

Block Grants

The EEA Financial Mechanism & The Norwegian Financial Mechanism 2004-2009

(as amended on 2 December 2004, 10 February 2005
26 January 2006, and 28 November 2007,)

**The EEA Financial Mechanism & The Norwegian Financial Mechanism
2004-2009**

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1. GENERAL

Article 2.2.3.1 of the Rules and Procedures for the implementation of the EEA Financial Mechanism and the same article of the Rules and Procedures for the implementation of the Norwegian Financial Mechanism refer to guidelines on block grants. This guideline is intended to describe the general characteristics pertaining to block grants.

1.1 *What is a block grant?*

A block grant is a fund consisting of an intermediary-level (implemented by a block grant intermediary) and sub-projects (implemented by end-recipients). A block grant is set up for a clearly defined purpose that may be used to provide assistance to individuals, organisations or institutions. Block grants are intended to facilitate activities where each sub-project or end recipient is too small to be identified a priori or to be administered cost-effectively on an individual basis.

A limited share of the overall amount may be allocated to block grants, which may be proposed at a regional, sub-regional or local level, or target specific strategic themes.

Block grants enable EEA Financial Mechanism and Norwegian Financial Mechanism resources to be made available more easily to organisations which are often well placed to respond to specific development issues (e.g. social inclusion, or local development initiatives) but not necessarily well equipped to deal with the demands of the application process themselves.

Block grant intermediaries will be responsible to the National Focal Point and the EEA Financial Mechanism and/or the Norwegian Financial Mechanism for the implementation of the block grant under delegated authority.

The EEA Financial Mechanism and the Norwegian Financial Mechanism are intended to create additional benefits for the Beneficiary States. They provide an additional source of funding and shall not replace financial support from other sources. Accordingly, block grants should complement and must not replace existing activities supported by European Community funding and other financial sources.

1.2 *Eligible applicants*

All public or private sector bodies and non-governmental organisations (NGOs) constituted as legal entities in the Beneficiary States and operating in the public interest - e.g. national, regional and local authorities, education/research institutions, environmental bodies, voluntary and community organisations and public-private partnerships are eligible to apply to become block grant intermediaries.

Eligibility of applicants for sub-projects funded by block grants will be determined in the grant agreement.

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1.3 Rate of grant assistance and co-financing

The rate of the financial assistance to the block grant (the fund) is described in Article 3.2 of the Rules and Procedures as follows:

- (a) *Grant rate up to 60%*; With the exceptions referred to in subparagraphs (b) and (c) below, the grant rate shall not exceed 60% of the project cost.
- (b) *Grant rate up to 85%*; Where 15% or more of the project costs is co-financed by central, regional or local government budget allocations, the EEA Financial Mechanism may provide a grant for the remainder of the project cost.
- (c) *Grant rate up to and above 85%*; For grant assistance set up to support NGO activities (including social partners), or to provide seed money or scholarships, the EEA Financial Mechanism and the Norwegian Financial Mechanism may be applied in combination in order to allow grant rates above those described in sub-paragraph (a) and (b) of this Article, but generally not above 90%. Domestic co-financing will normally be required. In exceptional cases, the Financial Mechanism Committee and the Norwegian Ministry of Foreign Affairs may agree to apply this grant rate to block grants funded from both financial mechanisms, if they deem that the objectives of such a block grant are of high relevance to the aims of the EEA and the Norwegian Financial Mechanism.

The required co-financing shall normally be applied at the intermediary-level.

In addition to co-financing at the intermediary-level, the intermediaries responsible for the implementation of block grants shall generally require that sub-projects funded by the block grant are co-financed by the end-recipients. With the exception in the paragraph below, such co-financing by end-recipients does not affect the co-financing rate at the intermediary-level.

In exceptional cases, where the requirement of co-financing at the intermediary level might prevent the establishment of the fund, and the fund is of high relevance to the aims of the financial mechanisms, the Financial Mechanism Committee and/or the Norwegian Ministry of Foreign Affairs may decide to apply the grant rate requirements according to paragraph 1 on the sub-project level instead of the intermediary-level. In such cases, the Beneficiary States shall consult with the Financial Mechanism Committee and/or the Norwegian Ministry of Foreign Affairs and obtain their/its interim approval for such arrangement, prior to submitting the application to the FMO.

Support from the EEA Financial Mechanism and the Norwegian Financial Mechanism shall not replace other sources of finance including local grants, subsidised facilities, bank loans or export credits.

1.4 Parties

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Block grants shall be implemented by a block grant intermediary, which shall be an independent legal entity with strong ties either to the sector concerned or the geographical area in which the block grant is to be implemented. The block grant intermediary shall act as an accountable body for the block grant, assuming full responsibility for the correct implementation thereof.

