

**EEA Financial Mechanism 2009-2014
Programme Area 'Funds for Non-Governmental Organisations'
Guideline for NGO programmes**

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Index

1.	GENERAL PROVISIONS	4
1.1	Purpose of the Guideline	4
1.2	Legal framework	4
1.3	Overall financial framework	5
2.	NGO PROGRAMME PRINCIPLES AND OBJECTIVE	5
2.1	General principles	5
2.2	Overall objective of the NGO programmes	5
2.3	Eligible applicants	6
2.4	Expected outcomes	7
2.5	Core areas of support	8
2.6	Additional eligible areas of support	8
2.7	Eligible activities	9
2.8	Cross cutting issues	10
2.9	Bilateral relations	10
2.10	Cross-border cooperation	10
3.	SETTING UP OF NGO PROGRAMMES	11
3.1	General principles	11
3.2	Appointment of an Operator	11
3.3	Contracting of a Programme Operator	11
3.4	NGO Programme Operator characteristics	12
3.5	Programme Application	13
3.6	Responsibilities of the Programme Operator	13
3.7	Management costs of the Programme Operator	14
3.8	Bilateral funds	15
3.9	Complementary actions	15
4.	PROGRAMME AND PROJECT IMPLEMENTATION	16
4.1	Open calls and availability of funds	16
4.2	Processing of applications	17
4.3	Selection criteria	18
4.4	Project level partnership	18
4.5	Grant size and rate at project level	19
4.6	Duration of projects	20
4.7	Predefined projects	20
4.8	Programme level reporting	20
4.9	Project level reporting	20
4.10	Monitoring and evaluation	21
4.11	Compliance assessment and audits	21
4.12	Visibility and Publicity	21
5.	FINANCIAL MANAGEMENT	22
5.1	Eligibility of expenditure	22
5.2	Payments to Programme Operator	23
5.3	Payments to projects	24
5.4	Financial correction and suspension of payments	24

1. GENERAL PROVISIONS

Support to civil society is one of the key priorities of the EEA Financial Mechanism (FM) 2009-2014. This commitment particularly reflects recognition of the role of Non-Governmental Organisations (NGOs) as a fundamental building block in the development of fair, democratic and sustainable societies in Europe.

In both the EEA and Norwegian Financial Mechanisms for the period 2009-14, funding is made available through a wide range of programme areas in which NGOs are eligible applicants. Nonetheless, a specific programme area exclusively in support of NGOs has been earmarked under the EEA FM. The aim is to provide flexible and accessible funding to eligible NGOs, which shall contribute to foster an enabling environment for the sector, strengthen its capacity and enhance its contribution to social justice, democracy and sustainable development.

1.1 Purpose of the Guideline

The purpose of the present Guideline is to clarify specific references in the *Regulation* relevant to the programme area 'Funds for Non-governmental Organisations' and provide guidance to Focal Points and Programme Operators on specific sector-related issues in the development and implementation of NGO programmes in the Beneficiary States. In the case of Programmes entrusted to the FMO, who will contract a fund operator, the *Regulation* shall not apply. In such cases only sector-specific issues referred to in this Guideline shall apply and will be reflected in the fund operator terms of reference and in the implementation agreement with the selected operator.

This Guideline is based on the FM legal framework, findings from the Evaluation of the NGO Funds 2004-2009 and input from the NGO and Beneficiary State online consultation on proposals for future support to civil society open from 10 September to 5 November 2010.

1.2 Legal framework

The following documents constitute the legally binding framework which applies to and is not replaced by the present Guideline:

- *Protocol 38b of the EEA Agreement establishing an EEA Financial Mechanism;*
- *The Memorandum of Understanding (MoU) on the EEA Financial Mechanism signed between the Donor States and Beneficiary State.*
- *Regulation on the implementation of the European Economic Area Financial Mechanism 2009-2014 and Annexes;*
- *The description for Programme Area 10 'Funds for Non-governmental Organisations' ('Funds for NGOs') under the priority sector Civil Society of the EEA Financial Mechanism.*

The Guideline contains references to relevant articles of the *Regulation*, which are referred to either explicitly or in brackets throughout the text. This does not dispense the user from having to refer to the *Regulation*, which will apply in the case of inconsistency. Special note should be taken of Annex 9 to the *Regulation*, the Programme Operators' Manual (*POM*) which should be read in parallel with this Guideline.

The Guideline has been adopted in accordance with Article 1.4.1(d) of the *Regulation*.

1.3 Overall financial framework

At least 10% of the EEA Financial Mechanism allocation per Beneficiary State is to be set aside for the priority sector Civil Society according to Protocol 38b. This priority sector includes only the programme Area 'Funds for Non-Governmental Organisations', which will be reflected in NGO programmes. In all Beneficiary States, support to civil society shall meet this requirement.

2. NGO PROGRAMME PRINCIPLES AND OBJECTIVE

2.1 General principles

NGO programmes shall be established in all Beneficiary States of the EEA Financial Mechanism. At national level these may be referred to as 'NGO Fund'.

NGO programmes shall be established based on a Results-based management approach (see Annex 9 of the Regulation, *Programme Operator's Manual - POM*) and will set clear objectives and outcomes that focus on the results of the interventions on people and systems, and indicators with targets and baselines, used to assess measurable progress towards desired results/impact.

