



GRANT SCHEME RULES

NORWAY'S INTERNATIONAL CLIMATE AND FOREST INITIATIVE

FOR GRANTS BY AGREEMENT WITH OTHER COUNTRIES ON MEASURES OF COOPERATION

Adopted by the Ministry of Climate and Environment, entered into force on 17 October 2023 (replaces Grants Scheme Rules of 1 October 2018)

The grant scheme rules contain provisions that regulate grants that are disbursed after agreement with other countries on measures of cooperation, 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.

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

Grants awarded under this grant scheme are exempt from the requirements for public announcement, application and grant commitment letters, cf. the Provisions on Financial Management in Central Government, 6.4.2.

Grants awarded from the national budget Ch. 1482, item 73: Norway's International Climate and Forest Initiative by application are regulated in a separate grant scheme.

The administration of the scheme or parts thereof can be delegated to governmental grant administrators, see the Provisions on Financial Management in Central Government 6.2.4.1.

1 Objective and target group

The grant scheme shall contribute to achieving Norway's International Climate and Forest Initiative's (NICFI) 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 in development countries¹, 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.

The final target groups for the grant scheme are population groups in developing countries.

¹ Countries approved by OECD/DAC as recipients of Official Development Assistance (ODA).



2 Performance Criteria

The overall goal achievement of the grant scheme shall be assessed in relation to the initiative's main objective, see chapter 1. Results will be described on the basis of the strategic framework for NICFI, see Appendix 1. Results from initiatives under the grant scheme shall demonstrate how Norwegian support is contributing to effects in line with the main objective and sub-goals.

Outcomes:

- Approved and implemented policies for sustainable forest and land use in tropical forest countries and states
- 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
- Global consensus on protecting tropical forest

3 Allocation criteria

3.1 *Potential grant recipients*

Potential grant recipients include national and sub-national authorities, multilateral organisations and organisations that the authorities may designate as grant recipients under this scheme.

The following criteria must be met:

- The grant recipient must be a legal person.
- The grant recipient must have a policy in place for combating and counteracting sexual harassment and discrimination and ensure that this policy is implemented in practice.
- The grant recipient must have safeguards in place against corruption and negative impacts on women's rights and gender equality, human rights and climate and the environment.
- The grant recipient must hold the necessary technical and administrative competence to carry out the project.

3.2 *Eligibility and evaluation criteria*

Grants must be used for a purpose that falls within the objectives of the grant scheme, cf. chapter 1.



Grants are awarded in accordance with:

- agreement with other countries on payment for fulfilled milestones (REDD+ phase I and II, fulfilment of a country's National Biodiversity Strategy and Action Plan (NBSAP) under CBD)
- agreement with other countries on support for REDD+ phase I and II, and fulfilment of a country's NBSAP
- agreement with other countries on payment in arrears for verified emission reductions from tropical forests (REDD+ phase III). In certain cases, and when authorized by Roman numeral decisions (*romertallsvedtak*), payments can be made for future, expected, emission reductions
- multilateral cooperation for REDD+ (all REDD+ phases). In exceptional cases, payments may be made to fund mechanisms for future verified emission reductions from tropical forest². Such payments require Roman numeral decision. Exceptionally, and by further agreement, a limited share from a multilateral fund may be awarded before verified emission reductions have been achieved, e.g., in funds under the World Bank.

Funding under this scheme must:

- comply with the OECD/DAC criteria for ODA
- 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 Cooperation³
- comply with the EEA Agreement's provisions on state aid, see the Act relating to State Aid.

When assessing the project, the grant manager will, among other things, place emphasis on the following elements:

- To what degree the project is suited to achieving the grant scheme's stipulated goals
- 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).
- Political guidelines for Norwegian climate-, nature and development policy.

²The exception assumes that Norway's role is not of such a nature that we alone can determine the payment practice. In negotiations, Norway shall first have tried to get support for the funds to be paid to the fund after the emission reductions have been achieved.

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



When providing grants to fund mechanisms, it is necessary to establish a legal framework and a governance structure that ensures satisfactory management of the funds and that meets the requirement that Norwegian funds can only be used for activities approved as Official Development Assistance (ODA). The fund mechanism must have a satisfactory results framework, including a needs analysis and an explanation of the program's expected impact.

3.3 The size of the grant

When awarding a grant under REDD+ phase 3, the grant is determined on delivered results in accordance with the agreement on delivered emission reductions from tropical forest or by a multilaterally agreed fund for future results. For grants that are awarded, which are not payment in arrears for emission reductions, the grant amount is determined in accordance with a bilateral agreement on goal achievement or payment for political milestones therein. The grant amount must then be calculated and specified in the grant agreement (cf. Section 4).

Grants that are not awarded based on delivered results are awarded based on actual costs associated with implementing activities in the cooperation agreement. Grants cannot be awarded for profit.

For earmarked grants for development activities under the direction of the UN, up to 1 percent of the contribution may be used to finance the UN resident coordinator system (cf. UN-res. 72/279 of 31.05.18).

4 Monitoring and control

4.1 Grant agreements and disbursements

A grant agreement will be entered into if a disbursement is to be made. The grant agreement shall ensure that the grant is used for the intended purpose and that the grant recipient has safeguarding mechanisms for combating corruption and negative social and financial consequences. The grant recipient shall also have zero-tolerance for, and take all reasonable steps to prevent, detect and respond to sexual exploitation, abuse, and harassment (SEAH).

