

GRANT AGREEMENT

BETWEEN

THE NORWEGIAN MINISTRY OF CLIMATE AND ENVIRONMENT

AND

WINROCK INTERNATIONAL INSTITUTE FOR AGRICULTURAL  
DEVELOPMENT

REGARDING

Websak 18/1151, the Architecture for REDD+ Transactions

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## PART I: SPECIFIC CONDITIONS

This grant agreement (the Agreement) has been entered into between:

- (1) The Norwegian Ministry of Climate and Environment (KLD), represented by Norway's International Climate and Forest Initiative (NICFI), and
- (2) Winrock International Institute for Agricultural Development, a non-profit, non-government organization duly established in the United States of America under IRS Employer Identification Number 71-0603560 (the Grant Recipient),

jointly referred to as the Parties.

### 1 SCOPE AND BACKGROUND

- 1.1 The Grant Recipient has submitted an application to KLD dated August 2018 (the Application) regarding financial support to the project titled Architecture for REDD+ Transactions (ART) (the Project). The estimated costs of the Project are indicated in the budget attached as Annex A to this Agreement.
- 1.2 KLD has decided to award a grant to be used exclusively for the implementation of the Project (the Grant). The Parties expect the Project to be implemented during the period from June, 2018 to December, 2021 (the Support Period).
- 1.3 The Parties have agreed to enter into an Agreement, consisting of this part I; Specific Conditions, part II; General Conditions, and part III; Procurement Provisions, all of which form an integral part of this Agreement. In the event of discrepancies between the Specific Conditions and the General Conditions or Procurement Provisions, the Specific Conditions shall prevail.

### 2 OBJECTIVES OF THE PROJECT

- 2.1 The expected results of the Project are as follows:

The Project's planned effect(s) on society are Emissions Reductions (as a contribution to increased climate change mitigation) from registered programs (countries/jurisdictions) in ART (Impact).

The planned effects for the target group of the Project are 1) globally recognized, independent, objective experts are convened to develop a REDD+ system/approach (the ART), 2) a transparent, credible system for REDD+ is developed by the ART Secretariat, governed by the ART Board, 3) ART/TREES is piloted, adapted and available for REDD+ programs (countries/jurisdictions), and 4) the ART system is operational and accepted by both REDD+ countries and market participants for results-based REDD+ crediting. (Outcomes).

2.2. The full results framework is included as Annex B to this Agreement.

### **3 IMPLEMENTATION OF THE PROJECT**

- 3.1 The Project shall be implemented in accordance with the Agreement, including all annexes, and the latest approved Application, including implementation plan and budget.
- 3.2 During the implementation of the Project, the Grant Recipient shall exercise the necessary diligence, efficiency and transparency in line with sound financial management and best practise principles.
- 3.3 The Grant Recipient shall identify, assess and mitigate any relevant risks associated with the implementation of the Project, including the risk of corruption and other financial irregularities, and any potential negative effects that the Project may have on the environment and climate, gender equality and human rights.

### **4 THE GRANT**

- 4.1 The Grant shall amount to maximum NOK 28,817,267 (Norwegian Kroner twenty-eight million eight hundred seventeen thousand two hundred sixty-seven). Disbursement after the current calendar year is subject to Norwegian Parliamentary appropriations. Significant reductions in the Parliament's annual allocation to the relevant budget line may lead to a reduction in annual Grant allocations and/or in the total Grant amount. The annual Grant allocations must be confirmed by KLD following the Parliament's approval of the state budget for the relevant budget year. If the Grant amount is reduced the Grant Recipient must revise the implementation plan, budget and results framework correspondingly.
- 4.2 The Grant, including accrued interest, shall be used exclusively to finance the actual costs of the implementation of the Project during the Support Period.
- 4.3 The Grant may be used to cover overheads/indirect costs up to a maximum of 7% of the actual costs of the Project.
- 4.4 The Grant Recipient is responsible for obtaining any additional resources which may be required to duly implement the Project.

### **5 DISBURSEMENT**

- 5.1 The Grant shall be disbursed in advance instalments based on the financial need of the Project for the upcoming period, which shall not exceed six months. The disbursements shall be made upon KLD's receipt of written disbursement requests from the Grant Recipient, describing the financial need for the period in question. The first disbursement shall include approved Project expenses incurred prior to the signing of this Agreement.
- 5.2 Financial need refers to the budgeted expenditure for the upcoming period, less any funds available to the Project from all other sources during the same period.
- 5.3 The financial need shall be documented through an updated financial statement for the Project and the latest approved implementation plan and budget.

- 5.4 The disbursement requests shall be signed by an authorised representative of the Grant Recipient. A confirmation that the Project is being implemented in accordance with the Agreement shall be included in the disbursement request.
- 5.5 All disbursements are conditional upon the Grant Recipient's continued compliance with the requirements of the Agreement, including the timely fulfilment of reporting obligations. KLD may withhold disbursements in accordance with article 17 of the General Conditions if it finds that the requirements of the Agreement have not been met. Except for the Project's first year, the first disbursement each year is subject to KLD's receipt and approval of the progress report and financial report.
- 5.6 All disbursements will be made to the following bank account:
- Name of the account: Winrock International, 2101 Riverfront Drive, Little Rock, Arkansas 72202  
Account no.: [REDACTED]  
IBAN no.: ABA: [REDACTED]  
Name and address of the bank: Bank of America, 222 Broadway, New York NY 10038  
Swift/BIC code: BOFAUS3N  
Currency of the account: US Dollars
- 5.7 The Grant Recipient shall immediately acknowledge receipt of the funds in writing. The amount received shall be stated, as well as the date of receipt and the exchange rate applied.

## 6 REPORTING AND OTHER DOCUMENTATION

- 6.1 The following shall be submitted by the Grant Recipient to KLD:
- a) A **progress report** covering the period from January to December shall be submitted to KLD by February 1 each year. The progress report shall include the content specified in article 2 of the General Conditions. KLD's standard reporting format shall be used.
  - b) A **financial report** covering the period from January to December shall be submitted to KLD by February 1 each year. The financial report shall include the content specified in article 3 of the General Conditions. The final financial report shall cover the entire Support Period and shall be submitted along with the final report referred to in article 6.1 d) of the Specific Conditions.
  - c) An **audit report** covering the annual financial statements of the Project shall be submitted to KLD by July 1 each year. The audit report shall comply with the requirements set out in article 7 of the Specific Conditions and article 5 of the General Conditions. The management letter (matters for governance attention) shall be attached to the audit report.
  - d) An updated **implementation plan and budget** covering the period from August to July shall be submitted to KLD by June 1 each year. The implementation plan and budget shall include the content listed in article 1 of the General Conditions.
  - e) The **annual report and audit report** of the Grant Recipient shall be submitted to KLD by July 1 each year. If the auditor in addition submits a management letter (matters for governance attention) this shall be attached to the audit report.
  - f) A **final report** for the Support Period shall be submitted to KLD no later than 3 months after the end of the Support Period. The final report shall include the content listed in article 4 of the

General Conditions. KLD's standard reporting format shall be used.

