

Terms of Reference for the **Fund Operator**

The **EEA and Norway Grants Global Fund for Regional Cooperation**

EEA and Norwegian Financial Mechanisms 2014-2021

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1. Introduction

Through the EEA and Norwegian Financial Mechanisms 2014-21, Iceland, Liechtenstein and Norway (“the donors”) work closely with partners in 15 EU Member States in Central and Southern Europe and the Baltics to contribute to the reduction of social and economic disparities in the EEA and the strengthening of bilateral cooperation with the donors. Information on the EEA and Norwegian Financial Mechanisms/the EEA and Norway Grants (“the Grants”) can be found at www.eeagrants.org.

The Financial Mechanism Office (FMO) is the Brussels-based secretariat for the Grants. The FMO is affiliated to the European Free Trade Association (EFTA), but reports to the Foreign Ministries of Iceland, Liechtenstein and Norway. The FMO also serves as the contact point for the Grants.

The EEA and Norway Grants Global Fund for Regional Cooperation (“the Fund”) has established a separate grant allocation of €100 million recognising the need for funding to promote regional cooperation. The Global Fund is project oriented and supports responses to European challenges through enhanced dialogue and strengthened European networks. The thematic focus areas will be set out in open calls for proposals approved by the donors. The Fund shall be implemented by way of transnational projects involving entities across the Beneficiary States of the EEA and Norway Grants¹ as well as the Donor States and certain third countries.

The Fund Operator shall carry out administrative and technical tasks related to the selection of projects, contract projects and perform project management tasks, including payments, monitoring and control functions, during project implementation and closure.

Projects financed under the Fund may be implemented until 30 April 2024 at the latest unless an earlier date is specified in the project contracts. The Fund Operator is expected to start work as soon as possible and all activities shall be completed by 31 December 2024 at the latest.

The Fund Operator, its owners and subsidiaries are expected to work towards the core objectives of the EEA and Norway Grants, assisting projects in strengthening regional cooperation and contributing to the reduction of economic and social disparities. The highest degree of transparency, accountability and cost efficiency shall be applied and the Fund Operator is expected to contribute to the positive reputation of the EEA and Norway Grants.

All communication, correspondence, reporting, etc. between the Fund Operator and the FMO is to be in English.

1.1 Objectives of the EEA and Norway Grants Global Fund for Regional Cooperation

The overall aim of the EEA and Norway Grants Global Fund for Regional Cooperation is the reduction of economic and social disparities in the EEA and the strengthening of bilateral relations between the donors and Beneficiary States. Additionally, it aims to address selected thematic European challenges and strengthen transnational cooperation.

1.1.1 Fund I: EEA and Norway Grants Fund for Youth Employment

This part of the Fund shall be made available to projects involving Beneficiary States and other EU Member States with a youth unemployment rate above 25% (Eurostat reference year 2013). The eligible countries are thus all the 15 Beneficiary States and Ireland, Italy and Spain.

¹ Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia

Projects shall involve entities from at least two countries where at least one of the countries has to be a Beneficiary State.

1.1.2 Fund II: EEA and Norway Grants Fund for Regional Cooperation

This support shall address regional cooperation across the priority sectors of the EEA and Norway Grants, in particular in the areas of knowledge sharing, policy exchange of best practice and institutional capacity-building.

This part of the Fund shall be made available to projects involving Beneficiary States and neighbouring third countries. "Neighbouring third countries" are the following non-EU EEA land-bordering countries: Albania, Belarus, Bosnia Herzegovina, Macedonia, Moldova, Montenegro, Russia, Serbia, Turkey and Ukraine.

Projects shall involve entities from at least three countries, including at least two Beneficiary States.

1.2 Projects

Eligible entities will apply as a consortium, with one entity based in a Beneficiary State of the EEA and Norway Grants assigned the role of lead partner. If successful, the Fund Operator will contract the lead partner, who will be the main coordinator of the project. A partnership agreement shall be entered into between the members of the project consortia. Projects will generally be of a value of at least €1 million and it is currently planned to award in the range of 30-40 projects.

