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Rules of Procedure for the Sustainable Development Goals Partnership Fund

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Preface

These rules of procedure apply concurrently with rules No 1035/2020 for the Ministry for Foreign Affairs on grants for civil society organisations and private sector companies participating in development cooperation.

These rules of procedure apply to grants from the Sustainable Development Goals Partnership Fund

Iceland's international development cooperation policy for 2019–2023 provides that Icelandic value-adding expertise should be utilised for development co-operation projects, since the Icelandic economy is rich in varied expertise that can be harnessed with respect to economic development in poor countries.

The role of The Sustainable Development Goals Partnership Fund is to encourage businesses to participate in and contribute to development cooperation. The aim of the Fund is to reduce poverty and support job creation and sustainable growth in the poor countries of the world in line with the UN Sustainable Development Goals (SDGs). Projects receiving grants shall be beneficial to and promote value creation in developing countries.

Projects receiving grants shall, as a rule, support SDG No 8 on sustainable economic growth and decent job opportunities. They shall also be linked to other SDGs that Iceland has emphasised in its development cooperation. Projects shall, like other Icelandic government projects, be guided by human rights, gender equality and sustainability principles.¹

An evaluation group appointed by the Minister for Foreign Affairs and International Development Cooperation submits proposals to the Minister regarding the allocation and disbursement of project funds. The evaluation group may request further information from applicants when needed and is also authorised to seek the opinion of professional bodies. All applicants will receive a response in writing with respect to their applications.

The Ministry for Foreign Affairs publishes the names of beneficiaries, information relating to individual projects and grant amounts on the Ministry's website.

These rules of procedure are reviewed regularly as experience is gained.

¹Iceland's policy for international development cooperation 2019–2023: <https://www.althingi.is/altext/149/s/0416.html>

1. Eligibility and partners

1.1 Eligible undertaking

- a) Shall be a publicly registered undertaking and have operated for at least one year.
- b) Shall not be in arrears with respect to public fees and pension contributions.
- c) Shall be in a positive equity position.
- d) Shall fulfil the requirements of the EEA Agreement's state aid rules² on *de minimis* aid for private sector companies³.
- e) Shall follow the best practice procedures, rules and guidelines of the international community, such as those of the OECD Development Assistance Committee (OECD-DAC)⁴, and the requirements set by the Icelandic National Audit Office regarding the handling and custody of development cooperation funds⁵.
- f) Shall promote responsible business practices, e.g. through membership of the UN Global Compact, or fulfil other international standards on social responsibility and responsible operating practices.
- g) Shall have partners in a particular developing country.

1.2 Eligible projects

- 1) Shall concern the core business of the undertaking.
- 2) Shall be implemented in cooperation with partners in a specific developing country. Other partners may also be involved in the project, such as universities and civil society organisations.
- 3) Shall always operate in line with the development goals of the partner country and in line with the programmes and needs of the partner country.
- 4) Shall conform to Iceland's policy on international development cooperation⁶, especially as regards cross-cutting priority issues, i.e. gender equality and the environment, as well as having a focus on human rights.
- 5) Shall have a measurable impact on development, i.e. monitoring, controls, and evaluation of results for all development activities is required.

² State Aid

³ Commission Regulation (EU) No 1407/2013

⁴ <http://www.oecd.org/dac/financing-sustainable-development/>

⁵ https://www.stjornarradid.is/library/contentfiles/Leidbein_Rikisendurskodunar_um_eftirlit_med_styrkjum_juni2015.pdf

⁶ Policy for Iceland's international development cooperation 2019–2023:
<https://www.althingi.is/altext/149/s/1424.html>

- 6) Shall clearly demonstrate additionality, i.e. that the cooperation project would not be implemented or financed under regular market conditions.⁷
- 7) Shall avoid any undue distortion of competition.

1.3 Supporting documentation to be provided with the application

- a) Confirmation from the Directorate of Internal Revenue's Business Register that the undertaking is legally registered.
- b) A certified annual account statement for the preceding operating year⁸.
- c) Undertaking's ownership register.
- d) A Certificate of No Debt issued by the Directorate of Internal Revenue⁹.
- e) A signed *de minimis* aid declaration¹⁰.
- f) Confirmation that the undertaking promotes responsible business practices in accordance with international standards¹¹.
- g) A signed Letter of Intent from an associated partner as well as other documentation underpinning the application.
- h) A project document including a description of the project in line with the template provided by the Ministry¹².
- i) A detailed work and cost plan where the project elements and the undertaking's counterpart contribution are clearly outlined¹³.

