of a physical object, infrastructure or of construction operations

No later than six months after completion of the project, the promoters of projects meeting conditions (a) and (b) replace the billboard with a permanent commemorative plaque that is visible, of significant size and in line with the Communication and Design Manual.

The project promoter ensures that those taking part in the project have been informed of the Programme's funding.

3.4 DESIGN AND VISUAL PROFILE

The Fund Operator is responsible for ensuring that all information and communication material related to the Programme that are carried out in the beneficiary state by the FO and project promoters are in line with the Communication and Design Manual. The Manual sets out detailed technical requirements on the use of logos, as well as billboards, plaques, posters, publications, websites and audio-visual material.

IV MANAGEMENT SET-UP AND SELECTION OF FUND OPERATOR

The FMO acts as Programme Operator (PO), and the implementation of the Programme is carried out by a Fund Operator (FO), appointed and contracted by the FMO. The Fund Operator shall be selected through an open tender procedure in each beneficiary state.

4.1 ROLE OF THE FMO AS PROGRAMME OPERATOR

The role of the FMO as Programme Operator is to select and contract the Fund Operator, monitor compliance with the legal framework of the Active Citizens Fund and follow up on the progress and quality of programme implementation.

4.2 ROLE OF THE NATIONAL FOCAL POINT

The National Focal Point (NFP) receives information on the launching of the tender for the selection of the Fund Operator, and the results of the tender process. The NFP will be consulted in the organisation of the stakeholder consultation meeting (see Section III.1. of the Civil Society Results Manual).

During implementation, the NFP is sent the draft call text by the Fund Operator at least two weeks in advance of the launch of the call; is invited to the selection committee meetings and to the annual review meetings as an observer; and is informed of regional civil society events, as well as bilateral activities, organised by the FO.

The Programme Implementation Agreement contains provisions on reporting to the National Focal Point⁸.

When the FMO is Programme Operator, the National Focal Point bears no responsibility for the implementation of the Active Citizens Fund, financially or otherwise⁹.

4.3 PROCESS FOR SELECTION AND EVALUATION FOR THE ROLE OF THE FUND OPERATOR

The Programme shall be operated by a consortium.¹⁰ One organisation may not be part of more than one bid.

⁸ Article 6.13.4 of the Regulation

⁹ Article 6.13.5 of the Regulation

¹⁰ In case of Malta and Cyprus due to the small allocation, which also influences the size of the management cost, the requirement to form a consortium is waived.

According to the Terms of Reference (ToR) for the Fund Operator role, in order to be eligible for the Fund Operator role, all bidders must:

- Be legal entities in the EEA and
- Be non-governmental, independent of local, regional and central government, political parties and religious institutions and
- Form a consortium¹¹ and
- Have stable and sufficient sources of finance to maintain their activity throughout the Programme and
- Have experience working with the civil society sector in the beneficiary country

In addition, the lead bidder must:

- Be non-profit making with a non-commercial purpose

At least one organisation in the consortium must:

- Have sufficient regrating experience
- Have sufficient experience in strengthening civil society capacity and sustainability

Bids for the Fund Operator role are assessed against administrative, eligibility and evaluation criteria described in the ToR. Bids that meet the administrative and eligibility criteria are evaluated by the FMO Evaluation Committee, and the final approval of the selection of the Fund Operator will be given by the donors. The National Focal Point shall be informed of the selected bid.

4.4 ENTERING INTO A PROGRAMME IMPLEMENTATION AGREEMENT

The roles and responsibilities of the FMO and the Fund Operator are set out in the Programme Implementation Agreement between the FMO and the Fund Operator.¹²

Following the selection of the FO, and prior to signature of the PIA, the selected Fund Operator and the FMO develop the content of the Programme.

Prior to signature of the PIA, an implementation plan and timeline are prepared by the FO, using a template provided by the FMO. This implementation plan includes a risk assessment and mitigation analysis, indicative plan for bilateral cooperation and Regional Civil Society Initiatives for the first year, as well as a communication plan.

¹¹ In the case of Malta and Cyprus due to the small allocation, which also influences the size of the management cost, the requirement to form a consortium is waived.

¹² Article 6.13.4 of the Regulation

The process of developing the Programme is described in Chapter 5 of this Manual. *The FMO reserves the right to select the next highest-scoring bidder, if an agreement with the selected bidder cannot be reached within six months of the selection of the FO.*

V PROGRAMME DEVELOPMENT AND IMPLEMENTATION

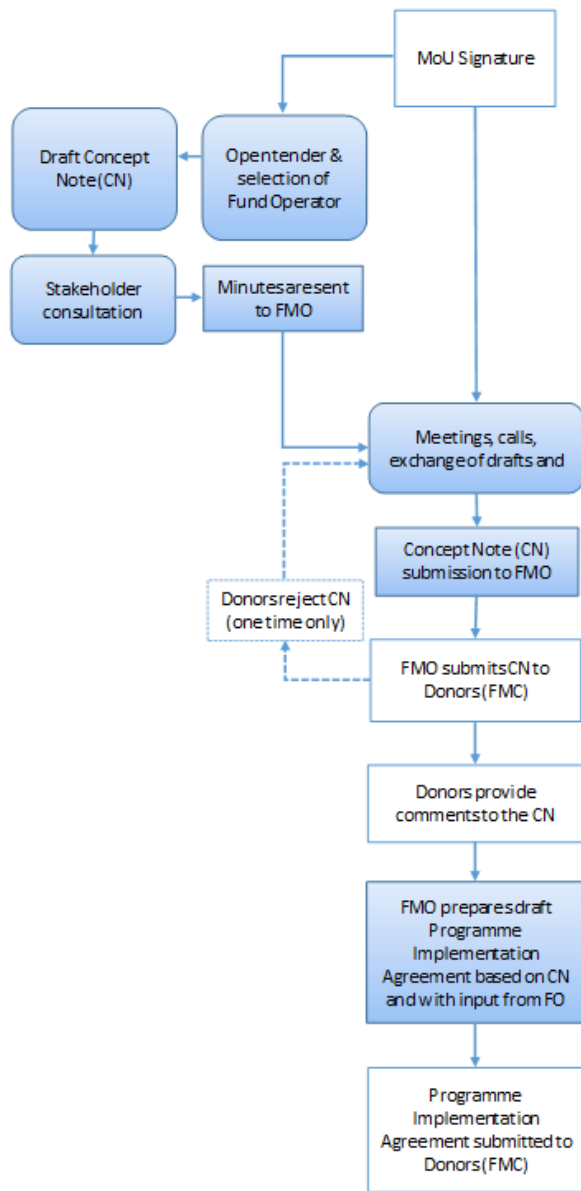
The Fund Operator is responsible for the development and implementation of the Programme. This chapter describes the process of programme development and the main responsibilities of the Fund Operator.



Figure 1: Main components of the Active Citizens Funds

5.1 DEVELOPMENT OF CONCEPT NOTE

The selected Fund Operator develops a Concept Note defining the planned scope and results of the Active Citizens Fund in close cooperation with the FMO. The Concept Note builds on the information provided in the bid and is informed by consultation with relevant stakeholders, including but not limited to civil society organisations, grassroots and community-based organisations, government representatives, public and private entities (see Annex B, Civil Society Results Manual, for more details on stakeholder consultations).



The FMO as Programme Operator and the Financial Mechanism Committee (FMC) assess the Concept Note and provide comments. Comments made by the FMO and the FMC are taken into account in the programme's preparation, which results in the finalisation of a Programme Implementation Agreement.

Figure 2 illustrates the process of programme development from the signing of the MoU to signature of the PIA. Further guidance on programme development, including the preparation of the Concept Note can be found in Annex B (Civil Society Results Manual).

The Concept Note shall be submitted to FMO no later than 12 weeks after the selection of the Fund Operator.

Figure 2: From the MoU to the Programme Implementation Agreement

5.2 ALIGN THE PROGRAMME WITH OBJECTIVES AND REQUIREMENTS

The Fund Operator ensures that the design and implementation of the Programme contribute both to the overall objectives of the EEA and Norwegian Financial Mechanisms 2014-2021 described in section 2.2, and to the objective of the Programme Area described in section 2.3. The Fund Operator ensures that the Programme complies with the Areas of Support and Programme Area Specifics, and addresses the country-specific areas and concerns, as described in sections 2.4 and 2.5.

5.3 COORDINATE WITH OTHER EEA AND NORWAY GRANTS STAKEHOLDERS

The Fund Operator is responsible for:

- Providing regular updates and information on the Programme (including Annual Programme Reports) to the NFP, and inviting the NFP as observer to participate in the meetings of the Selection Committee and in Annual Programme Review Meetings
- Informing and coordinating with the Programme Operators of other EEA and Norway Grants programmes in the country, in order to foster synergies and avoid overlaps. Relevant programmes may be identified in the PIA

5.4 DEVELOP AND IMPLEMENT REGIONAL CIVIL SOCIETY INITIATIVES

Example of a Regional Civil Society Initiative:

During a coordination meeting organised by the FMO, three FOs decide to organise a regional seminar on Hate Speech instead of each organising a separate one in their countries. This will allow better use of funds, increased visibility and enhanced networking.

Regional Civil Society Initiatives are activities that contribute to the Programme objective and aim to promote regional exchange and networking, with a view to strengthen the civil society sector, sharing knowledge, promoting mutual learning, adoption and use of knowledge and best practice across civil society.

PIA art.
5.2

Regional
Civil
Society
Initiatives

The FO is required to set aside an amount of the total Programme allocation for Regional Civil Society Initiatives. The maximum amount for each beneficiary state is indicated in the Terms of Reference and in section 5.8 of this Manual.

Regional Civil Society Initiatives are organised by at least two FOs (or by the FO together with another EEA and Norway Grants Programme Operator in the beneficiary state), and may also be initiated by the FMO or donors. Participants in Regional Civil Society Initiatives can include the FOs of Active Citizens Funds, other EEA and Norway Grants Programme Operators, project promoters and their partners, and civil society stakeholders, as well as international organisations.

A provisional plan for the first year's Regional Civil Society Initiatives is submitted prior to the signing of the PIA.

Within the first year of programme implementation a **plan** is submitted to the FMO for approval based on coordination with other Fund Operators.

Thereafter, the Fund Operator submits **annual updates to the plan** for Regional Civil Society Initiatives to the FMO based on coordination with other FOs as well as other relevant stakeholders. The FO informs the donor state embassies in the beneficiary country and the NFP about planned initiatives. The plan is in English, and is made available via the [Active Citizens Fund webspace](#).

5.5 PROMOTE AND FACILITATE BILATERAL COOPERATION

The Programme contributes to strengthening bilateral relations between civil society organisations and other entities in the beneficiary country and in the donor states, in line with the overall objectives of the EEA and Norway Grants. Bilateral cooperation in the Programme is mutually beneficial, based on a strategic and long-term perspective, and leverages the respective strengths of entities in the donor states and in the beneficiary states. Bilateral cooperation contributes to the objective of the Active Citizens Fund.



PIA art. 5.1

Bilateral
Fund

Bilateral cooperation refers to networking, exchange, strengthening cooperation, sharing and transfer of knowledge, technology, experience and best practice between civil society organisations and other entities in the beneficiary states and in the donor states. Search for partners for donor partnership projects prior to or during the preparation of a project application, the development of such partnerships and the preparation of an application for a donor partnership project, also contribute to bilateral cooperation.

The involvement of a donor state entity is a pre-requisite for the activity to be considered a bilateral activity. International organisations may also be involved in bilateral activities.

A Donor Contact Point(s) will be in place to strengthen bilateral relations between civil society in the donor states and the beneficiary states. Their role will be to facilitate and support the preparation and implementation of bilateral cooperation under the Active Citizens Funds.

Examples of bilateral activities under the Fund for Bilateral Relations:

1. The FO, in cooperation with the FMO and the Donor Contact Point(s), assesses that several project promoters are active in the field of human rights education, and would benefit from cooperation with a donor partner in this area. With support from the Donor Contact Point(s), donor partners with experience in this area are identified. Exchange visits and internships between donor and beneficiary state partners are organised, enabling sharing of best practice in human rights education that benefits both parties and strengthens bilateral relations.
2. A project partner in the beneficiary state has identified an area of common concern with a donor state, and would like to initiate exchange study visits. With the help of the Donor Contact Point(s), and in cooperation with the FO, they identify a suitable partner in the donor country. Study visits and conferences facilitate mutual learning and enable both sides to improve policy and practice.

A Fund for Bilateral Relations, with a minimum of 1% (and not less than EUR 10 000) of the total allocation for programmes up to EUR 20 million, and 0.5% of the total allocation for programmes above EUR 20 million, is put aside to support bilateral cooperation.

A provisional plan for the first year's bilateral cooperation is submitted prior to the signing of the PIA. This is drawn up in coordination with the FMO and can be informed by discussions with the Donor Contact Point(s).

Within the first year of programme implementation, **a plan** shall be submitted to the FMO for approval. The plan shall be developed in cooperation with the Donor Contact Point(s) and include the administrative procedures for how to manage the fund to best facilitate the objective of bilateral cooperation as described above.

Thereafter, the Fund Operator submits annual updates to the bilateral activities plan to the FMO. The FO shares information on bilateral plans and activities with the other Fund Operators of the Active Citizens Funds in the beneficiary states in order to ensure a strategic approach to bilateral cooperation across the beneficiary countries, and informs the donor state embassies and National Focal Point of significant bilateral activities.

The plan is in English, and is made available via the [Active Citizens Fund webspace](#).

5.6 BUILD THE CAPACITY AND SUSTAINABILITY OF CIVIL SOCIETY

The Fund Operator is responsible for ensuring that the Programme develops the capacity and sustainability of the civil society sector. This includes a range of actions that strengthen capacities and sustainability of civil society organisations and the sector, with the aim of helping civil society achieve and sustain effective social impact and reach the Programme objective.