In order to ensure a common approach, an overall objective has been established for the NGO programmes and a set of expected outcomes have been defined, upon which national programmes shall be based.

2.2 Overall objective of the NGO programmes

The objective of all NGO programmes shall be to achieve a strengthened civil society development and enhanced contribution to social justice, democracy and sustainable development.

The NGO programmes shall moreover support the overall objectives of the Financial Mechanisms to contribute to the reduction of economic and social disparities in the European Economic Area and to strengthen bilateral relations between the Donor State(s) and the Beneficiary States.

2.3 Eligible applicants

An eligible applicant is defined as a “Non-governmental organisation” (NGO): 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 (Art. 1.5.m).

Programme Operators shall apply the above definition and provide for specific concerns in line with the present Guideline and in consultation with the FMC. It is recognised that the registration of NGOs, and therefore their establishment as legal entities, differs nonetheless from country to country. Eligible applicants for funding under the NGO programmes shall nonetheless be organisations usually meeting the following general 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 solely 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 documents defining their mission, objectives and scope;
- are membership-based, with 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 institutions¹ as such, social partners² or profit-distributing cooperatives are not considered NGOs. Social enterprises³, foundations⁴, faith-based organisations⁵ and the national Red Cross societies are considered eligible NGOs if they fulfil the above principles.

¹ Religious institutions do not include faith-based organisations as described below, which are eligible.

² Social partners are defined as trades unions and employers' negotiating bodies, as defined by the EU.

³ 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,

⁴ It is recognised that most foundations are not membership organisations. Foundations are nonetheless eligible for support, if independent from political party or governmental control or from the control of a small group that derive any personal benefits from the foundation. They will be expected to be foundations that are set up primarily for public benefit.

In order to facilitate the widest possible development of the NGO sector to respond to needs in each country, NGOs that are eligible for funding according to these principles will be enabled to partner with certain types of organisations that are not otherwise eligible as applicants for funding in line with section 4.4 of the present Guideline.

2.4 Expected outcomes

NGO programmes are expected to identify and contribute to several of the outcomes identified below and included in the *POM*:

- Active citizenship fostered
- Increased involvement of NGOs in policy and decision-making processes with local, regional and national governments
- Cross-sectoral partnerships developed, particularly with government organisations at local, regional and/or national level
- Democratic values, including human rights, promoted
- Advocacy and watchdog role developed
- Developed networks and coalitions of NGOs working in partnership
- Strengthened capacity of NGOs and an enabling environment for the sector promoted
- Increased contribution to sustainable development achieved
- Provision of welfare and basic services to defined target groups increased
- Empowerment of vulnerable groups

The expected outcomes identified above reflect on the importance of supporting processes that lead to change and embed such change in future approaches, thus contributing to sustainability. Focusing the NGO programmes on changes in processes is expected to increase NGOs' role in promoting appropriate democratic responses to societal issues, demonstrate how new approaches can bring wider societal benefits, and raise awareness of issues of concern.

This approach shall enable the programmes to contribute towards:

- changed thinking, through methodologies and processes, which demonstrate different ways of engaging people in responses to the needs in their communities;
- opening up space for wider discourse and action on responses to the needs of marginalised groups and communities;
- demonstrating how services can be provided more effectively, how local communities can be developed, and issues of concern be addressed.

Moreover, the above mentioned suggested outcomes shall address the following needs and concerns:

⁵ Faith-based organisations are eligible if they meet the principles identified in section 2.3 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).

- to increase citizen engagement, in relation to both advocacy (citizen engagement in decision-making) and developing volunteerism;
- to increase understanding between NGOs and government and to look for common approaches to solutions for societal problems (social, economic, environmental);
- to strengthen coalition building and partnership working between NGOs (including skills and experience transfer from larger, stronger NGOs to smaller, newer and regional / local NGOs);
- to increase focus on advocacy and watchdog roles of NGOs, particularly in relation to the transparency and accountability of state institutions;
- to tackle persistent concerns in terms of addressing discrimination, exclusion, inequality, respect of human rights and democratic principles and processes;
- to address longer-term capacity of NGOs, and not just focus on immediate and short-term problem solving.

2.5 Core areas of support

At least one third of the regranting allocation to the programme shall be focused on the core areas of support identified below, as critical areas where NGOs can play a specific role and foster positive change:

- Democracy
- Human rights including minorities rights (ethnic, religious, linguistic and sexual orientation)
- Good governance and transparency
- Participatory democracy
- Combat racism and xenophobia
- Anti-discrimination
- Social inequalities, poverty and exclusion, including in rural areas
- Gender equality
- Gender-based violence

At least 10 % of the total allocation to a programme shall be allocated to children- and youth-driven organisations and/or activities targeting children and youth.

While the main focus and specific concerns in the programme area might be defined in broad terms in the each Memorandum of Understanding (MoU), further focus and areas specifically relevant to civil society in individual Beneficiary States will be defined in the programme Proposal, to the greatest extent possible in consultation with the sector.

