

RULES

for the Ministry for Foreign Affairs on grants from the Fund for collaborating with businesses on the UN Global Goals

Article 1

Scope and objective

These rules apply to the procedure regarding grants allocated by the Ministry for Foreign Affairs from the Fund for collaborating with businesses on the UN Global Goals, which is a project within the framework of the current emphases in development cooperation.

The aim of these rules is to ensure equality, objectivity, transparency and fairness in competition when allocating and managing grants. The grants shall also conform with government policy on contributions to international development cooperation, cf. Article 6 of Act No. 121/2008 on International Development Cooperation, the provisions of Article 42 of the Public Finance Act No. 123/2015, and Regulation No. 642/2018 on Grants from Ministers.

The Minister for Foreign Affairs allocates grants following proposals from a three-person evaluation group comprised of one representative of the Ministry for Foreign Affairs and two independent experts in development cooperation. The Minister shall appoint the evaluation group for a period of one year at a time.

Grants shall be given to specific projects and for a specified period each time.

Article 2

The Role of the Fund

The role of the fund is to encourage businesses to participate in and contribute to development cooperation. The aim is to reduce poverty and support job-creation and sustainable growth in the poor countries of the world in line with the UN Global Goals. The projects receiving the grants shall be beneficial to and promote value creation in the developing countries.

Projects receiving a grant shall, as a rule, support Global Goal no. 8 for sustainable economic growth and decent job opportunities, as well as being linked to other Global Goals that Iceland has placed an emphasis on in its development cooperation.

Article 3

Notices

At least once a year, the Ministry for Foreign Affairs shall issue a notice of the intended contributions from the fund and call for applications from eligible parties.

The notice shall inter alia refer to these allocation rules and the applicable allocation terms, cf. Article 6. The notice shall explain the goals and emphasis of allocating said contributions, the amounts available, the conditions that the applicant needs to satisfy in order to be eligible for a contribution, the format required for the application, the documents that need to accompany the application, the time limit for submitting the application and the expected processing time of the applications.

The notice shall state that applicants for contributions shall give a detailed description of the goals of the project which the application is for, 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 rules will be considered.

Article 4

Eligible parties and their partners

Grants from the fund are limited to businesses and applicants can only be publicly registered organisations that are not considered state actors, such as private companies, associations and private non-profit institutions. Companies must have been in operation for at least one year.

Projects must be implemented in cooperation with partners in a specific developing country. Other partners may also be involved in the project, such as universities and NGOs. The countries that are eligible for cooperation are those low income countries and low middle income countries included on the Organisation for Economic Co-operation and Development / Development Assistance Committee's (OECD, DAC) list of recipient countries of official development assistance that the Ministry for Foreign Affairs lists on its web page.

Projects that grant applications are made for shall be linked to the core business of the company. The applicant shall also, 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 the Development Assistance Committee of the Organisation for Economic Co-operation and Development, 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. The company's endorsed annual accounts must be submitted, as well as documents confirming that the company does not owe public fees and pension contributions.

Companies are also expected to confirm that they have committed to promoting responsible business practices, e.g. by joining the United Nations Global Compact, or in the context of other international standards on social responsibility and responsible operating practices.

Article 5

Applications

Applications must be submitted on a special application form and shall include an explanation of how the applicant intends to use the grant.

The application must be accompanied, *inter alia*, by the following documentation and information:

- a. information on the applicant or applicants, other participants and partners,
- b. a description of the company's core business, as well as skills and experience of implementing comparable projects,
- c. a detailed description of the project, its goals and meaning for the applicant and its target group, along with a time estimate and a work plan,
- d. a budget which includes, *inter alia*, information about estimated expenses, revenue, other parties' share in project expenses and grants awarded to the project or which applications have been made for,
- e. a confirmation from the Business Register of the legal registration of the company,
- f. in the case of an Icelandic company, annual accounts endorsed by a statutory auditor,
- g. annual accounts of foreign partners, endorsed by a public auditing body that is a member of the INTOSAI, or by an audit firm that operates in keeping with international auditing standards (IFAC), in the case of grants which exceed four million ISK,

- h. documentation confirming that the company does not owe public fees and pension contributions,
- i. information on the owners and senior managers of the company,
- j. a list of the names of the board members of the company and their positions,
- k. policy on social responsibility/code of ethics,
- l. a signed statement on de minimis aid,
- m. confirmed documentation from partners as well as other documentation in support of the application.

Article 6

Allocation terms

In addition to the requirements for the applicants set out in Articles 3, 4 and 5 of these rules, as well as requirements that may derive from Article 8 of the Act on International Development Cooperation, the following terms for allocating grants apply according to these rules:

- a. The development goals of the partner country where the project will be implemented must always be the principal aim of the project and must be in line with the plans and needs of the partner country.
- b. All projects need to take into account human rights, equality and environmental concerns, which have a special emphasis in Iceland's development cooperation. It must be guaranteed that the project does not cause any environmental or social damage.
- c. Projects must entail a clear additionality, i.e. a cooperation project which would not be implemented or financed under regular market conditions.
- d. The project shall have a measurable impact on development. There are clear requirements for monitoring, control and evaluation of results for all development activities.
- e. In keeping with the procedures of the Development Assistance Committee of the Organisation for Economic Co-operation and Development on public contributions towards development cooperation, export or marketing projects are not eligible for grants.
- f. Projects may not cause undue distortion of competition.
- g. The fund will not finance projects which are on the exclusion list of the European Development Finance Institution (EDFI).
- h. Compliance with the EEA Agreement's rules regarding state aid shall be guaranteed, as applicable.