Capacity development should be integrated across the Programme, and should target the civil society sector, including project promoters, their partners, networks and coalitions. Fund Operators shall ensure that a minimum of 15% of the regranting amount is allocated to support capacity development and sustainability of civil society organisations (including NGOs) and the sector.

Capacity building under the Active Citizens Fund shall build the sustainability of the civil society sector and NGOs. Suggested measures to strengthen different dimensions of sustainability include (but are not limited to):

- Organisational sustainability (e.g. strengthening individual organisations' internal governance, transparency, communication and strategic planning skills)
- Institutional sustainability (e.g. strengthening the networks and structures to promote lasting results beyond the end of the Programme)
- Financial sustainability (e.g. diversifying sources of revenue to ensure follow-up activities and continued operation beyond the end of the Programme)
- Policy-level sustainability (e.g. improving legislation, administration, policy frameworks etc.)

Capacity building can take place at different levels. At the level of individual NGOs capacity building can improve project preparation and implementation as well as support organisational development to build specific skills – fundraising, strategy development, human resource management etc.

At the level of the sector, capacity building can include support to networking and partnerships across civil society, policy and advocacy, research that can help strengthen the voice of civil society vis-à-vis decision-makers and civic infrastructure.

Examples of capacity building at sector level:

1. As part of a pre-defined project, the FO (with support from capacity building experts) puts in place a rigorous capacity assessment tool to assist project promoters in identifying their existing capacity level, their needs and gaps. On the basis of this assessment, each project promoter is given opportunities for training, pro-bono mentoring, networking events and best-practice sharing among international and local organizations. Mentoring and peer-to-peer learning are particularly effective in improving organisational development and sharing good practices.
2. The FO organises a call for advocacy organisations to build their organisational capacity. The projects provide core institutional funding over a 3-year period. Selection is based on a medium-term strategic plan for improving human resource management, strengthening expertise in policy analysis and advocacy, and engagement with advocacy networks and coalitions, as well as other aspects of organisational capacity. The FO provides coaching as well as opportunities for networking and peer-to-peer learning, and engages advocacy specialists to build skills in attracting experts and volunteers, analysing policy documents, submitting opinions and advocacy using social media.

5.7 PROVIDE SUPPORT FOR ORGANISATIONS PREPARING AND IMPLEMENTING PROJECTS

The Fund Operator is required to provide information, support and learning opportunities for potential applicants, and mentoring, coaching and guidance to project promoters, for the purpose of supporting project preparation and implementation, and strengthening the organisational capacity and sustainability of project promoters.

As a minimum, the Fund Operator is required to:

- Develop clear call texts and guidelines for applicants
- Organise information sessions for potential applicants regarding the call and application process
- Answer questions and queries regarding open calls
- Disseminate the questions and answers in a manner accessible to all applicants
- Provide guidance and training to project promoters to enhance the quality of project implementation
- Ensure geographic outreach and inclusion of vulnerable groups in the activities supporting organisations preparing and implementing projects
- Identify potential applicants/target groups that would require extra support in order to be able to submit an application/implement a project

Examples of support to organisations preparing and implementing projects:

1. Support to project preparation: the FO organises information sessions and workshops in rural and other under-served areas, to help potential applicants understand the application process and develop their project proposals. The first series of workshops offers specialist support to applicants working in thematic areas that are difficult for smaller organisations and which generate fewer applications, including public scrutiny, watchdog and advocacy work. The second series of workshops provides coaching to smaller organisations on how to diagnose the problem they wish to address, define their objectives, set targets and indicators, and select their methodology for reaching their objective. The FO provides this training itself, and hires additional expertise for the thematic workshops.
2. Support to implementation: targeted support is provided to organisations whose capacity assessment identified particular needs. They are offered a combination of individual consultation and workshops to support their skills in activity planning, financial reporting and general compliance with the Grants' requirements. Meetings are organised for project promoters implementing projects in similar thematic areas to exchange experience and build their capacity through peer-to-peer learning. Face-to-face training is complemented by an e-learning platform, which reinforces the learning process and provides a sustainable, accessible learning resource to guide project promoters and a means for them to contact and exchange with each other.

The proposed activities should be funded under the management fee.

In exceptional cases, the bidder may propose a higher ceiling for the management fee in order to provide support for project preparation and implementation beyond what is described above. This amount should be justified and should never exceed the indicated management fee by more than 30%. Such a level, if approved, shall be explicitly stipulated in the Programme Implementation Agreement (PIA).

The Fund Operator outlines its plans for support to organisations preparing and implementing projects as part of the implementation plan (see section 4.4 of this Manual).

5.8 PROGRAMME BUDGET

Upon submission of the Bid Form, the FO shall also submit a programme budget in a template attached to the ToR (Annex B to the ToR). The budget shall be composed of the following costs categories:

Budget heading	Eligible expenditure (EUR)	% of total
Management fee		
Outcome 1		
Outcome 2		
Outcome 3		
Fund for Regional Civil Society Initiatives		
Fund for Bilateral Relations		
Total		

When preparing the budget, the following principles have to be taken into account:

1	Management fee	<p>The management fee shall vary according to the size of the total programme allocation, using the following keys:</p> <ul style="list-style-type: none"> • for programmes €0-5m, the management fee percentage is calculated on a sliding scale in function of the size of the programme¹³ • €5-10m, a maximum amount equal to 10% of the programme allocation • for programmes above €10m, the maximum management fee shall be the sum of the following amounts: <ul style="list-style-type: none"> ○ 10% of the first €10m ○ 7% of the next €50m ○ 5% of the remaining total eligible expenditures of the programme
2	Regranting amount¹⁴	Split by outcome

¹³ $Y = [(-7X/4500000 + 35/45 + 17) * 0.01]$, where Y= management fee percentage, X= total programme allocation.

¹⁴ The regranting amount is the portion of the total programme allocation that is earmarked for projects.

3	Fund for Regional Civil Society Initiatives	<p>The allocation for Regional Civil Society Initiatives shall vary according to the size of the total programme allocation, using the key below:</p> <ul style="list-style-type: none"> • for programmes €0-3m, a maximum amount equal to 30% of the management fee • for programmes above €3-6m, a maximum amount equal to 25% of the management fee • for programmes above €6-12m, a maximum amount equal to 20% of the management fee • for programmes above €12m, a maximum amount equal to 10% of the management fee
4	Fund for Bilateral Relations	<p>A minimum of 1% (and not less than €10,000) of the total allocation for programmes up to €20 million, and 0.5% of the total allocation for programmes above €20 million.</p>

The donor states' contribution is 100% of the eligible expenditure of the Programme.

5.9 MANAGEMENT FEE

The management fee shall cover the costs of the FO related to the preparation, implementation and management of the Programme. The FMO will retain 15% of the management fee. The retained amount shall not be paid until the Final Programme Report has been approved by the FMO.

In exceptional cases, the bidder may propose a higher ceiling for the management fee in order to provide support for project preparation and implementation beyond what is described in section 5.7. This amount should be justified and should never exceed the indicated management fee by more than 30%. Such a level, if approved, shall be explicitly stipulated in the Programme Implementation Agreement (PIA).

The lead organisation in the consortium shall be allocated a maximum of 70% of the management fee.

The Programme budget shall include a more detailed estimated indicative breakdown of the management fee per each task, bearing in mind the main responsibilities of the FO. This should be presented in a following format:

The FO's Task	Amount (EUR)	% of Total
Total		

VI MANAGEMENT AND CONTROL OF THE PROGRAMME

Key message:

It is essential for the FO to have an internal management and control system that provides reasonable assurance of achieving the objectives of the Programme.

In line with the PIA art 2.1.1 b), the FO is responsible for setting up appropriate management and control systems (MCS), which ensure that the programme implementation complies with the PIA and generally accepted accounting principles.

The requirements of the systems shall be proportionate in relation to the effectiveness of achieving the objectives of the Programme.

PIA art.
2.1.1. c)

A detailed description of the management and control systems of the Programme, accompanied with an audit report and opinion, shall be submitted to the FMO within three months from the last signature date of the PIA. The FMO will not disburse payments to the regranting account until this document has been submitted.

The description shall:

- Present and explained to the FMO how the requirements of the PIA will be implemented in practice by the FO. The FMO determines whether the description meets the requirements stipulated in the PIA and described below. The responsibility for the Programme's compliance with all the requirements lies with the FO
- Be used as a manual of procedures for the Programme staff
- Be a living document that can be updated and improved when and if needed

In particular, the document must cover the elements described in section 6.1-6.5.

6.1 PROGRAMME MANAGEMENT AND CONTROL SET-UP

This section should, as a minimum, describe:

- The Programme implementation structure, including an organisation chart
- The allocation of the functions and tasks between the consortium partners and procedures in place at the lead partner to monitor the effective implementation of these tasks (if applicable)

The lead partner will generally be considered liable for poor execution of tasks by other partner(s).

- Broad functions and tasks of key staff involved in the implementation of the Programme (bearing in mind the responsibilities of the FO listed in the PIA art. 2.1)
- How compliance with the principle of *separation of functions* between and within each entity is ensured
- How compliance with the 'four eyes' principle is ensured when authorising expenditure and handling payments
- In case of any PDPs being implemented by the FO, the implementation structure, including monitoring and approval of expenditures, should be described in detail

DEFINITION:

Separation of functions

In order to ensure compliance with the principle of separation of functions and avoid risks arising where the FO is responsible for (i) selection and approval of projects, (ii) verifications and (iii) payments, an adequate segregation of duties shall be ensured between these three functions. Where the FO is also a project promoter (PDP), the adequate segregation may be achieved, e.g. by using a separate unit within the same organisation to carry out the verifications.

6.2 THE FO'S PROCEDURES FOR THE SELECTION OF PROJECTS AND CONTRACTING

This section should, as a minimum, describe:

- Procedures for organising and announcing open calls
- Procedures for submission of applications and recording applications received
- Procedures for evaluation and selection of projects
- Measures to avoid conflicts of interest in the selection process
- Procedure for notifying the results of the selection process to accepted and rejected applicants
- Appeals procedure
- Procedures for concluding and modifying project contracts and partnership agreements
- Procedures for selection and implementation of PDPs (if applicable)

PIA chapter 6

Selection of projects and contracting

! The description should include procedures for selection of projects under the Programme outcomes as well as under the bilateral fund.

6.3 THE FO'S PROCEDURES FOR REPORTING FROM PROJECT PROMOTERS, VERIFICATIONS, PAYMENTS TO PROJECTS, AUDITS AND MONITORING

This section should, as a minimum, include:

- Procedures to ensure that project promoters are informed about their rights and obligations regarding the provision of funding (e.g. eligibility rules, proof of expenditures, publicity obligations, etc.) and that appropriate guidelines are provided to project promoters
- A description of the system established for reporting by project promoters (in particular in relation to progress towards objective and outcomes as well as statistical and financial information)
- Procedures and methodology for administrative verifications in respect of incurred expenditure reported and for on-the-spot verifications of projects, which should as a minimum:
 - Define which aspects are checked in the administrative verifications and in the on-the-spot verifications respectively
 - Define the verification records and the checklists to be used
 - Describe a sampling methodology to be applied and a sample size
 - Describe the procedure for follow-up on findings detected
- Procedures for payments to projects including arrangements for transfer of funds from the regranting account to project promoters
- Arrangements related to audits of projects and audits of costs incurred directly by the FO including a description of a sampling methodology of projects and procedures for follow-up on findings detected
- Description of mechanisms for results- and risk-based monitoring, as the FO is responsible for monitoring the overall implementation of all projects within the Programme's portfolio. For further information on the monitoring, please see the Civil Society Results Manual

PIA chapter 9

*Reporting from
project
promoters,
verifications,
payments to
projects, audits
and monitoring*

6.4 THE FO'S SYSTEM FOR PREVENTING, MITIGATING, DETECTING, REPORTING ON AND REMEDYING SUSPECTED OR ACTUAL CASES OF IRREGULARITIES

This section should, as a minimum, describe:

- Measures and procedures to prevent, detect, mitigate or nullify the effect of any cases of irregularities
- Procedures for investigating any suspected and actual cases of irregularities
- Remedies including recoveries and financial corrections
- Details on setting up and maintaining the irregularities register
- Details on establishment and functioning of the complaint mechanism including the steps and estimated timeline for submitting and addressing complaints and the composition of a complaint's committee

PIA
chapters 10 and 11

*Irregularities,
suspensions of
payments, financial
corrections and
reimbursement*

6.5 THE FO'S SYSTEM FOR MAINTAINING FULL, ACCURATE AND SYSTEMIC RECORDS AND ACCOUNTS OF THE PROGRAMME

This section should describe how the Programme's audit trail is to be maintained and in particular:

- Procedures for keeping the programme level records including project selection and implementation, verifications, audits, financial reporting and accounts, monitoring, irregularities, etc.
- Procedures to ensure that all the records related to implementation of projects are maintained by the project promoters for a three-year period following the FMO's approval of the Final Programme Report
- Procedures for recording any amounts recovered and returned by project promoters following a cancellation of all or part of the project grant which shall be transferred to the regranting account prior to closure of the Programme

PIA art.
12.7
Records

Example of a procedure in relation to amounts recovered and returned by project promoters to be described in the MCS:

In order to avoid excessive charges for bank transfers, the FO might decide to dedicate a specific bank account to which all these amounts will be transferred by project promoters and return them to the regranting account only at a later stage. If this is the case, the related procedure should be described.

!
• **Important:**

Assurance report and opinion

- The description should be accompanied by an assurance report including an opinion issued by an independent and certified auditor concluding that the MCS of the FO complies with the PIA and generally accepted accounting principles
- The report shall also assess the proportionality of the management and control systems' requirements in relation to the effectiveness of achieving the objective of the Programme
- The compliance assessment should be performed by the auditor based on International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagement Other than Audits or Reviews of Historical Financial Information" (reasonable assurance) as published by IFAC
- In a reasonable assurance engagement, the conclusion should be expressed in the positive form



Example of the auditor's conclusion on the MCS:

In our opinion the management and control systems set up by the Fund Operator for the Active Citizens Fund, in all material respects, comply with the Programme Implementation Agreement and generally accepted accounting principles.