Sub-projects, implemented with support from the block grant shall be administered by end-recipients.

1.5 Technical assistance fund for the implementation of the Financial Mechanisms

A block grant can be set up as a technical assistance fund for the Beneficiary State in order to contribute to costs related to the implementation of the EEA Financial Mechanism and/or the Norwegian Financial Mechanism that are eligible under Article 8.2 of the Detailed Eligibility Provisions – Expenditures. In such cases the block grant intermediary shall, notwithstanding Article 1.2 of these guidelines, be the Focal Point.

The Focal Point submits an application for technical assistance fund to the Financial Mechanism Committee and/or the Norwegian Ministry of Foreign Affairs. Specific eligible costs will be detailed in the Grant Agreement. The block grant intermediary shall, whenever feasible, collect bids for provision of services from a pool of potential providers.

A block grant intermediary managing such a block grant does not have to call for, receive, or approve applications from final beneficiaries.

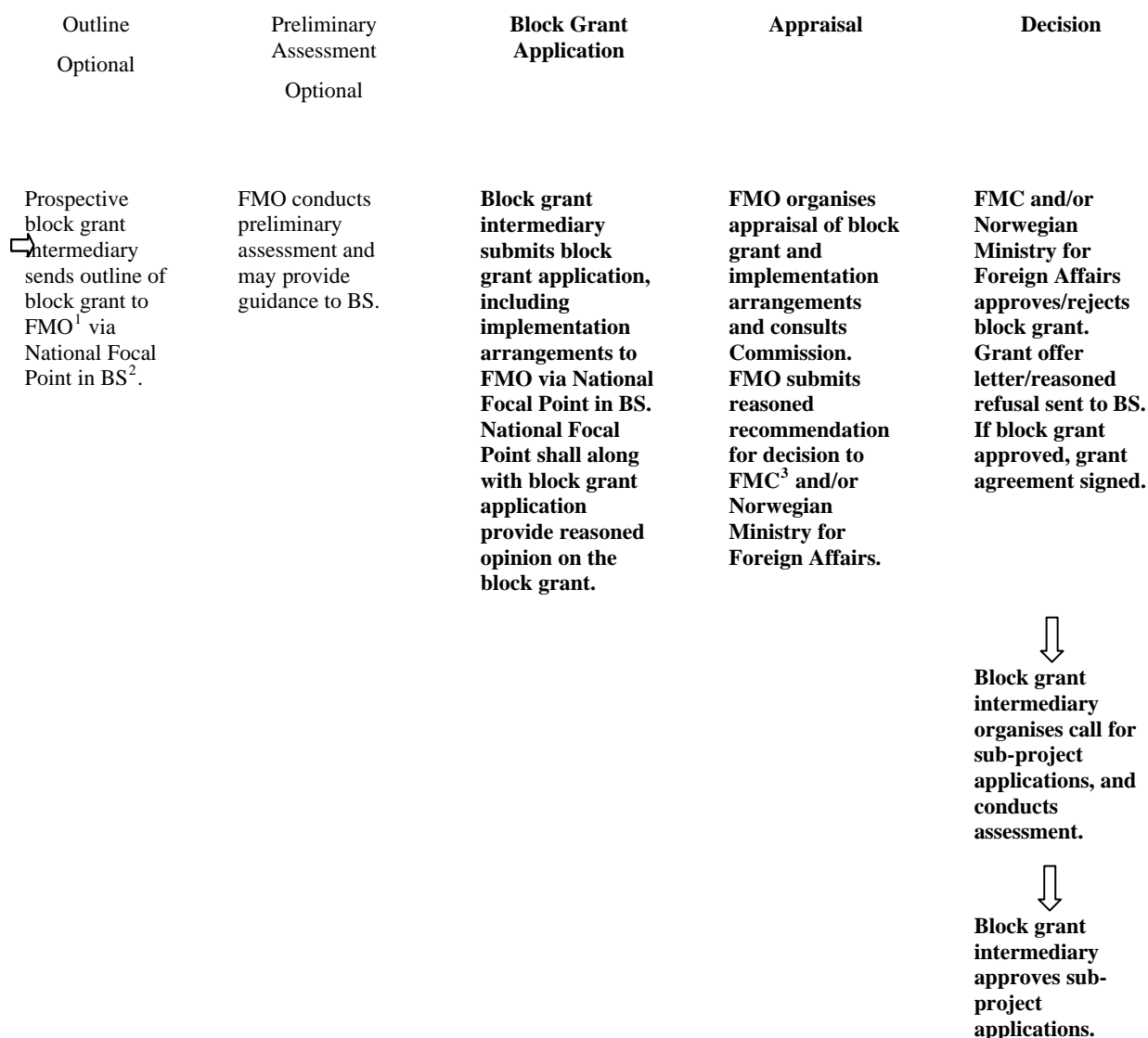
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2. Project cycle

2.1 *Appraisal and approval process*

Summary for Block Grants



The applicant may submit a block grant outline before submitting a complete application. For the block grant outline and for the complete application, an application form shall be used. Applications and block grant outlines shall be submitted to the Financial Mechanism through the National Focal Point.