2.6 Additional eligible areas of support

In addition to the core areas, the following areas and activities are also eligible for support:

Protection of the environment and climate change:

- Awareness raising and civic participation
- Develop umbrella organisations and/or new networks on biodiversity / climate change
- NGO-involvement in national action plans related to biodiversity and/or climate change
- Mobilising local involvement to protect biodiversity
- Environmental educational activities and training for teachers

Provision of welfare and basic services:

- Provision of key services to vulnerable groups: children and youth at risk, people affected by HIV/AIDS, children with disabilities and/or mental disorders and their families, victims of trafficking and gender-based violence and/or domestic violence, where such services are not otherwise or not adequately provided by governmental institutions.

2.7 Eligible activities

The NGO programmes aim to strengthen the sector, and its contribution to key challenges. In this respect, the following activities are proposed as eligible for support under the NGO programmes:

- Fostering active citizenship and participatory democracy, including grassroots / local level
- Advocacy, watchdog and monitoring activities
- Awareness-raising activities
- Multicultural dialogue activities
- Participation in policy and decision-making processes
- Capacity-building and organisational support to NGOs
- Strengthening governance in membership-based NGOs
- Network and coalition building
- Mutual learning and dissemination
- Education and training activities
- Cultural initiatives to promote key areas of support as mentioned above
- Provision of welfare and basic services

The provision of welfare and basic services shall be supported where such services are not otherwise or not adequately provided by governmental institutions, where NGOs can provide the most appropriate, affordable or accessible service, or where they can establish innovative or essential services that are not currently being provided. Such activities should, where possible, be combined with support to soft measures such as promotion of volunteerism, advocacy, empowerment and participation of target groups, capacity-building etc.

Programmes are expected to support capacity building and organisational development *per se*, or include this in the framework of a project application. Capacity building may also be linked to the future development of bilateral partnerships and the sharing of learning about good practice

processes in relation to the areas of support and expected outcomes outlined in the suggested programmes.

2.8 Cross cutting issues

The principles of good governance, sustainable development, gender equality and equal opportunities shall be applied in all implementation phases (Art. 1.6). Guidelines are provided on how to effectively ensure that such cross-cutting issues are taken on board in the programme design and at project level (section 2.7 of the *POM*). Guidelines for applicants at national level are expected to clarify how these issues will be addressed in projects.

2.9 Bilateral relations

Bilateral relations between Beneficiary and Donor States shall be encouraged through the NGO programmes, in line with the overall objective of the EEA Financial Mechanism. The practical tools and implementation of bilateral partnerships are detailed in section 3.8 of the present Guideline.

NGO programmes shall usually not be Donor Partnership programmes. Bilateral cooperation shall rather include outreach, networking and exchange of knowledge at Programme Operator level outside a programme partnership agreement and/or be reflected in the development and establishment of cooperation at project level both within donor partnership projects and on a more ad hoc basis by projects without a formal partnership agreement through exchange activities.

In facilitating cooperation, the Programme Operator shall consider the following:

- encourage bilateral relations that can actively contribute to the expected objective and outcomes of the NGO programme;
- encourage cooperation that is mutually beneficial and based on common interests.
- make use of Donor State information tools and channels available to facilitate bilateral cooperation. In the case of Norway, the Norwegian Helsinki Committee shall act as facilitator in building bilateral contacts, including through the website www.ngonorway.org.

Moreover, in facilitating concrete partnership building the Operator shall:

- allow for adequate timeframes for partnership development;
- allow for adequate information opportunities on partnership building;
- identify legal barriers to partnerships and explore how to overcome these.

2.10 Cross-border cooperation

An NGO programme may be relevant for cooperation between entities in a Beneficiary State and in a country outside the EEA that has a common border with the respective Beneficiary State. Cross-border projects are therefore eligible, if they contribute to the NGO programme outcomes identified in section 2.4 of the Guideline.

3. SETTING UP OF NGO PROGRAMMES

3.1 General principles

The programmes shall apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities in all implementation phases. The Donor States exercise zero-tolerance towards corruption (Art. 1.6).

During the MoU negotiation between Donor States and Beneficiary State, the allocation for the NGO programme shall be set.

3.2 Appointment of an Operator

The management of the NGO programme shall be of the responsibility of an Operator, whose appointment procedure shall be defined in the MoU. Unless an entity is already identified in the MoU, the following options may be proposed:

- appointment of a Programme Operator by the Focal Point in consultation with the FMC (Art. 4.2.4);
- the NFP, with the consent of the FMC, entrusts the FMO as Programme Operator who shall appoint and contract a fund operator to ensure implementation of the programme (Art. 5.13).

In designating the Programme Operator for NGO programmes and/or in preparing tendering or such documentation as is necessary to appoint the Operator, the Focal Point shall consult with the FMC on the criteria and during the selection procedure of such an Operator.

In the event of appointment of the FMO as Programme Operator, the provisions of the *Regulation* do not apply, and the present Guideline is also not directly applicable. Nonetheless, in such cases the fund operator terms of reference and implementation agreement shall be broadly based on the provisions of both the *Regulation* and the present Guideline.

When a programme is being operated by the FMO or other international entities, the Beneficiary State bears no responsibility for the implementation of the programme, financially or otherwise (Art. 5.13.5).