2. Fund Operator's tasks and responsibilities

The Fund Operator takes on the administrative and technical tasks related to the implementation of the Fund. Its responsibilities, amongst others, are project contracting and supervision, developing management and control systems, verification of payment claims and making payments to projects, implementing audits and monitoring functions and investigating and reporting on irregularities. The Fund Operator will execute its duties in close cooperation with the secretariat of the donor states, the Financial Mechanism Office (FMO).

Within two months of the signing of the contract with the FMO, the Fund Operator shall:

- set up a detailed description of appropriate management and control systems;
- develop clear, operational and enforceable project contract templates designed to be signed with the lead partner of each project;
- develop partnership agreement templates to be entered into between the lead partners and other partners in the project consortia.

The Fund Operator's further tasks and responsibilities include, but are not limited to:

- the conclusion of project contracts with the lead partner of each project and ensuring that partnership agreements between consortium members are concluded in each project;
- the preparation and submission of reports to the FMO on the implementation of the projects, including physical and financial progress; entering reporting data into the electronic reporting system as required;
- conducting monitoring and gathering information on the progress of implementation of the projects and evaluating project progress towards set outcomes and targets, including risk assessment;
- the transfer of funds to projects partners, verification of financial documents and payment requests, as well as audits and on-the-spot checks;
- providing first point of contact services to applicants and project partners, proactively supporting, assisting and guiding lead partners on all aspects of project management during the project period, in particular in undertaking their management role;
- establishing measures to prevent, detect and report on suspected or actual cases of irregularities;
- providing administrative support to the FMO in calls for proposals and handling of applications;
- implementing communication and information activities as instructed by the FMO, including organising conference arrangements for the Fund and ensuring visibility for the donors; and
- the archiving of all documents relevant to the implementation of the Fund.

3. Professional requirements of Fund Operator

The Fund Operator shall perform the services with best professional practice, independence, care, due diligence and efficiency, and contribute to a positive dialogue and good cooperation with the FMO and any third parties involved.

The Fund Operator may be one single entity or a consortium of entities. If the Fund is operated by a consortium of entities, one entity shall be designated as the contact for the FMO. A partnership agreement shall be required for the consortium within one month after the signature of the contract.

The Fund Operator is expected to have the following characteristics:

Knowledge and skills

- be knowledgeable about the conclusion, implementation and enforcement of transnational grant contracts involving multi-partner consortia;
- be knowledgeable about efficient financial control and payment systems;
- be knowledgeable about results-based management, project monitoring, and programme management;
- be skilled in identifying and assessing the most common legal issues arising in grant funding (including procurement);
- excellent English language skills, both written and oral. Knowledge of any of the languages of the Beneficiary or Donor States would be an asset, but is not mandatory.

Independence

- be independent of government at all levels; and
- be free of any conflict of interest.

Management capacity

- be capable of operating funds that involve re-granting to transnational projects;
- be capable of ensuring reliable, efficient and proportional financial control of project expenditure;
- be capable of developing transnational contract and consortium agreement templates, signing and amending contracts as necessary;
- be capable of regularly monitoring progress towards project objective;
- be capable of providing timely and professional first point of contact services to applicants and project partners, proactively supporting, assisting and guiding lead partners on all aspects of project management during the project period;
- be capable of implementing communication and publicity tools, events etc.; and
- be capable of performing risk assessment and recommending mitigation measures.

Experience

- have strong experience in implementing and managing transnational projects, including contracting and financial flows; and
- have experience in operating in a politically sensitive environment.

4. Management structure

4.1 Reporting on the Fund and projects to the FMO

The Fund Operator shall report to the FMO. The following reports shall be required:

- Interim financial reports (reporting schedule: 15 March, 15 September);
- Irregularity reports (quarterly);
- Annual report;
- Final report including a financial annex (deadline to be agreed in the contract); and
- Ad-hoc reports following requests from the FMO.

