

## GRANT SCHEME RULES

### ENTERPRISE DEVELOPMENT FOR JOBS

**Responsible unit:** DEPARTMENT FOR ECONOMIC RELATIONS AND DEVELOPMENT

**Programme area:** INTERNATIONAL AID 03

**Budget item(s):** 161.70 and 166.74<sup>1</sup>

**The provisions of the grant scheme rules regulate the main elements of the grant scheme, and are intended for internal use in Norad. Their purpose is to ensure that the grant scheme is administered in accordance with the Storting's appropriation and in line with the general principles of administrative law.**

#### 1 Objective and target group

Poverty reduction is the overriding objective of Norwegian development aid. The objective of the grant scheme is to trigger sustainable commercial investments that contribute to creating jobs in developing countries.

The grant scheme is also intended to facilitate access to renewable energy in developing countries, and thereby contribute to creating new jobs and reducing poverty.

The grant scheme is intended to contribute to reducing commercial risk and have a catalytic effect. The scheme must be seen in context with other instruments that are established to promote private sector development, including strategic partnerships with the private sector.

The *target group*<sup>2</sup> of the grant scheme consists of potential employees and people in developing countries who get access to renewable energy.

*Potential grant recipients* are companies that can document their ability to create jobs in the private sector by investing in sustainable businesses in developing countries.

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<sup>1</sup> The grant scheme will be financed through two different budget items. Support for renewable energy projects will be covered through 166.74, while support for other projects will be covered through 161.70.

<sup>2</sup> Note that the target group is defined as the group the grant scheme aims to help, while the grant recipient is the channel used to reach the final target group.

Grants may also be given to actors (producers) who document their ability to increase access to renewable energy.

## **2 Performance criteria**

Norad is required to report on the results achieved under the grant scheme in the relevant section (chapter/item) of the budget proposal (*Prop. 1 S*). These reports are to be in line with the Storting's decisions and the conditions attached to them, and are to be based on the indicators set out below. The overall reporting on the results achieved under the grant scheme is to indicate the impact Norway's support through the scheme has had on social development and to indicate why any further Norwegian efforts in this area should be undertaken.

The following indicators are to be used to measure results under this scheme. Norad must require reporting from the projects on the following points:

- Total investment amount triggered by the support.
- Number of new private sector jobs in developing countries that the support has resulted in, by gender.
- Net increase in the generation capacity of renewable energy for projects (measured in MW).

The grant recipient's reporting requirements are set out in the agreement with Norad. Grant recipients are not required to report on the impact of each grant on society as set out in the overall objective of the grant scheme. However, the grant recipient shall, to the extent possible, document the impact of the grant on the target group and its likely impact on society.

The *relevance* of each project for the objective of the grant scheme must always be set out in the decision documentation.

## **3 Allocation criteria**

The purpose of the project must be consistent with the objective of the grant scheme; see section 1.

Grants may be given to individual parts of a project, or to an "integrated product". "Integrated product" refers to projects based on a business plan for a long-term investment, where an estimate is given at an initial stage of the additional needs for the subsequent parts of the project. The triggering of grants for subsequent parts depends on agreed milestones being attained. Norad does not provide financial support for the actual investment project, but may award grants to interventions that contribute to project development and reduce the investment risk.

The grant scheme is based on competition. Norad will compare the applicants, and select the best applications in cooperation with Innovation Norway and other relevant

actors where appropriate. The following criteria form the basis for Norad's *assessment and ranking of applications*:

- The likelihood of the project creating jobs in the private sector and/or increasing access to renewable energy
- Geographic and sector-specific priorities consistent with current Norwegian policy
- The project is commercially viable in the long term, but the whole or parts of the project would not have been initiated without the grant (additionality/incentive effect)
- That the project is “catalytic”, i.e. triggers capital or some other form of engagement from private-sector actors
- That the project’s business plan documents the applicant’s skills and performance capability, in line with the objective of the grant scheme
- Cost-effectiveness of the activities for which a grant is being applied
- Applicant’s significant ownership and participation in the implementation of the project.