A programme may be operated by a consortium of several entities, each having specific competences, experience and knowledge which together will strengthen the management capacity / expertise of the Operator. The programme proposal should specify the added value of such a consortium and the set up of the partnership this entails.

3.3 Contracting of a Programme Operator

The Programme Operator shall enter into a programme implementation agreement with the Focal Point for the operation of the programme (Art. 5.8). In the case of programmes operated by the FMO, an implementation agreement shall be established between the FMO and the fund operator.

3.4 NGO Programme Operator characteristics

The Programme Operator shall have strong ties to the NGO sector. The Programme Operator shall be autonomous of national, regional and local governmental institutions. Should such an autonomous Programme Operator be unattainable, the FMC may in exceptional cases waive this requirement but only to the extent necessary (Art. 4.2.4).

Moreover, the following characteristics would be expected of an NGO Programme Operator:

Knowledge:

- be knowledgeable about the NGO sector in the Beneficiary State, fully understand the needs of the sector, and be capable of responding to these needs with active and trusting relationships. Knowledge should extend to all parts of the NGO sector, including grass roots, regional and national groups;

Understanding

- seek clear evidence of needs in developing an NGO programme proposal, engaging the NGO sector in the process;
- have a partnership approach to working with NGOs and government.
- work flexibly to take account of project ideas (including in the training of the assessors), rather than considering only the skill of an NGO in submitting a well-worded proposal;

Independence

- be independent of government at all levels;
- ensure that grants are allocated according to the focus of the NGO programme itself rather than any direct or indirect political considerations;

Management capacity

- have experience / understanding in running programmes that involve regranting, detailed proposals with targets and outcomes, and understanding of national laws, rules and procedures that apply to the management of public money;
- ensure clear transparent assessment processes for grants;
- have experience of developing manuals and accounting systems that reflect the size of the grant and yet protect small NGOs from unreasonable demands;
- have systems for implementing good communication and publicity tools and events etc.;
- ensure efficient reporting, financial monitoring and payment systems;
- ensure monitoring and evaluation procedures that focus on outcomes not just targets and outputs, and encourage self-evaluation in end beneficiaries;
- ensure that smaller NGOs without access to additional resources are not disadvantaged by slow payment mechanisms;

Capacity building

- provide on-going outreach work and support to projects throughout the project cycle, including training on application writing and submission, implementation, reporting, and opportunities for experience sharing between funded projects as well as monitoring. This will be particularly important in encouraging learning transfer and contributing to strengthening the sector itself.

3.5 Programme Application

The Programme Operator shall submit through the Focal Point a formal proposal for an NGO programme within eight months of the date of its designation as Operator, and no later than 31 January 2013. Guidelines for completing the programme proposal are provided in Chapter 3 of the *POM*.

In order to ensure consistency with the *Regulation*, with the present Guideline and with the objectives and expected outcomes of the programme area, the FMO may be consulted for advice during the preparation of the programme proposal (Art. 5.1.4).

The Programme Operator shall ensure that the proposal provides an effective contribution to the overall objective of the Programme and takes due account of specific concerns referred to in the MoU, and to specific challenges in the sector. Where NGO stakeholder meetings and other consultations have been held in the Beneficiary state, the outcome of such processes shall be considered in defining the scope of the proposal. Costs for preparation of programmes may be covered (Art. 7.9). These may include among others studies of or public consultation with the sector which may assist in defining the focus and set-up of the programme.

In preparing the programme proposal, the Operator shall identify the appropriate expected outcomes, activities and areas of support as referred to in Chapter 2 of this Guideline which will best contribute to achieving the overall objective of the NGO programme in their country. Expected outputs and objectively identifiable indicators shall also be defined for each expected outcome (section 2.8 of the *POM*). Indicators are not required for objective level.

Operators are requested to draw from the standardised list of indicators (section 2.8.1 of the *POM*), consisting of quantitative indicators in drawing up their list of relevant measurement indicators. However, in order to assess outcomes or outputs, Operators are asked to also include more programme specific quantitative and qualitative indicators.

The FMC shall appraise and approve the programme proposal within four months of receiving all relevant documents / information (Art. 5.3); and subsequent changes in the approved programme proposal shall be treated as per Article 5.9 of the *Regulation*.

The Programme proposal shall be sent to the European Commission for screening (Art. 5.10).

3.6 Responsibilities of the Programme Operator

The Programme Operator is responsible for managing the programme (Art. 4.7). In the case of an NGO programme, the PO shall specifically:

- ensure that the NGO programme proposal, set up and implementation contribute to strengthening civil society development and enhance the sector's contribution to social justice, democracy and sustainable development, as outlined in the overall objective of the programme area.

- provide capacity-building, mentoring, support and learning transfer opportunities to projects throughout the application and project cycle in connection with the identified overall objective and expected outcomes. This includes but is not limited to, responding to questions from potential applicants, conducting seminars / workshops for NGOs and publishing instructions and guidelines for applicants;
- organise calls for proposals that take into account the specific needs of the sector in terms of geographical spread, capacity etc. and propose adequate application forms, procedures and support which will cater for different needs within the sector;
- set up an independent evaluation team and a Selection Committee, including relevant NGO sector experts (Art. 6.4);
- implement information and communication activities which reach out to the sector;
- facilitate and encourage bilateral exchange at programme and project level which will be mutually beneficial and contribute to the objective of the programme;
- define administrative procedures and manage the funds for bilateral relations at programme level in a way that will facilitate such exchanges;
- ensure financial flows and fund transfers that will not put projects at risk and ensure adequate financial control;
- ensure proportionate requirements in management, reporting and control.