Article 7

Grant amount

The grant amount may reach a maximum of EUR 200 000 over a three year period, and may not exceed 50 % of the total cost of the project. Where the beneficiary has received a state grant elsewhere, within the same period, the grant will be reduced in keeping with these rules, by that amount.

Article 8

Application evaluation

An evaluation group will assess the eligibility of applications and their value for the fund's development cooperation emphases, cf. in particular Articles 2, 4 and 6 of these rules. Assessment of applications shall in particular be based on the following criteria:

- a. the value and importance of the project for the government's policy in the field of international development cooperation, cf. Article 2 of these rules, and the goals of the relevant partner countries,
- b. the career and professional background of applicants and other partners, cf. Article 4 of these rules,
- c. the likelihood of the applicant reaching the goals of the project,
- d. the financial basis of the project and/or whether the applicant has received other grants for the same project.

The applications shall be assessed and rated on the basis of quality criteria which take note of the purpose of the fund and whether the notice has called for grant applications with a special focus. The relative weight of the quality criteria shall be determined in advance of every allocation and published on the website of the Ministry for Foreign Affairs.

The evaluation group may request further information from the applicants when needed. When assessing the applications, the evaluation group is authorised to seek opinions from professional bodies if needed.

Article 9

Allocation

The evaluation group submits a proposal to the Minister regarding the allocation and disposal of funds for projects. The proposals shall be in writing and include a brief, general description of the implementation and procedure during the making of the proposal. Each application shall be accompanied by a brief review and a proposal on how to handle it.

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

The Ministry for Foreign Affairs publishes names of beneficiaries, project information and grant amounts on the website of the Ministry.

Article 10

Allocation agreement and allocation terms

A written contract shall be made regarding contributions on the basis of the allocation terms, cf. Article 6 of these rules, ensuring satisfactory reporting on the process of the project and accounting. When the contribution is for a period longer than the fiscal year, the contract shall contain a clear and binding proviso that ongoing financial support for the project depends on there being budgetary allocations in the budget for the years which the contract applies to.

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

Article 11

Implementation and control

The beneficiary and their partners are responsible for implementing the supported project. The Ministry for Foreign Affairs' Directorate for International Development Cooperation handles all controls of the project. Companies shall have a special bank account for grant money from the fund. Grants from the fund shall only be paid out on the basis of real costs incurred by the company or its partners due to the project. The Ministry for Foreign Affairs may cap rates for outside services and shall state this in the contract. It must be made clear in grant contracts that the Ministry for Foreign Affairs and the Icelandic National Audit Office have access to all relevant documents to audit the finances of the project.

Beneficiaries are obliged to inform the Ministry or the Audit Office of the progress of the project on request. The Ministry may suspend payments of grants and request reimbursement

should the party responsible 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. Before making such decisions, the beneficiary shall be given an opportunity to declare their opinion of the matter. Beneficiaries shall take all appropriate measures to prevent any kind of corruption in relation to utilisation of funds.

Following the end of the project the beneficiary shall present the Ministry with a written report on the progress and outcome of the project.

Article 12

Financial management

A request for deviation from an approved budget shall be submitted to the Ministry before the expenses are incurred. Beneficiaries are nonetheless authorised to transfer the equivalent of 10 % of expenses for the primary items of expenditure between items and years. When the transfers result in significant changes in the project, the beneficiary shall seek the approval of the Ministry.

Beneficiaries 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 foreign states for the purposes of facilitating the progress of a project. Beneficiaries are also responsible for training and informing their partners on policies, codes of ethics and other such standards that partners must adhere to. Beneficiaries are obliged to include provisions on positions and measures against corruption in any contracts made with contractors and subcontractors.

Beneficiaries shall inform the Ministry in writing and without delay of any illegal actions, corruption or misuse of funds that beneficiaries become aware of or which are made known to them, whether within the organisation of the beneficiaries themselves or their partners. Beneficiaries shall investigate and, when necessary, take suitable 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 complaint or report to the control authorities. Beneficiaries 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 grants shall be returned to the Ministry at the end of the project.

Article 13

Progress reports for the projects

Progress reports are made 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 based on the progress frame that was set out in the project document and be simple, clear and concise. Progress reports shall e.g. include information on resources and expenses, as well as on the monitoring of projects and be based on progress indicators set out in the grant application.

The layout and presentation of the progress report is not standardised. Reports used for project management purposes may be used for reporting to the Ministry.

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

Article 14

Final reports 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 in the project were reached and assess their impact on development. The final report shall, *ceteris paribus*, be submitted to the Ministry no later than three months after the completion of the project.

Article 15

A memorandum from the Minister on contributions

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

Article 16

Auditing the activities of the fund

An independent external audit of the activities of the fund shall take place in the middle of the year 2021. The audit shall evaluate the projects which have received a grant, their progress and likelihood of results, especially in the context of the UN Global Goals.

Article 17

Legal basis and entry into force

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

Ministry for Foreign Affairs, November 5th, 2018.

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