

EEA FINANCIAL MECHANISM
AND
THE NORWEGIAN FINANCIAL MECHANISM –

**GUIDE ON CO-FINANCING CEILINGS
(GRANT RATES)**

(Approved 16 November 2006. Amended 28 November 2007)

The rules on the co-financing ceiling are set in Article 3.2.1 of the Rules and Procedures of the EEA Financial Mechanism and the Norwegian Financial Mechanism (hereafter referred to as ‘EEA Grants’).¹ This guide is intended to clarify those rules and provide guidance on their interpretation.

The assistance from the EEA Grants is provided through two main types of grant assistance; *individual projects* and *funds* (i.e. programmes, block grants, seed money facilities and NGO funds). This guide will:

- Highlight a few general principles that apply to all types of grant assistance
- Explain how these rules are applied to *individual projects*, which is when each of the three different grant rate levels will be used
- Address how these principles apply to *funds*, both on the intermediary level and on the end-recipient (sub-project) level.

Explanatory diagrams are annexed to this guide to illustrate the main principles explained in this guide.

1. General principles

At the outset it is important to note that all applications, whether for support to *individual projects* or for establishing *funds*, will be reviewed independently. The grant rate offered will be set on a case-by-case basis by the Financial Mechanism Committee (FMC) for applications to the EEA Financial Mechanism and by the Norwegian Ministry of Foreign Affairs (NMFA) for applications to the Norwegian Financial Mechanism. The grant rate offered will correspond to what is reasonable as the minimum necessary to allow the proposed activity to proceed. Furthermore, the FMC or the NMFA can set a lower grant rate than requested in the application, for example if the project is likely to generate revenues beyond certain levels (see *Revenue Generating Projects Guideline*), when necessary to comply with state aid rules, or when an adjustment of the grant rate is necessary to properly apply the “polluter pays” principle. Nevertheless, the FMC and the NMFA will, when possible, aim to use the grant rate requested in the application as long as it is within the co-financing ceilings.

The application must be fully transparent in terms of the financing of the project; the applicant must state the source of all sources of co-financing in the application and

¹ Article 3.2.1 is based on Article 4 of Protocol 38a to the EEA Agreement and same article of the Agreement between the Kingdom of Norway and the European Community on the Norwegian Financial Mechanism.

should attach a confirmation from the/these source/s regarding the availability of these funds. In-kind contributions and overheads may form part of the co-financing (see *Detailed Eligibility Provisions – Expenditures*).

It is important to note that the co-financing must be paid in parallel to the financing from the financial mechanisms, as the proportion of the total amounts paid by the mechanisms to the project cannot exceed the grant rate.

The maximum grant support from the EEA Grants is divided into three levels, and will hereafter be referred to as level A, B, and C. They correspond to subparagraphs (a), (b) and (c) of Article 3.2.1 of the Rules and Procedures.

2. Grant rate levels for individual projects

A. Level A grant rate (up to 60%)

The basic principle of the support offered by the EEA Grants is that the grant rate for *individual projects* can be *up to 60%* of the total eligible project cost. The remaining 40% or more necessary in co-financing may be covered by the applicant, by its partner(s), by an external source (domestic or foreign), or by any combination thereof.

B. Level B grant rate (up to 85%)

In cases when 15% or more of the total eligible cost of an *individual project* is provided by central, regional or local government budget allocations, the EEA Grants may provide a grant covering *up to 85%* of the total eligible cost of the project.

It is important to note that level B is **not** dependent on the status of the applicant (i.e. whether the applicant is a governmental agency or a private entity). Instead, the **source of the co-financing** is the decisive factor, meaning that all eligible applicants may qualify for a level B grant rate as long as they are able to demonstrate that at least 15% of the co-financing is provided by an allocation from central, regional or local government budgets.²

C. Level C grant rate (generally up to 90%)

If the purpose of an *individual project* is to support NGO (including social partners) activities,³ the EEA Financial Mechanism and the Norwegian Financial Mechanism may be applied in combination⁴ in order to allow grant rates above levels A and B, but generally not above 90% of the eligible project cost.⁵ When level C grant rate is applied, domestic co-financing will normally be required. It can come from any source, public or private.

² The condition of funding from “central, regional or local government budget allocations” is considered fulfilled when at least 15% of the co-financing comes from the budget of a public body. In addition to ministries, municipalities, and regional authorities, the term “public body” includes entities such as the police, judiciary, governmental agencies, universities, schools, libraries, museums, research institutions, and hospitals, provided that these entities are primarily funded through public funds.

