

RULES

for the Ministry for Foreign Affairs on grants for civil society organisations and private sector companies participating in development cooperation

I. CHAPTER

Role and activities

Article 1

Scope and objective

These rules apply to grants allocated by the Ministry for Foreign Affairs to Icelandic civil society organisations (CSOs) and private sector companies for projects in the field of development cooperation. This refers to development cooperation in a broad sense, including humanitarian assistance.

The objective is to reduce poverty, react to emergency situations and support job creation and sustainable growth in developing countries.

The participation of and partnership between different stakeholders in development cooperation and humanitarian assistance is the basis for being able to reach the targets set out by the United Nations Sustainable Development Goals.

Endeavours are made to ensure equality, objectivity, transparency and fairness when allocating and managing grants. The grants shall conform with government policy on contributions to international development cooperation, in keeping with Article 6 of Act No. 121/2008 on International Development Cooperation, the provisions of Article 42 of the Public Finance Act No. 123/2015, Regulation No. 642/2018 on Grants from Ministers, and the UN Sustainable Development Goals.

Article 2

Support for projects

The grants are intended to encourage participation in, and contribution to, development cooperation by both CSOs and private sector companies. Grants are allocated to the following projects:

- a) newcomer projects by CSOs in development cooperation and feasibility study projects by private sector companies;
- b) development cooperation projects by private sector companies;
- c) development cooperation projects by CSOs;
- d) humanitarian projects by CSOs that have linkages to international humanitarian appeals or response plans;
- e) promotional and educational projects.

The Ministry can enter into framework agreements with CSOs on development cooperation or humanitarian assistance following a notice, in keeping with Article 4. The financial framework that the framework agreements are based on takes into account previous allocations and the operation of the organisation. CSOs that have entered into a framework

agreement with the Ministry are not eligible for individual grants for projects that are similar to those subject to the framework agreement.

CSOs, including national committees for UN bodies, are not permitted to apply for grants for development cooperation or humanitarian projects on behalf of UN bodies, and grants allocated by Iceland that are intended for CSOs under these rules shall not be used to finance the operations of UN bodies.

The Ministry for Foreign Affairs can, in order to support the UN Sustainable Development Goals by supporting the development cooperation participation of CSOs and private sector companies, establish funds and determine funding for them to allocate to projects that are listed in paragraphs 1 and 2, and set out operating procedures for the funds.

Article 3 *Eligibility for grants*

Grants for development cooperation projects shall be tied to implementation in countries included in the OECD-DAC list of recipient countries of official development assistance, with an emphasis on low and lower-middle income countries, as well as small island developing states.

Promotional and educational projects shall be implemented in Iceland. Promotional and educational projects are intended to increase the public's knowledge development cooperation and build knowledge or strengthen the institutional capacity of applicants in connection with development cooperation.

Applicants shall, in accordance with Article 8 of Act No. 121/2008 on International Development Cooperation, be able to demonstrate compliance with internationally recognised requirements in the field of development cooperation, including those of OECD-DAC, regarding knowledge, quality of technical solutions, general capacity and financial resources to participate in international development cooperation projects.

Applicants must meet the requirements set by the Icelandic National Audit Office regarding the handling and custody of funds in the field of development cooperation and humanitarian assistance.

Eligible CSOs shall fulfil the following conditions:

- a) be registered as a civil society organisation in the business register of the Directorate of Internal Revenue either because of their legal form or their occupational classification or be registered as a non-profit organisation which operates across borders in accordance with Act No. 119/2019;
- b) the operation shall be non-profit;
- c) have their own by-laws and an administrative board in place;
- d) have at least 30 members, sponsors or supporters;
- e) have submitted endorsed annual accounts.

Eligible private sector companies shall fulfil the following conditions:

- a) be publicly registered organisations that are not considered state actors, such as private sector companies, associations and private non-profit institutions;
- b) have been in operation for at least one year;
- c) have submitted endorsed annual accounts;

- d) have submitted endorsed documents confirming that they have paid their public fees and pension contributions;
- e) have partners in a specific developing country, however, other partners may also be involved in the project, such as universities and CSOs;
- f) the project must be linked to the core operations of the company;
- g) fulfil the requirements of the EEA Agreement's state aid regulatory framework on *de minimis* aid for private sector companies;
- h) a confirmation must be in place that shows that the company has the objective in its operations to promote responsible business practices, e.g. by joining the UN Global Compact, or fulfils other international standards on social responsibility and responsible operating practices.

II. CHAPTER

Applications and allocations

Article 4

Notices

The Ministry for Foreign Affairs shall issue a notice of the intended grants and call for applications on average three times a year. The notices shall indicate the amount of funds being offered, the form and method of applications, time limits for applying, expected processing time of applications, the allocation rules and procedures and how to access them.