- 6.2 If the Grant Recipient is unable to meet the deadlines set out above, KLD shall be informed immediately.
- 6.3 All implementation plans, budgets and reports shall be approved in writing by KLD unless otherwise agreed by the Parties.

## **7 AUDIT**

- 7.1 The annual financial statements of the Project shall be audited in accordance with the country's national auditing standards which are equivalent to International Standards of Auditing (ISA) 800 ("Special considerations audits of financial statements prepared in accordance with special purpose frameworks") or ISA 805 ("Special considerations audits of single financial statements and specific elements, accounts or items of a financial statement").
- 7.2 Additional requirements applicable to the auditor and the audit report are included in article 5 of the General Conditions.
- 7.3 The Grant Recipient is responsible for submitting the audit report to KLD within the deadline indicated in article 6 of the Specific Conditions.

## **8 FORMAL MEETINGS**

- 8.1 The Parties shall hold formal meetings once per year, tentatively in March in order to discuss i.a. the results achieved by the Project during the Support Period. The meetings shall be called and chaired by the Grant Recipient.
- 8.2 Unless otherwise agreed, the Parties shall discuss the latest progress report and financial report, as well as the implementation plan and budget for the upcoming period. In the event that such reports have not been received at least two weeks before the meeting, the Parties shall agree upon a new date to hold the meeting.
- 8.3 The Grant Recipient shall record main issues discussed, points of view expressed and decisions made, in minutes from the meeting. The Grant Recipient shall submit the minutes to KLD no later than two weeks after the meeting for comments. The agreed minutes shall be signed by both Parties.

## **9 REVIEWS AND OTHER FOLLOW-UP MEASURES**

- 9.1 An end-term review focusing on results achieved by the Project shall be carried out by March 1 2022. The Grant Recipient shall draft the terms of reference for the review and submit them to the other Party for approval. The costs of the review shall be included in the Project budget.
- 9.2 If the Grant Recipient or another interested party initiates a review or evaluation of activities wholly or partly funded by the Grant, KLD shall be informed. The Grant Recipient shall forward a copy of the report of any such review or evaluation to KLD without undue delay.



## **10 PROCUREMENT**

- 10.1 All procurement under the Project shall be completed in accordance with the Procurement Provisions in Part III of this Agreement.

## **11 REPAYMENT OF INTEREST AND UNUSED FUNDS**

- 11.1 Upon the end of the Support Period or upon termination of this Agreement, any unused funds that total more than NOK 500 shall be repaid to KLD as soon as possible and at the latest within 6 months. The repayment shall include any interest which have not been used for Project purposes, and other financial gain accrued on the Grant.

- 11.2 Repayments shall be made to the following bank account:

Name of the account: Norwegian Ministry of Climate and Environment

IBAN - Account no.: [REDACTED]

Name and address of the bank: DnB, Dronning Eufemias gate 30, 0191 Oslo, Norway

Postal address: DnB, P.O. Box 1600 Sentrum, 0021 Oslo, Norway

Swift/BIC code: DNBANOKK

- 11.3 The transaction shall be clearly marked: "Unused funds". The name of the Grant Recipient shall be stated, along with KLD's agreement number and agreement title.

## **12 SPECIAL PROVISIONS**

- 12.1 General Conditions article 6 clause 1 shall be replaced with the following: "Upon provision of sufficient advance notice to the Grant Recipient, representatives of KLD and the Norwegian Auditor General may at all times carry out independent reviews, audits, field visits or evaluations or other control measures related to the Project at a reasonable time. The objective of such control measures may be i.a to verify that the Grant has been used in accordance with the Agreement or to evaluate the achievement of results."
- 12.2 General Conditions article 6 clause 2 shall be replaced with the following: "The Grant Recipient shall facilitate such control measures by providing all information and documentation necessary and reasonable to carry out the relevant initiative, as well as ensuring access to project related records, goods and documents requested."
- 12.1 The ART Steering Committee, of which KLD is a member, shall appoint the ART Board of Directors that will include one member of Winrock's Board, who will have either voting or (non-voting) full observer status as will be determined by the Steering Committee, and shall be responsible for final approval of the ART formation and governance documents. These documents will also make clear that the Steering Committee shall retain the sole authority to approve the TREES 1.0 prior to public consultation, as well as to finally approve TREES 1.0 prior to presentation to the ART Board of Directors for adoption. The Steering Committee shall thus not be dissolved prior to the final approval of TREES 1.0.

### 13 NOTICES

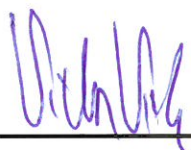
- 13.1 All communication to KLD concerning the Agreement shall be directed to Norway's International Climate and Forest Initiative at the following e-mail address: [celine.gaasrud@kld.dep.no](mailto:celine.gaasrud@kld.dep.no).
- 13.2 All communication to the Grant Recipient concerning the Agreement shall be directed to Mary Grady at the following address/e-mail address: [mgrady@winrock.org](mailto:mgrady@winrock.org).
- 13.3 KLD's agreement number and agreement title shall be stated in all correspondence regarding this Agreement, including disbursement requests and repayment of unused funds.

### 14 SIGNATURES

- 14.1 By signing part I of the Agreement, the Parties confirm receipt and approval of part II; General Conditions, and part III; Procurement Provisions, which all form an integral part of the Agreement.
- 14.2 This Agreement has been signed in two -2- original copies in the English language. In the event of any discrepancies between this English language version and any later translations, the English language version shall prevail.