³ For the purposes of this Guide, a definition of NGOs is provided in Article 1 of the *NGO Grants Guideline*.

⁴ Does not apply to Spain, Portugal and Greece.

⁵ Maximum 60% from any one mechanism.

3. Grant rate levels for funds (programmes, block grants, seed money facilities, NGO funds)

A. Main rule

(i) Intermediary level grant rate

For all *funds* it is important to distinguish between the *two levels* of funding; the *intermediary level* (upper level) and the *sub-project level* (lower level). EEA Grants provide funding at the *intermediary level*, i.e. to the intermediary responsible for the management of the *fund*. Accordingly, and as a main rule, the grant rate rules applicable to *individual projects* also apply to the funding provided at the *intermediary level*. Therefore, the decision on whether a *fund* can receive 60% or 85% of the total eligible cost of the *fund* (funds for re-granting and management costs), depends on the source/s of co-financing to the establishment of the *fund* itself in a similar manner as described above in section 2 (A, B and C levels). This is not to be confused with the grant rate available to potential applicants (end-recipients) for support from the fund, once established (ref. below for more on grant levels to sub-projects).

(ii) Special rule on fund for NGOs, Seed Money and Scholarships (level C grant rate)

In case of *funds* set up to support NGO activities, the two financial mechanisms of the EEA Grants may be applied in combination⁶ to allow grant rates up to 90% (level C grant rate). In such cases, EEA grants would provide up to 90% of the funds needed for re-granting (grants to sub-projects) and management costs of the intermediary. The remaining 10% would normally come from governmental sources. This grant rate rule applies to the *intermediary level* only, and does not apply to the co-financing required from applicants to the fund (end-recipients). The level C grant rate is also extended to Seed Money funds and Scholarship funds. The FMC and the NMFA can, in exceptional cases agree to apply this grant rate to other block grants funded from both mechanisms, provided that the objectives of the block grant are of high relevance to the aims of the financial mechanisms.

(iii) Sub-project level grant rate

If the *intermediary level* funding is provided according to the model described above, the maximum grant rate possible to offer to applicants to the fund (end-recipients) is quite flexible. The maximum grant rate will be proposed and justified by the intermediary in its application to establish the *fund*. The intermediary's proposal should take into account the ability of the potential end-recipients to provide the required co-financing, the public benefit of the foreseen sub-projects, the degree of ownership and commitment needed by the potential end-recipients, etc. The NGO Grants Guideline, however, provides for a fixed 10% co-financing requirement in the case of NGO sub-projects. Normally, the FMC and the NMFA would expect the proposed maximum grant rate to end-recipients to range between 60-90%, and, as an exception, up to 100% for scholarship grants to individual students and scholars. The maximum grant rate available for end-recipients under the various funds, as approved by the FMC and/or the NMFA, is announced by the intermediaries of the funds in

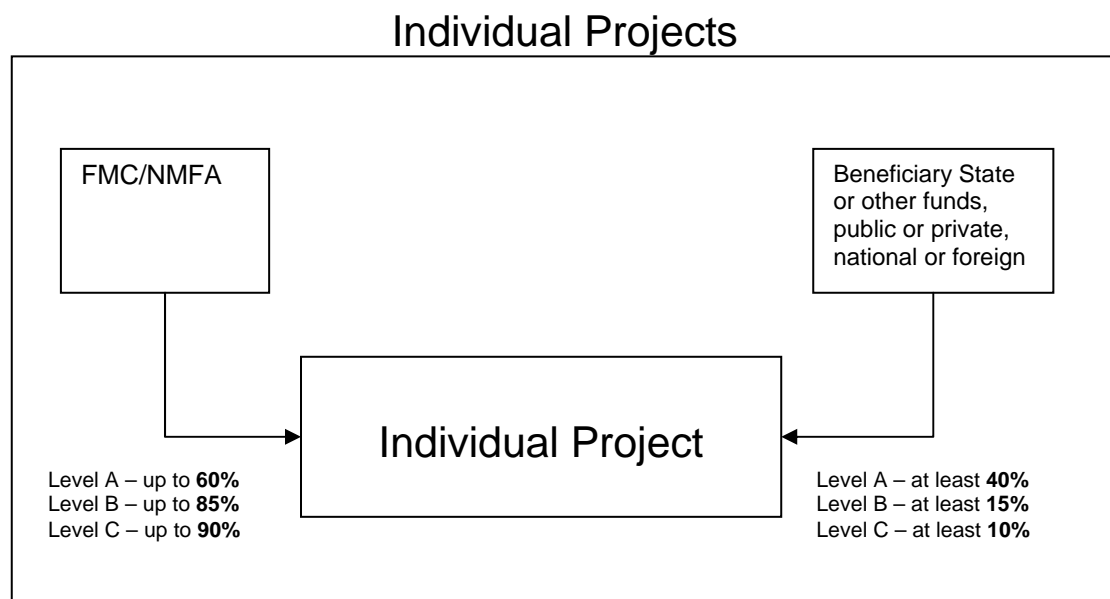
⁶ Does not apply to Spain, Portugal and Greece.