The notice shall state that applicants for grants shall give a detailed description of the goals of the project the application is based on, a plan for implementing it, as well as a time and cost estimate, in addition to providing other information that is deemed necessary. If the applicant receives other grants or contributions for the project, they must declare them. It shall also be stated that only applications that fulfil the terms of the notice and the allocation terms will be considered.

Article 5

Applications

All applications shall be accompanied by documentation that verifies the applicant's eligibility in keeping with Article 3, as well as accompanying documentation and information necessary according to the operating procedures of the funds.

Article 6

Allocation terms

In addition to requirements made for the applicants in Articles 3 and 5 and requirements that derive from Article 8 of the Act on International Development Cooperation, No. 121/2008, the following terms for allocating grants apply according to these rules:

- a) projects shall be in line with Iceland's policy on international development cooperation, especially as regards cross-cutting priority issues, i.e. gender equality and the environment, as well as having a focus on human rights;

- b) the principal objective of the project shall be in conformity with the development goals of the partner country;
- c) the project shall be in line with the plans and needs of the partner country;
- d) the project shall have a measurable impact on development.

Additionally, the following allocation terms for grants to private sector companies also apply under these rules:

- a) projects shall entail a clear additionality, i.e. a cooperation project which would not be implemented or financed under regular market conditions;
- b) under the OECD-DAC operating procedures on public contributions towards development cooperation, direct assistance to primarily commercial objectives can not be considered to be development cooperation and is therefore not eligible for grants;
- c) projects may not cause undue distortion of competition;
- d) projects which are on the exclusion list of the European Development Finance Institution (EDFI) must not be financed;
- e) compliance with the EEA Agreement's rules regarding state aid shall be guaranteed, as applicable.

More precise terms may be defined in procedures governing each allocation.

Article 7

Counterpart contributions and financing percentage

Counterpart contributions are required for projects for which a grant application has been submitted. The counterpart contribution may not be paid with public grants, neither Icelandic nor foreign. The percentage of the counterpart contributions shall be as follows:

- a) a minimum counterpart contribution percentage of 50% is required for development cooperation projects by private sector companies;
- b) a minimum counterpart contribution percentage of 20% is required for development cooperation projects by CSOs;
- c) a minimum counterpart contribution percentage of 5% is required for humanitarian projects by CSOs;
- d) a minimum counterpart contribution percentage of 20% is required for promotional and educational projects.

More precise definitions of the arrangements for counterpart contributions and financing percentages can be laid out in the operational procedures for each allocation.

Article 8

Grant amounts and time-frames for projects

The time-frame for projects can be up to four years for development cooperation projects and one year for all other projects. Newcomer grants are allocated for one year and a maximum of four million ISK. No maximum amount is defined for development cooperation grants to CSOs unless specifically indicated in the notice.

Grant allocations to private sector companies can amount to a maximum of 200,000 Euros over a three-year period. Grants for feasibility study projects by private sector companies are allocated for one year and a maximum of two million ISK. Compliance with the EEA Agreement's state aid rules must be ensured, as applicable, and if the grant recipient has received state aid from elsewhere, the allocated grant may be reduced by that amount.

Article 9

Application evaluation

Applications shall be assessed and rated on the basis of quality criteria that are published on the Ministry for Foreign Affairs' website. The quality criteria are based on Iceland's international development cooperation policy and show the relative weight of the purpose of the Ministry for Foreign Affairs' support for projects by CSOs and private sector companies.

Article 10

Evaluation groups

The Minister for Foreign Affairs and International Development Cooperation allocates grants after receiving the results of an evaluation conducted by a group of three specialists. Evaluation groups are appointed by the Minister. The evaluation groups submit a proposal to the Minister regarding allocations and the disposal of funds for projects. These proposals shall be in writing and include a brief general description of the implementation and procedure during the drafting of the proposal. Each application shall be accompanied by a brief review and a proposal on how to proceed.

Evaluation groups may request further information from the applicants when needed and they are also authorised to seek opinions from professional bodies.

The Minister decides on allocating grants on the basis of the proposals made. Decisions on applications shall be communicated to all applicants in writing.

Article 11

Allocation agreement

A written contract shall be made regarding contributions on the basis of the allocation terms in keeping with Article 6, ensuring satisfactory reporting on the progress of the project and accounting. When the contribution is for a period longer than one fiscal year, the contract shall contain a clear and binding proviso that ongoing financial support for the project depends on the adequate progress of the project and on there being budgetary allocations in the budget for the years which the contract applies to. If the Minister decides to alter the division of allocations within a policy area, the parties to the agreement shall find ways to adapt the work plan to the altered allocation of funds.

Should the project not commence within a year from the date of the grant being announced, the grant will be withdrawn unless an extension is specifically applied for and given. Such an application must be submitted in writing and be reasoned.

The Ministry for Foreign Affairs publishes the names of grant recipients, individual project information and grant amounts on the Government Offices website. The Ministry for Foreign Affairs reserves the right to publish information regarding the projects for promotional and educational purposes.