The Fund Operator is responsible for keeping an updated project overview.

The Fund Operator will be given access to the web-based documentation, reporting and evaluation system of the FMO. The Fund Operator shall ensure that all project-specific statistical data is entered into the database in accordance with instructions to be issued by the FMO.

4.2 Managing for results and risks

The Fund Operator is responsible for the following tasks related to managing for results:

- establishing a support and monitoring system, to be able to report periodically and as required by the contract on project outputs and outcomes. This will mean regular project level monitoring to capture relevant data;
- design and implement an evaluation to assess the results and outcomes of the projects, and ensure that the funding and human resources necessary for carrying out the evaluation are available, and that the procedures are in place to collect the necessary data; and
- assess the risks to the effective implementation of the projects and their results, and identify and take appropriate actions to mitigate those risks.

4.3 Management and control system

The Fund Operator shall be responsible for setting up appropriate and proportionate management and control systems of the Fund, which shall ensure the respect of the principles of economy, efficiency and effectiveness.

Within two months of the signing of the contract, the Fund Operator shall submit to the FMO a detailed description of the management and control systems of the Fund, covering in particular:

- the definition of the functions of the entities/individuals involved in the management and control of the Fund and the allocation of functions within the consortium, if applicable;
- the system for verification of payment claims and the transfer of funds from the re-granting account, established by the FMO, to lead partners;
- the systems for audit and monitoring of projects; this includes ensuring that the project partners abide by relevant regulatory framework; and

- the system for preventing, mitigating, detecting, reporting on and remedying irregularities; and the system established to maintain an audit trail of all supported activities.

4.4 Project contracting

The Fund Operator shall be responsible for the contracting of projects. This will entail the conclusion of a contract with the lead partner of the consortium and the provision of a template partnership agreement to be entered into between the lead partner and the other project consortium members.

Within two months of the signature of the contract with the FMO, the Fund Operator shall submit to the FMO a template project contract, covering in particular:

- obligations regarding reporting that enables the Fund Operator to comply with its reporting requirements to the FMO;
- the maximum amount of the project grant in euro and the maximum project grant rate;
- the eligibility of expenditures;
- the method of calculating indirect costs and its maximum amount;
- currency exchange rules;
- modifications of the project;
- ensuring that the access requested in relation to monitoring, audits and evaluations is provided without delay;
- ensuring that obligations regarding publicity are complied with;
- the right of the Fund Operator to suspend payments and request reimbursement from the lead partner;
- resolution of disputes and jurisdiction;
- a detailed budget, with itemised costs and unit prices, and which may allow for up to 5% contingency; and
- a reference to partnership agreements.

Within two months of the signature of the contract with the FMO, the Fund Operator shall submit to the FMO a template partnership agreement, covering in particular:

- provisions on the roles and responsibilities of the parties;
- provisions on the financial arrangements between the parties, including, but not limited to, which expenditure the project partners can get reimbursed from the project budget;
- provisions on the method of calculating indirect costs and their maximum amount;
- currency exchange rules;
- provisions on audits on the project partners;
- a detailed budget, with itemised costs and unit prices; and
- provisions on dispute resolution, suspensions of payments and reimbursements of funds.

5. Financial set up

The Fund Operator shall be responsible for the financial management of the Fund's projects.

The Fund Operator is expected to manage the bank accounts, established and owned by the FMO at a bank of its choice, intended for re-granting to projects in order to ensure financial flows to projects while ensuring adequate financial control and project progress.

There is no requirement for the Fund Operator to provide co-financing towards the Fund. However, the co-financing at project level shall be subject to reporting by the Fund Operator where applicable.