their open calls for proposals to apply for assistance from the individual funds.

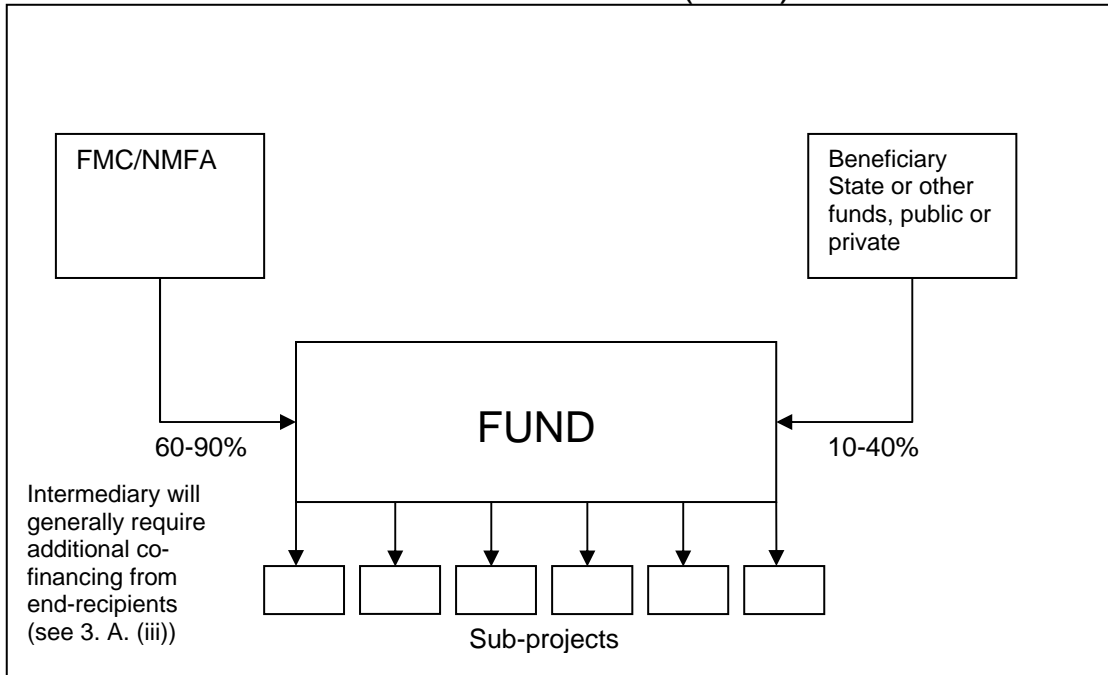
B. Exception – intermediary level fully funded

In exceptional cases when the requirement of co-financing at the *intermediary level* might prevent the establishment of the *fund* and the *fund* is deemed to be highly relevant to the aims of the EEA Grants, the FMC and/or the NMFA may decide to waive the requirement for *intermediary level* co-financing and apply the grant rate requirements on the *sub-project level* instead. In such cases, the Beneficiary State would need to consult the FMC and/or the NMFA before an application is submitted.

If such an application is approved, the grant rate principles (levels A-C) apply directly to the *sub-project level*, in a manner similar to the way they apply in cases of *individual projects* described above. In other words, NGO activities could receive support of up to 90% of the eligible cost of such sub-projects, while other end-recipients could receive support of either up to 60% or 85%, depending on the source of their co-financing.



Funds – main rule (3. A.)



Funds – exception (3. B)