Place:

Date:



Sept 11, 2018

for the Norwegian Ministry of Climate and  
Environment,

Vidar Vik

Director General

Head of Department for Climate Change

for Winrock International Institute for Agricultural  
Development,

Rodney Ferguson

President and CEO

Winrock International

Attachments:

Annex A: Approved budget for the Project

Annex B: Results framework



**ANNEX A - BUDGET**

Winrock's total request for NICFI funding is US\$ 3,350,845 = NOK\$ 27,175,355\*\*

ART Budget by Year						
	2018 Total (USD)	2019 Total (USD)	2020 (6 months) Total (USD)	2020-2021 (12m) Total (USD)	Grand Total (USD)	Grand Total (NOK)
Labor	\$ 586,895	\$ 309,051	\$ 88,938	\$ 775,216	\$ 1,760,100	NOK 14,274,411
Travel	\$ 220,390	\$ 75,075	\$ 119,324	\$ 85,329	\$ 500,117	NOK 4,055,950
Subcontracts	\$ 45,000	\$ 220,000	\$ 5,000	\$ -	\$ 270,000	NOK 2,189,700
Other Direct Costs	\$ 256,000	\$ 51,975	\$ 158,760	\$ 134,679	\$ 601,414	NOK 4,877,467
Indirect Operating Costs @ 7%	\$ 77,580	\$ 45,927	\$ 26,042	\$ 69,666	\$ 219,214	NOK 1,777,827
Grand Total (USD)	\$ 1,185,864.95	\$ 702,028	\$ 398,064	\$ 1,064,889	\$ 3,350,845	
Grand Total (NOK)	NOK 9,617,365	NOK 5,693,448	NOK 3,228,296	NOK 8,636,247		NOK 27,175,355

\*Exchange rate June 2018 average: 1 United States Dollar (USD) = 8.11 Norwegian Krone (NOK)

\*\*To mitigate currency exchange risk, KLD has set a buffer rate at 1 USD = 8.6 NOK. The maximum amount granted is therefore **28,817,267 NOK**.

## ANNEX B – RESULTS FRAMEWORK

Results	Baseline	Indicator / Variable	Target			Verification Source
			2018	2019	2020	2021
<u>Impact:</u> Emissions Reductions (ERs, as a contribution to increased climate change mitigation) from registered programs (countries / jurisdictions) in ART	Currently no REDD+ ERs from non-donor actions	Emissions Reductions from programs (countries/ jurisdictions) participating in ART		At least half a million tonnes CO <sub>2</sub> e from two (2) ART countries / jurisdictions		At least 3 million tonnes CO <sub>2</sub> e from three (3) ART countries / jurisdictions
<u>Short to intermediate-term Outcome 1:</u> Globally recognized, independent, objective experts are convened to develop a REDD+ system / approach (the ART)	No established, operational REDD+ system exists to register non-donor funded ER actions by governments	Successful recruitment of global experts for ART Board, Secretariat and committees	ART Board, Secretariat & Committees established			<ul style="list-style-type: none"> <li>• Board charter agreements</li> <li>• Secretariat funding contract</li> <li>• Committee member agreements</li> </ul>
<u>Output 1a:</u> Formation of ART Board including a diverse group of respected individuals representing experts in carbon finance, climate and forest science and forest governance			X			Reports to NICFI
<u>Output 1b:</u> Establishment of the ART Secretariat, hosted by Winrock Int'l			X			Reports to NICFI
<u>Output 1c:</u> Formation of TREES expert committees			X			Reports to NICFI



Implement ART communications plan including branded website	No established, operational REDD+ system exists to register non-donor funded actions by governments	TREES 1.0 piloted in select countries / jurisdictions, ERs issued for transactions with buyers, and TREES 2.0 published	<ul style="list-style-type: none"> <li>• Pilot TREES 1.0 for two (2) countries /jurisdiction s</li> <li>• Implement ART Registry</li> </ul>	<ul style="list-style-type: none"> <li>• Issue ERs to pilot countries /jurisdictions for transactions with buyers</li> <li>• Adapt and publish TREES 2.0 including verification accreditation process</li> </ul>			<p>comments to TREES 1.0 / public ART website</p> <p><u>ART Registry:</u> (public record of program documentation, verification and issuance)</p> <p><u>ART website:</u> public documentation of TREES 2.0 (draft, stakeholder comments and responses, final TREES 2.0 approved by ART Board)</p>
Output 3a: Pilot TREES technical, verification, safeguards and registration processes for selected countries/jurisdictions			X				Reports to NICFI
Output 3b: Implement ART Registry			X				Reports to NICFI / public registry
Output 3c: Issue ERs to pilot countries/jurisdictions for transactions with buyers				X			Reports to NICFI / public registry



Output 3d: Develop and publish TREES 2.0 Standard including verification accreditation process						X		Reports to NICFI
Short to intermediate-term Outcome 4: The ART System is operational and accepted by both REDD+ countries and market participants for results-based REDD+ crediting	No established, operational REDD+ system exists to register non-donor funded actions by governments	<ul style="list-style-type: none"> <li>Countries / jurisdictions express interest to enter / enter ART</li> <li>ART is approved by ICAO</li> <li>Buyers express interest in ART ERs</li> </ul>				<ul style="list-style-type: none"> <li>3 countries /jurisdictions list or register with ART and/or ART</li> <li>ART approved by ICAO to supply ERs to CORSIA</li> <li>3 programs enter into MoU / ERPA with buyer of ART ERs</li> </ul>	<ul style="list-style-type: none"> <li>ART listing /registration documentation</li> <li>Public record of ART's approval by ICAO for the CORSIA</li> <li>Notification of MoU/ERPA with buyer of ART ERs</li> </ul>	Reports to NICFI
Output 4a: Countries/jurisdictions express interest to enter / enter ART system						X		Reports to NICFI
Output 4b: ART approved by ICAO to supply ERs to CORSIA						X		Reports to NICFI
Output 4c:						X		Reports to NICFI



Buyers express interest in ART ERs									
<b><u>POST PROJECT OUTCOMES</u></b>									
<u>Outcome 5:</u> Functional results-based REDD+ ER market created									
<u>Outcome 6:</u> Increased Private Sector Finance for Climate Change Mitigation									
<u>Outcome 7:</u> REDD+ contributes significantly to climate change mitigation									
<u>Outcome 8:</u> Deforestation and forest degradation reduced									
<u>Outcome 9:</u> Forest Governance improved									

**PART II: GENERAL CONDITIONS  
APPLICABLE TO GRANTS FROM  
THE NORWEGIAN MINISTRY OF CLIMATE AND ENVIRONMENT**

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## **1 IMPLEMENTATION PLAN AND BUDGET**

- 1.1 Any updated implementation plan to be submitted in accordance with the Specific Conditions shall be directly related to the results framework and shall specify planned activities and outputs and time schedules for the upcoming reporting period.
- 1.2 Any updated budget to be submitted in accordance with the Specific Conditions shall be based on the approved budget in Annex A and include estimated income to the Project from all sources as well as planned expenditures for the upcoming reporting period. The estimated financial need of the Project in the upcoming reporting period shall be clearly stated.
- 1.3 Significant deviations from or changes to the implementation plan and budget is subject to KLD's prior, written approval as outlined in article 12 of the General Conditions.