1.4 Partners and partner countries

Eligible projects must be implemented in cooperation with partners in a specific developing country. Verified documentation from partners as well as other documentation must be made available for the purpose of underpinning the application.

Foreign undertakings, civil society organisations and public institutions can participate in projects but not as applicants since grants to foreign parties are not allowed.

Eligible partner countries are low and lower middle-income countries as well as Small Island Developing States included on the OECD Development Assistance

⁷ OECD Blended Finance Principles 2a, 2b, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/OECD-Blended-Finance-Principles.pdf>

⁸ https://www.fle.is/static/files/2015/ymislegt/fle_baeklingur_01_2015_ar.pdf

⁹ <https://www.rsk.is/innheimta/vanskil/skuld-inneign/>

¹⁰ <https://www.stjornarradid.is/library/06-Eydublod/De%20minimis%20yfir%c3%bdsing.docx>

¹¹ Example: by membership of the UN Global Compact ([UN Global Compact](#)).

¹² A template for the project document is available at utn.is/atvinnulifssjodur

¹³ A draft work and cost plan template is available at utn.is/atvinnulifssjodur

Committee's (OECD-DAC) list of recipient countries for official development assistance¹⁴.

¹⁴[OECD Development Assistance Committee's \(OECD-DAC\) List of ODA Recipients for reporting on aid](#) (Least Developed Countries, and Lower Middle Income Countries) Small Island Developing States [Small Island Developing States](#)

2. Grant amount, counterpart contribution and eligible costs

2.1 Grant amount and financing ratio

The grant may reach a maximum of EUR 200 000 over a 3-year period, representing a maximum of 50% of the total project cost.

The Sustainable Development Goals Partnership Fund falls under the scope of the EU Regulation on *de minimis* aid¹⁵, which sets a ceiling of EUR 200 000 as the amount of aid that a single undertaking (Company Identification Number) may receive over any 3-year period. The undertaking must declare that, during the last two fiscal years and the current fiscal year, it has not received, from public bodies, grants in excess of EUR 200 000 that would qualify as *de minimis* aid, including the amount in the current grant application. If the total amount of *de minimis* aid, including the requested grant application amount, exceeds EUR 200 000, an undertaking cannot receive any part of the grant application amount.

Undertakings can apply for pre-feasibility grants for up to ISK 2 million for the duration of one year, intended to back an idea or project at an initial stage, which might lead to larger development projects. The grant amount may only represent a maximum of 50% of the total project cost. The same rules (No 1035/2020) and procedures apply as with respect to general grants from the Partnership Fund.

2.2 Counterpart contributions

A minimum counterpart contribution amounting to at least 50% of the total cost of the project is required and the carried cost needs to be at least equal to the amount granted to the project. The application shall detail how counterpart contributions by beneficiaries will be arranged.

The counterpart contribution requirement can be met in three ways: with own contribution, payments to the project budget or contributions by other partners. The counterpart contribution may not be paid with public grants, neither Icelandic nor foreign. The application shall specify other grants that the project has secured or foresees during the grant period.

¹⁵ [Commission Regulation \(EU\) No 1407/2013](#)

2.3 Eligible costs and financing

Grants from the Fund shall only be paid out based on real costs incurred by private sector undertakings or their partners on account of individual projects. The Fund does not support the purchase of devices or equipment unless specifically agreed upon. Procurement of goods, labour and services shall be in accordance with international accounting conventions and good procurement methods. Beneficiaries shall maintain good governance and show prudence while using the grant.

All grant agreements will state that the Ministry for Foreign Affairs and the Icelandic National Audit Office shall have access to all relevant documents in order to audit the finances of the project.

2.3.1 Undertakings' actual cost

Grants from the Fund shall only be paid out based on real costs incurred by the undertaking or its partners on account of the project. Actual costs are based on salaries paid, including salary-related expenses, in addition to a 20% surcharge for administration and related undertaking costs. Actual cost does not represent the rate paid to outsourced employees.

2.3.2 Salary and salary-related expenses

Applicants must consider collective bargaining agreements and institutional contracts when calculating salaries. Payroll costs are calculated as paid salaries, including salary-related expenses, in addition to a 20% surcharge for undertaking's administration and costs. The Ministry may cap rates for work contribution. The outsourcing rate cannot be used as reference when calculating salaries.

2.3.3 Externally purchased services

Externally purchased services shall be outlined in the project descriptions, whether carried out by an institution or undertaking which is also an applicant or by other economic operators. An account shall be given of what the externally purchased services or consultancy consists of and the cost of such services. The Ministry may cap rates for externally purchased services. This shall be specified in the agreement.