The Programme Operator and FMO may have direct contact during the programming and implementation phase.

3.7 Management costs of the Programme Operator

The maximum management cost of a programme shall be calculated as a percentage of the total eligible expenditures of the programme. It shall be the sum of the following amounts (Art. 7.10.2):

- (a) 10% of the first € 10 million;
- (b) 7% of the next € 40 million;
- (c) 5% of the next € 50 million;
- (d) 4% of the remaining total eligible expenditures of the programme.

NGO Programme Operators may suggest in their proposal a higher ceiling for the management costs but never more than 30% above the ceiling stipulated above, in order to meet obligations related to capacity building of the sector. Such a ceiling, if approved by the FMC, shall be explicitly stipulated in the programme agreement. The ceiling for management costs and complementary action (see section 3.8 of the present Guideline) combined shall not exceed 15% of the total eligible cost of the programme (Art. 7.10.4).

Eligible activities include key programme management tasks but also capacity-building activities such as training potential NGO applicants and Project Promoters in complying with the requirements set by the Programme Operator for project applications and/or project implementation (Art. 7.10.3.b). Capacity-building activities at Programme level are essential in strengthening NGO applicant and individual Project Promoter's own capacity, including in further applying for and implementing projects.

3.8 Bilateral funds

Bilateral relations with Donor State partners shall be encouraged through the NGO programmes and specific funding shall be set aside as follows to support such cooperation:

Funding for Programme-level activities:

- a) Funds at national level for bilateral relations (Art. 3.5): These funds represent 0.5% of the Beneficiary State's total allocation and are intended to facilitate outreach and networking between the Programme Operators and potential project partners from the Donor States prior to or during the preparation of a programme proposal and during the implementation of the programme. The National Focal Point shall manage the use of the funds. The first date of eligibility for these funds is the date of the last signature of the MoU with the respective Beneficiary State.
- b) Complementary actions funding (see section 3.9 of the Guideline)

Funding for project-level activities:

- a. Seed money Funds for project applicants to facilitate bilateral cooperation (Art. 3.6) through support to the following:
 - (i) the search for project partners from the Donor States prior to or during the preparation of a project application;
 - (ii) the development of such partnerships; and
 - (iii) the preparation of an application for a donor partnership project.
- b. Funds for approved projects, to facilitate bilateral cooperation between Promoters and Donor State entities, whether or not they are project partners, to facilitate networking, exchange, sharing and transfer of knowledge, technology, experience and best practices within the programme's approved projects (Art. 3.6.3).

The combined allocation to the funds referred to a) and b) above shall not be less than 1.5% of the eligible expenditure of the programme.

Eligibility criteria of such costs are detailed in Article 7.7 of the *Regulation*. The FMC can in justified cases waive the requirement for either of the funds available at project level.

The applicable rules on state aid and public procurement shall be complied with (Art. 3.6.6). The selection procedures and criteria for awarding support from these funds, the grant rate and the maximum grant amount shall be suggested in the programme proposal and set in the programme agreement. The Operator should also define proportionate procedures for reporting on such costs.

3.9 Complementary actions

As well as specific management-related activities, the NGO Programme Operators may undertake complementary actions (Art. 7.11). These relate to targeted, mutually enhancing peer-to-peer exchanges of practices both with other Operators within the Beneficiary states and also with similar entities in the Donor States.

Such actions aim at:

- strengthening co-operation between the Programme Operators and similar entities within the Beneficiary States and Donor States;
- exchanging experiences and best practices related to the implementation of the programme.

A specific allocation shall be set aside to support such actions. The following categories of complementary action may be eligible, provided that the expenditure is proportionate and necessary:

- costs of events, such as rent of facilities, interpretation, travel costs, subsistence allowance, and publicity costs directly related to the conference; and
- salaries, travel costs and subsistence allowance of personnel of entities other than the Programme Operator that are directly involved in the complementary action, and of personnel of the Programme Operator when such cost can be clearly separated from costs related to the management of the programme.

Costs of complementary action may in the case of NGO programmes be of an amount equal to 30% of management costs and on top of these, subject to a combined maximum ceiling (management plus complementary action) not exceeding 15% of the total eligible cost of the programme.

Costs for complementary action must be explicitly approved by the FMC and specified in the detailed budget of the programme, annexed to the programme agreement.

