



# GRANT SCHEME RULES

## NORWAY'S INTERNATIONAL CLIMATE AND FOREST INITIATIVE (NICFI)

**Adopted by the Ministry of Climate and Environment, entered into force on 1 October 2018, revised 1 January 2020<sup>1</sup>**

The grant scheme rules contain provisions that regulate the main elements of the grant scheme and operationalise the guidelines set out in the Norwegian Parliament (Storting) appropriations relating to the national budget ch. 1482, item 73: Norway's International Climate and Forest Initiative.

The grant scheme is application-based. Applications are considered and granted on the basis of the guidelines and criteria set out in these rules. The grant scheme is announced on the Ministry of Climate and Environment's and Norad's websites.

No applicants are entitled to grants from this scheme. This applies even if all formal and material conditions are met.

The administration of the scheme or parts thereof can be delegated to governmental or transferred to non-governmental grant administrators, see the Provisions on Financial Management in Central Government 6.2.2.4.

### 1 Objective and target group

The Government's Climate and Forest Initiative (NICFI) is a contribution to the international efforts to reduce greenhouse gas emissions from deforestation and forest degradation in developing countries (REDD+).

Projects supported under ch. 1482, item 73 shall contribute to the initiative's main objective; *reduced and reversed loss of tropical forests contributes to a stable climate, protects biodiversity and enhances sustainable development*. The main objective has two sub-goals; (i) *contribute to sustainable land use* and (ii) *contribute to reduced pressure on forests from global markets*.

The annual budget proposals indicate the priorities and changes in priorities for funding under this grant scheme. These priorities will be decisive in relation to which projects/applications will be granted funding.

Sustainable development and combating poverty are overarching goals of Norwegian foreign and development policy. Climate policy and development policy shall be mutually supportive. The climate policy objectives govern approaches and priorities, at the same time as the

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<sup>1</sup> This is a translation of the Norwegian grant scheme: Ordningsregelverk Klima og Skogsatsingen, i kraft fra 1. oktober 2018, med endringer fra 1. jan. 2020, korrigeret 30. januar 2020. In the event of any discrepancies between this English translation and the original Norwegian text, the Norwegian original text shall prevail.



money spent should promote good development and be approved as aid under the guidelines of the OECD Development Assistance Committee (DAC).

The final target groups for the grant scheme are population groups in developing countries<sup>2</sup> that depend on tropical forests for subsistence, as well as all other population groups from these countries that will benefit from reduced greenhouse gas emissions from deforestation and forest degradation. The tropical forests and their carbon stores also constitute a target group in themselves.

Specific target groups must be identified for all projects funded under this scheme.

## 2 Criteria for achievement of objectives

The overall goal achievement of the grant scheme shall be weighed against the initiative's main objective, see chapter 1. Results will be described on the basis of the strategic framework for NICFI, see Appendix 1. Reporting on results achieved under the grant scheme shall demonstrate how Norway's support has impacted the main objective and sub-goals.

Projects funded under the scheme shall contribute to reaching one or more of the outcomes set out in the initiative's results framework (see Appendix 1):

- Approved and implemented policies for sustainable forest and land use in tropical forest countries and jurisdictions
- Improved rights and livelihoods for indigenous peoples and local communities in tropical forest countries
- Effective international incentive structures for reduced deforestation in tropical forest countries
- Increased transparency in land management, land use, value chains and financing
- Commodity markets stimulate deforestation-free production in tropical forest countries
- Financial markets stimulate deforestation-free commodity production in tropical forest countries
- Reduced forest crime

It must also be highlighted how the projects contribute to poverty reduction for affected groups.

Indicators/criteria for achievement of objectives for each project that receives a grant shall be adapted to the three phases of REDD+. Goals and indicators shall be stipulated in each individual grant agreement. Clear objectives shall be defined and set out in an agreement for each project, with baseline data and clear indicators. It is a requirement that reports from the grant recipient shall demonstrate the project's goals and the results achieved.