The award criteria according may be further specified by the grant manager in the call for applications.

Grants will be awarded according to political requirements in force at any time, as set out in the annual budget proposal and the Ministry of Foreign Affairs’ letter of allocation to Norad. The awarding of grants is subject to allocations of funds.

#### *Cross-cutting issues<sup>3</sup>*

There are four cross-cutting issues in Norwegian development policy:

- Human rights, with a particular focus on participation, accountability and non-discrimination;
- Women's rights and gender equality;
- Climate change and environment;
- Anti-corruption

Grant recipients shall identify material risk factors that may have a negative impact on the four cross-cutting issues, and shall analyse and manage these risk factors throughout the project cycle. The risk assessment shall be scaled to the significance of the project, including its scope and duration. The grant manager has an independent responsibility to consider whether risk assessment and risk management by the grant recipient provide sufficient security that unintended negative effects will be avoided.

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<sup>3</sup> See V04 in the Grant Management Manual (GMM)

Norad expects grant applicants/recipients to act in accordance with UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Funding under this scheme is to comply with the OECD/DAC criteria for official development assistance (ODA).

#### *Requirements of the applicants/application*

- Funding is only granted to established companies with demonstrated results and expertise from previous projects. The definition of “established” is based on an overall assessment of competitiveness, skills, capital base, management and capacity for expansion in challenging environments.
- In order to enter into a grant agreement with Norad, the applicant must be a legal person. The applicant must also provide information about the organizational form in the applicant. The applicant’s business partners must be described, and a full overview of the partners’ owners must be provided. Procurement rules must be adhered to where relevant.
- Grants will only be awarded in cases where it is feasible within realistic limits to conduct a proper due diligence<sup>4</sup> of the applicant prior to an agreement. Applications may be refused without being processed if this is not possible, if the applicant’s risk profile is regarded as too high, or if the documentation from the applicant, including the business prerequisites, is inadequate.
- In the application, the company must document the necessary implementation capacity. Applicants who cannot present audited accounts for at least 3 years must document in some other way that they have access to adequate financial resources.
- Applicants must have had turnover of at least NOK 10 million the last audited year in order to be considered. If this requirement is not satisfied, specific reasons for this must be provided in the application and decision document.
- Grant recipients must cover a minimum of 50% of the costs of the activities for which funding is being sought. If this requirement is not satisfied, specific reasons for this must be provided in the application and decision document.

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<sup>4</sup> Due diligence implies a background check of key partners in the project to check whether they include players who have previously been involved in criminal activity, terrorism or financial fraud. This check will also investigate the owners’ participation in other companies, to ensure that there are no conflicts of interest with the planned project.

- Applicants must have a minimum of 25% ownership in the investment project that is to be conducted in the developing country. If this requirement is not satisfied, specific reasons for this must be provided in the application and decision document
- Grant recipients must have ethical guidelines for their enterprise. These must as a minimum fulfil the requirements in “Guidelines for the preparation of ethical guidelines for Norad grant recipients” (see separate template and guidelines on Norad's website).
- Grant recipients must confirm that they have conducted adequate safety and security assessment of own employees who are going to work in high-risk areas, including measures related to training, guidance material, insurance and equipment.
- Grants must comply with the rules in the EEA Agreement concerning state aid; see the Act relating to State Aid.<sup>5</sup>

Norad may specify concrete criteria and requirements for applications in the calls for proposals for the grant scheme.

*Funding cannot be given to projects that manufacture weaponry or other military material, intoxicants such as alcoholic beverages and narcotic substances, or tobacco.*

#### **4 Information for potential grant recipients**

The grant scheme is announced on [regjeringen.no](http://regjeringen.no) and [norad.no](http://norad.no), where application criteria and deadlines are announced.