## **2 PROGRESS REPORT**

- 2.1 Any progress reports to be submitted in accordance with the Specific Conditions shall describe the results achieved by the Project during the reporting period. The report shall be set up in a way that allows direct comparison with the latest approved Application, implementation plan and budget, and shall be signed by an authorised representative of the Grant Recipient.
- 2.2 The progress reports shall, as a minimum, include:
  - a) an account of the results achieved so far by the Project, using the format, indicators and targets of the approved results framework. The overview must:
    - show delivered outputs compared to planned outputs;
    - show the Project's progress towards achieving the Outcome;
    - if possible, describe the likelihood of the Impact being achieved.
  - b) an account and assessment of deviations from the latest approved implementation plan and Application;
  - c) an assessment of how efficiently Project resources have been turned into Outputs;
  - d) a brief account of materialised risk factors to the Project, including how these have been handled in the reporting period and/or will be handled in the future. Identified risks related to the climate and environment, gender equality, corruption and other financial mismanagement and human rights shall always be accounted for.

## **3 FINANCIAL REPORT**

- 3.1 Any financial report to be submitted in accordance with the Specific Conditions shall comprise financial statements with a comparison to the latest approved budget for the reporting period, as well as an identification of any deviations from the budget as per clause 3.3 below. The financial report shall be certified by the financial controller (or equivalent) as well as an authorised representative of the Grant Recipient.
- 3.2 The financial statements shall be set up in a way that allows for direct comparison with the latest approved budget, using the same currency and budget line items. They shall, as a minimum, include:
  - a) the accounting principles applied;
  - b) income from all sources, including bank interest. KLD's contribution shall be specified;
  - c) expenses charged/capitalised in the relevant reporting period;
  - d) expenses charged/capitalised from start-up of the Project to the end of the reporting period;
  - e) unused funds as per the reporting date;

- f) overhead/indirect costs to be covered by the Grant in accordance with article 4 of the Specific Conditions;
  - g) balance sheet, when required in accordance with the accounting principles applied;
  - h) explanatory notes including a description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Project.
- 3.3 Deviations between the approved budget and the expenses charged/capitalised shall be highlighted with information on both nominal amounts and percentage of each deviation. The Grant Recipient shall include a written explanation of any deviations amounting to more than 10% from a budget line.

#### **4 FINAL REPORT**

- 4.1 The final report to be submitted in accordance with the Specific Conditions shall describe the results achieved by the Project during the Support Period. The report shall be set up in a way that allows for a direct comparison with the Application, and shall be signed by an authorised representative of the Grant Recipient.
- 4.2 The final report shall, as a minimum, include:
- a) the items listed for the progress reports described in article 2 of the General Conditions, covering the entire Support Period;
  - b) an assessment of the Project's effect on society (Impact);
  - c) a description of the main lessons learned from the Project;
  - d) an assessment of the sustainability of the achieved results by the Project.

#### **5 AUDIT**

- 5.1 If an audit of the Project's financial statements is required pursuant to the Specific Conditions, the audit shall be carried out by an independent chartered/certified or state-authorised public accountant (auditor).
- 5.2 KLD reserves the right to approve the auditor, and may require that the auditor shall be replaced if KLD finds that the auditor has not performed satisfactorily or if there is any doubt as to the auditor's independence or professional standards.
- 5.3 The auditor shall form an opinion on whether the Project's financial statements fairly reflect the financial position of the Project and whether they are prepared, in all material respects, in accordance with the applicable financial reporting framework, namely:
- a) the accounting principles followed by the Grant Recipient and;
  - b) the requirements of article 3 clause 2 of the General Conditions.
- 5.4 The auditor shall report in accordance with the applicable audit standard, as agreed in the Specific Conditions.
- 5.5 The audit report shall include:
- a) the Project name and agreement number;
  - b) identification of the Project's total expenses and total income;
  - c) the subject of the audit;
  - d) the financial reporting framework applied;
  - e) the auditing standards applied;

- f) a statement that the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement;
- g) the auditor's opinion.

- 5.6 In addition to the Project's audit report, the auditor shall submit a management letter (matters for governance attention), which shall contain any findings made during the audit of the Project. It shall also list any measures that have been taken as a result of previous audits and whether such measures have been adequate to deal with reported shortcomings.
- 5.7 If any findings have been reported in the Project's management letter, the Grant Recipient shall prepare a response including an action plan to be submitted to KLD together with the management letter.
- 5.8 The costs of the audit of the Project's financial statements shall be included in the Project's budget.
- 5.9 The audit requirements stated in this Agreement are applicable for the total Grant, including any part of the Grant that has been transferred to a cooperating partner.
- 5.10 The auditor of the Project's consolidated financial statement is responsible for the direction, supervision and performance of the audit of any part of the Grant that has been transferred to a cooperating partner. The auditor shall assure itself that those performing the audit for cooperating partners have the appropriate qualifications, that the audit is in compliance with professional standards, and that the audit report is appropriate under the circumstances.
- 5.11 The auditor of the Project's consolidated financial statement shall express an opinion on whether the statement is prepared, in all material respects, in accordance with the requirements of this Agreement. To this end, the auditor shall obtain sufficient appropriate audit evidence regarding the financial statements of the cooperating partner and the consolidation process.

## **6 CONTROL MEASURES**

- 6.1 Representatives of KLD and the Norwegian Auditor General may at all times carry out independent reviews, audits, field visits or evaluations or other control measures related to the Project. The objective of such control measures may be i.a to verify that the Grant has been used in accordance with the Agreement or to evaluate the achievement of results.
- 6.2 The Grant Recipient shall facilitate such control measures by providing all information and documentation necessary to carry out the relevant initiative, as well as ensuring unrestricted access to any premises, records, goods and documents requested.
- 6.3 The representatives of KLD and the Norwegian Auditor General shall also have access to the Grant Recipient's auditor and the auditor's assessments of all information pertaining to the Grant Recipient and the Project. The Grant Recipient shall release the auditor from any confidentiality obligations in order to facilitate such access.
- 6.4 The rights and obligations of this article 6 shall remain in force for 5 years following expiry or termination of the Agreement.

## **7 FINANCIAL MANAGEMENT**



- 7.1 The Grant Recipient shall keep accurate accounts of the Project's income and expenditure using an appropriate accounting- and double-entry book-keeping system<sup>1</sup> in accordance with the applicable accounting- and bookkeeping policies in the jurisdiction of the Grant Recipient.
- 7.2 The accounts shall be kept up to date at least on a monthly basis. Bank reconciliations<sup>2</sup> and cash reconciliations<sup>3</sup> shall be completed at least every month, and shall be documented by the Grant Recipient.
- 7.3 Accounts and expenditures relating to the Project must be easily identifiable and verifiable, either by using separate accounts for the Project or by ensuring that Project expenditure can be easily identified and traced within the general accounting- and bookkeeping systems. The accounts must provide details of bank interest accrued on the Grant.
- 7.4 The Grant Recipient shall keep the Project's accounting records for at least 5 years from the time of KLD's approval of the final report for the Project. This shall include i.a. vouchers, receipts, contracts and bank statements.