Requirements of the management and control systems are considered to be proportionate in relation to the effectiveness of achieving the objective of the Programme.

VII SELECTION AND CONTRACTING OF NGO PROJECTS

7.1 ELIGIBLE APPLICANTS AND PARTNERS

Eligible applicants for grants under the Active Citizens Funds are NGOs established in the respective beneficiary state.

A “non-governmental organisation” (NGO) is eligible for support within the Programme if it meets the following definition: it is a non-profit, voluntary organisation established as a legal entity, having a non-commercial purpose, independent of local, regional and central government, public entities, political parties and commercial organisations. Religious institutions and political parties are not considered NGOs.

It is recognised that the registration of NGOs, and therefore their establishment as legal entities, differs from country to country. Eligible applicants for funding under the Active Citizens Funds shall nonetheless be entities usually meeting the following principles:

- Are non-profit, being organisations that have not been created nor operate to generate personal profit. Although they may have paid staff and may engage in revenue-generating activities, they do not distribute profits to their members nor to their board. Where revenue-generating activities are undertaken, these should not represent the purpose of the NGO, but should be a means to support its mission and values
- Have members who do not have any direct commercial interest in the outcome of the work of the organisation or of its commercial activities and should not pursue the commercial or professional interests of their members. This requirement therefore excludes trade- and professional associations, where the aims and purposes of the association is to further the specific interests of its members only
- Are voluntary in nature, formed voluntarily by groups or individuals and usually involving an element of voluntary participation in the organisation
- Act in the public arena and for the public good on concerns and issues related to the well-being of people, groups or society as a whole
- Have some degree of formal or institutional existence, unlike informal or ad hoc groups, involving formal statutes or other governing document(s) defining their mission, objectives and scope
- Have transparent structures and elected chair/board, and are accountable to their members and donors
- Are independent of local, regional and national government and other public authorities
- Are independent of political parties and commercial organisations

Political parties, religious institutions, social partners or profit-distributing cooperatives are not considered NGOs.

Foundations and the national Red Cross societies are considered eligible NGOs if they fulfil the above principles.

Faith-based organisations are eligible if they meet the principles identified above and if the funded activities do not directly or indirectly promote a religious doctrine, mission or proselytism related to the beliefs of a particular faith (beyond basic religious/cultural awareness raising).

PIA chapter 7
*Public
procurement*

It is recognised that in many countries, social enterprises are not defined within current legislation. Where social enterprises can meet the other criteria given in this section, they may be considered for support.

Eligible project partners

Projects may be implemented in partnership with project partners. Partners share a common economic or social goal with the project promoter, which is to be realised through the implementation of the project. Project partners shall be actively involved in, and effectively contributing to, the implementation of the project.

The following entities are eligible to be project partners:

- Any public or private entity, commercial or non-commercial, as well as non-governmental organisations established as a legal person either in the donor states (donor project partnership), beneficiary states or a country outside the European Economic Area that has a common border with the beneficiary state
- Any international organisation or body or agency thereof
- Informal, ad hoc and self-help organisations (including grassroots organisations) that are not registered legal entities in the beneficiary state (informal groups). Such organisations must however meet the requirements that they are not for personal profit, act for public good, are voluntary and non-discriminatory in nature, independent of local, regional and national government and other public authorities, and are independent of political parties, religious institutions and commercial organisations. These informal groups shall be represented by one single person, who signs the project partnership agreement on behalf of the group. An informal group cannot not be a direct recipient of the project grant¹⁵

Project partnerships shall be established through partnership agreements between the project promoter and the partners, using the template provided by the FMO in the Civil Society Bilateral Manual (Annex A).

The partnership agreements shall be in English in the case of donor project partnerships.¹⁶ Partnership agreement templates shall be proposed by the Fund Operator.

A project partnership shall not be mistaken for sub-contracting. Project partners, on the one hand, always share a common economic or social goal through the implementation of the project, and partners cooperate throughout the entirety of the project realisation, as explained above. Sub-contracting, on the other hand, is aimed at one (or perhaps several) specific deliverables, e.g.

¹⁵ Expenditure related to the involvement of the informal group shall be borne by the project promoter.

¹⁶ A donor partnership project is a project implemented in close cooperation with a project partner whose primary location is in one of the donor states.

services or equipment in order to realise a specific activity within the project. Sub-contracting shall always be carried out based on an appropriate service or purchase contract, according to the applicable public procurement rules as defined in the PIA.

7.2 OPEN CALLS AND SELECTION OF PROJECTS

PIA art. 6.2

Open calls

The Fund Operator shall be responsible for designing and launching open calls for projects.

The Fund Operator shall be guided by the principles of implementation (see section 2.2 of this Manual) when designing and launching the call.

The detailed requirements on the content of the call texts are provided in the PIA. These requirements shall be complied with in all cases. An indicative call text template will be provided by the FMO for guidance.

An English translation of the call text shall be shared with the FMO no later than two weeks prior to the scheduled launch of the call. The FMO may request modifications of the call text in order to ensure compliance with the Programme Implementation Agreement and this Manual. The FMO notifies the Fund Operator no later than one week before the scheduled launch of the call of any suggestions or recommendations for improvement. The FMO however does not approve the call text. The Fund Operator is solely responsible for ensuring that the call text is in line with the legal framework of the Programme.

The Fund Operator shall take the following additional considerations into account when designing open calls:

- The number of calls for proposals is planned appropriately, taking into account the level of interest and size of the Programme
- The use of a two-stage application process, with an outline proposal and full proposal development for those outlines passing the initial assessment, may be considered where appropriate
- The FO should design the selection process in order to minimise duplication and avoid potential double funding and ensure synergies with other EEA and Norwegian FMs Programmes
- Pre-announcement of upcoming calls is encouraged to facilitate preparation by potential applicants
- Appropriate application forms and guides on how to complete them should be prepared. The principle of proportionality should be applied and Fund Operators should consider simplified procedures for smaller grants
- Application forms should guide a less experienced applicant through the requirements of a project proposal, with guidelines for applicants that are clear and indicate clearly what is required in each section of an application form
- Workshops or other kinds of support at the pre-application stage shall be organised as ongoing mentoring and support, to provide detailed guidance on what will be looked for in the project applications

- The FO may consider encouraging partnerships and coalitions among applicants, including partnerships between experienced and less experienced NGOs, where capacity building can be achieved
- Outreach to donor state organisations shall be encouraged and facilitated, including information on funds available for bilateral partnership building

7.3 SELECTION CRITERIA

- Clearly distinguish between administrative criteria, eligibility criteria and evaluation criteria
- The selection criteria shall be specified in the call for proposals.

Once published, selection criteria should preferably not be changed. However, should the modification of one or several criteria be justified, such modification must be made sufficiently ahead of the deadline of the call, and the same tools should be used for communicating the modifications as for publicising the call.

The criteria published in the open call shall be the only criteria used during the selection process.

There are three types of selection criteria, which should be clearly distinguished:

(1) Administrative criteria are conditions for accepting the project application. Without compliance with the administrative criteria, the application shall not be further assessed. The administrative criteria should be easily determinable, meaning that their verification should not require any review of the content of the application.

Administrative criteria include (but are not limited to) the following:

- The project application has been submitted by the deadline, i.e. the date and time as published in the call text
- The project application has been submitted in accordance with the permissible method(s) of delivery (number of copies, electronic/and or hard copies, signatures, etc.)
- All requested documents have been submitted (e.g. declarations, documents for registry, annual reports, partnership statements, etc.)

The call text should clearly indicate

- Whether the FO may request additional information/documents from the applicant to determine the compliance with these criteria and, if so:
 - The time available and the method for the submission of such information/documents
 - The criteria that could lead to automatic rejection of the project application, in case of non-compliance with them

(2) Eligibility criteria are conditions to assess whether the applicant/partner and the application are qualified for funding. It should be clear whether the criteria relate to the eligibility of the applicant or the eligibility of the application. Ideally the eligibility criteria should be

assessed only once it has been determined that the application has fulfilled the administrative criteria.

Eligibility criteria include (but are not limited to) the following conditions:

- Eligibility of applicant
 - The applicant is an NGO, in line with the definition provided in this Manual
 - The applicant was established at least e.g. a year ago
- Eligibility of partner
 - The call text clearly defines what type of organisations are eligible as project partners, in line with the provisions provided in this Manual
- Eligibility of application
 - The requested grant amount is within the permissible limits provided in the call
 - The proposed implementation period is within the permissible limits provided in the call
 - No more applications have been submitted by one project promoter or project partner than explicitly authorized in the call text

Normally, compliance with eligibility criteria is unconditional and therefore not subject to further clarifications requested by the Fund Operator. However, should the FO decide that some of the eligibility criteria need to be clarified by additional information, this should be clearly stated in the call for proposals, together with the deadline and method to comply with such a request. The call text should also clearly list the criteria that would lead to automatic rejection, in case of non-compliance with them.

The use of administrative and eligibility criteria shall be transparent, and easily determinable, based on yes/no questions, and defined in line with the PIA and this Manual. The volume of these criteria should be limited to the essentials. Ambiguous or superfluous criteria can be subject to complaints and appeals, and thus prolong or hinder the selection procedure, and result in an additional administrative burden for the Fund Operator.

It is recommended that the Fund Operator provides a checklist in the call text and/or guide for applicants, which enables the applicant to self-assess whether they have complied with all administrative and eligibility criteria. This checklist could also serve as guidance for the applicants to indicate whether the requested information can be subject to later submission (request for clarification/additional information) or if the lack of compliance with the requested submission of information results in automatic rejection.

(3) Evaluation criteria are criteria used to assess the project applications that comply with the administrative and eligibility criteria. The evaluation criteria shall form the basis of the project scoring.

The evaluation criteria shall be specified in the in the open calls. They shall clearly relate to the content assessment of the application, and may include, but not be limited to, the following elements:

- Relevance of the project to the needs of direct and indirect target groups and beneficiaries
- Coherence between the project and the Programme objective, outcomes and outputs (the results framework should be published as part of the call text)
- Experience of applicant and capacity to implement the project
- Feasibility of the suggested activities and measures
- Sustainability of the intervention
- Value for money (reasonable and justifiable budget, coherence with the proposed activities)

The call text should clearly indicate the maximum score for each main criterion (e.g. relevance, budget, feasibility). A minimum score could also be set for some of the criteria as an *eliminating criterion*. In this case, if a prescribed minimum score is not obtained for the eliminating criterion, the project is automatically rejected.

The call text shall indicate the achievable maximum total score, and it is recommended that the Fund Operator includes in the call text the minimum total score a project application needs to be recommendable for funding.

The Fund Operator may wish to consider giving preference to applications that meet certain concerns that are deemed important to achieve the outcome and outputs of the call. This could for example take the form of additional points for applications from rural areas, specific target groups, minorities, thematic areas that are underrepresented etc.

Example of a project evaluation score sheet:

Evaluation criteria	Maximum score	Eliminating criterion
Relevance	30	If below 10, the project is is automatically rejected
Feasibility	20	If below 5, the project is is automatically rejected
Budget	20	If below 10, the project is us automatically rejected
Sustainability	10	
Maximum	80	
Minimum score to be recommendable for funding	48	

In this example, an application receiving less than 48 points should be rejected, regardless whether there would be still be funds available within the call. Furthermore, any application that would receive more than 48 points, but would fail to comply with one of the eliminating criterion (e.g. receive less than 10 for relevance) would also be rejected.

7.4 PROJECT SELECTION PROCEDURE

PIA art. 6.4
Selection procedure

Project selection procedures shall be described in the Management and Control Systems description (see Chapter 6).

! The selection procedures must provide equal treatment of all applicants

Review of administrative and eligibility criteria

PIA art.
6.4.1

After the deadline for submission of applications, the Fund Operator shall first review the applications for compliance with administrative and eligibility criteria. The Fund Operator shall assess these criteria against the published requirements.

The FO shall document its review for all applications, and clearly indicate whether the applicant has fulfilled or not fulfilled the criteria in question. It is expected that the Fund Operator establishes a clear and transparent system to record the decision related to the administrative and eligibility checks performed. The Fund Operator shall use a tamper-proof¹⁷, yes/no checklists. In case any of the criteria is subject to clarification (request for additional information) in line with the published requirements, the checklist shall clearly indicate whether a clarification request has been issued, and the result of such clarification shall be recorded.

¹⁷ I.e. non-editable, where the risk of editing after entry is minimal.

! Always document the administrative and eligibility assessment of all applications.

Following the completion of the administrative and eligibility review, applicants whose applications are rejected at this stage shall be informed of the reasons for the rejection and given a reasonable time to appeal that decision.

Evaluation of project applications by independent experts

Each project application that meets the administrative and eligibility criteria shall be scored by (at least) two impartial¹⁸ experts appointed by the Fund Operator. At least one expert shall be independent of the Fund Operator (and its partner(s)).

! All applications shall be scored by two experts, one of whom should be external to the Fund Operator.

The Fund Operator shall ensure that the experts involved in the evaluation acquire the necessary knowledge and expertise to evaluate the applications. The Fund Operator can decide to select the experts either through an open call for tender, or invite them on the basis of previous experience, either in NGO funding work or relevant work with regranting agencies, ministries or other funding institutions etc.

Regardless of how the experts are selected, it is strongly advised that the Fund Operator organises training(s) for the experts, to familiarise them with the call for proposals, the Programme objective, and to provide them with guidance on the evaluation criteria published in the call for proposals. The Fund Operator shall take all reasonable and proportionate measures in order to ensure a transparent, objective, consistent and coherent evaluation of the applications.

The experts shall have no direct or indirect interests that are or appear to be incompatible with the impartial exercise of their function. All experts shall sign a declaration of no conflict of interest.