#### **5 Follow-up and control**

Follow-up and control are to be adapted to the risk and significance of each project. A thorough risk assessment of the project and an assessment of the potential grant recipient (“partner assessment”) is to be carried out before any agreement is entered into, and this is to form the basis for the follow-up and control provisions set out in the agreement. The follow-up and control provisions are also to be in accordance with the *Grant Management Manual*, and the specifications set out in the grant scheme rules and the agreement templates. The templates and forms indicated in the *Grant Management Manual* are to be used, unless otherwise stipulated.

The relevant templates can be found on UDintra under *Fagområder/Tilskuddsforvaltning/Grant Management*.

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<sup>5</sup> <http://app.uio.no/ub/ujur/oversatte-lover/data/lov-19921127-117-eng.html>

The routines for the various aspects of grant management are to be followed. These can be found on UDintra under *Fagområder/Tilskuddsforvaltning/Grant Management/Routines*.

If Norad has procured goods or services under a grant scheme, the procurement must be followed up in accordance with the contract with the supplier.

### ***5.1 Grant management regime***

Grants awarded under this scheme are to be managed as project and programme support (Grant Management Regime I) or in exceptional cases as small-scale grants (Grant Management Regime III).

### **5.2 Assessment and decision**

The following assessments must be made initially:

- That the project falls into a category that can be funded under the grant scheme, i.e. that the purpose of the project is of relevance to the objective of the scheme and target group(s) in addition to the award criteria for the scheme.
- The impartiality of the programme officer, or other impartiality issues. (To be documented in writing if necessary; see pp. 22–23 of the GMM).
- Whether the partner is a legal person and can enter into a legally binding agreement.
- The need for political approval if clearance is necessary for reasons of political sensitivity.

Activity A01 “Receive application and assess the need for more information” in GMM describes the procedure to be followed on receipt of applications.

#### ***Quality assurance – seeking expert guidance***

Quality assurance in the form of expert guidance from outside the unit managing the grant is an important way of reducing risk, and will improve the decision process, clarify the need for control in the follow-up phase, and increase the likelihood of achieving, and being able to measure, results. Norad will cooperate with Innovation Norway or other actors where relevant. Any expert guidance that is not followed must be documented in the decision-making phase, and the reason for this given on the basis of a risk assessment. If expert guidance is not sought in accordance with the requirements, the reason for this must be given in the decision document and based on a risk assessment.

On the basis of a risk assessment of the individual project, expert guidance (A02), including quality assurance of the budget and the results framework, may be sought from relevant Norad departments before the agreement is entered into.

For projects of NOK 15 million and above, the need to seek expert guidance A02, including quality assurance of the budget and the results framework, from relevant Norad departments or external sources, shall be considered before the agreement is entered into.

For projects of NOK 50 million and above, expert guidance (A02) shall always be sought from relevant departments, or external sources (A03) before an agreement is entered into under Grant Management Regime I (project/programme support). The activity selected will depend on the risk and significance of each project.

#### *Preparing the decision documentation*

As a general rule, the template for decision documentation for the relevant grant management regime should be used. See activity A04 “Prepare decision documentation” in the GMM.

The updated templates for decision-making documentation can be found on UD Intra under Fagområder/Tilskuddsforvaltning/Assessment and decision.

The cross-cutting issues described in section 3 above must always be taken into account.

#### *Rejection*

Rejection of an application is to be notified in writing. See Activity A05 ‘Formalise rejection’ in the GMM. The templates for rejection can be found on UD Intra under Fagområder/Tilskuddsforvaltning/Assessment and decision.

The decision to award a grant or reject an application for a grant through this grant scheme is an individual decision pursuant to section 2 of the Norwegian Public Administration Act, and can be appealed to the Ministry of Foreign Affairs. Appeals are processed in accordance with Chapter VI of the Public Administration Act. Appeals must be submitted to Norad in writing within three weeks of the date when notification of the decision was received. If Norad upholds the rejection, the appeal must be sent to the Ministry of Foreign Affairs for processing. The Ministry's decision is final, and the Ministry will send a reply directly to the applicant.