The grant recipient must, to the extent possible, document the impact of the grant on the target group and its likely impact on society. The results achieved for each individual project shall be reported in relation to goals at the highest possible level of the results framework / that are set for the project.

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<sup>2</sup> Countries approved by OECD/DAC as recipients of Official Development Assistance (ODA).



### 3 Allocation criteria

#### *Potential grant recipients*

Potential grant recipients include various legally registered entities, including public authorities, business and industry, inter-governmental and non-governmental organisations, expert communities/institutions and other actors that can contribute to NICFI's goals and milestones being achieved. All these groups can apply for funding from the scheme.

Applications will only be considered if the applicants have documented that they meet the criteria set out in the grant scheme rules. Applications that do not meet the criteria will be rejected. All applications received will therefore be assessed.

The applicant must be a legal person. The applicant must indicate the legal status of the organisation in the application. It is an advantage if applicants are able to document previous experience of managing development cooperation projects, their ability to achieve results, and their implementation capacity.

Potential grant recipients must have a policy in place for combating and counteracting sexual harassment and discrimination and ensure that this policy is implemented in practice. The applicant must have safeguards in place against corruption and negative impacts on women's rights and gender equality, human rights and climate and the environment.

Grants for Funds mechanisms require the establishment of a legal framework and a governance structure that ensures satisfactory management of funds and compliance with the requirement that the Fund can only use Norwegian funds for projects approved as official aid (ODA). The Fund must have a satisfactory results framework, including a needs analysis and an explanation of the programmes' intended impact.

#### *Application requirements*

Grants are awarded by applications. Grants under bilateral agreements concerning climate and forest collaboration and agreements on multilateral collaboration are exempt from the application requirement, cf. the Provisions on Financial Management in Central Government, 6.4.2 c), see section 5 below.

The application must contain:

- The applicant's name, address, organisation number, account number and contact person. The entity's legal registration documents, i.e. certificate of registration, its articles of association and annual accounts for the past three years must be enclosed with the application.
- The requested amount and budget: The budget must identify the cost of the activities for which a grant is applied for. Overhead costs are normally limited to 5 per cent of the budget, maximum 7 per cent, see MFA's circular R10 concerning indirect costs. For UN organisations with which Norway has bilateral/multilateral treaties, the provisions on indirect costs set out in the treaty shall apply. The budget must show the total cost of the project and the proportion for which a grant is applied for, as well as an overview of any other sources of funding.



- A description of the entity's accounts and financial system, including how the project accounts are to be prepared and reported.
- A description of how the project(s) contribute(s) to solve the main challenges identified.
- The project's result framework must show the desired and planned achievements at the social level (social impact). The application must describe the impact on the project's target group and include clear indicators with baseline data (baseline). The framework must show the link between the project results and NICFI's overarching goals or milestones. No results framework is required for short-term limited and concrete activities.
- Information about the project's risk management, including the identification, analysis and mitigation of risks.
- An implementation plan that is linked to the result framework.

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 the environment
- Anti-corruption

The application must identify any risk factors that can have a negative impact on the cross-cutting issues. The grant recipient must analyse and mitigate these risk factors throughout the project cycle. The risk assessment must be adapted to the significance of the project, including its scope and duration.

#### *Assessment criteria for the project*

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

Grants may be awarded for:

REDD+ phase 1: Grants for planning, assessments and scoping activities, as well as capacity and institution-building such as:

- developing national strategies
- assessments of capacity
- capacity building
- preparing analyses of drivers of deforestation
- assessment of forest resources
- establishment of reference scenarios for deforestation (baselines)
- identification and design of planning tools for measurement/reporting/verification (MRV)
- identification and piloting of anti-deforestation measures
- consultations



REDD+ phase 2: Grants for capacity building and implementation of plans and projects proposed in phase 1:

- investments in national projects targeting drivers of deforestation
- implementation of political, regulatory and administrative reforms
- to an increasing extent, payment for results (after reaching established milestones as defined in the agreement) through established funding mechanisms.