The Fund Operator is expected to collect and verify payment claims submitted by the lead partners. The Fund Operator is expected to submit the interim financial reports to the FMO twice a year. The FMO will replenish the aforementioned bank accounts following the request for funds submitted by the Fund Operator in the interim financial report. The Fund Operator shall be responsible for the transfer of funds from the re-granting accounts to the lead partners. The disbursement arrangements shall be defined in the contract.

Expenditure shall always be reported in EUR in reports submitted to the FMO. Payments to projects by the Fund Operator shall always be in EUR.

5.1 Eligibility of expenditure in projects

Eligible expenditures of projects are those actually incurred by the lead partner and/or project partners, including expertise partners which meet the following criteria:

- (a) they are incurred between the first and final dates of eligibility of a project as specified in the project contract;
- (b) they are connected with the subject of the project and they are indicated in the estimated overall budget of the project;
- (c) they are proportionate and necessary for the implementation of the project;
- (d) they must be used for the sole purpose of achieving the objective of the project, in a manner consistent with the principles of economy, efficiency and effectiveness; and
- (e) they are identifiable and verifiable.

Expenditures are considered to have been incurred when the cost has been invoiced, paid and the subject matter delivered (in case of goods) or performed (in case of services and works).

The final date for eligibility of expenditures for projects, including any pre-defined projects, is 30 April 2024 at the latest unless the project contracts set an earlier date.

5.2 Management fee of the Fund Operator

All management and operational costs of the Fund Operator are to be covered by a fixed fee. The fixed fee shall cover all activities related to the execution of the duties of the Fund Operator under the contract with the FMO.

The maximum management fee can be up to €5 million over a period of maximum 8 years. Proposals beyond the indicated maximum will be considered ineligible.

Bidders should propose a fee for a period covering the maximum duration of the assignment, which shall start from contract signature (estimated autumn 2016) until 31 December 2024. This total

amount shall be split into annual tranches, representing the actual remuneration due to the Fund Operator per year. The FMO shall conclude a contract with a Fund Operator until 31 December 2024, with the possibility to terminate the contract with one year's notice.

A budget for the management of the Fund shall be submitted by the Fund Operator with the Bid to the FMO and shall include information on:

- position/role and budget allocations for each member of the established performing management team;
- cost regarding administrative and financial management; reporting and verification of payment claims; including support, guidance and assistance to lead partners;
- cost regarding project reporting, monitoring and evaluation;
- costs regarding project contracting;
- costs regarding audits and on-the-spot verifications;
- cost of communication activities;
- indirect costs/overheads.

The management fee provided to the Fund Operator shall be without VAT. The FMO will provide a certificate proving that the European Free Trade Association (of which the FMO is administratively a part) is exempt from paying VAT.

The Fund Operator may propose to receive an advance payment. Advance payment, if any, shall be part of the total fixed management fee.

The FMO may request the Fund Operator to provide an irrevocable bank guarantee for 10 percent of the management fee within one month of the signing of the contract between the FMO and the Fund Operator and before the first disbursement from the FMO is made.

The FMO shall retain 10% of the management fee until the date of the last payment, if the Fund Operator has provided a bank guarantee. Without the bank guarantee, the retainment is 30%. The retained amount shall not be paid until the final report has been approved. The retention amount shall be set in the contract between the FMO and the Fund Operator.

5.3 Payments to the Fund Operator

Payments by the FMO shall take the form of advance payment, interim payments, and payment of the final balance and shall cover:

- a) the management fee of the Fund Operator; and
- b) funds for re-granting to projects.

Disbursement of funds is subject to the fulfilment of the requirements related to regular updating of information in the web-based system and compliance with other reporting requirements.

For interim payments, the underlying principle of the financial flow is payment of advance instalments based on interim financial reports during the implementation period in order to cover estimated future expenditure, and at the same time reporting on the use of previously received funds to cover actually incurred expenditure. This system shall ensure that the Fund Operator has a positive cash flow throughout the whole implementation period.