2.3.4 Travel or meetings

The estimated total cost of foreign and domestic travel shall be listed. It is necessary to explain the purpose of the travel foreseen during the grant period.

3. Application process

3.1 Sending the application

Applications shall be submitted to the Ministry for Foreign Affairs to the email atvinnulifssjodur@utn.is. The application form, the excel document and all other requested material.

1. Application

The main project description document of the application should state:

- The project manager for a project should register as an applicant
- The responsible party should be a registered legal entity/undertaking
- Project title in Icelandic and English
- Partner country and associated partner
- Estimated duration of the project
- Short summary/description of the project (150–200 words maximum)
- Description of the applicant and associated partner
- Cost of the project expressed in EUR

2. Supplementary material downloaded (see section 1.3)

- A signed Memorandum of Understanding from an associated partner in a developing country
- Confirmation from the Directorate of Internal Revenue's Business Register that the undertaking is legally registered.
- Certificate of No Debt from the Directorate of Internal Revenue
- A certified annual account statement (financial annual report) for the preceding operating year
- Policy of the undertaking with respect to social responsibility/ethics
- A project document, including a description of the project, in line with the template provided by the Ministry¹⁶
- A detailed work and cost plan where the project elements and the undertaking's counterpart contribution are clearly outlined¹⁷
- Undertaking's ownership register

¹⁶A template for the project document is available at utn.is/atvinnulifssjodur

¹⁷ A draft work and cost plan template is available at utn.is/atvinnulifssjodur

- A signed *de minimis* aid declaration¹⁸.
- Other documentation underpinning the application

3. Submit application

3.2 Project description (text file)

The application shall include the accompanying document “Project document”. A template for the document is available on the Fund’s web site. The document must be complete in itself to make it possible to assess the project based on its content alone.

Applicants are required to include a detailed project description so the evaluation committee can perform its assessment based on the information provided therein.

The project document must be submitted through the form provided by the Fund and altering its format is not permitted. Removing headings or questions from the form is not permitted. Any application providing wrong or misleading information will be dismissed.

The project description shall describe the project itself in detail. Provide a clear description of its purpose, with reference to the UN Sustainable Development Goals and the need in the partner country. Detail the target group, i.e. who will benefit from the project and how. A description of the expected results and the project outcome. Describe how the project will contribute to job creation and sustainable economic growth in accordance with Sustainable Development Goal 8, and which other SDGs underpin the project. Explain the sustainability of the project and provide a clear description of how equality, human rights and the environment are considered.

Describe how the implementation of the project and the results will be monitored and briefly describe the internal and external risk factors that could affect the implementation of the project, as well as measures to reduce uncertainty in such cases.

Explain clearly the additionality of a project, i.e. why public funding is necessary to implement the project, as well as arguments supporting that the project would not be implemented on other grounds.

The project document is available at utn.is/atvinnulifssjodur

¹⁸ Template available at utn.is/atvinnulifssjodur

3.3 Work and cost plan

The application shall be accompanied by a “Work and cost plan”. Applicants are allowed to submit their own draft work and cost plan; however, an MS Excel template is also available through the Fund’s homepage. The document must be complete in itself to make it possible to assess the project based on its content alone.

The work and cost plan must be detailed enough to enable the evaluation committee to perform its assessment based on the information provided therein.

The work and cost plan shall describe the project elements in detail and link them to the objective and the outcome. It shall also show how the applicant’s counter contribution will be made and what it entails. Where the counterpart contribution is in the form of working hours and/or externally purchased services, this must be described in detail in the work and cost plan, i.e. the number of employees, their role/line of work, number of hours and rates (see section 2.2–2.3).

4. Application assessment

4.1 Preliminary assessment

Applications are reviewed at the Ministry to evaluate whether they meet the following minimum requirements set by the Fund before they are examined by the Fund's evaluation group.

- The undertaking should be publicly registered and not classified as a central government entity and have operated for at least one year.
- It should have submitted a certified annual account statement for the preceding operating year with the application.
- It should demonstrate that it has the financial capacity for taking part in the intended project¹⁹.
- It must not be in arrears regarding public fees and pension payments²⁰.
- It should have submitted a full list of owners of the undertaking with the application.
- It should have submitted a project document and a work and cost plan with the application.
- It should have submitted confirmation with the application that the undertaking promotes responsible business practices in accordance with international standards.

4.2 Evaluation group

The Minister for Foreign Affairs and International Development Cooperation allocates grants after receiving the opinion of a three-member evaluation group composed of three independent development experts. Appointments to the evaluation group are made by the Minister, normally for a term of three years.