PIA art.
6.4.3

Scoring
by
experts

The experts shall independently and separately score the project application according to the selection criteria published in the call for proposals. The experts cannot be influenced by anyone, and shall decide on the scores independently and to their best judgement. The experts shall justify in writing the scores for each criterion they evaluate.

PIA art.
6.4.2
*Two
impartial
experts*

Each application shall be scored by two experts, and for the purpose of ranking the project applications, the average of the scores awarded by the experts shall be used.

¹⁸ Impartial shall not be mistaken for independent. Impartiality means that the expert involved has no direct or indirect interest regarding the project application in question.

If the difference between the scores given by the two experts is more than *30% of the higher score*, the project application shall be scored by a third expert. This third expert shall be commissioned by and be independent of the Fund Operator. In such cases the average score of the two closest scores shall be used for the ranking of the project applications.

PIA art.
6.4.4

30%
difference
between
the scores

If the score given by a third expert would not in any way result in the support of the project, there is no need to use a third expert. This situation can arise when a minimum score for supporting projects has been set in the call for proposals.

If there is no minimum score provided in the call text, and the 30% difference exists between the two experts scores, a third expert should always be commissioned.

! **The Fund Operator shall maintain a tamper-proof written record of the scoring of external experts**

The independent and separate scoring does not exclude the possibility of the Fund Operator to organise discussion meetings with the experts to ensure that they carry out the evaluation according to the previous guidance provided by the Fund Operator, and that the scores provided are consistent and in line with the criteria published in the call for proposals. The discussion meetings can only be organised after the separate scoring of the experts took place, and the ranking list based on the experts' scores has been established. However, if such meetings of the experts are organised, the Fund Operator should document the main steps and results of these meetings by preparing minutes and paying special attention to the following areas:

- Listing the names of attendees (in each separate discussion group, if relevant)
- Detailing the key discussion points (in each discussion group, if relevant)
- Detailing changes made in scores/rankings disclosing the reasons for changes made
- Highlighting any measures that were in place for preventing conflicts of interest e.g. by indicating whether experts left the room when they were in a conflict of interest situation
- Demonstrating that the experts agreed with the final ranking lists by having them sign the minutes of the discussion meetings

Example of need for third expert:

A project application receives 40/110 points from Expert A and 60/110 from Expert B. The difference is 20 points, which is 33.3% ($20/60$) of the highest score. This is more than the 30% stipulated in art. 6.4.4 of the PIA and a third expert will have to be called in to provide another assessment of the project proposal. If the third expert gives 42 points, the average of $(40+42)/2=41$ shall be the final score of the application. If the third expert gives 55 points, the average of $(55+60)/2=57.5$ shall be the final score of the application.

Following the provided example, if the minimum score would be set at 85, the application could only obtain an average of 80 points even if the third expert gives 110 points out of 110 ($60+110/2$). The score given by a third expert would not in any way result in the support of the project, and it is thus justified that no third expert is used in this case.

However, if the minimum score would be set at 70, the decision is not clear, as it could be possible that the third expert would give 80 points. The average of $80+60$ would be 70 points and a third expert would be needed to evaluate the application.

The Fund Operator shall provide all members of the selection committee with the ranking list of project applications. The Fund Operator shall make no changes to this ranking or scoring awarded by the experts.

The Fund Operator shall also provide the ranking list in English to FMO upon request.

7.4.1 Selection committee

Members

The Fund Operator shall, according to needs, establish one or several selection committees. The selection committee consists of **voting members and observers**. There shall be at least three voting members possessing the relevant sector expertise and experience of working on/with civil society. At least one of them shall be external to the Fund Operator (and its Partner(s)). If a selection committee has more than three members, the number of external members should preferably be proportionate to the size of the committee.

PIA art. 6.3

Selection
Committee

The FMO as well as the National Focal Point and the Norwegian Embassy in the relevant beneficiary state shall be invited to participate in the meetings of the selection committee as observers.

The meeting of the selection committee

The selection committee(s) shall operate in an open, transparent and accountable manner, and its composition shall ensure that due attention is paid to possible areas of conflict of interest. All members of the selection committee (both voting members and observers) shall sign a declaration of no conflict of interest. In order for the selection committee members to be well-prepared, and be able to sign a no conflict of interest declaration with full confidence, it is recommended that the ranking list of project applications including the name of the applicants and their average score are circulated to all those attending the selection committee meetings at least 1-3 working days before the meeting. The list should preferably also include the scores provided by the two or three experts as relevant, with a short description of the project and a summary of comments provided by the experts.

The selection committee shall review the ranked list of project applications. It may **modify the ranking** of the project applications in justified cases based on transparent criteria. The justification for the modifications shall be detailed in the minutes of the meeting of the selection committee. If such a modification results in a rejection of a project application that would otherwise have been approved, the justification for the modification shall be included in the minutes.

It is recommended that the selection committee establishes statutes/rules of procedure, to define, as a minimum, the methods followed to modify the ranking list.

Example of justified modification of ranking:

The application has been submitted under a call for social justice and inclusion of vulnerable groups. The application ranks high on the list. Both experts scored the project high, however one of them commented under the section on relevance section that there is a belief within the sector (though not supported by any legal investigation or evidence) that the employment possibilities provided to the target group by the applicant are not in line with the applicable rules for employment. Furthermore, it is suspected that the organisation takes advantage of the vulnerability of the target group, retains their identity cards, and restricts their free movement during employment.

Though the application is drafted perfectly and fits well within the objective of the call and the Programme, the comment of this expert could raise serious doubt as to whether the project can be supported. The selection committee could in this (and in similar) case rely for example on the basic principles and objectives of the programme and conclude that there is serious doubt as to whether the project is based on the common values as explained in [section 2.2](#).

The selection committee may decide to approve a project application with conditions.

These conditions could relate to reducing the budget, obtaining clarification on some elements of the application etc. The selection committee minutes shall clearly reflect the justification for applying a condition, and the opinion of the members in this regard.

The selection committee may also decide to establish a **reserve list**, including project applications that are recommended for support, but due to lack of funding cannot be supported at the time of the decision. The selection committee minutes shall clearly state whether a reserve list has been established, including the list of applications on the reserve list.

Experts can be invited to the meeting of the selection committee, to provide explanations of their scoring, their overall assessment of the project, and to answer any questions that the members of the selection committee might have. If the experts are invited to the meeting, this should be clearly reflected in the minutes of the meeting. The experts shall in no way influence the selection committee members in their decisions, and should limit themselves to information already provided during their evaluation and to clarifications requested by the selection committee.

Minutes

The selection committee shall keep minutes of its meetings. The minutes of the meetings shall contain enough detail to demonstrate that the requirements of the PIA and this Manual have been met and the committee has operated in an open, transparent and accountable manner.

PIA art.
6.3.3.

SC
meeting
minutes

The minutes should include information on at least the following:

- The name of the selection committee members, and the organisations they represent.
- The name of the observers, and the list of experts present at the meeting as relevant.
- The name of the chairperson.

- Votes of the members on each project application; the minutes should clearly indicate cases where the members have conflicting opinions on approving or rejecting an application.
- Demonstrating that conflict of interest procedures were dealt with appropriately, and specifying the measures taken.
- Total number project applications received, how many were rejected for administrative reasons (and very brief summary of reasons overall), how many rejections because of eligibility (and very brief summary of reasons for rejection), total selected projects, total euro amount allocated to them.
- Where the selection committee decides to modify the ranking list, clear information should be provided on the justification and the transparent criteria applied in this respect.
- Information on the reserve list

The minutes shall be circulated and formally approved by the selection committee members. The formal approval shall be documented (e.g. by the members signing the minutes). The Fund Operator shall provide the FMO with a copy of the minutes in English no later than two weeks after each meeting.

7.4.2 Decision by the Fund Operator

PIA art.
6.4.6

*Verifying
the
selection
process*

The Fund Operator shall verify, i.e. confirm and validate, that the selection process has been conducted in accordance with the PIA and this Manual, and that the recommendations of the selection committee comply with the rules and objectives of the Programme. This verification shall be documented, and preferably annexed to the minutes of the selection committee.

Example of verification of selection process by the FO:

When reviewing the recommendation of the selection committee, the Fund Operator notices that the ranking list established based on the experts' scoring was modified without justification. The Fund Operator therefore decides to instruct the selection committee to review their assessment of the projects in question.

Following such verification the Fund Operator shall, based on the recommendation of the selection committee, make a decision on which projects shall be supported. The Fund Operator may modify the decision of the selection committee in justified cases. If such a modification results in a rejection of a project that would otherwise have been approved, the applicant in question and the FMO shall be informed in writing about the justification for the modification.

PIA art.
6.3.7

*Decision-
making
body*

The final decision of the Fund Operator on the selection of projects for funding shall be taken by the board, or an equivalent body responsible for supervising the operations of the Fund Operator. The decision shall be documented, in particular if the decision does not fully reflect the recommendations of the selection committee. The Fund Operator shall notify the applicants about the results of the selection process within a reasonable time.

Notifying applicants

Both successful and unsuccessful project applicants shall be informed of the outcome of their application in writing with a confirmation of delivery (by letter or e-mail). Unsuccessful applicants shall be provided with feedback on the reasons for not approving their project for funding.

7.5 CONFLICT OF INTEREST

- Ensure the objectivity and integrity of the selection procedure
- Prevent and remedy conflict of interest situations

It is of utmost importance that the Fund Operator ensures that the selection procedures are carried out in a way that guarantees the integrity and the objectivity of the selection process. Thus, the Fund Operator shall take every reasonable measure to prevent a conflict of interest situation from occurring in the selection process. If such a situation arises, the Fund Operator shall take all necessary measures to avoid that such a situation affects the integrity of the selection process.

PIA art. 6.5
Conflict of interest

Examples of conflict of interest:

1. A staff member of the Fund Operator previously worked for one of the applicants. The staff member signals this in the declaration on conflicts of interest. The head of the FO thus decides that the staff member cannot participate in the selection process, as it could put the integrity of the process at risk.
2. An expert is close friends with the staff of several applicants. The expert discloses this information, but does not consider it to be a conflict of interest, as s/he believes that the evaluation could be performed in an objective manner. The FO correctly removes the expert from the evaluation process, as this situation clearly constitutes familiar, emotional and even professional ties that could hinder the integrity of the evaluation process.

A situation of conflict of interest arises when a person involved in the selection process has a direct or indirect interest with one or more of the applications or applicants. This can happen for example by way of economic, political, family, emotional, personal or professional ties that in one way or another jeopardise that person's impartiality and/or objectivity.

Any person who is involved in the selection process could eventually find himself in a conflict of interest situation, including independent experts, members of selection committees, staff involved in review of compliance with administrative and eligibility criteria, members of the board of the Fund Operator, etc.

It is recognised that, especially in smaller countries, the civil society sector might be limited in size, and with a close-knit community of people making it difficult to identify people to participate in the selection procedures who do not have any conflict of interest. It is therefore very important to take proper care when such a situation arises.

One of the most important tools for the Fund Operator is ensuring that all people involved in the selection process sign a no conflict of interest declaration.

The template of the conflict of interest declaration should include the definition of "conflict of interest" in order for the person to sign it in full understanding of the requirements.

Conflict of interest situations can be present with one or several applicants or applications. The Fund Operator shall thus ensure that the people participating in the selection process have an overview of the applications and applicants prior to evaluating them.

The conflict of interest shall be assessed in relation to all calls conducted by the Fund Operator, and declarations shall be signed by all people involved for each selection process separately, including staff members of the Fund Operator, and selection committee members.

There are several measures that could be put in place to remedy a conflict of interest situation. These measures may include re-evaluating projects, replacing experts and/or selection committee members.

Examples of measures to remedy a conflict of interest situation:

1. **Experts:** The experts shall receive the list of applicants prior to receiving the project applications for evaluation. The expert shall sign a no conflict of interest declaration, and together with the declaration the expert shall disclose all applicants on the list that they are associated with (direct or indirect interest). The Fund Operator shall distribute the applications in such a manner that experts who have known conflicts of interest are not invited to evaluate projects which they are associated with.
2. **Selection Committee:** In case a selection committee member is in a situation of conflict of interest related to one or several project applications, the selection committee member should preferably not be involved in the assessment of any project application under the call in question. Should this not be feasible, the selection committee member should, as a minimum, leave the room while the project causing the conflict of interest is discussed. It is also recommended that the Fund Operator keeps a record of all conflict of interest situations.

7.6 REALLOCATION OF FUNDS

The Fund Operator is provided with some degree of flexibility to reallocate funds within the Programme. However this flexibility is subject to the limitations described below.

The following funds may be reallocated within the same outcome by the Fund Operator:

- project grants that have not been fully utilized
- project grants that have been cancelled due to irregularities or for other reasons
- funds uncommitted upon closure of calls for proposals

PIA art. 6.8
*Grant
awarding
and
reallocation
of funds*

These fund shall only be used for the below purposes:

- to be reallocated to future calls for proposals
- to support projects placed on a reserve list as a result of a previous selection process
- or to be reallocated to additional activities of already-approved projects; provided that these additional activities contribute to the project objectives

Reallocations of savings and uncommitted funds between outcomes, between other budget lines and/or to other purposes than those described above shall be consulted with FMO and are subject to programme modification.

Any decision to reallocate project grants to **additional activities of already approved projects** shall be based on recommendations by the selection committee. The selection committee shall base its recommendations on transparent and objective criteria which shall be communicated in writing to the project promoters, and at the same time made available on the website of the FO, no later than one month prior to any decision to reallocate funds.

The selection committee in these cases may be the same as the initial committee or it may be a new selection committee. The selection committee shall operate and be established in line with the PIA and this Manual.

7.7 PROGRAMME MODIFICATION

The Fund Operator may request modifications to Annex I and/or Annex II of the PIA.

The Fund Operator shall describe and justify the modification, and shall submit the modification request through the FMO's Information System.