## **8 EXCHANGE RATE FLUCTUATIONS**

- 8.1 If the Grant is converted into another currency, the exchange shall be made through a national or commercial bank unless otherwise approved by KLD.
- 8.2 If exchange rate fluctuations decrease the value of the Grant to such an extent that this will have consequences for the implementation of the Project, the Grant Recipient shall inform KLD as soon as possible.
- 8.3 If exchange rate fluctuations increase the value of the Grant, the gain shall be treated as disbursed Grant funds and used for Project purposes. Net surplus from conversion into foreign currency shall be subtracted from future disbursements or repaid as unused funds at the end of the Support Period, unless otherwise agreed between the Parties.

## **9 EQUIPMENT, CONSUMABLES AND INTELLECTUAL PROPERTY RIGHTS**

- 9.1 The right of ownership to equipment, consumables and intellectual property rights procured or developed by use of the Grant shall vest in the Grant Recipient or its cooperating partner, unless otherwise stated in the Application. All matters associated with such equipment, consumables and intellectual property rights are the exclusive responsibility of the Grant Recipient. However, significant use of such equipment, consumables and intellectual property rights for purposes outside the Project shall be subject to the KLD's prior approval, as outlined in Article 12 of the General Conditions.

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<sup>1</sup> A double-entry bookkeeping system is system of bookkeeping where every entry to an account requires a corresponding and opposite entry to a different account.

<sup>2</sup> Bank reconciliation is a process of verifying whether the sum found in the bank statements at the end of the period correspond with transactions recorded in the accounting system. This is usually done in conjunction with closure of the accounting records.

<sup>3</sup> Cash reconciliation is a process of verifying whether the cash at hand at the end of the period corresponds with the amount of cash in the beginning of the period and the registrations of withdrawals and deposits in the period. This is usually done in conjunction with closure of the accounting records.

- 9.2 KLD shall have a non-exclusive and royalty-free license to use all intellectual property rights procured or developed by the use of the Grant. KLD may assign this right to any individual or organisation at its own discretion.
- 9.3 Transfer of ownership of such equipment, consumables or intellectual property rights during the Support Period shall be made at market terms. Ownership may not be transferred to an employee of the Grant Recipient or its cooperating partner, or to anyone related or connected to an employee, if such relation could lead to a conflict of interest as described in article 16 of the General Conditions.
- 9.4 Before a transfer is decided, the Grant Recipient shall assess whether it may have an impact on the Project and, where appropriate, consult with KLD. Any income from a transfer shall accrue to the Project, and shall be reported in the financial statement of the Project.
- 9.5 The Grant Recipient shall prepare a record of transfer of ownership for any equipment, consumables and intellectual property rights. The record shall comprise information about the object of transfer, the original purchase price paid by the Grant Recipient, price offers received, the final sales price and the name of the purchaser. The record shall be submitted to KLD along with the first progress report due after the sale.
- 9.6 If the activities of the Project do not continue after the end of the Support Period or after termination of the Agreement, the Grant Recipient shall inform KLD about the remaining equipment and goods that have been purchased by use of the Grant. The KLD may require that such assets be sold. Such sale shall be completed in accordance with the procedures described above. Income from the sale shall be repaid to KLD unless otherwise agreed by the Parties.

## **10 REAL PROPERTY**

- 10.1 The Grant may not be used to purchase or construct real property (land or buildings) unless explicitly approved by KLD.
- 10.2 If KLD has approved a purchase or construction of real property, the Grant Recipient and KLD shall agree on the details concerning the ownership and the status of the real property after the end of the Support Period and/or the end of the Project. The agreement may be formalised in the Specific Conditions or in a separate agreement document.
- 10.3 KLD may in such an agreement require i.a. that the real property shall be sold after the end of the Support Period and that the proceeds from the sale shall be repaid to KLD. KLD may also reserve the right to establish security interests in any real property purchased by use of the Grant.

## **11 TRANSFER OF THE GRANT TO A COOPERATING PARTNER**

- 11.1 Transfer of all or part of the Grant including assets to a cooperating partner shall be documented through a written agreement. The agreement shall specify that the cooperating partner is required to comply with the provisions of this Agreement and to cooperate with the Grant Recipient to ensure that the Grant Recipient is able to fulfil its obligations hereunder.
- 11.2 The agreement between the Grant Recipient and the cooperating partner shall have provisions related to i.a. reporting, audit, procurement and measures to prevent financial irregularities. Furthermore, the agreement shall explicitly state that:

- a) both the Grant Recipient, KLD and the Norwegian Auditor General shall have the same access to undertake the control measures related to the cooperating partner's use of the Grant as described in article 6 of the General Conditions,
  - b) the Grant Recipient shall be entitled to claim repayment of the Grant from the cooperating partner in the same instances and to the same extent that KLD is entitled to claim repayment from the Grant Recipient, and the cooperating partner shall accept that KLD has the right to claim repayment directly from the cooperating partner to the same extent as the Grant Recipient,
  - c) the cooperating partner shall accept the choice of law and settlement of disputes provisions in article 24 of the General Conditions in relation to any disputes arising between the cooperating partner and KLD.
- 11.3 The Grant Recipient shall assure itself that the cooperating partner has the necessary competence and internal procedures to meet the requirements of the Agreement and shall follow-up the cooperating partner's compliance with the Agreement throughout the Support Period.
- 11.4 The Grant may not be transferred to a cooperating partner who has previously been charged or sentenced for any criminal activity unless explicitly approved by KLD.
- 11.5 The Grant Recipient shall remain fully responsible towards KLD for any part of the Grant including assets that has been transferred to a cooperating partner.

## **12 CHANGES TO THE PROJECT OR THE GRANT RECIPIENT**

- 12.1 Any significant deviations from or changes to the Application or approved implementation plans or budgets are subject to KLD's prior, written approval. The same applies to significant changes to, or circumstances materially affecting, the Grant Recipient's organisation.
- 12.2 The following deviations/changes shall always be subject to KLD's prior written approval:
- a) any changes to the Project's sources of income,
  - b) any changes to the results framework or scope of the Project,
  - c) changes to the implementation plan which implies a delay of more than three months of any activity,
  - d) changes to the Project's budget that imply reallocation of more than 10% of a budget line.
- 12.3 KLD may suspend disbursements of the Grant until such changes have been approved.

## **13 EXTENSION OF THE SUPPORT PERIOD**

- 13.1 The Support Period of the Project is set out in the Specific Conditions. The Grant Recipient must, without delay, inform KLD of any circumstances likely to hamper or delay the implementation of the Project.
- 13.2 The Grant Recipient may request an extension of the Support Period if this is necessary to complete all planned activities. The request must state the reasons for the delay and supporting documentation must be enclosed. KLD shall approve or decline the request in writing.

