

Block Grants

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

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1. GENERAL

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

1.1 *What is a block grant?*

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

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

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

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

Two block grant variants are eligible for support under which either:

- The block grant intermediary provides the co-financing resources for the small grants benefiting end recipients and/or;
- The end recipients benefiting from assistance provide their own co-financing to the block grant intermediary.

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

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1.2 *Eligible applicants*

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

1.3 *Rate of grant assistance and co-financing*

The grant rate shall be determined on a case-by-case basis, as the minimum necessary to allow the block grant to proceed, taking all relevant factors into account (e.g. the polluter pays principle and revenue generation).

The contribution from the EEA Financial Mechanism or the Norwegian Financial Mechanism in the form of grants shall not exceed 60% of the total eligible project cost except where activities are financed by central, regional or local government budget allocations, where the contribution may not exceed 85% of the total eligible cost. European Community ceilings for co-financing shall not be exceeded in any case. Intermediaries responsible for the implementation of block grants shall respect the same grant rates.

The combined support from the EEA Financial Mechanism, the Norwegian Financial Mechanism and the European Community, or other grants, shall generally not exceed 90% of total expenditure.

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

1.4 *Parties*

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

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

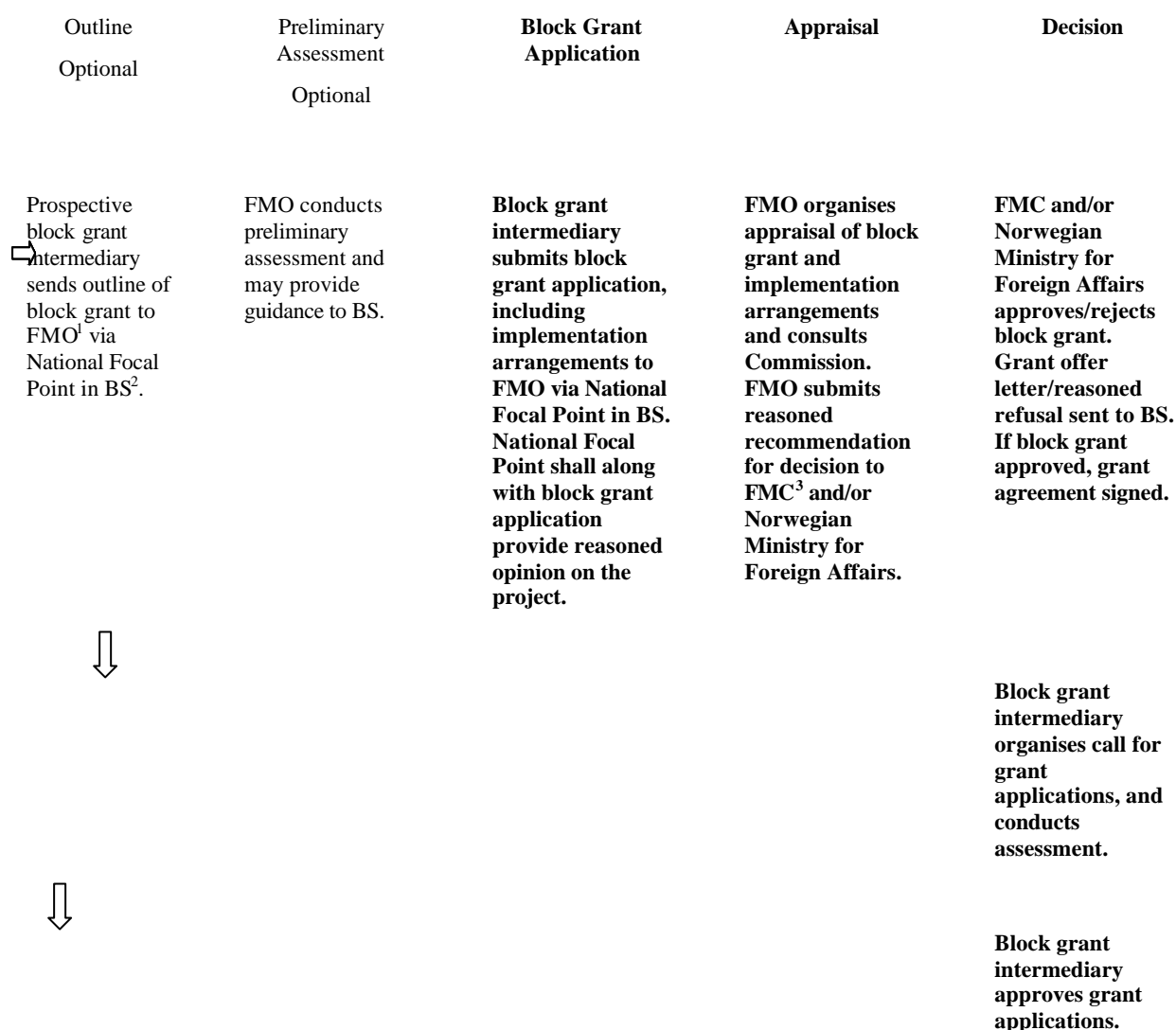
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2. Project cycle

2.1 *Appraisal and approval process*

Summary for Block Grants



¹ FMO (Financial Mechanism Office)

² BS (Beneficiary State)

³ FMC (Financial Mechanism Committee)

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

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

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

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

2.2 Selection of sub-projects

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

The system set up by the block grant intermediary must:

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

2.3 Monitoring and evaluation

The monitoring arrangements for a block grant shall be stipulated in the grant agreement. The FMC and/or Norwegian Ministry of Foreign Affairs may revise them at any time both during and after the implementation of the block grant.

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- Block grant intermediaries shall make the appropriate arrangements on the reporting with end recipients.
- Block grant intermediaries provide progress reports (including monitoring of sustainable development factors) to the National Focal Point in the Beneficiary State according to a schedule of milestones set out in the grant agreement.
- The National Focal Point reports at least once a year to the FMO.
- The FMO monitors block grants and normally for this purpose draws upon the services of a monitoring agent to undertake external monitoring of the sub-projects and the block grant, as well as on-the-spot checks.
- Ex-post evaluation of the block grant may be carried out individually or in the context of the programming framework of the Beneficiary State in question.

2.4 Disbursements

Disbursements relating to block grants may in part be made as advance payments.

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

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

The block grant intermediary shall aggregate payment claims for the block grant and transmit to the National Focal Point, together with all necessary documentary evidence demonstrating fulfilment of the disbursement conditions relating to the milestone(s) in question. The National Focal Point in turn presents the documentation to the FMO or, if applicable, its designated disbursement agent for disbursements.

Further guidelines on disbursement will be submitted once the FMO has concluded the necessary disbursement agent arrangements.

2.5 Management costs of the Beneficiary State

In principle the management and administrative costs of a block grant and its components are borne by the end recipients, the block grant intermediary and the Beneficiary State's administration.

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However, in cases where additional dedicated management structures and systems are created for the block grant, with staff hired exclusively for this purpose, the related costs can be included in the eligible block grant budget. These costs may not exceed 4.0 % of the total eligible cost of the block grant.

2.6 *Financial Control and Audit*

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