PIA art.
15.4
*Programme
Modification*

The Fund Operator shall request a modification to Annex I or II of the agreement in particular in the following cases:

- Reallocation between outcomes and/or between other budget lines (e.g. Fund for Bilateral Relations, Regional Civil society Initiatives)
- If any of the provisions in Annex I or II are affected
- In order to respond to unforeseen events
- In order to take into account the conclusions of the review of the implementation framework at the annual review meeting
- When changes are necessary to enhance the impact of the programme; or
- In order to mitigate risks and/or implementation difficulties

The modification shall, when necessary, be formalised through an amendment of the PIA.

7.8 PRE-DEFINED PROJECTS

In exceptional cases, pre-defined projects can be implemented within the Programme.

Pre-defined projects are always subject to prior approval of the FMO.

In exceptional and duly justified cases, the FMO may propose pre-defined projects, with no co-financing requirement, to be implemented by the FO.

In addition to projects selected under an open call, the Fund Operator and the FMO may, in exceptional cases, agree on pre-defined project(s) (PDP). Pre-defined projects shall preferably be proposed in the Concept Note stage at the latest, or in exceptional cases during programme implementation. The PDP is a strategic project that may require a longer implementation period and has a larger budget than projects usually selected through open calls, and that aims to contribute to the overall objective of the Programme, build the capacity and sustainability of the sector, and address systemic and institutional issues. Pre-defined projects shall be aligned with the programme intervention logic, i.e. they shall have a clear link to the programme objective and one or more of the programme outcomes.

PIA art.
6.9
*Pre-
defined
projects*

Pre-defined projects are implemented by one or more organisation(s)¹⁹ selected on a competitive basis. The pre-defined project shall be assessed by the Fund Operator based on previously established criteria, and shall be submitted for approval to the FMO. In justified cases, a pre-defined project may be implemented by the FO.

All provisions related to project implementation stipulated in the PIA and this Manual also apply to PDPs (e.g. eligibility rules, verification, audits and monitoring, financial reporting, etc.).

The final financial reports for pre-defined projects implemented by the Fund Operator shall be subject to an independent audit (see Section 9.7 on Audits). The final narrative report for pre-defined projects implemented by the Fund Operator shall be approved by the FMO.

7.9 PROJECT CONTRACT AND PARTNERSHIP AGREEMENT

PIA art.
6.6
*Project
contract*

A project contract shall be concluded between the Fund Operator and the project promoter for each approved project. The project contract sets out the terms and conditions of grant assistance as well as the roles and responsibilities of the parties. It shall include provisions that ensure that the project promoter takes on any obligations that are necessary for the Fund Operator to comply with its obligations under the PIA.

The PIA art 6.6.2 includes the minimum requirements for the content of the project contract. The project contract shall be drafted by the Fund Operator. The FO can request the FMO to confirm that the project contract complies with the provisions of the PIA.

PIA art. 6.7
*Partnership
agreement*

If a project is implemented in a partnership, the project promoter shall sign a partnership agreement with each of the project partners. The partnership agreement shall detail the roles and responsibilities of each partner in line with the provisions of the PIA. The draft partnership agreement shall be submitted to the Fund Operator before the signing of the project contract. The Fund Operator

¹⁹ This may be an NGO, private or public entity.

shall verify that the partnership agreement complies with the PIA. The Fund Operator may decide to provide a template for the partnership agreement. For projects involving entities from the donor states, a partnership agreement template is provided in the Civil Society Bilateral Manual (Annex A) and shall be in English as long as one of the parties to the agreement is an entity from the donor states.

VIII RESULTS-BASED MANAGEMENT

Result-based management looks beyond activities and outputs to focus on actual results: the changes created, and contributed to, by the Active Citizens Funds. By establishing clearly defined expected results, collecting information to assess progress toward them on a regular basis, and taking timely corrective action, the FO can manage the Programme in order to maximise achievement of results.

More detailed guidance on results-based management is provided in the Civil Society Results Manual (Annex B).

8.1 ESTABLISH AND IMPLEMENT A SYSTEM TO MANAGE FOR RESULTS

In order to ensure results-based management of the Programme, the FO shall:

- Ensure the appropriate level of capacity and expertise in results-based management, and practical experience of results-based management approaches, in order to manage results and risk in line with the Civil Society Results Manual (Annex B)
- Ensure that there is a monitoring and evaluation function within the FO
- Assist project promoters in setting up monitoring systems for their projects

Before the signing of the Programme Implementation Agreement, the FO shall finalise the results framework for the programme, and taking into account consultations with the sector and input from the donors and the FMO. Specifically, this includes identifying outcomes and suitable outcome indicators, as well as outputs and suitable output indicators with a unit of measurement, baseline value and year, target and source of verification. For the results framework, the FO shall use the template provided in Annex I of the PIA.

8.2 REPORTING ON PROGRAMME AND PROJECTS TO THE FMO

The FO is responsible for meeting the following reporting requirements:

- Ensuring provision of information on the achievement of outputs and outcomes of the Programme and projects to the FMO, in line with the agreed results framework
- Submitting standardised information related to each project, using the FMO's Information System, and establishing a system for quality assuring the descriptions of projects
- The collection and review of project implementation and completion reports
- Responding to ad hoc requests for information from the FMO
- Submitting to the FMO the following reports, based on templates provided by the FMO:
 - a semi-annual Interim Financial Report (IFR)²⁰
 - an Annual Programme Report

²⁰ The September IFR requires the FOs to provide information on progress towards achieving outputs and outcomes. This provision will normally only be applied once the projects are up and running (see explanation on staggered reporting on the next page).

- a Final Programme Report
- irregularity reports

The Annual Programme Report and the Final Programme Report shall also be shared with the National Focal Point and donor state embassies.

The Final Programme Report shall be published.

Fund Operators shall provide project promoters with the necessary reporting tools and offer guidance on how they should be used.

More guidance on reporting is provided in the Civil Society Results Manual (Annex B).

8.3 MONITORING AND EVALUATION

The FO is responsible for establishing a monitoring system, to be able to report periodically and as required by the PIA on the Programme's outputs and outcomes. This will mean regular project level monitoring to capture relevant data on project outputs and outcomes.

The FO should also design and implement an evaluation or a review to assess the results of the Programme, and ensure that the funding and human resources necessary for carrying out the evaluation/review are available if possible, and that the procedures are in place to collect the necessary data.

The monitoring and evaluation plan, based on Civil Society Results Manual (Annex B) shall be submitted to the FMO as part of the Annual Programme Report.

8.4 RISK MANAGEMENT

The FO shall identify and assess the risks to the effective implementation of the Programme and the achievement of its expected outcomes and identify and take appropriate actions to mitigate those risks.

The risk assessment and mitigation analysis shall be submitted to the FMO within six months of the selection of the FO and prior to signature of the Programme Implementation Agreement. The FO shall follow the template and guidance in the Civil Society Results Manual (Annex B).

IX FINANCIAL MANAGEMENT

Key message:

Financial management is not just about keeping accounting records. It is an important part of programme management and must not be seen as a separate activity left to finance staff.

9.1 PROJECT BUDGET, GRANT RATE AND CO-FINANCING

9.1.1 Project budget

The project budget is a forecast of the costs of the objectives and activities set out in the project contract. The budget is therefore an essential part of the contract. It is a tool for checking on the implementation progress during the financial reporting stage. Project budgets must be realistic and must be based on plausible assumptions.

If the budget is not prepared properly, the following problems might occur:

- Budget underruns, which suggest that the budget was incorrect and that funds have been committed to the project that might have been better used elsewhere

If budget includes too many rough estimates, it will not provide a proper tool for planning and control and there is a higher risk of over- or underestimates.

- Interpretation issues, which may cause the FO/FMO to disallow some expenditure

How to avoid this

- The project's budget should use the same classifications of expenditures as stipulated in the PIA
 - The project's budget should not include expenditures specifically excluded under the PIA art. 4.4
- The need to request amendments to the budget during the course of the project

Key budget principles:

- The budget is a tool for financial compliance: this means that the amounts under the budget categories are spending limits
- The budget is a planning and control tool: it helps control expenditure
- It is essential that the budget properly reflects all projected expenditures in line with the activities financed
- The budget will be mirrored in the financial report: actual expenditure on implementing the planned and agreed objectives and activities should be presented in the financial report and should be compared with the projected expenditures in the budget

A suggested project budget template is provided in Annex C (iv).

9.1.2 Project grant rate and co-financing

Based on the PIA art. 4.5.1, the project grant rate may be up to 90% of eligible expenditures of the project. The maximum project grant rate shall be proposed by the FO in the Bid Form.

The grant amount should vary according to the needs of the organisations and projects within the sector. A differentiation of grant amount and duration can be introduced to cater for differing levels of experience, size and project-related requirements (e.g. a micro- or 'action' grants may be useful to respond to particular needs at particular times). This should be reflected in call texts.

When determining the grant rate for each individual project, the FO should, amongst others, take into account:

- The need to ensure the project promoter's commitment and ownership, as well as the sustainability of the project
- Any economic benefit (e.g. cost savings or increased profit resulting from receiving a financial contribution). Economic benefits shall be used in a manner which support the long-term objectives of the projects

The grant rate shall be calculated as a percentage of the total eligible expenditure of the project, as proposed by the project promoter, and determined in the project contract. The project promoter shall receive payments from the FO according to this rate. The financial relationship between the project promoter and the partners should be negotiated between them.

The co-financing shall be provided in cash or as an in-kind contribution in the form of voluntary work. Such in-kind contribution may constitute up to 50% of the co-financing required for the project. The FO shall specify in the Bid Form the appropriate unit prices for the voluntary work which shall be in accordance with a normally paid salary for such work in the country, including the required social security contributions. The prices may vary depending on the region in which the work is performed or the type of voluntary work, and may be adjusted during the implementation of the Programme in order to take into account changes in salaries/remuneration.

! Important:

In-kind contribution in the form of voluntary work

- In-kind contribution in the form of voluntary work should be included in the project budget
- The actual value of the in-kind contribution should be reported in the project financial report(s)
- The in-kind contribution may be provided only by the project promoter and/or partner
- The in-kind contribution must comply with the general principles on the eligibility of expenditures as defined in the PIA art. 4.1
- As a minimum, it needs to be identifiable and verifiable: voluntary work should be recorded throughout the duration of the project by timesheets or a suitable time recording system and adequately supported by evidence of its reality and reliability

In exceptional cases, and subject to approval by the FMC, in-kind contribution in the form of voluntary work may constitute up to 100% of the co-financing required. This should be requested prior to the signing of the PIA.

! Except in duly justified cases of overtime, the in-kind contribution cannot be provided by a staff member holding a full time employment contract with the project promoter/partner.

Example of an eligible and non-eligible in-kind contribution - overtime:

Within the framework of the project, the project promoter organises an awareness campaign for the general public which takes place on a **Sunday**.

The costs of the staff working during this event **CAN** be considered as an eligible in-kind contribution in the form of voluntary work.

The costs of the staff working on preparation on this event during regular working hours, **CANNOT** be considered as an eligible in-kind contribution in the form of voluntary work.

9.2 ELIGIBILITY OF EXPENDITURE

Key messages:

- Understand the eligibility rules stipulated in the PIA
- In case of doubt, contact the FMO
- For projects: the rules on eligibility of expenditures apply to all costs of the project and not only to the grant amount
- Share the applicable part of this Manual with project promoters

9.2.1 General principles

All the costs incurred by the FO (except for the management fee), project promoters and project partners in order to be considered eligible should comply with the following general principles as defined in the PIA art. 4.1:

(a) Incurred between the first and final dates of eligibility

Expenditures are considered to have been **incurred** when the following conditions are met:

- The cost has been invoiced
- The invoice was paid
- The subject matter was delivered (in case of goods) or performed (in case of services and works)

With reference to activities implemented under the Regional Civil Society Initiatives and the Fund for Bilateral Relations, the **first and final date of eligibility** is the same as the Programme operational period.

PIA art. 1.13
Operational period

With reference to projects, the **first and final date of eligibility** should be specified in the project contract.

PIA art. 4.6

*First and final
dates of
eligibility*

Costs within projects may be eligible from the date on which the grant is awarded or at a later date set in the project contract. The project contract shall set the final date of eligibility of costs which shall be no later than 30 April 2024. Costs incurred after that date are not eligible.

Exceptionally, costs in respect of which an invoice has been issued in the final month of eligibility are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date of eligibility.

Examples of eligible and non-eligible costs – final date of eligibility:

The FO is verifying the final financial report for the project with the final eligibility date defined in the project contract: 31 July 2019

Date of the invoice: 10 July 2019

Invoice payment date: 30 August 2019 **OK**

Invoice payment date: 31 August 2019 **NOT OK (ineligible costs)**

Remuneration of personnel for the last month of the project which are paid the following month. **OK**

Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the project promoter.

(b) Connected with the subject of the project contract and indicated in the estimated overall budget

An estimation of all the eligible expenditures must be shown in detail in the project budget.

At the project selection stage, the FO should verify if all the proposed expenditures:

- Fall within the eligible categories as defined in the PIA art. 4.1 and 4.2
- Are **connected with the subject of the project**
- Are not related to any excluded costs stipulated in the PIA art. 4.4

Incurred eligible costs cannot exceed amounts in the approved budget. Any justified modifications need to be formalised as soon as possible.

! Important:

The inclusion of an expenditure item in a project budget approved by the FO, cannot be considered as a prerequisite of its eligibility. In order for the incurred cost to be considered as eligible, it needs to comply with all the other eligibility criteria and be supported by an invoice, or alternatively by accounting document of equivalent probative value.