Payment for verified emission reductions are made in arrears. Such payments require documentation of reduced emissions or increased greenhouse gas uptake in forests, based on robust systems for measuring and verifying results. Under certain conditions, such payments can be made directly to authorities based on the recipient's regulations, see section 4.3 for monitoring and control in such cases.

4.2 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 grant recipient must report in a way that makes it possible to assess the project's effects on the target group, as well as its contribution and results in relation to NICFI's strategic framework. The report must also contain an assessment of risks associated with the project (including cross-cutting issues), both the risks defined in the application and any changes in the risk profile of the project.
- Financial reporting against the approved budget for the project at agreed intervals.
- Final report for the project by an agreed deadline.
- The grant agreement shall contain specific requirements concerning financial management, accounting reports, internal control and audits based on international auditing standards.

The Ministry of Climate and Environment may undertake control measures to verify that 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. In connection with such supervisory activities, the Ministry shall be given full access in order to carry out audits or control measures. The grant recipient must also ensure that such access can be granted in relation to relevant partners and subcontractors involved in the project.

The approach and extent of monitoring and control measures must be adapted to each project's risk profile and relevance and are stipulated in each grant agreement.

In the case of grants to multilateral organisations of which Norway is a member, the monitoring and control measures are to be based on that organisation's rules and regulations.

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 the agreement, or failure to account for the use of funds in an acceptable way by 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, can be reported through the Ministry's whistle-blowing channel, see <https://www.regjeringen.no/no/dep/kld/varsling/id2585167/>

There is also a zero-tolerance for inaction against sexual exploitation, abuse and harassment (SEAH).



4.3 Reporting based on the recipient's regulations

Under certain conditions, payment in arrears for verified emission reductions may be made directly to national or subnational authorities. In such cases, reporting on the use of the grant may be done in accordance with national rules for financial management and budgetary and accounting reporting.

Such a model can only be implemented after a risk assessment and when the following conditions are met:

- a) A political agreement has been signed by Norway and the recipient country on payment for reduced emissions from tropical forests.
- b) Verified emission reductions are delivered in line with the agreed setup.
- c) A grant agreement is entered into in accordance with the first paragraph of clause 4.1. The agreement shall stipulate how the recipient shall monitor the awarded funds and include a requirement that all financial mismanagement shall be acted upon.
- d) The recipient country has satisfactory systems, regulations, capacity, and experience related to following up agreed obligations. A specific risk assessment shall be made of the recipient's internal control based on:
 - a. national financial management, including national systems to prevent, manage and sanction financial mismanagement, including the Office of the Auditor General of the country;
 - b. a partner assessment of the recipient
- e) The recipient's grant management is transparent. Reporting or other publicly available information must show how the grant funds have been used and what results have been achieved.

5 Evaluation of the grant scheme

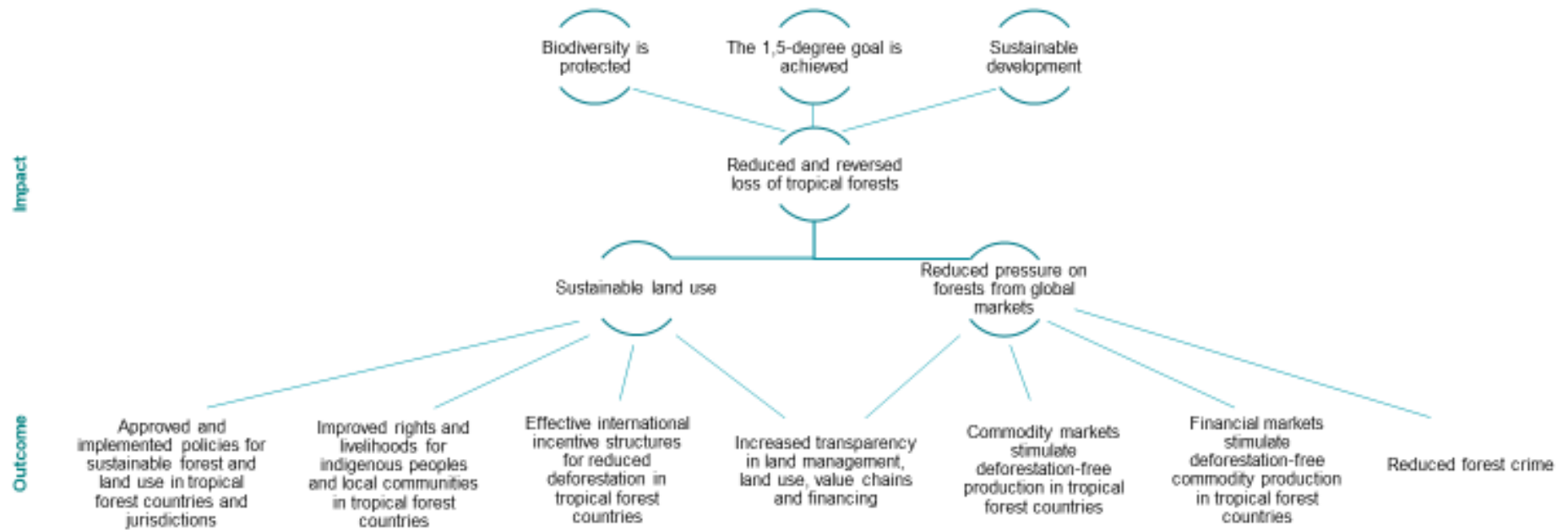
Evaluations are carried out in order to ascertain whether grant schemes are effective in terms of resources, organisation and goal achievement.

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 – Norwegian only).



Appendix 1 – NICFI's Strategic Framework





Klima- og
miljødepartementet