#### *Requirements for the follow-up phase*

The requirements for follow-up and control of the grant are to be determined in accordance with the relevant grant management regime, the requirements in these grant scheme rules, and on the basis of an assessment of risk and significance of each project. In the case of funding to UN organisations, follow-up and control are to be based on the organisation's own rules. The reason for the required follow-up and control activities is to be explained in the decision document and the requirements are to be set out in the agreement. A08–A17 in the Grant Management Manual describe the various follow-up activities.

The grant recipient must ensure that the grant is utilised in accordance with the agreement. Norad practises zero tolerance in relation to financial irregularities, such as corruption, fraud, theft, embezzlement, use of funds in breach of the agreement, or failure to account for the use of funds in an acceptable way. The policy of zero tolerance applies to all persons, organisations and governments that administer funds allocated by Norad. The grant recipient is responsible for preventing and detecting any financial irregularities.

Projects that extend over more than two years and that are awarded a total grant of at least NOK 15 million under Grant Management Regime I, should, as a rule, be reviewed at least once during the agreement period. This may be in the form of a mid-term review, an end review, or both, as appropriate for the project concerned. See Activity A16 'Conduct review' in the Grant Management Manual. The content and scope of the review(s) are to correspond to the risk and significance of each project.

If the requirements for carrying out a review are diverged from, the reason for this must be based on a risk assessment, and must be documented.

### ***5.3 Entering into an agreement***

As a general rule, the Ministry of Foreign Affairs' agreement templates are to be used. See activity A06 "Prepare and sign grant agreements" in the GMM.

The current agreement templates can be found on UD Intra under Fagområder/Tilskuddsforvaltning/Agreement templates.

Legal quality assurance conducted by Norad's Legal Section (03 funds) is mandatory for all agreements for amounts exceeding NOK 50 million, in cases where granting additional funding will cause the total amount under the agreement to exceed NOK 50 million, if a template other than the current approved templates published on UD Intra are used, or if deviations from pre-defined parts of the template are being considered. If a different template is used, it shall comply with the minimum requirements set out on p. 122 in V06 of the GMM and must be incorporated in the agreement.

In cases where legal advice has been sought, any deviations from this advice must be documented in the decision phase, including the reason for the deviation(s), which must be based on a risk assessment.

### ***5.4 Follow-up***

Norad shall obtain reports from grant recipients on projects carried out under the scheme to make it possible to assess the impact of the projects on the target groups, and shall report on the results achieved under the grant scheme in the annual budget proposal.



Activities A11–A17 in the GMM describe the activities carried out in the follow-up phase.

As a general rule, disbursements shall only be made in arrears, but advance disbursement of parts of the grant may be considered if there are special grounds for doing so.

Activity A61 in the GMM, “Amend agreement”, describes who to go about amending an agreement, if needed. This is also described in V06, p. 125 of the GMM.

All reviews and evaluations of projects carried out under the grant scheme must be registered in the evaluation portal (Evalueringsportalen.no).

### ***5.5 Completion***

Activities A18–A21 in the GMM describe the steps leading up to completion of the agreement.

### ***5.6 Financial irregularities and breach of agreement***

If there are reasonable grounds to suspect financial irregularities, this must be reported without undue delay to Norad's Whistleblower Team and followed up in accordance with chapter 2 of the Ministry's budget proposal (Prop. 1 S (2015–2016), and “Norad Guidelines for dealing with suspicion of financial irregularities”, 25 January 2011.

See also activities A63 “Handle breach of agreement” and A64 “Notify suspicion of irregularities” in the GMM. Breaches of agreement are also discussed in V06 in the GMM, p. 125.

## **6 Evaluation of the grant scheme**

In order to ascertain whether a grant scheme is effective in terms of resources, organization and goal achievement, the unit responsible must ensure that an evaluation is carried out. The date is decided by the Ministry of Foreign Affairs.

Evaluations are to be registered in the evaluation portal (Evalueringsportalen.no).