4. PROGRAMME AND PROJECT IMPLEMENTATION

4.1 Open calls and availability of funds

The Programme Operator shall be responsible to launch open calls (Art. 6.3). The following principles should be taken into account in the case of NGO programmes:

- eligibility criteria and focus of the call should be clearly defined;
- the number of calls for proposals should be appropriately planned;
- the number of calls should be reduced to a minimum necessary to allow for sufficient time to provide development support for projects. Nonetheless, it should also reflect the need to provide for opportunities to reapply, where further time is needed for detailing proposals, or for possible dissemination or follow-up of innovative projects; where programme proposals allow for resubmission;
- pre-announcement of the calls is encouraged in order to facilitate applicants' preparation for the upcoming call, and taking into account regional outreach, language needs etc.;
- where appropriate, definitions of size and scales of funding available (for example 'micro'/'small'/'medium'/'large') should be provided, taking account of the size and diversity of the NGO sector in the country and in an effort to ensure a level playing field for all applicants;
- calls should clearly highlight where a specific type of focus would be relevant and could be under-represented e.g. rural areas, specific target groups, etc.;

- appropriate application forms should be prepared: the principle of proportionality should be applied and 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;
- the introduction of a two-stage application process, with an outline proposal and full proposal development for those outlines passing the initial stage assessment may be envisaged where appropriate, including where the NGO programme supports the development of innovative ideas or for larger scale applications;
- workshops or other kinds of support at the pre-application stage shall be organised as ongoing mentoring and support through the application process, to provide detailed guidance on what will be looked for in the proposal for funding;
- partnership / coalition applications, particularly where the NGO sector is very competitive, should be encouraged, as should coalitions between experienced and less experienced NGOs, where direct or indirect capacity building can be achieved;
- encourage and facilitate reach-out to Donor State organisations, including information on seed money for bilateral partnership building.

4.2 Processing of applications

The Programme Operator shall establish a Selection Committee consisting of at least three persons possessing the relevant sector expertise and experience of working on/with civil society. At least one of them shall be external to the Programme Operator (Art. 6.4).

The FMC and the NFP shall be invited to participate in the meetings of the Selection Committee as observers.

Selection procedures should be defined by the Programme Operator in accordance with Articles 6.4 and 6.5 of the *Regulation*. The Programme Operator shall review the applications for administrative and eligibility criteria compliance, inform rejected applicants and grant appeal time. The Programme Operator shall appoint independent and impartial external experts to score projects according to the selection criteria. Such experts shall have no direct or indirect interests that are or appear to be incompatible with the impartial exercise of their function (Art. 6.5). Applications shall be assessed by two experts, and where the difference in experts' scores is above 30%, a third expert shall assess the application.

Experts can be selected either through an open call for tender, or invited on the basis of previous experience, either in NGO funding work or relevant work with re-granting agencies, ministries or other funding institutions.

The Programme Operator is responsible for ensuring a clear and transparent selection procedure and taking appropriate measures in the case that a conflict of interest situation arises.

The Programme Operator shall submit the list of ranked projects to the Selection committee, and in English to the FMC. The Selection committee shall make decisions on the applications according to the procedure outlined (Art. 6.5).

The Programme Operator decides on the projects to be supported based on the Selection committee's recommendation. Modifications to the recommendations of the Selection committee shall be justified.

Both successful and unsuccessful project applicants shall be informed of the outcome of their application. Unsuccessful applicants will be provided with feedback on why their projects were not approved for funding or what risks were identified that prevented funding, and provisions for appeal will be established.

4.3 Selection criteria

Selection criteria shall be specified in the Programme Proposal and in the open calls. Criteria shall be defined by the Programme Operator and will be linked to scoring in the assessment of the applications. It shall relate to how the project contributes to the programme's objective, expected outcomes and outputs, and shall include but not be limited to the following:

- Relevance of the project
- Methodology
- Coherence between the objectives, activities, outputs and results
- Experience and capacity of the applicant
- Sustainability
- Innovativeness
- Capacity-building potential
- Impact on cross-cutting issues
- Communication plan
- Value for money

A minimum required score for key criteria, such as relevance of the project to the NGO programme objective and outcomes could be set, as well as a minimum total score for a project.

To widen access to NGO programmes, assessment criteria may use weighting where specific types of projects are under-represented e.g. rural areas, specific target groups, minorities etc. This should be integrated as part of a transparent process e.g. through the publication of selection criteria.

4.4 Project level partnership

Partners in projects are public or private entities, commercial or non-commercial, as well as non-governmental organisations, all of whose primary locations are either in the Donor States, Beneficiary States or a country outside the European Economic Area that has a common border with the respective Beneficiary State, or any inter-governmental organisation, actively involved in, and effectively contributing to, the implementation of a project. It shares with the Project Promoter a common economic or social goal which is to be realised through the implementation of that project (Art. 1.5.1 w).

Project partnership shall conform to national legislation on public procurement and state aid. Partnerships can be both bilateral, involving Donor State project partners, as described in section 2.9

of the Guideline, or involve Beneficiary state partners. Some examples from the above, beyond partnerships with other NGOs, may include:

- think tanks and academic institutions where they will contribute expertise to a project, particularly where a project is innovative in nature and where research into the outcomes / results of a project would be valuable for wider learning, dissemination and replication.
- statutory bodies and agencies (local governments, national government agencies etc), in building cross-sectoral partnerships.

Project partnerships shall be established through partnership agreements with the partners and be in English in the case of donor partnerships. Partnership agreements templates shall be proposed by the Programme Operator and reflect the need for proportionality (Art. 6.8).