5.4 Payments to projects

Payments from the Fund Operator to the project partners 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 by the Fund Operator and agreed with the FMO and set in the contract. The level of advance payment shall be adequate and shall ensure 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 partners 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 Fund Operator.

5.5 Proof of expenditure within projects

Proof of expenditure is always required and the expenditure incurred by project partners must be supported by receipted invoices, or alternatively by accounting documents of equivalent probative value. Equally, the supporting documentation must provide evidence of delivery of the product or service to which the expenditure relates.

Where activities are implemented in the framework of competitive tendering procedures, payments by project partners shall be supported by receipted invoices based on the signed contracts. In all other cases, payments by project partners shall be justified by expenditure actually paid by the entities concerned in implementing project.

Overheads (indirect costs) that are calculated as a flat rate do not need to be supported by accounting documents. A methodology for the calculation needs to be proposed if a flat rate is chosen.

Supporting documents must be kept by project partners in a proper manner and available for a period of five years after the closure of the project.

The Fund Operator shall archive all documents relevant to the implementation of the Fund for a period of three years after the approval of the final report.

5.6 Verification of payment claims

Before submission to the Fund Operator, each project report has to be verified by the lead partner who shall ensure that the expenditure reported by the project partners has been incurred and corresponds to activities agreed in the project contract.

A report by an independent, certified auditor or independent competent public officer shall be seen as sufficient proof of expenditure incurred by project partners. Such a report shall be required in support of payment requests by each project partner where the financial contribution awarded exceeds EUR 200,000 and the frequency and threshold shall be decided upon in the contract between the Fund Operator and the FMO.

The first level of the control consists of administrative verifications and on-the spot verifications of projects by the Fund Operator. On-the-spot checks by the Fund Operator shall be complementary to administrative verifications on a sample basis. The on-the-spot verifications should be based on risk assessment and should remain proportional to the costs to be verified.

A payment to a project shall be authorised by the Fund Operator only after the appropriate checks have been carried out to ensure compliance with the eligibility of expenditure and conditions for payment.

The Fund Operator shall set up a control system which ensures a *sufficient level* of control over the expenditure that is incurred within projects.

5.7 Audits of projects

The second level of control shall consist of audits. Audits shall be carried out under the responsibility of the Fund Operator assisted/sub-contracted to/by independent and certified auditor/s. The Fund Operator shall aim to audit projects covering at least 20% of the total Fund expenditure. Audits shall be spread across the lifetime of the projects in order to ensure that an acceptable level of expenditure is verified. Lead partners, but also other project partners, may be subject to audit, where appropriate and based on risk assessment. The Fund Operator shall ensure that the audits comply with internationally accepted audit standards.

The audit plan shall be presented to the FMO by the Fund Operator annually.

The FMO may at any time during the implementation of the programme arrange for audits and on-the-spot checks of projects and of the Fund Operator's operations in relation to the implementation of the Fund.

The EFTA Board of Auditors and the Office of the Auditor General of Norway may conduct audits of projects and of the Fund Operator's operations in relation to the implementation of the Fund.

6. Content of Fund Operator's offer

The bidder for the role of Fund Operator is asked to present an application with a proposal for the implementation of the Global Fund based on the description in this ToR and as explained in the Bid Form. The proposal shall be submitted in English. The proposal shall include at least the following information:

- documentation of the bidder's previous or similar assignments, preferably on the management of external private or public funds and programmes;
- description and charts on proposed management structure; composition and allocation of tasks amongst the member of the consortium, if applicable;
- description of dedicated staff involved; CVs of allocated staff involved in the daily management of the Fund with reference to main achievements in previous programme management assignments;
- brief overview of proposed management and control systems, including for monitoring, reporting, financial management, financial flows to projects, project modifications, irregularities etc.;
- brief overview of proposed project contracting procedures, including applicable laws and enforcement of contracts in a transnational context;
- a detailed budget for the proposed management fee.