III. CHAPTER

Controls and entry into force

Article 12

Implementation and controls

The grant recipients and their partners are responsible for implementing the supported projects. Grant recipients are obliged to inform the Ministry for Foreign Affairs or the Icelandic National Audit Office of the progress of the project on request. Controls are carried out by the Ministry's Directorate for International Affairs and Development Cooperation and the Ministry and the National Audit Office shall have access to all the relevant documentation in order to audit the finances and progress of the project.

Companies are obliged to open a special bank account for grant money received from the Ministry. Grants from the fund shall only be paid out on the basis of real costs incurred by private sector companies or their partners due to individual projects. The Ministry for Foreign Affairs may cap rates for work efforts and outside services and this shall be stated in the contract.

Grant recipients shall take all appropriate measures to prevent any kind of corruption in relation to utilisation of funds as well as abuse of power when implementing projects. The Ministry may suspend payments of grants and request reimbursement should the responsible party for the project not submit progress reports, if there are significant changes to the project, or if there is suspicion that the funds are not being used according to the project document and budget. The Ministry may also suspend payments of grants and request reimbursement when there is suspicion of corruption or abuse of power in connection with the implementation of a project, whether committed by or aimed at those involved in the project. Before such a decision is made, the grant recipients shall be given a chance to make their views known and to submit documentation in support thereof.

Grant recipients shall have in their operations, and require their partners to have or put in place, procedures or response systems for recipients of aid in order to react to indications of abuse or misuse of power.

Following the end of the project, the grant recipient shall present the results of the project in a written report to the Ministry.

Article 13

Financial management

Grant recipients are responsible for ensuring that their cooperating partners follow the relevant standards regarding accounting and financial control. Grant recipients are also responsible for ensuring that their partners have adequate skills and proficiency in this area. The procurement of goods, labour and services shall be in accordance with

international accounting conventions and good procurement methods. Grant recipients shall exercise good governance and exercise prudence when using the grant.

Grant recipients shall create a policy on their position and measures against corruption and a code of ethics regarding the handling of finances. Grants shall never go directly to civil servants of Iceland or foreign countries for the purposes of facilitating the progress of a project for which a grant application has been submitted. Grant recipients are also responsible for training and informing their partners on the policies, codes of ethics and other such standards that partners must adhere to. Grant recipients are obliged to include provisions on positions and measures against corruption in any contracts made with contractors and subcontractors.

Grant recipients shall inform the Ministry, in writing and without delay, of any illegal actions, corruption or misuse of funds that grant recipients become aware of or which are made known to them, whether within the organisation of the grant recipients themselves or their partners. Grant recipients shall investigate and when necessary, take measures against individuals who are found to be engaged in corruption or the misuse of funds. Such measures may include legal action, pressing charges with the police, a notification to control authorities or termination of employment. Grant recipients shall keep the Ministry informed of the measures taken, the progress of audits and investigations, and provide a final report to the Ministry at the end of such a procedure.

Unused grant money shall be returned to the Ministry at the end of the project.

Article 14 *Project progress reports*

Progress reports shall be written by the implementing parties. These shall detail the progress of the project in relation to the work plan and explain any deviations. The reports shall be simple, clear and concise and shall be based on the progress framework that was set out in the project document. Progress reports shall, inter alia, include information on resources and expenses, as well as monitoring of projects and be based on progress indicators set out in the grant application.

Progress reports for long-term projects shall be submitted at least once every six months until the project is completed. Annual reports shall also be submitted for all projects. Any situation which impedes the implementation of a project must be disclosed without delay. The Ministry reserves the right to call for detailed information from the grant recipient on the monitoring and status of projects.

Article 15 *Final report on projects*

The final report shall account for the resources and expenses of the project, as well as detailing its progress over the project period. It should state if and how the goals set for the project were reached and assess their impact. The final report shall, *ceteris paribus*, be submitted to the Ministry no later than three months after the completion of the project. Final reports for CSOs' long-term development projects shall be submitted no later than six months after the end of the project.

Article 16

A report from the Minister on contributions

The Minister shall account for the intended expenses for contributions in a supplement to the budget bill, in keeping with Article 19 of the Public Finance Act, No. 123/2015, and in their annual report, in keeping with Article 62 of that act.

Article 17

Audits

An independent external audit of grants to CSOs and private sector companies and the results of their projects shall generally be made every three years.

Article 18

Legal basis and entry into force

These rules, set in accordance with Article 5 of Regulation No. 642/2018 on Grants from Ministers, in keeping with Article 42 of the Public Finance Act No. 123/2015, and on the basis of Article 10 in keeping with Articles 6 and 8 of Act No. 121/2008 on International Development Cooperation, shall enter into force forthwith.

Ministry for Foreign Affairs, 21 October 2020.

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