REDD+ phase 3: Provided that sufficient national capacity has been established, grants can be awarded for:

- payment for results based on verified reduction in greenhouse gas emissions from deforestation and forest degradation. Funds that have been paid/earned for verified results can be used for projects promoting low emission-based development in accordance with agreed procedures.
- build-up of funds (multilateral initiatives) for future payments for verified emission reductions.

The phases may blend into each other in different countries. Projects can cover several phases and the phases may overlap as the projects develop.

Projects that are not linked to a specific phase:

- projects that promote collaboration with the private sector and that strengthen the private sector's incentives for investing in sustainable production of raw materials that does not contribute to deforestation. Depending on guidelines and decisions in the Storting's annual appropriation, funding can be granted to reduce the risk associated with investments in sustainable production of raw materials that does not contribute to deforestation, in line with the other criteria for the scheme.
- projects that strengthen transparency and participation, projects that mobilise civil society or that combat forest crime
- global initiatives and efforts for REDD+ that help to raise the level of ambition for the international climate cooperation under the UNFCCC
- projects that contribute to the development and dissemination of knowledge that helps to achieve the objectives of NICFI. The projects can target global or national agents of change and agenda-setters, market players and the population of forest countries, donor countries or be globally oriented. Training and knowledge production may be included as part of the project.

Projects eligible for funding can be global, regional, national or subnational.

Funding under this scheme must comply with the OECD/DAC criteria for ODA. Grants awarded under this scheme must comply with the principles and obligations set out in the



Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation.<sup>3</sup>

Projects supported under this scheme must comply with the EEA Agreement's provisions on state aid, see the Act relating to State Aid.

In exceptional cases, payments may be made to Funds for future verified reduction of emissions from forests when Norway contributes to establishing Funds explicitly intended for this purpose.<sup>4</sup> Build-up of Funds shall be considered on a case-by-case basis, and only when the Storting has made the requisite decision (*romertallsvedtak* or 'Roman numeral resolution'). In certain cases and subject to further agreement, a limited proportion of a multilateral Fund can be disbursed before verified emission reductions have been achieved, including for World Bank Funds.

For earmarked contributions to UN Organisations funding development-related activities, an amount corresponding to 1 % of the contribution can be paid to fund the United Nations Resident Coordinator System (UNGA Resolution 72/279 of 31 May 2018).

Projects based on an existing or planned process for reduced emissions from deforestation and forest degradation that enjoys strong support from the government of the country in question will be prioritised. Such support and a corresponding desire for collaboration with Norway must be documented. Furthermore, priority will be given to civil society projects or other agents of change that are considered to be making an effective contribution to the initiative's goal achievement.

Geographical and thematic priorities are outlined in the Ministry of Climate and Environment's annual budget proposal (*Proposition 1 to the Storting*). In addition, political strategy documents, such as reports to the Storting, will guide the work.

Applications that are considered to most effectively contribute to achieving the scheme's stipulated goals will be given priority over other applications. This could form grounds for rejection. Activities that have no impact or that yield no results beyond project level will not be funded. Grants cannot be awarded for the purpose of securing a profit.

### *The size of the grant*

For projects in REDD+ phases 1 and 2, as well as projects that are not linked to a specific REDD+ phase, the grant's size is stipulated on the basis of an assessment of the application's budget. For projects in REDD+ phase 3, the grant is stipulated on the basis of results delivered in accordance with the grant agreement or pursuant to multilateral treaties on build-up of Funds for future results.

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<sup>3</sup> <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm> and <http://www.oecd.org/development/effectiveness/busanpartnership.htm>

<sup>4</sup> The exception is contingent on Norway's role not being of such a nature that we alone can decide the payment practice. Norway must first have endeavoured through negotiations to gain support for the payment being made to the fund after the emission reductions have been achieved.



## 4 Monitoring and control

### *Awarding of grants and entering into agreements*

If a grant is awarded, a grant agreement will be entered into.