The evaluation group provides its opinion in writing, giving a brief description of the implementation and procedure it followed while forming the opinion. Each application is accompanied by a brief comment and a recommendation regarding its processing.

The evaluators are required to submit information regarding any coincidence of interests they may have with respect to individual projects or applicants. If such an association exists, the party in question shall withdraw from the evaluation of the respective project.

¹⁹ Its equity position must be positive and it must be capable of providing its own contribution to the project

²⁰ A Certificate of No Debt issued by the Directorate of Internal Revenue

4.3 Application assessment

Eligibility of applications and their value in relation to the Fund's development cooperation emphases is assessed by an evaluation group. Applications are assessed and rated on the basis of criteria which consider the purpose of the Fund and whether the notice called for grant applications with a specific focus. Application assessment is mainly based on the following criteria:

1. The value and importance of the project for government policy in the field of international development cooperation and the goals of the relevant partner countries.
2. The career and professional background of the applicants and other partners.
3. The likelihood of the applicant reaching the objectives of the project.
4. The financial basis of the project and/or whether the applicant has received other grants for the same project.

Table for Assessment Criteria

ASSESSMENT CRITERIA	Weight	Weight
Capacity and competence of applicants		40%
Expert knowledge, technological solutions and company strength in respective field	15%	
Financial capacity	15%	
Experience and knowledge with regard to participation in international projects	5%	
Contribution and strength of partners in developing country	5%	
Quality of project		60%
Relevance of project	15%	
Financial basis and project inspection	15%	
Developmental impact and results	15%	
Additionality	5%	
Sustainability	10%	

The evaluation group may request further information from applicants when needed and is also authorised to seek the opinion of professional bodies.

A focus group at the Ministry's Directorate for International Affairs and Development Cooperation will discuss the grants based on the opinion provided by the evaluation group. Final decisions on grant awards are made by the Minister.

4.4 Notification of award

All applicants to the Fund will be formally informed in writing by the Ministry concerning the processing of applications.

In case of projects where the Minister has decided to enter negotiations, the project manager of the project is invited to a negotiation meeting. In the negotiation meeting, employees of the Fund will review the application and the cost plan with the project manager and seek explanations for all cost items before a contract is finalised. The duration of the project and the grant amount are also reviewed.

Should the project not start within a year from the date of the grant letter, the grant will be discontinued unless a specific application is made for an extension. Such application must be submitted in writing, stating the reasons for the request.

4.5 Confidentiality

Applications, including supporting documentation and evaluation sheets, are confidential. This data is only used during assessment of the applications and is only accessible to the evaluation group members and employees of the Fund for the purpose of conducting this assessment. No copies are made of confidential data, but the employees of the Fund can access documents electronically in order to conduct their assessment of the applications. All application data and evaluation sheets are stored in the Ministry's case registry.

Everyone involved in the processing and evaluation of applications at the Ministry is bound by confidentiality.

The brief description of the project, the name of the beneficiary and grant amount are exempt from confidentiality and will be made public on the Ministry's web site should a grant be awarded.

5. Allocation agreement

All project agreements are concluded in writing. Agreements provide, i.a., for disbursement of funding (payment plan), management of funds, reporting, appraisals, audits, access to information and termination clauses. Agreements will make clear that the Ministry for Foreign Affairs and the Icelandic National Audit Office shall have access to all relevant data to audit the project finances. Agreement templates are available on the Fund's web site²¹.

Should the project not start within a year from the date when the grant award decision is announced, the grant will be discontinued unless application is specifically made for an extension and extension is granted. Such application must be submitted in writing, stating the reasons for the request.

5.1 Work and cost plan

Agreements shall be supplemented by work and cost plans²² with project elements linked to objectives and outcome. It shall also show how the applicant's counter contribution will be made and what it entails. Where the counterpart contribution takes the form of working hours and/or externally purchased services, this must be described in detail in the work and cost plan, i.e. the number of employees, their role/line of work, number of hours and rates (see section 2.2–2.3).

5.2 Grant disbursement

The grant amount is paid out in instalments according to the payment schedule set out in the respective agreement, which is contingent on the submission of progress reports. Companies are obliged to open an Icelandic bank account to receive grants paid out by the Ministry. The beneficiary shall also submit a written affirmation to the Ministry to confirm the receipt of each grant instalment.