(c) Proportionate and necessary for the implementation of the project

Costs must be reasonable and justified. To this effect, each expenditure item should be:

- **Proportionate** to the importance and complexity of the subject-matter of the project
- Strictly and demonstrably **necessary** to achieve objective(s) of the project

(d) Used for the sole purpose of achieving the objective(s) of the project, in a manner consistent with principles of economy, efficiency and effectiveness

All the resources shall be used:

- For the **sole purpose of achieving the objective(s) of the project** which means that the only reason why an expenditure item was included in the budget, is its contribution to achieving the objective(s) of the project
- In accordance with the principles of sound financial management, namely in accordance with the **principles of economy, efficiency and effectiveness**

Economy, efficiency and effectiveness “3Es” define a value for money and can be depicted as follow:

- **Economy** - spending less: minimising the cost of resources used or required (inputs)
- **Efficiency** - spending well: the relationship between the output from goods or services and the resources to produce them
- **Effectiveness** - spending wisely: the relationship between the intended and actual results of spending (outcomes)

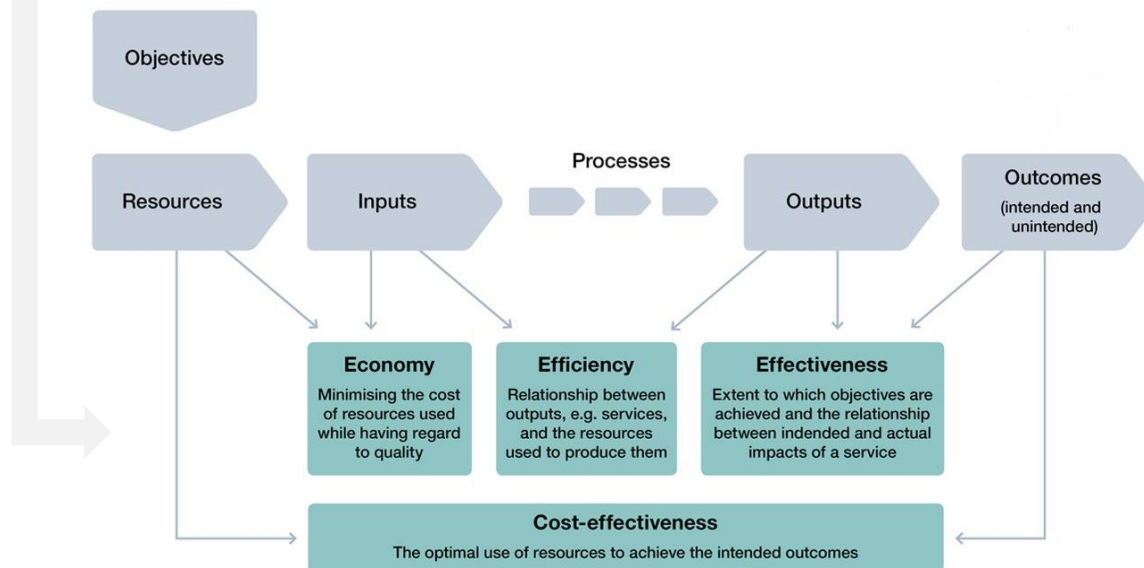


Figure 4: The “3 Es” – Economy, Efficiency and Effectiveness

(e) Identifiable and verifiable

To be eligible, the costs must be **identifiable and verifiable**, in particular through being recorded in the accounting records and determined according to the applicable accounting standards and generally accepted accounting principles. Expenditures not documented are not eligible. This means that:

- There must be an adequate documentation proving that any expenditure is related to the Programme/project

! The documentation should provide a strong enough evidence that expenditures comply with all the eligibility criteria.

- The recipient must allow the FO/FMO/EFTA Board of Auditors/Office of the Auditor General of Norway to carry out audits and on-the-spot verifications and to examine supporting documents, accounting documents and any other documents relevant to the financing of the Programme/project
- The supporting documents and records must be kept available for inspections and audits for a three-year period following the FMO's approval of the Final Programme Report. The FO should include the relevant provisions in projects contracts to guarantee that project promoters/partners comply with this requirement and keep documents for the required period

PIA art. 9.3,
9.5, 12.3,
12.4
*Verifications
and audits*

PIA art. 12.7
Records

! The three-year period starts on the date of approval of the final Programme - and NOT individual project - report.

- The internal accounting and auditing procedures must permit direct reconciliation of the expenditures and revenues declared with the corresponding accounting statements and supporting documents
- The supporting documents and records must be easily accessible and filed in a way that facilitates examination

The project personnel may no longer be available when the FMO decides to carry out an audit. This is often the case if personnel have been specially hired for the project. In that case, the project documentation will often be the only reliable supporting evidence.

PIA art. 9.2
*Proof of
expenditure*

DEFINITION:

Accounting documents of equivalent probative value

Any document submitted by the body responsible for implementation to prove that the book entry gives a true and fair view of the transactions actually made, in accordance with standard accounting practice.



As a rule, payments shall be supported by receipts and invoices. Where this cannot be done, payments shall be supported by accounting documents of equivalent probative value. Where activities are implemented in the framework of competitive tendering procedures, payments to contractors shall be additionally supported by signed contracts.

! **ONLY** two categories of costs do not need to be supported by a proof of expenditures. These are:

- FO: Management fee
- Project promoters: Indirect costs calculated in line with the PIA art. 4.3

Exceptionally, with reference to expenditures incurred by project partners whose primary location is in one of the donor states or project partners that are international organisations or bodies or agencies thereof, the proof of expenditure may take a form of a report by an independent auditor, qualified to carry out statutory audits of accounting documents, certifying that the reported costs are incurred in accordance with the PIA, the relevant law and national accounting practices. In such a case:

- The report shall be accepted by the FO as a sufficient proof of incurred expenditure
- The cost of the report is considered an eligible project cost, providing that it complies with the eligibility rules defined in the PIA and it is included in the project budget
- Upon request by the FMO, EFTA Board of Auditors/The Office of the Auditor General of Norway a project promoter or project partner shall grant access to the supporting documents on the basis of which the report was issued

- The certification process can be governed by the International Standard on Related Services (ISRS) 4400 “Engagements to perform agreed-upon procedures regarding financial information” as published by the IFAC



GOOD PRACTICE

ISRS 4400 establishes standards and provide guidance on the auditor's professional responsibilities when an engagement to perform agreed-upon procedures regarding financial information is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. This type of agreed-upon procedure could be used for the provision of an auditor's certificate accompanying a partner's financial report.

The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. Matters to be agreed include:

- The nature of the engagement
- The purpose of the engagement
- The identification of the financial information to which the agreed-upon procedures will be applied
- The nature, timing and extent of the specific procedures to be applied
- The anticipated form of the report of factual findings

The report should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed.

! The annually audited financial statement of an entity cannot replace the specific auditor's certificate confirming that the claimed costs are incurred in accordance with the PIA, the relevant law and national accounting practices.

A suggested template for the expenditures certification report is provided in Annex C (v).

(f) Comply with the requirements of applicable tax and social security legislation

All the expenditures should comply with the **tax and social security legislation** applicable to the entity which incurred them.

9.2.2 Direct expenditures

The following categories of direct expenditure, as defined in the PIA art. 4.2, incurred by the FO, project promoters and project partners may be considered eligible:

! Not applicable for the FO's management fee

(a) Cost of personnel assigned to the project

The cost of personnel assigned exclusively to the project, comprising actual remuneration including social security charges and other statutory costs as applicable are eligible at a rate of 100% provided that this corresponds to the usual policy on remuneration of the entity reporting them.

In all the other cases, only the costs of the actual hours worked by the persons directly carrying out tasks under the project may be charged.

Example of an hourly rate calculation- personnel costs:	
Total days in a year	365
Weekends	-104
Annual holidays	-21
Statutory holidays	-15
Illness / Other	-15
Workable days in a year	210
Total productive hours	210 x 7.5 hours = 1,575 hours
Total remuneration (statutory costs, including holiday pay, etc.)	€9,000 / year
Hourly rate	€9,000 / 1,575 = €5.71 per hour
Total hours worked for the project	650
Total costs charged to the project	650 x €5.73 = €3,712

Statutory costs include social security and other (usual) allowances.

The following principles should also be taken into consideration:

- The existence of an employment/work contract, a fee based contract or an appointment decision
- ! If a personnel member is employed to work exclusively on the project, a clear reference to the project should be included in the contract/appointment decision to avoid any ambiguities.
- Overtime may be accepted provided that it is necessary to the project, in line with the entity's usual policy and the national legislation. Systematic overtime payments are not in line with the PIA requirements on proportionality and the sound financial management set out in art. 4.1.2
- Overheads, daily allowances and any other travel related costs cannot be included under this expenditure category
- Any additional benefits (e.g. monthly transport costs) must be directly linked to the remuneration payments and incurred and paid in accordance with the employment contract or relevant national legislation



In case of any differences in rates between the project budget and the employment contract, the contract rate prevails and should be applied when calculating the incurred personnel costs.

Working time should be recorded throughout the duration of the project by timesheets or a suitable time recording system and adequately supported by evidence of its reality and reliability. Sufficient documentation showing compliance with national social and tax legislations should also be maintained.



GOOD PRACTICE

Consider using timesheets for projects even if the PIA does not require them

An effective timesheet system can help to meet several important objectives:

- Allocating personnel costs to the project according to their actual time inputs
- Allocating the work to the correct activity in the project
- Checking that a personnel member is actually present
- Documenting the personnel's work on the project

Personnel timesheets should be signed, reviewed and approved by their direct superior (for example the project manager).

If personnel work on several projects during the same period, it is a best practice to maintain an overview of the time spent by each individual on the different projects, which should tally with his/her total time worked. This practice should ensure that no time can be charged twice.

(b) Travel and subsistence allowances for personnel and volunteers taking part in the project

The following principles apply to travel and subsistence costs:


- Travel must be clearly linked to the delivery of the project and borne by the entity's personnel or volunteers
- Any expenditure item covered by the daily allowance cannot be eligible in addition to the daily allowance
- The amount of daily allowances must be in line with the relevant national legislation and internal rules of the entity (if applicable)
- The principle of sound financial management should apply to the choice of transport and accommodation
- A proof of expenditure for costs incurred shall be available. It should demonstrate that the travel actually took place and was directly linked to the project (e.g. invoice of travel agent, plane tickets, e-tickets, boarding pass, meal receipts, list of participants, minutes, agenda etc.)
- Direct payment by a personnel member or the partner organisation must be supported by a proof of reimbursement by the entity

! Important:

- Travel and accommodation costs of participants of trainings/events should be budgeted for and reported under "costs of consumables and supplies" - PIA art. 4.2.1.d)
- Travel and accommodation costs of external experts and service providers should be budgeted for and reported under "costs entailed by other contracts awarded by a project promoter for the purposes of carrying out the project" - PIA art. 4.2.1.e)

(c) Cost of new or second hand equipment

Depreciation of equipment (new or second-hand) as recorded in the accounts of the entity is eligible provided that the asset has been purchased in compliance with the applicable rules and written off in accordance with generally accepted accounting principles applicable to the entity and generally accepted for items of the same kind. Only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project may be considered eligible.

In exceptional cases the entire purchase price may be considered eligible. 

All the equipment should be purchased in accordance with the applicable rules

! Important:

The entire purchase price of the equipment can be considered as eligible **ONLY** if:

- The equipment is an integral and necessary component for achieving the outcomes of the project. **In general, this cannot apply to an equipment item purchased when the project implementation is well advanced or at the end of the implementation**
- The FO's assessment in relation to the above is documented and the conclusion is specified in the project contract (the equipment item is included in the approved budget)
- The FO ensures that the project promoter complies with additional obligations stipulated in **PIA art. 4.2.3**
- The detailed means for the implementation of these obligations are specified in the project contract
- If continued use of the equipment would serve no useful economic purpose and therefore, the FO decides to release the project promoter from these obligations, this decision should be specified in the project contract

on procurement as presented on the next page.

If the equipment has not yet been fully depreciated, the remaining depreciation (according to the amount of use in percentage and time) can be eligible under the project.



Example of eligible costs – equipment depreciation:

A project promoter has a piece of equipment that is depreciated over five years and at the start of the project has already been using it for two years. Assuming that the equipment is used 100% for the project, the last three years of the equipment's useful life form an eligible cost of the project (assuming the project lasts for those three years).

(d) Costs of consumables and supplies

Costs of consumables and supplies are considered eligible if:

- They are identifiable and assigned to the project
- The consumables and/or supplies were purchased in accordance with the applicable rules on procurement →

Travel and accommodation costs of participants of trainings/events should be budgeted for and reported under this category.

All the assets including equipment and consumables should be:

- Kept safe and used for their intended purposes
- Duly and physically identified (e.g. by stickers, tag numbers, etc.)

(e) Costs entailed by other contracts

Costs entailed by other contracts are considered eligible if:

- Contracts are awarded by the project promoter for the purposes of carrying out the project
- The awarding complies with applicable rules on procurement →
- The contract is signed during the eligibility period (the procurement procedure may be launched before).

! Costs incurred by a project partner CANNOT be considered as subcontracting

(f) Costs arising directly from requirements imposed by the project contract

Costs arising directly from requirements imposed by the project are considered eligible if:

- The requirement is clearly specified in the project contract
- Were purchased in accordance with the applicable rules on procurement →

Examples of costs arising directly from requirements imposed by the project contract:

Information, publicity, translations, specific evaluations, audits, charges for financial transactions, etc.