### *Rejection of grant applications*

Applications that do not meet the formal requirements stipulated in the rules will be rejected. Applications that do not meet the requirements for receiving a grant or that are not prioritised following a comparison with other applications, will be rejected. Applicants whose grant applications are rejected will be informed of this in a letter giving the grounds for the rejection. Rejections can be appealed. Appeals are considered pursuant to the Public Administration Act.

### *Payments*

Payment to grant recipients will be made when there is a need to cover actual expenses over a period that will normally be six months or less, and when the other conditions in the agreement are met. The grant recipient must submit a payment request that includes documentation of the need for funding in line with the approved grant budget, as well as up-to-date account information.

Proposition No 1 to the Storting from the Ministry of Climate and Environment sets out relevant exceptions from the requirement that grants are paid as needed within a period of no more than six months.<sup>5</sup>

Payments for verified emission reductions are made in arrears. The payment is made to a Fund, where the Fund manager is the grant recipient. Payment will only be made if documentation has been submitted of reduced emissions or increased carbon uptake by forests based on robust systems for measuring and verifying results.

### *Monitoring*

Monitoring and control of awarded grants will include:

- Progress reports at agreed intervals. The progress report must refer to results in accordance with the results framework. The report must also contain a review of risks associated with the project (including cross-cutting issues), both the risks defined in the application and whether the risk situation has changed. The grant recipient's reports must make it possible to assess the impact of the project on the target group and the project results in accordance with NICFI's strategic framework.
- Financial reporting in relation to the approved budget for the project.
- Final report for the project by an agreed deadline.

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<sup>5</sup> Set out in the Storting's decision of 8 November 1984 stating that funds allocated can only be disbursed when needed.



- Audited accounts for the project in accordance with the requirements set out in the grant agreement. The grant agreement shall contain specific requirements concerning accounting reports and the use of international auditing standards.

The Ministry of Climate and Environment may undertake control measures to verify that the funds are used as intended (the Appropriation Regulations Section 10). The Ministry or a party authorised by the Ministry may carry out field visits and reviews both before making a decision on the grant application and after a grant has been awarded. In connection with such supervisory activities, the Ministry shall be given full access in order to carry out audits or control measures pursuant to recognised auditing standards. The grant recipient must ensure that such access can also be granted in relation to relevant partners and subcontractors involved in the project.

Monitoring and control measures are described in the individual grant agreement.

In the case of grants to UN organisations, follow-up and control measures are to be based on each organisation's own rules. If a grant is to be managed in a joint Fund with several contributors, Norway shall endeavour to establish joint management requirements to ensure efficient management.

Awarded grants shall be used as agreed. There is a zero tolerance policy in relation to financial irregularities such as corruption, fraud, theft, embezzlement, use of funds not in accordance with of the agreement, or failure to account for the use of funds in an acceptable way on the part of a party to the agreement. The zero tolerance policy applies to all persons, organisations and governments that are awarded funding. The grant recipient is responsible for preventing and detecting any financial irregularities. All notifications and suspicions of irregularities, financial or otherwise, shall be reported through the Ministry's whistle-blowing channel, see <https://www.regjeringen.no/no/dep/kld/varsling/id2585167/>.

## 5 Exemption from the public announcement and application requirements

Grants awarded to projects in follow-up of an agreement with other countries on measures of cooperation or by an agreement with international voluntary organisations are exempt from the requirements for public announcement or application (section 3 above). A grant agreement is drawn up by the parties for grants to such projects. Otherwise, sections 1–5 for assessment of grant disbursement and monitoring and control of grant funds apply.

## 6 Evaluation of the grant scheme

Evaluations are carried out in order to ascertain whether grant schemes are effective in terms of resources, organisation and goal achievement.

Through the Ministry's annual allocation letters, Norad has been assigned the continuous task of evaluating the scheme. The Ministry follows up and reports on the evaluations in accordance with the instructions for evaluation activities.





Other evaluations can also be initiated as required. All reviews and evaluations carried out under the grant scheme are to be registered in the evaluation portal ([Evalueringsportalen.no](https://evalueringsportalen.no) – Norwegian only).



### Appendix 1 Strategic framework for Norway's International Climate and Forest Initiative