## **14 TRANSPARENCY**

- 14.1 The Grant Recipient shall publish the following in a dedicated and easily accessible place of its internet site:
- a) a copy of this Agreement;

- b) the title and value of any contracts, cooperation agreements and/or other sub-agreements of more than NOK 500 000 (or the equivalent in local currency) which are to be financed by the Grant;
- c) the names and nationalities of the respective agreement parties and, if relevant, any further sub-grantees or contractors in receipt of Project funds;

Any deviations from article 14 shall be agreed by the Parties in writing, i.a. in the Specific Conditions.

- 14.2 Publication shall take place as soon as possible, and at the latest within six months after the contracts, cooperation agreements and/or other sub-agreements were entered into
- 14.3 The Grant Recipient shall make other project documentation, including the Application and all agreed reports, available to anyone upon request. Requests for disclosure may be denied if such disclosure is prohibited by confidentiality obligations and/or if it may be detrimental to the Grant Recipient's legitimate interests.

## **15 FINANCIAL IRREGULARITIES**

- 15.1 The Grant Recipient is required to practise zero tolerance against corruption and other financial irregularities within and related to the Project. The zero tolerance policy applies to all staff members, consultants and other non-staff personnel and to cooperating partners and beneficiaries of the Grant.
- 15.2 Financial irregularities refers to all kinds of:
  - a) corruption, including bribery, nepotism and illegal gratuities;
  - b) misappropriation of cash, inventory and all other kinds of assets;
  - c) financial and non-financial fraudulent statements;
  - d) all other use of Project funds which is not in accordance with the implementation plan and budget.
- 15.3 In order to fulfil the zero tolerance requirement, the Grant Recipient shall:
  - a) organise its operations and internal control systems in a way that financial irregularities are prevented and detected;
  - b) do its utmost to prevent and stop financial irregularities within and related to the Project;
  - c) require that all staff involved in, and any consultants, suppliers and contractors financed under the Project refrain from financial irregularities.
- 15.4 The Grant Recipient shall inform KLD immediately of any indication of financial irregularities in or related to the Project. The Grant Recipient shall provide KLD with an account of all the known facts and an assessment of how the matter should be followed up, including whether criminal prosecution or other sanctions are considered appropriate.
- 15.5 The matter will be handled by KLD in accordance with KLD's guidelines for handling suspicion of financial irregularities. The Grant Recipient shall cooperate fully with KLD's investigation and follow-up. If requested by KLD, the Grant Recipient shall initiate prosecution and/or apply other sanctions against persons or entities suspected of financial irregularities.
- 15.6 KLD may claim repayment of all or parts of the Grant in accordance with article 17 of the General Conditions if it finds that financial irregularities have taken place in or related to the Project. The repayment claim may also include any interest, investment income or any other financial gain obtained as a result of the financial irregularity.

## **16 CONFLICT OF INTEREST**

- 16.1 The Grant Recipient shall take all necessary precautions to avoid any conflicts of interest in all matters related to the Project.
- 16.2 Conflict of interest refers to any situation where the impartial and objective exercise of the functions of anyone acting on behalf of the Grant Recipient is, or may be, compromised for reasons involving family, personal life, political or national affinity, economic interest or any other connection or shared interest with another person.
- 16.3 If a conflict of interest occur, the Grant Recipient shall, without delay, take all necessary measures to resolve the conflict, e.g. by replacing the person in question or by obtaining independent verification of the terms of the proposed decision or transaction.
- 16.4 If the conflict of interest cannot be resolved and/or if it relates to a decision or transaction of special significance to the Project, the decision or transaction may not be concluded without the prior, written approval of KLD.

## **17 BREACH OF THE AGREEMENT**

- 17.1 If the Grant Recipient fails to fulfil its obligations under this Agreement and/or if there is suspicion of financial irregularities, KLD may suspend disbursement of all or part of the Grant.
- 17.2 In the event of material breach of the Agreement, KLD may terminate the Agreement with immediate effect, and/or claim repayment of all or parts of the Grant.
- 17.3 Material breach of the Agreement shall include, without limitation, the following situations:
- a) all or part of the Grant has not been used in accordance with the Agreement and/or approved implementation plans and budget,
  - b) the Grant Recipient has made false or incomplete statements to obtain the Grant,
  - c) the use of the Grant has not been satisfactorily accounted for,
  - d) the Grant Recipient has, after having been granted an extended deadline, failed to provide the agreed reports, or has knowingly provided reports that do not reflect reality,
  - e) financial irregularities, grave professional misconduct or illegal activity of any form have taken place within the Grant Recipient or its cooperating partners,
  - f) the Grant Recipient has failed to inform KLD of indication of financial irregularities within the Project in accordance with article 15 of the General Conditions,
  - g) the Grant Recipient has changed legal personality without prior notification to KLD,
  - h) the Grant Recipient is bankrupt, being wound up or is having its affairs administered by the courts, or is subject to any analogous or corresponding procedure provided for under national legislation.
- 17.4 The Grant Recipient shall inform KLD immediately of any circumstances that may indicate or lead to a breach of Agreement, and shall provide KLD with any information or documentation it may reasonably require in order to determine if a breach of the Agreement has occurred.
- 17.5 KLD may also suspend disbursements or terminate the Agreement with immediate effect if a material breach of another agreement between KLD and the Grant Recipient has been established.

## **18 TERMINATION OF THE AGREEMENT**

- 18.1 Each of the Parties may terminate the Agreement upon a written notice.



- 18.2 The Support Period shall end three months after the date of the notice of termination. During these three months, the Grant Recipient may only use the Grant to cover commitments that have been established before the date of the notice of termination.
- 18.3 If the Project cannot continue without the Grant, the Grant Recipient shall use these three months to discontinue or scale down the Project promptly and in an orderly and financially sound manner. Any funds that remain unused at the end of the Support Period shall be repaid to KLD.
- 18.4 The Grant Recipient shall submit a final report to KLD within three months of the end of the Support Period. The final report shall meet the requirements set out in article 4 of the General Conditions and shall also include a financial report and audit report covering the period from the previous financial report until the end of the Support Period.
- 18.5 The Agreement will be considered terminated when the final report has been approved by KLD and any remaining funds have been repaid.

## **19 WAIVER AND IMMUNITIES**

- 19.1 Nothing in the Agreement or any document related to the Agreement shall imply a waiver, express or implied, by KLD, the Government of Norway or any of its officials of any privileges or immunity enjoyed by them or their acceptance of the jurisdiction of the courts of any country over disputes arising thereof. This article 19 will not prevent arbitration or court proceedings in the legal venue of the Grant Recipient pursuant to article 24 of the General Conditions.