! Important:

Applicable rules on procurement

For purchases and contracts awarding in the framework of the Programme and the projects:

- National and European Union legislation on public procurement shall be complied with
- In case the national law exempts NGOs from the public procurement, any procurement procedures related to amounts above the European Union thresholds for procurement shall be undertaken in accordance with the applicable EU directives
- In the absence of stricter national laws, in cases of ALL the purchases related to an amount of EUR 5 000 or higher, the entity shall invite at least three suppliers/service providers to submit offers. The contract should be awarded to the bid offering the best value for money or the lowest price (as appropriate). The entire selection procedure should be documented
- The rules are there to ensure a transparent, equal-opportunity and competitive process
- Procurement is crucial: if it does not comply with the rules, the FMO may recover the funds
- For more detailed requirements on procurement rules refer to the PIA Chapter 7 Public Procurement
- The FO shall ensure that all records of the awarding and execution of the contracts are kept in line with the PIA art. 12.7

9.2.3 Indirect expenditures

As defined in the PIA art. 4.3 indirect costs of the project shall represent a fair apportionment of the overall overheads of the project promoter or the project partner. Project promoters and project partners may apply a flat rate of up to 15% of direct eligible personnel costs to cover these costs. In such a case:

- The flat rate percentage and the maximum amount should be indicated in the project budget/project contract
- The project promoter should be able to demonstrate that the percentage applied represents a fair apportionment of its overall overheads
- The agreed percentage should be applied only to eligible personnel costs reported as incurred in each financial report
- No supporting documents (invoices, receipts, etc.) should be required from the project promoter to document the indirect expenditures when the flat rate is applied

Example of calculation of indirect expenditures:

Budgeting stage

Estimated total amount of eligible personnel costs included in the project budget:	€50,000
Indirect costs flat rate proposed by the project promoter and agreed in the project contract:	10%
Total estimated indirect costs budgeted for the project (10%*50,000):	€5,000

Financial reporting stage

Total amount of eligible personnel costs reported as incurred during a defined reporting period:	€10,000
Indirect costs flat rate proposed by the project promoter and agreed in the project contract:	10%
Total eligible indirect costs to be reported during the defined period (10%*10,000):	€1,000

! Itemised cost (e.g. individual invoices) are not allowed under this category of expenditures.

In case of a PDP implemented by or in partnership with an international organisation, indirect costs may be identified in accordance with the relevant rules established by this organisation. In such cases, specific provisions should be included in Annex II to the PIA.

Indirect costs at the Programme level are not eligible as a separate expenditure category and should be covered from the FO's management fee.

9.2.4 Excluded costs

The PIA art. 4.4 provides a list of costs which are not considered eligible and should consequently not be supported in the framework of the Programme. These are:

- Interest on debt, debt service charges and late payment charges (e.g. costs on loans taken - also in relation to the project, penalties/charges related to late payments of invoices)

- Charges for financial transactions and other purely financial costs

! **Exception:** Costs related to accounts and financial services imposed by the project contract.

- Costs related to the purchase of land or real estate: ONLY the costs related to reconstruction, renovation, or refurbishment of real estate can be considered eligible, but shall not exceed 50% of the eligible direct cost of the project
- Provisions for losses or potential future liabilities: it is not possible to include potential losses as an eligible expense
- Exchange rate losses: the donors cannot be held liable to pay more in EUR than what they have committed in the PIA and at the same time, the projects cannot get more EUR than awarded from the Programme grant
- Recoverable VAT: if paid VAT can be recovered at a later stage, it cannot be considered as an eligible expenditure even if it has not yet been recovered
- Costs that are covered by other sources: to avoid double funding (e.g. if the full price of an equipment, purchased previously, was funded from another grant, the depreciation of this equipment cannot be eligible within the project)

PIA
art.
4.2.2

GOOD PRACTICE:

To limit a potential risk of double funding:

- Require that all invoices (or similar accounting documentation) are stamped with the project's unique number / accounting cost centre. This should also be stamped on any payment documentation relating to each invoice. **Marking them in pencil does not serve the purpose!**
- An original document is more reliable than a copy, as it is difficult to alter and offers better protection against recording the same expense item twice. Require project promoters to present you with original invoices at least during on- the-spot verifications of projects performed based on the PIA art. 9.3.2.b)
- Require that personnel is asked to prepare a timesheet on a weekly or monthly basis covering all projects and activities. They should record their time using actual time spent on each project activity, irrespective of what time is budgeted for that project. **Not signed and not approved timesheets do not serve the purpose!**
- Require that all personnel costs are paid using bank transfers
- Require project promoters to open a dedicated bank accounts for the project if possible

- Fines, penalties and costs of litigation (e.g. fines imposed by public bodies due to lack of security measures on a building site, parking tickets, fines for late payments)

! **Exception:** If the litigation is an integral and necessary component for achieving the outcomes of the project, the costs of such litigation are eligible to be financed from the project.

- Excessive or reckless expenditure: this must be seen in relation to the PIA art. 4.1.2 c) which state eligible expenditures must be “proportionate and necessary for the implementation of the project” (e.g. travelling business class, buying state of the art equipment where cheaper options would cover the same needs)

9.3 PAYMENTS TO FUND OPERATOR AND PROGRAMME LEVEL FINANCIAL REPORTING

9.3.1 Payments to the fund operator

The following are the main rules governing the payments from the FMO to the FO covered in the PIA art. 2.2:

- They shall take a form of the advance payment, interim payments and the payment of the final balance
 - They are to pre-finance estimated future expenditures and should ensure that the FO has a positive cash flow throughout the whole implementation period
 - Interim payments shall be paid based on Interim Financial Reports (IFRs) submitted by the FO and approved by the FMO
 - Amounts requested in the IFRs should be calculated by the FO on basis of:
 - Expenditure incurred directly by the FO
 - Amounts paid to projects and effected by the FO in the form of bank transfers from the regranting account i.e. disbursed amounts
- ! Amounts disbursed by the FO to projects should not be confused with incurred project expenditures.
- The future cash needs of the FO taking into account the funds previously received, reported incurred expenditure and new pre-financing requests.
- They should be denominated and carried out in EUR
 - They should be made when all relevant conditions for payments stipulated in the PIA have been fulfilled

(a) Management fee payments

The following are the main rules governing payments of the management fee covered in the PIA art. 2.2.1:

- Unless otherwise agreed and specified in Annex I to the PIA, the advance payment of 10% of the management fee should be paid 14 days after the last signature of the PIA
- The next payments will be done in accordance with the interim financial reports at the payment days referred to in the PIA art. 8.2, unless the report has not been approved by the FMO
- Payments will be transferred to the FO’s own account

PIA art.
2.2.1 c)
and
8.6.6

- 15% of the management fee will be retained by the FMO. The retained amount will be paid no later than 1 month after the FMO's approval of the Final Programme Report

Example calculation of the management fee retention:

Budget heading	Total
Management fee	€1,000,000

- Amount retained for final balance 15%: €150,000
- Until the Final Programme Report is approved, the payments to the Programme in relation to the management fee will be limited to: €850,000
- The 15% retention is not calculated over each advance and interim payment to the Programme

(b) Other funds payments

The following are the main rules governing payments of other funds covered in the PIA art. 2.2.2:

- In principle, there will be no advance payment in relation to other funds. In exceptional and duly justified cases, if funds are needed before the first interim payment date and this can be justified by the FO, such payment might be considered upon request from the FO
- The exceptional advance payment request should be submitted in a format presented below and should include:
 - A breakdown per budget heading (see below)
 - A justification (e.g. payments to some projects are foreseen before the first payment date referred to in the PIA art. 8.2)
 - An estimated date by when the exceptional advance is needed

Exceptional advance – other funds (PIA Art. 2.2.2.b)	Amount (EUR)
Outcome 1	
Outcome 2	
Outcome 3	
...	
Fund for Regional Civil Society Initiatives	
Fund for Bilateral Relations	
Total	

Justification for exceptional advance:

Estimated date by when the exceptional advance is needed: dd/mm/yy

- Payments will be done in accordance with the interim financial reports and at the payment days referred to in the PIA art. 8.2, unless the report has not been approved

PIA
art.2.1.1 b)

- A detailed description of the management and control systems, accompanied with an audit report and opinion shall be submitted to the FMO prior to disbursing any payment to the regranting account
- Payments will be transferred to the regranting account established by the FMO

PIA art.
1.12

9.3.2 Programme level financial reporting

(a) Interim financial reports

The following are the main rules governing Interim Financial Reports (IFRs) from the FO to the FMO defined in the PIA art. 8.2:

- The reports shall be submitted with a pre-defined frequency, covering two reporting periods in each calendar year:
 - 1 January – 30 June for actual expenditure incurred and 1 November – 30 April for proposed expenditure, with a deadline for submission to the FMO on 15 September for payments to be made by 15 October
 - 1 July – 31 December for actual expenditure incurred and 1 May - 31 October for proposed expenditure, with a deadline for submission to the FMO on 15 March for payments to be made by 15 April
- The purpose of an IFR is to provide:
 - A statement of actual expenditure incurred in EUR for the reporting period preceding the submission date of the report (i.e. if the submission deadline is 15 September, reporting shall cover the period 1 January – 30 June)
 - A statement for proposed eligible expenditure in EUR for the reporting period immediately following the submission date of the report (i.e. if the submission deadline is 15 September, the proposed expenditure shall cover the period 1 November – 30 April)

Example calculation of the proposed expenditures - IFR:	
Cash Balance Calculation : 15 September IFR	
Forecasted eligible expenditure for the next reporting period (1 November - 30 April)	+ €800,000
- Previously proposed eligible expenditure till 31 October	- €1,000,000
+ Total incurred eligible expenditure reported till 30 June	+ €600,000
+ Forecasted eligible expenditure between 30 June - 31 October	+ €100,000
Proposed eligible expenditure for the next reporting period (1 November– 30 April) in IFR	€500,000

- Information on progress towards achieving outputs and outcomes, as appropriate

- Reporting on incurred and proposed expenditure shall be broken down per budget heading as set out in the Programme's budget
- The FMO will disburse the amount of the proposed expenditure, unless it is considered unjustified. The amount of any previously disbursed, but unused funds will be taken into consideration when approving the IFR for payment. In case of any modifications made by the FMO, the FO will be informed
- An IFR received after its due date but on, or before, the following due date will be processed by the FMO as if the report was received on its following due date. If an IFR has not been received within twelve months from the end of the reporting period in which the expenditure has been incurred by the FO, the expenditure for that period will be declared ineligible and cancelled
- In case of discrepancies in payments which are due to rounding errors and which cumulatively do not exceed EUR 50, the relevant amounts shall be taken into account in the calculation of the final balance
- The FO should submit IFRs in a template provided by the FMO via a web-based interface. The interface will provide all necessary explanations and guide the FO through all steps of completing and submitting the report

(b) Reporting on final balance

The final programme balance on the regranting account should be calculated by the FO and included in the financial annex of the Final Programme Report to be approved by the FMO in accordance with the PIA art. 8.6.

A statement of actual expenditure incurred for the last reporting period will also be part of the financial annex. This section will follow the standard format of the same section of the IFR.

Similarly to the IFR, the FO will be required to submit this report in a template provided by the FMO via a web-based interface.

The calculation of the final balance should take into consideration:

- The total advance and interim payments transferred by the FMO to the regranting account
- The total eligible expenditure reported by the FO

All amounts recovered and returned by project promoters following a cancellation of all or part of the project grant shall be transferred to the regranting account prior to the closure of the Programme.

9.4 FORECAST OF LIKELY PAYMENTS APPLICATIONS

Based on the PIA art. 8.3, the forecast of likely payment applications shall be submitted to the FMO 4 times a year: by 20 February, 20 April, 20 September and 20 November, in a format provided by the FMO.

When preparing the forecast to be submitted to the FMO, the following points should be adhered to:

- During the current year, the estimated total payment application for that year should be submitted including already paid amounts in the year
- The forecast should include justifications for the forecast e.g. explanations on any changes from the previous forecast.
- The forecast shall include estimated payment applications for each year including the current year

! Each forecast should be updated and reviewed carefully by the FO as this input is important for the budgetary planning of the donor states.

9.5 PAYMENTS TO PROJECTS

Payments from the FO to the project promoters, as defined in the PIA art. 9.4 shall take the form of advance payments, interim payments and payments of the final balance.

The level of advance payments and their off-set mechanism shall be proposed in the Programme proposal and set in the PIA. The level of advance payment shall be adequate and shall ensure a regular financial flow at project level.

The frequency and timing of payments shall be set out in a way that a positive cash flow is ensured to project promoters during project implementation. Interim payments may be based either on the principle of pre-financing or on the principle of reimbursement of incurred expenditure, whichever is found more appropriate by the FO.

9.6 VERIFICATIONS OF PROJECTS

Key message:

! The verifications should form an integral part of the internal control systems of the FO and, where properly implemented should also contribute to the prevention and detection of any fraud.

9.6.1 General rules

Based on the PIA art. 9.3.2, verifications of projects (compliance-based monitoring) should take a form of:

- Administrative verifications in respect of incurred expenditure reported by project promoters
- On-the-spot verifications of projects

The FO is responsible for planning, administering and assessing its internal capacity to identify the number and value of projects which can be appropriately managed. It should seek to have adequate human resources with an appropriate experience. In particular, the FO's staff performing the verifications of projects needs to have knowledge of national laws and EEA/Norway grants rules and requirements (eligibility rules, information and publicity requirements, etc.). When the administrative verifications and on-the-spot verifications are carried

out by different persons, the procedures in place should ensure that both receive relevant and timely information on the results of the verifications carried out.

The verifications of projects should cover administrative, financial, technical and physical aspects of projects. In particular the verifications should cover:


- Adequacy of supporting documents and existence of an adequate audit trail
- Compliance with all the eligibility rules defined in the PIA
- Compliance with generally accepted accounting principles
- Compliance with the project contract as well as applicable national and European Union legislation
- Respect of the rules on publicity (photographs of billboards, copies of promotional brochures, training course materials and diplomas may be used to provide evidence of the verification of compliance with the publicity requirements)
- No double funding

When the same project promoter implements more than one project at the same time or receives funding from other donors, there shall be a mechanism in place to verify potential double financing of expenditure items.

- Physical progress of the project
- Delivery of the product or service

9.6.2 Verifications records

The FO shall be in a position to demonstrate, through adequate documentation of the verifications carried out, that the overall intensity of verifications, both administrative and on-the-spot, is sufficient to give a reasonable assurance of the legality and regularity of the expenditure co-financed under the Programme.