5.3 Deviations from the approved budget

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

²¹ utn.is/atvinnulifssjodur

²² A draft work and cost plan template is available at utn.is/atvinnulifssjodur

6. Implementation and monitoring

Grant recipients and their partners are responsible for implementing supported projects. Beneficiaries are obliged to inform the Ministry for Foreign Affairs or the Icelandic National Audit Office of the progress of the project if requested. Monitoring is carried out by the Ministry's Directorate for International Affairs and Development Cooperation, and the Ministry and the National Audit Office shall have access to all the relevant data to audit the budget and the project's progress.

The Ministry may suspend grant payments and demand reimbursement should the party responsible for the project not submit progress reports, if there are significant changes to the project, or where there is suspicion that the funds are not being used according to the project document and budget. Before any such decision is taken, the beneficiary shall be given an opportunity to express their views.

6.1 Project progress reports

Progress reports are made by the implementing parties. Reports shall detail the progress of the project in relation to the work and cost plan and explain any deviations. They shall be based on the progress frame that was set out in the project document and be simple, clear, and concise. Progress reports shall, inter alia, include information on resources and expenses, as well as monitoring of projects and be based on progress indicators set out in the grant application.

The layout and presentation of progress reports are not standardised. Reports used for project management in general may be used for reporting to the Ministry. Nevertheless, progress reports should include the following information:

- A front page displaying the project title, name of the applicant, date of issue, period covered by the report and the names of the authors of the report.
- A comparison between the project plan and the actual results.
- A summarized comparison between expenditure and budget.
- Assessment of issues and risk factors which could impact the project results.
- Assessment of the necessity to update action plans, resources and expected results, including proposals for actions to minimise risk.

Progress reports for long-term projects shall be submitted at least once every six months until the project is completed. Annual reports shall also be

submitted for all projects. Any situation which impedes the implementation of a project must be disclosed without delay.

6.2 Final project report

Following completion of the project, the beneficiary shall present the results of the project in a written report to the Ministry.

The final report shall account for the project resources and expenses, as well as detailing its progress over the project period. It shall include whether and how the outcomes set for the project were reached and their development impact shall be assessed. The final report shall normally be submitted to the Ministry no later than three months after the completion of the project.

The final report shall contain the same basic elements as the progress report as well as:

- An assessment of the project results, i.e. to what extent it reached its objectives with regard to the outcome.
- An assessment of the project's impact if possible. The impact is assessed as positive or negative changes or consequences of the project on the target group, whether intended or unforeseen.
- An assessment of the sustainability of the project, i.e. the extent to which the positive impact of the project will continue once support ceases.
- A summary of the lessons learned from the implementation of the project.

6.3 Misuse of funds

Grants may never be paid directly to civil servants of foreign states to facilitate or ensure that development aid is delivered. Moreover, the undertakings are responsible for training and informing their partners on policies, codes of ethics and other standards to which partners must adhere. Beneficiaries are obliged to include provisions on taking a stand against corruption and measures against corruption in contracts concluded 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 have become aware of or been alerted to, whether within the undertakings themselves or their partners. Beneficiaries shall investigate and, if necessary, take measures against individuals who have been involved in corruption or the misuse of funds. Such measures may include legal action or termination of employment. Beneficiaries shall keep the Ministry informed of measures taken, the progress of audits and investigations, and provide a final report to the Ministry at the end of such process.

7. Definitions

7.1 *De minimis* aid

The EU Regulation on *de minimis* aid²³ allows aid amounting to up to EUR 200 000 for each beneficiary over a 3-year period. In the case of grants from the Technology Development Fund that qualify as *de minimis* aid, beneficiaries must declare that, during the last two fiscal years and the current fiscal year, they have not received, from public bodies, grants in excess of EUR 200 000 that would qualify as *de minimis* aid, including the amount in the current grant application. If the total amount of *de minimis* aid, including the requested grant application amount, exceeds EUR 200 000, a beneficiary will not receive any part of the grant application amount. In assessing whether the above maximum has been reached, the grant equivalent of aid granted in a form other than direct grants (e.g., loans on favourable terms) shall be calculated in accordance with the EFTA Surveillance Authority's rules. In this context, however, special grants received by a party in accordance with the grant rules adopted by the EFTA Surveillance Authority are excluded.

7.2 Additionality

The requirement that a project should entail clear additionality refers to a cooperation project which would not be implemented or financed under regular market conditions. This is one of the basic preconditions for granting public development funds to private companies, as the intention behind grants to development cooperation is not to subsidise the costs of companies operating in a competitive environment.

In this context, reference is made to distinct rules provided by the OECD Development Assistance Committee (OECD-DAC)²⁴.

²³ [Commission Regulation \(EU\) No 1407/2013](#)

²⁴ [OECD DAC Blended Finance Principle](#)