## **20 LIABILITY**

- 20.1 KLD shall not under any circumstances or for any reason be held liable for damage, injury or loss of income sustained by the Grant Recipient or its staff or property as a direct or indirect consequence of the Project. KLD will not accept any claim for compensation or increases in payment in connection with such damage, injury or loss of income.
- 20.2 The Grant Recipient shall assume sole liability towards third parties, including liability for damage, injury or loss of income of any kind sustained by them as a direct or indirect consequence of the Project. The Grant Recipient shall indemnify KLD against any claim or action from the Grant Recipient's employees or third parties in relation to the Project.

## **21 ASSIGNMENT**

- 21.1 The Agreement and/or the Grant may not be assigned to a third party without the prior written consent of KLD. This shall not, however, prevent transfer of parts of the Grant to a cooperating partner in accordance with article 11 of the General Conditions.

## **22 RECOGNITION AND PUBLICATION**

- 22.1 The Grant Recipient shall acknowledge KLD's support to the Project in all publications and other materials issued in relation to the Project. KLD's logotype will be provided by KLD upon request. All use of KLD's logotype must be approved by KLD.

## **23 ENTRY INTO FORCE, DURATION AND AMENDMENT**

- 23.1 The Agreement shall enter into force at the date of the last signature and shall remain in force until all obligations arising from it have been fulfilled, or until it is terminated in accordance with the provisions of the General Conditions. Whether the obligations of the Agreement shall be considered fulfilled, will be determined through consultations between the Parties and confirmed by KLD in a completion letter.
- 23.2 The Agreement may be amended. Any such amendment must be agreed upon in writing between the Parties and shall become an integral part of the Agreement.
- 23.3 Termination or expiry of the Agreement shall not release the Parties from any liability arising from any act or omission that has taken place prior to such termination or expiry.

## **24 CHOICE OF LAW AND SETTLEMENT OF DISPUTES**

- 24.1 The Agreement shall be governed and construed in accordance with Norwegian law.
- 24.2 If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall seek to reach an amicable solution.
- 24.3 Any dispute arising out of or in connection with the Agreement that cannot be solved amicably, shall exclusively be settled before the Norwegian courts of law with Oslo District Court as legal venue.
- 24.4 The Grant Recipient accepts that KLD can, at its own sole discretion and as an alternative to the legal venue mentioned above, choose to settle the dispute by
- a) the courts in the legal venue of the Grant Recipient, or
  - b) arbitration in accordance with the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. The arbitral tribunal shall be composed of three arbitrators. If the disputed amount is below an amount corresponding to NOK 10 000 000 the arbitral tribunal shall, however, be composed of a sole arbitrator. The seat of arbitration shall be Stockholm, Sweden, and the language to be used in the arbitral proceedings shall be English. The Parties agree that neither the arbitral proceedings nor the award shall be subject to any confidentiality.
- 24.5 The Parties agree that no other courts of law, than as set out in this article 24, shall have jurisdiction over disputes arising out of or in connection with this Agreement.

Part III

## **PART III: PROCUREMENT IN THE CONTEXT OF PROJECTS FINANCED BY THE NORWEGIAN MINISTRY OF CLIMATE AND ENVIRONMENT**

### **1 GENERAL PRINCIPLES**

- 1.1 If the implementation of a Project requires procurement of services or goods by the Grant Recipient, the contract must be awarded to the most economically advantageous tender (the tender offering the best price-quality ratio), as evaluated against the award criteria listed in the tender documents.
- 1.2 Contracts must be awarded in accordance with procurement rules and procedures:
  - ensuring sufficient transparency, fair competition and adequate ex-ante publicity;
  - ensuring equal treatment, proportionality and non-discrimination;
  - avoiding conflicts of interests throughout the entire procurement procedure.
- 1.3 Contracts must not be split artificially to circumvent procurement thresholds.
- 1.4 This Part III sets out the minimum procedures to be followed, but does not preclude the Grant Recipient from applying alternative procedures providing an even higher degree of competition.
- 1.5 The Norwegian Ministry of Climate and Environment (KLD) may carry out ex post checks on the Grant Recipient's compliance with the rules set forth in this Part III. Failure to comply with these rules would render the related expenditure ineligible for KLD funding and may lead to withholding funds or claim for repayment in accordance with Article 17 of the General Conditions / Part II of this Agreement.
- 1.6 The Procurement Provisions of this Part III shall apply mutatis mutandis to any procurements to be carried out by the Grant Recipient's affiliated entity(ies) or cooperation partners.
- 1.7 Any monetary amounts referred to in this Part III are amounts excluding VAT.

### **2 ELIGIBLE TENDERERS**

- 2.1 Participation in tender procedures administered by the Grant Recipient shall be open on equal terms to all natural and legal persons. Tenderers must state their nationality in their tenders by presenting proof of nationality under their national legislation. Tenderers must also provide information on their legal form and ownership structure.

### Part III

- 2.2 Candidates or tenderers shall not make use of child labour or forced labour and/or practise discrimination and they shall respect the right to freedom of association and the right to organise and engage in collective bargaining, in accordance with the core conventions of the International Labour Organization (ILO).
- 2.3 Candidates or tenderers shall be excluded from participation in a procurement procedure if:
- a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - b) they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;
  - c) they have been guilty of grave professional misconduct proven by any means which the Grant Recipient can justify;
  - d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established, or with those of the country of the Grant Recipient(s) or those of the country where the contract is to be performed;
  - e) they or persons having powers of representation, decision making or control over them have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to the KLD's financial interests.
- 2.4 Candidates or tenderers must confirm in writing that they are not in one of the situations listed above.
- 2.5 Points 2.3 (a) to (d) do not apply to the purchase of supplies on particularly advantageous terms from either a supplier which is definitively winding up its business activities, or the receivers or liquidators of a bankruptcy, through an arrangement with creditors, or through a similar procedure under national law.
- 2.6 Contracts may not be awarded to candidates or tenderers which, during the procurement procedure:
- a) are subject to a conflict of interests;
  - b) are guilty of misrepresentation in supplying the information required by the Grant Recipient as a condition of participation in the tender procedure or fail to supply this information.