¹ FMO (Financial Mechanism Office)

² BS (Beneficiary State)

³ FMC (Financial Mechanism Committee)

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The Focal Point shall, prior to submitting an application, consult with the FMC and/or the Norwegian Ministry of Foreign Affairs on the content and set-up of the block grants listed in Annex C to the Memorandum of Understanding with the Beneficiary State.

The approval of the FMC and/or the Norwegian Ministry of Foreign Affairs may be given only after submission of the complete application, including the proposed selection criteria and procedures for approval of sub-projects.

The FMO will assess whether the block grant is suitable for grant assistance and whether the implementation setup suggested is adequate and gives a recommendation for decision to the FMC and/or the Norwegian Ministry of Foreign Affairs.

If the FMC and/or the Norwegian Ministry of Foreign Affairs approve the block grant, the block grant intermediary will proceed to select the sub-projects through open calls for sub-project applications.

2.2 Selection of sub-projects

The procedures for selection of sub-projects are to be agreed on in the grant agreement. The block grant intermediary will submit its initial suggestion for the selection process along with the block grant application. The intermediary must widely advertise the call for applications for grants, using different media so that organisations and individuals in the agreed target areas and groups know they are available. The grant assessment arrangements of the block grant intermediaries must allow effective competition to take place. The FMC and/or the Norwegian Ministry of Foreign Affairs may make suggestions for improvements of the procedure.

The system set up by the block grant intermediary must:

1. Ensure that different interests in the geographical area or sector are taken into account,
2. Assure that decisions are taken in a transparent manner,
3. Provide that reasoned accounts of the block grant intermediaries decisions are sent to the prospective end-recipients and to the FMC and/or the Norwegian Ministry of Foreign Affairs.

2.3 Monitoring and evaluation

The monitoring arrangements for a block grant and its sub-projects shall be stipulated in the grant agreement. The Focal Point shall ensure that these arrangements are sufficiently implemented and, if needed, take steps to strengthen them.

- Block grant intermediaries shall make the appropriate arrangements on the reporting with end-recipients.
- Block grant intermediaries provide progress reports (including monitoring of sustainable development factors) to the National Focal Point in the Beneficiary State.

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- The National Focal Point reports at least once a year to the FMO.
- The FMO monitors block grants and normally for this purpose draws upon the services of a monitoring agent to undertake external monitoring of the sub-projects and the block grant, including its sub-projects, as well as on-the-spot checks.
- Ex-post evaluation of the block grant may be carried out individually or in the context of the programming framework of the Beneficiary State in question.

The Beneficiary State Reporting and Monitoring Guidelines contain a more detailed description of the reporting and monitoring requirements and procedures.

2.4 Disbursements

Disbursements relating to block grants may in part be made as advance payments. The advance payment will be disbursed in accordance with the grant agreement.

The block grant intermediary must put in place the arrangements necessary to ensure satisfactory cash flow to the end recipients under the block grant.

The block grant intermediary will be responsible for the correct use of funds and guarantee the authenticity of proof of expenditure, forwarded to the FMO.

The block grant intermediary shall aggregate payment claims for the block grant and transmit to the National Focal Point. The aggregated payment claim is an integral part of the project interim report. The National Focal Point in turn presents the documentation to the FMO or, if applicable, its designated disbursement agent for disbursements.

The Disbursement Guidelines contain a more detailed description of the disbursement procedures.

2.5 Management costs of the block grant intermediary

In cases where additional dedicated management structures and systems are created for the block grant, with staff hired exclusively for this purpose, the necessary related costs can be included in the eligible block grant budget. These costs shall be decided by the FMC and/or the Norwegian Ministry of Foreign Affairs on case-by-case bases, taking into account the size of the fund, the responsibilities of the intermediary and other relevant factors. These costs shall generally be in the range of 4-10 % of the total eligible cost of the block grant. The amount of the total eligible management costs under this article shall be set in the grant agreement.

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2.6 *Financial Control and Audit*

Audit and financial control is carried out in accordance with Article 6 of the Rules and Procedures of the EEA Financial Mechanism and the same Article of the Rules and Procedures of the Norwegian Financial Mechanism.