Cooperation is also possible with local informal, ad hoc and self-help organisations that are not registered legal entities in the country. 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, are membership based and entirely independent of local, regional and national government and other public authorities, and are independent of political parties and commercial organisations.

4.5 Grant size and rate at project level

The project grant rate may be up to 90% of eligible expenditure of the project in the case of projects within NGO programmes (Art. 5.4.3). The maximum project grant rate shall be proposed in the programme proposal and determined in the programme agreement. It shall take into account the need to ensure the Project Promoter's commitment and ownership, as well as sustainability of the project.

The co-financing shall be provided in the form of cash or in-kind contribution. In-kind contribution in the form of voluntary work may constitute up to 50% of the co-financing required by the programme for the project (Art. 5.4.5). The programme proposal shall specify 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.

Maximum and minimum grant ceilings need to be determined by knowledge of the absorptive capacity of the NGO sector in the Beneficiary state, how far the grants should reach to smaller NGOs with less capacity to manage large grants and projects, and should reflect the outcomes and focus set for the NGO programme in each Beneficiary State.

Differentiation of funding schemes, between micro / small / medium and large grants shall be introduced as appropriate to cater for differing levels of experience, size and project-related requirements. Smaller scale funding should be made available, particularly for less experienced organisations, or for capacity building and organisational support. A lower maximum size of grants should be coupled with simplified and proportionate procedures for smaller grants.

4.6 Duration of projects

The need for flexible project duration should be taken into account by the Programme Operator in the development of the programme proposal. Longer-term project funding, for example where pilots / innovation are being developed, for projects which are focused on changed processes and development of new methodologies, or where operational costs and capacity building are being developed should be considered. Longer-term funding may also be needed for larger-scale projects.

The latest date of eligibility of expenses within projects under NGO Programmes shall be 30 April 2016 (31 December 2015 in the case of Spain) (Art. 7.14). The Programme Operator shall ensure that the grants are committed in time for adequate implementation of the project activities.

4.7 Predefined projects

Predefined projects may be proposed by the Programme Operator in exceptional cases (Art. 5.5). Predefined projects within NGO programmes should be limited and encouraged to focus on activities that will benefit the sector as a whole, and contribute to the overall objective of the programme or any of the defined outcomes for example studies, mappings of the sector, etc.

4.8 Programme level reporting

The NGO Programme Operator shall submit the following reports:

- the annual programme report: including information on progress in implementation over the past period, achievements in meeting the objectives, including bilateral cooperation, challenges and irregularities. The reporting periods for the annual programme reports shall be the calendar year, and reports shall be submitted not later than 15 February each year (Art. 5.11);
- the final programme report shall mainly focus on achievement of objectives, expected outcome(s) and outputs, as well as financial information (Art. 5.11);
- interim financial reports shall be submitted in accordance with Article 8.3 of the *Regulation* (more details can be found under section 5 of this Guideline);
- irregularities shall be reported in accordance with Article 11.5 of the *Regulation*;
- reporting on interest earned in accordance with Article 8.7 of the *Regulation*.

The annual programme report and final programme report shall be submitted to the FMC through the National Focal Point.

The reports will be submitted through the web-based system established by the FMO.

4.9 Project level reporting

In order to allow for data aggregation at project level, the NGO Programme Operators shall submit standardised information related to each project. A web-based system will be developed by the FMO into which the Programme Operators will be requested to upload and regularly update project information in a structured manner (Art. 4.7.p).

Programme Operators shall provide Project Promoters with the necessary reporting tools and offer guidance on how they should be used. Simplified project reporting requirements shall be proposed in case of micro or small-scale grants.

4.10 Monitoring and evaluation

Evaluation and monitoring of programmes shall be initiated by the National Focal Point. Evaluation of programmes may also be carried out by the FMC in consultation with the NFP. Monitoring and evaluation of projects shall be developed by the Operator (Art. 4.3.7, Chapter 9 and Chapter 10).

The ongoing project monitoring functions are carried out by the NGO Programme Operator who shall also undertake annual monitoring of a sample of projects (Art. 4.7.f). A monitoring and evaluation plan shall be submitted with the programme proposal, in line with the reporting requirements. This plan should include mentoring and support to the funded projects, as well as regular project visits for monitoring purposes. Monitoring visits should be seen as supportive instruments and not solely as tools for audit purposes. Supported projects may also be encouraged to include self-evaluation within their proposals and where appropriate, capacity building support in self-evaluation methods and approaches may be provided by the Programme Operators.

4.11 Compliance assessment and audits

A detailed description of the management and control systems of the Programme Operator, accompanied with an audit report and opinion shall be submitted to the FMC within six months from submission of the first interim financial report (Art. 4.8).

The programme shall be audited at least once by the national Audit Authority to verify the effective functioning of management and control systems, and audits at project shall be performed by the Operator and by the Audit Authority on a sample basis.

4.12 Visibility and Publicity

Communication and information are important elements in ensuring outreach, visibility, transparency and learning in the development and implementation of NGO Programmes. It is expected that the overall activities of the NGO programme are made visible and communicated in a transparent way to society, in order to highlight results and their impact on general issues of concern within civil society as such.