All the verifications shall be documented (e.g. in a form of checklists). The verification records should, as a minimum, include: 

- A brief summary work of performed
- Details of the financial report/expenditure items reviewed
- The value of checked expenditure i.e. the amount tested to source documentation
- The results of the verifications
- A description of irregularities detected with a clear identification of the related rules infringed and the corrective measures taken (follow up action may include the submission of an irregularity report and a procedure for recovery of the funding)
- The name and position of the person performing the verification
- The date and signature

9.6.3. Administrative verifications

Administrative verifications are desk-based documentary examinations of the financial report and relevant supporting documentation (e.g. invoices, proofs of payment, timesheets, presence lists, proofs of delivery, bank statements, others). The main principles of the administrative verifications required under the PIA art. 9.3.2.a) are:

- Each financial report submitted by the project promoter should be verified by the FO before it is approved
- The supporting documentation required from the project promoter should, as a minimum, include a schedule of the individual expenditure items, totalled and showing the expenditure amount, the references of the related invoices, the date of payment and the payment reference number and list of contracts signed (if applicable). Moreover, ideally,

GOOD PRACTICE:

Checklists, which act as a guide for carrying out the verifications, are often used to record each of the actions performed together with the results. To be useful, these should be sufficiently detailed. For example, when recording verifications of the eligibility of the expenditure, it is not sufficient to have one box on the checklist stating that the eligibility of the expenditure has been verified. Instead, a list of each of the eligibility points verified should be detailed with reference to the related legal basis. For more straightforward verifications such as checking the sum of a list of transactions, a simple tick beside the total figure would suffice to record the work done.

To serve the purpose, as a minimum, the checklist should include questions on:

- All general eligibility criteria listed in the PIA and the specific criteria for each type of expenditure, including indirect costs
- The identification of ineligible expenditure as defined in the PIA

electronic invoices and payments or copies of invoices and proof of payment should be provided for all expenditure items. However, where this would involve a large volume of documentation, an alternative approach might involve requesting only the supporting documentation in respect of a sample of expenditure items selected for the detailed review as explained below

! The documents to be submitted with each report should be comprehensive in order to enable the FO to verify the legality and regularity of the expenditure.

- In a case of a large volume of transactions/supporting documents accompanying the financial reports, it is advisable to focus verifications on samples of transactions/items, selected based on risk factors →
- The sampling methodology used and a reasonable percentage of declared project costs to be verified against supporting documents (per each risk level) shall be established ex-ante by the FO and described in the MCS

GOOD PRACTICE:

The following risk factors can be taken into account when selecting a sample of transactions/items for a detailed review:

- A type of project promoter/project
- A value/type of expenditure items
- The past experience (e.g. a number and gravity of problems identified when reviewing previous reports from the project promoter)

The sample selected based on the risk factors should be complemented by a random sample of invoices/transactions to ensure that all items have a probability to be selected.

9.6.4 On-the-spot verifications

! Visits of projects as a preventive measure to verify the capacity of an applicant do not replace the on-the-spot verifications of projects selected for funding

BUT

! On-the-spot verifications can be considered as a part of the monitoring (on-site compliance-based monitoring) and should be a part of the monitoring plan

On-the-spot verifications required under the PIA art. 9.3.2.b) should be carried out in order to check in particular:

- The reality/physical existence of the project
- Delivery of the product or service in full compliance with the project contract
- Physical progress
- Respect for the rules on publicity, etc.
- Existence of original supporting documents (especially when the same project promoter implements more than one project at the same time or receives funding from other donors)

Frequency and coverage of on-the-spot verifications should be proportionate to the financial support and to risks identified. On-the-spot verifications may be carried out on a sample basis. Where sampling is used for the selection of projects for on-the-spot verifications, the FO shall keep records describing and justifying the sampling method and a record of projects selected for verification. No project shall be excluded from the possibility of being subject to an on-the-spot verification. The sampling methodology used and a reasonable percentage of project to be verified on-the-spot shall be established ex-ante by the FO and described in the MCS.



GOOD PRACTICE:

The following risk factors can be taken into account when selecting a sample of projects for on-the-spot verifications:

- Complexity of the project
- The amount of financial support
- The extent of detailed checks during the administrative verifications
- The level of risk identified during administrative verifications (i.e. problems, irregularities, particular transactions that appear unusual and require further examination)

Generally, the notification of the on-the-spot verifications should be given in order to ensure that the relevant personnel (e.g. project manager and accountant) and documentation (in particular, financial records including bank statements and original invoices) are made available during the verification. However, in some cases (e.g. suspected fraud, risk that documents will be forged, etc.), it may be appropriate to carry out on-the-spot verifications without a prior notice.

It is recommended to carry out on-the-spot verifications of projects prior to their completion to enable corrective action in case problems are identified and to avoid that irregular expenditures are approved. The recommended timing is:

- Normally when the project is well under way (physical and financial progress)
- For projects of intangible nature: during project implementation to attest reality of activity
- For projects for which the entire purchase price of an equipment item was allowed by the FO: an additional verification after project's completion should be considered in order to verify compliance with additional obligations as stipulated in the PIA art. 4.2.3

9.7 AUDITS

Key message:

The objectives of the audits are different from those of the verifications, the former being carried out by an external auditor and mostly ex-post. The objective of the audits is to assess whether the internal controls are operating effectively whereas the FO's verifications form a part of the internal controls and regular monitoring.

9.7.1 Audits of projects

Based on the PIA art. 9.5.1, at least 10% of expenditures incurred by the project promoters, covering at least 15% of projects, shall be subject to an independent external financial and compliance audit commissioned by the FO.

Example calculation of the required audit coverage:	
Total amount of expenditures reported as incurred by project promoters:	€ 10,000,000
Total number of projects implemented within the Programme:	200
Minimum audits requirements:	
Minimum amount of expenditures to be audited (10%):	€ 1,000,000
Minimum number of projects to be audited (15%):	30

In case all projects are of small values and 15% of them is less than 10% of expenditures incurred, a number of projects to be audited should be increased until the total amount reaches the required minimum of 10%

The sample of projects to be audited should be selected by the FO or the audit company based on the risk assessment. The main principles of the sampling approach should be defined in the MCS

The audits must be performed by an independent certified auditor in accordance with the applicable International Standards on Auditing (ISA), the International Standards on Quality Control (ISQC) and the Code of Ethics as published by the IFAC.

The auditor should verify compliance of expenditures with the *Contractual conditions applicable for the Active Citizens Funds*: audit of legality and regularity of expenditures.

The specific objectives, or assertions, for which the auditor should ultimately report on are:

- Reality and measurement: underlying operations exist and are accurately determined
- Eligibility of underlying transactions: eligibility criteria are met for the various transactions
- Compliance with other requirements: other (non-eligibility) criteria are met
- Correctness of calculations: all calculations are correctly undertaken
- Completeness and accuracy of accounting: all transactions are accounted for, are not included more than once, and are recorded in the correct accounting period and at correct value

DEFINITION:

Contractual conditions applicable for the Active Citizens Funds:

- EEA/Norway Grants contractual framework: PIA
- Beneficiary state's national legislation applicable to the FO/project promoter/partner

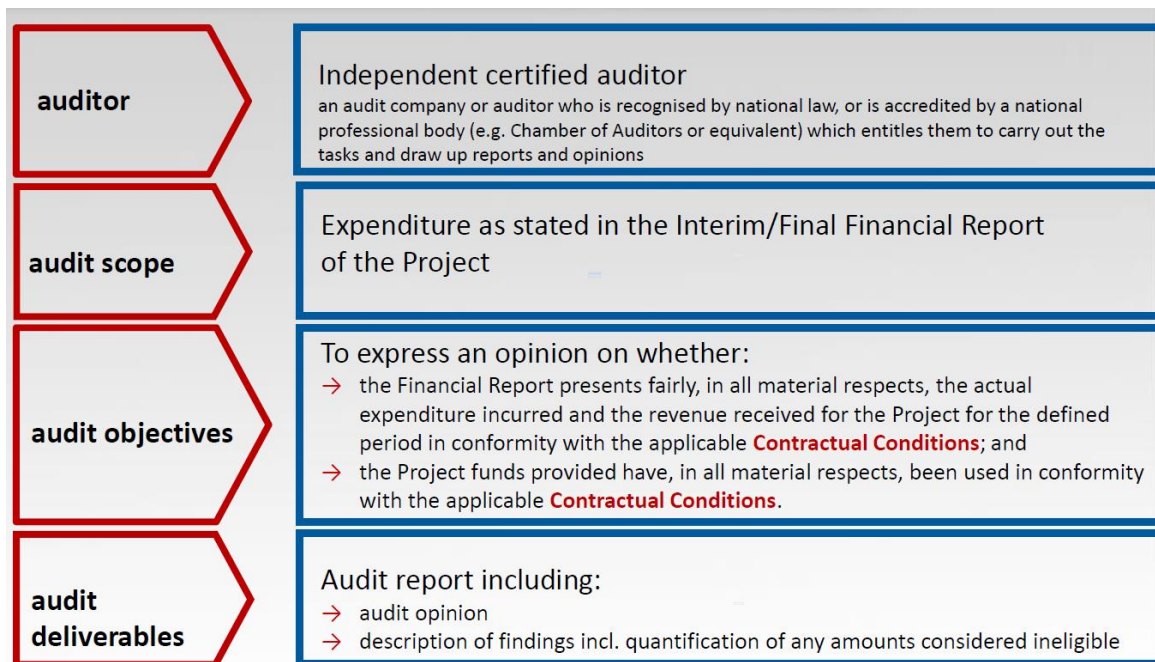


Figure 5: Main Audit Requirements

! It is recommended that the projects' audits are carried out after submission of the **final** project report and before its approval by the FO. In such case, the audit scope will include all the expenditures reported for the project.

9.7.2 Audit of expenditures incurred by the FO

Based on the PIA art. 9.5.2, the costs incurred directly by the FO shall be subject to an independent external financial and compliance audit commissioned by the FO before submission of the Final Programme Report referred to in the PIA art. 8.6.

This obligation also includes costs incurred within the framework of any pre-defined project implemented directly by the FO. Costs related to audits of pre-defined projects implemented by the FO should be allocated within the budget of each project in question.

Principles and requirements applicable for this audit are the same as for audit of projects described in the section above.

9.7.3 Audits and on-the-spot verifications arranged by the FMO

Based on the PIA art. 12.3, the FMO may arrange audits and on-the-spot verifications of the Programme and projects. These cover e.g. audits on the management and control systems launched by the FMO.

9.7.4 Audits by EFTA Board of Auditors/Office of Auditor General of Norway

Based on the PIA art. 12.4, also the EFTA Board of Auditors/Office of Auditor General of Norway may conduct audits of the Programme and projects.

X IRREGULARITIES, FINANCIAL CORRECTIONS, SUSPENSIONS OF PAYMENTS AND COMPLAINTS

10.1 RESPONSIBILITIES RELATED TO IRREGULARITIES

Irregularities are defined in Article 10.2 of the PIA. In accordance with Chapter 10 of the PIA, the Fund Operator shall:

PIA Article 10.2

- Make every effort possible to prevent, detect, and nullify the effect of any cases of irregularities
- Investigate any suspected and actual cases of irregularities promptly and efficiently, including making any financial corrections that may be appropriate
- Keep a register of all irregularities, and shall, upon request from the FMO, inform the FMO about the irregularities within one month
- Report all suspected and actual cases of irregularities to the FMO
- Take all reasonable measures to recover any amount unduly paid to a project promoter, including using any available judicial or administrative remedies

10.2 FINANCIAL CORRECTIONS AND SUSPENSION OF PAYMENTS

In accordance with Chapter 10 of the PIA, the FMO may:

- Make financial corrections consisting of cancelling all or part of the financial contribution to the Programme
- Decide to suspend payments to a Programme
- Decide to suspend payments to any of the projects under a Programme if the Fund Operator has not taken the appropriate and necessary measures to investigate and, when appropriate, remedy such deficiencies or prevent loss of funds.

The procedures for applying financial corrections and suspending payments are described in Chapter 10 of the PIA.

10.3 COMPLAINT MECHANISM

In accordance with Article 10.5 of the PIA, the Fund Operator shall:

PIA Article
10.5

*Complaints
mechanism*

- Establish a complaint mechanism, which ensures the anonymity of the complainant. The mechanism shall, as a minimum, comprise:
 - a procedure for submitting and addressing complaints
 - a Complaints Committee
 - Prominently place information on its website about the complaint mechanism and how to submit a complaint
 - Upon request of the FMO, examine complaints received by the FMO

- In accordance with its responsibilities in section 9.1 above, report any complaints involving suspected irregularities to the FMO
- Maintain a register of all complaints

10.3.1 Complaints Committee

The objective of the Complaints Committee shall be to:

- Provide an accessible, transparent and consistent mechanism for complainants to express concerns regarding a supposed occurrence of mismanagement
- Assess each complaint submitted to it in a timely and effective manner
- Provide guidance and recommendations regarding follow-up, and
- Report back to the complainant (and to the FMO upon request) on corrective actions when applicable to resolve any assumed incidents of mismanagement.

The Complaints Committee shall be established at the level of each Programme and include at least:

- One member who is external to the Fund Operator and its Board
- One member of the Executive Board of the Fund Operator, and
- The director/senior manager of the Fund Operator.

The Complaints Committee shall exclude programme staff responsible for assessing project applications and following up on those projects subject to complaint. The Fund Operator should document and clear conflict of interest issues related to the composition of the Complaints Committee.

All complaints shall first be assessed by the FO. A complainant who is not satisfied with the conclusion made by the FO has the right to take the case to the Complaints Committee, which shall again assess the complaint and conclude on the case.

If it is concluded, as a result of the assessment by the FO or the Complaints Committee, that the complaint concerns a case of irregularity, as defined in Article 10.2 of the PIA, and which needs to be reported to FMO in accordance with Article 10.4 the PIA, the FO shall report the case to the FMO following the standard irregularities procedure.

Complaints may still be submitted directly to the FMO. If the FO is not the subject of the complaint, the FMO should refer the complaint to the FO. If the FO is the subject of the complaint, the FMO will investigate the case and may ask the programme's Complaints Committee to provide a response (maintaining the complainant's confidentiality).