NGO Programme Operators are requested to pro-actively promote clear, consistent, comprehensive and easily available information on both Programme and projects. Appropriate and wide visibility and dissemination of results shall also be ensured at Programme and project level. Programme Operators and project promoters shall provide and implement appropriate Communication strategies and Publicity plans in line with the Information and Publicity requirements in Annex 4 of the *Regulation*. The results-based management system and relevant web-based reporting system tools in place should

be complied with and used to ensure adequate and efficient information flows on the implementation of the NGO programmes and supported projects across the Beneficiary states.

5. FINANCIAL MANAGEMENT

The NGO Programme Operator shall be responsible for the financial management of the programme in line with Chapters 7 and 8 of the *Regulation*.

The principle of proportionality shall be applied in the assessment of programme management and control system requirements (Art. 4.8.3). The NGO Programme Operator shall apply the proportionality principle also at project level, implying that the level of control shall be reasonable and appropriate to the size and type of projects supported. The management and reporting requirements shall be adapted to ensure the project objectives are achieved in the most effective and efficient way.

A budget for the NGO programme shall be provided by the Programme Operator with the programme proposal.

The budget shall be structured into budget headings and follow the templates provided in section 3.15 of the *POM*. The budget should include information on:

- management costs. In cases where the NGO Programme Operator is appointed through a competitive tendering procedure, the FMC can decide that the contract value shall be accepted as management costs instead of actually incurred expenses, within the ceilings for management costs established;
- contribution for re-granting to projects: this heading shall be broken down per expected outcome;
- other additional headings (funds for bilateral relations, complementary actions; preparation of programme proposal, reserve etc).

5.1 Eligibility of expenditure

Eligible expenditure of a programme includes:

- (a) management costs of the Programme Operator in accordance with the detailed budget annexed to the programme agreement;
- (b) payments to projects within the programme in line with the programme agreement and the project contract;
- (c) expenditure of funds for bilateral relations;
- (d) complementary action of the Programme Operator;
- (e) expenditure related to the preparation of a programme proposal (Art. 7.9). The maximum amount of eligible costs under this category shall be set in the programme agreement and not exceed 0.5% of the total eligible costs of the programme or € 100,000, whichever is lower. It can be claimed with the first Interim Financial Report;

- (f) expenditure related to the mitigation of exchange rate risks explicitly approved by the FMC and not exceeding 1% of the total eligible expense of the programme (Art. 8.6.5).

Expenditure at project level is eligible if justified, necessary, appropriate, and directly related to the project's long term effects and planned results (Chapter 7). Overheads can be based either on actual costs or on a flat rate up to 20% of total direct eligible costs.

Proof of expenditure shall comply with provisions in Article 7.13.

5.2 Payments to Programme Operator

Payments to NGO programmes shall take the form of advance payment, interim payment, and payment of the final balance. Disbursement of funds is subject to the fulfilment of the requirements related to regular updating of information (Art. 12.1).

A request for advance payment shall be part of the programme proposal (Articles 8.3 and 8.4). Disbursement of funds is subject to the fulfilment of the requirements related to regular updating of information (Art. 12.1).

In case of co-financed NGO programmes, the principle of pro rata financing shall apply, meaning that the payments of the grants should be matched with the co-financing amount. The co-financing shall be paid within one month after the payment of the grant.

A request for advance payment shall be part of the programme proposal. The advance payment shall not exceed the justified estimated expenditure for maximum two full reporting periods (up to 8 months from the first date of eligibility of the programme). The advance payment requested shall be broken down per budget heading and a justification shall be provided. Approval of the advance payment will be part of the programme decision of the FMC and will be set in the programme agreement (Art. 8.2). The advance payment to the NGO Programme Operator shall be disbursed after the signature of the programme agreement as soon as any programme specific grant conditions are fulfilled.

For interim payments, the underlying principle of the financial flow is payment of advance instalments based on Interim financial reports certified by the Certifying Authority and approved by the FMC (Annex 11) 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 Programme Operators have a positive cash flow throughout the whole implementation period.

The pre-defined frequency of the report submission covers the periods 1 January – 30 April; 1 May – 31 August; and 1 September – 31 December with a deadline for submission of the certified reports to the FMC by 15 March, 15 July and 15 November respectively (Art. 8.3).

The FMC will disburse the grant part of the proposed expenditure, unless the proposed expenditure is considered ineligible. Also the amount of any previously disbursed but unused funds will be taken into consideration when approving the claim. The payment shall be approved in line with conditions set out in the *Regulation* and the Programme Agreement.

Reporting on incurred expenditure as well as on proposed expenditure shall be broken down per budget heading as set out in the Programme Agreement.

The FMC may retain up to 10% of the management cost portion of every advance and interim payment to the programme. The retained amount shall not be paid until the final programme report has been approved by the FMC (Art. 8.1.4).

The calculation of the final balance may be subject to possible deductions, such as interest earned but not yet reimbursed, or any funds reimbursed from Project Promoters not yet reimbursed by the Programme Operator to the FMC (Art. 8.4).

5.3 Payments to projects

Payments from the Programme Operator to the Project Promoters 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 programme agreement. 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 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 Programme Operator.

5.4 Financial correction and suspension of payments

Financial corrections or suspension of payments may be applied in cases referred to in Chapter 12 of the *Regulation*.