## Part III

### 3 COMMON PROCUREMENT RULES

- 3.1 The tender documents must be drafted in accordance with best international practice. If they do not have their own tender documents, Grant Recipients may voluntarily use the models published in the Practical Guide on the EuropeAid website (PRAG). The KLD will not publish notices and tender documents issued by the Grant Recipient(s).
- 3.2 The Grant Recipient shall take into account universal design and the potential environmental impact of any planned procurements.
- 3.3 All invitations to submit tenders shall include a clause stating that offers will be rejected if any illegal or corrupt practises have taken place in connection with the award. All contracts concluded under the Project shall contain a clause stating that the Grant Recipient may terminate the contract if it finds that illegal or corrupt practises have taken place in connection with the contract award or the execution of the contract.
- 3.4 The time-limits for receipt of tenders and requests to participate must be sufficient to allow interested parties a reasonable and appropriate period to prepare and submit their tenders.
- 3.5 An evaluation committee must be set up to evaluate applications and/or tenders of a value of NOK 500 000 or more on the basis of the exclusion, selection and award criteria published by the Grant Recipient(s) in advance in the tender documents. This committee must have an odd number of members, at least three, with all the technical and administrative capacities necessary to give an informed opinion on the tenders.
- 3.6 For contracts with a value exceeding NOK 100 000, the Grant Recipient shall compile a written record with documentation of all assessments and decisions during all steps of the procurement process from the planning stage until the signing of the contract. Upon request by the KLD, the Grant Recipient will deliver the written record to the KLD and grant the KLD access to all relevant information and documentation related to its procurement practises and any specific procurements carried out under the Project.

### 4 SPECIFIC RULES FOR SERVICE CONTRACTS<sup>1</sup>

#### **Service contracts from NOK 2 500 000 and above**

- 4.1 The contract must be awarded by means of an international restricted tender procedure following publication of a procurement notice.

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<sup>1</sup> Definitions of different types of contracts and procedures can be found in Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.



### Part III

- 4.2 The procurement notice shall be published in all appropriate media, in particular on the Grant Recipient's web site, in the international press and the national press of the country in which the Project is being carried out, and in any other relevant specialist periodicals. It must state the number of candidates which will be invited to submit tenders within a range of four to eight candidates, and must be sufficient to ensure genuine competition.
- 4.3 All would-be service providers fulfilling the conditions referred to in article 2 above may take part, but only candidates satisfying the published selection criteria and invited in writing by the Grant Recipient may submit a tender.

#### **Service contracts from NOK 500 000 to less than NOK 2 500 000**

- 4.4 The contract must be awarded by means of a competitive negotiated procedure with or without publication, in which the Grant Recipient consults at least three suppliers of its choice and negotiates the terms of the contract with one or more of them.

#### **Service contracts of less than NOK 500 000:**

- 4.5 The contract may be awarded using procedures established by the Grant Recipient, while respecting the rules and principles laid down in articles 1 to 3 of this Part III.

### **5 SPECIFIC RULES FOR SUPPLY CONTRACTS<sup>2</sup>**

#### **Supply contracts from NOK 2 500 000 and above**

- 5.1 The contract must be awarded by means of an international open tender procedure following publication of a procurement notice.
- 5.2 The procurement notice is to be published in all appropriate media, in particular on the Grant Recipient's web site, in the international press and the national press of the country in which the Project is being carried out, and in any other relevant specialist periodicals.
- 5.3 Any would-be supplier which fulfils the conditions referred to in article 2 may submit a tender.

#### **Supply contracts from NOK 800 000 to less than NOK 2 500 000**

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<sup>2</sup> Definitions of different types of contracts and procedures can be found in Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

### Part III

- 5.4 The contract must be awarded by means of an open tender procedure published locally: the contract notice is published in all appropriate media at least in the country in which the Project is being carried out.
- 5.5 A local open tender procedure must provide other eligible suppliers with the same opportunities as local firms.

#### **Supply contracts from NOK 500 000 to less than NOK 800 000**

- 5.6 The contract must be awarded by means of a competitive negotiated procedure with or without publication of a contract notice. The Grant Recipient consults at least three suppliers of its choice and negotiates the terms of the contract with one or more of them.

#### **Supply contracts of less than NOK 500 000**

- 5.7 The contract may be awarded using procedures established by the Grant Recipient, while respecting the rules and principles laid down in articles 1 to 3 of this Part III.

## **6 SPECIFIC RULES FOR PUBLIC WORKS CONTRACTS<sup>3</sup>**

#### **Public works contracts from NOK 40 000 000 and above**

- 6.1 The contract must be awarded by means of an international open tender procedure following publication of a contract notice.
- 6.2 The procurement notice is to be published in all appropriate media, in particular on the Grant Recipient's web site, in the international press and the national press of the country in which the Project is being carried out, and in any other relevant specialist periodicals.
- 6.3 Any contractor which fulfils the conditions referred to in article 2 above may submit a tender.

#### **Public works contracts from NOK 2 500 000 to less than NOK 40 000 000**

- 6.4 The contract must be awarded by means of an open tender procedure published locally: the procurement notice is published in all appropriate media at least in the country in which the Project is being carried out.
- 6.5 A local open tender procedure must provide other eligible contractors with the same opportunities as local firms.

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<sup>3</sup> Definitions of different types of contracts and procedures can be found in Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

### Part III

#### **Public works contracts from NOK 500 000 to less than NOK 2 500 000**

- 6.6 The contract must be awarded by means of a competitive negotiated procedure with or without publication, in which the Grant Recipient consults at least three contractors of its choice and negotiates the terms of the contract with one or more of them.

#### **Public works contracts of less than NOK 500 000**

- 6.7 The contract may be awarded using the procedures established by the Grant Recipient(s), while respecting the rules and principles laid down in sections 1 to 3 of this Part III.

### **7 USE OF NEGOTIATED PROCEDURE**

- 7.1 The Grant Recipient may use the negotiated procedure on the basis of a single tender in the following cases:
- a) where, for reasons of extreme urgency brought about by events which the Grant Recipient could not have foreseen, the procedures referred to in articles 2-5 cannot be applied. The circumstances invoked to justify extreme urgency must be documented and must in no way be attributable to the Grant Recipient.
  - b) for the purposes of humanitarian aid and civil protection operations or for crisis management aid. Crisis situations may be invoked only when they have been formally recognised by the KLD. The KLD will inform the Grant Recipient(s) if a crisis situation has been declared and the period for which the declaration will be in force.
  - c) where the services are entrusted to public-sector bodies or to non-profit institutions or associations and relate to activities of an institutional nature or designed to provide assistance to peoples in the social field;
  - d) where contracts extend on-going activities:
    - (i) not included in the main service contract which have become necessary to perform the contract for unforeseen circumstances, and provided that the additional service cannot be technically and economically separated from the principal contract without serious inconvenience for the Grant Recipient(s) and the aggregate amount of additional services does not exceed 50 % of the value of the principal contract; or
    - (ii) which consist in the repetition of similar services entrusted to the contractor providing services under the initial contract, provided that:

### Part III

- (a) a contract notice was published for the first service and the possibility of using the negotiated procedure for new services for the project and the estimated cost were clearly indicated in the contract notice published for the first service; and
  - (b) the extension of the contract for a value and duration does not exceed the value and the duration of the initial contract.
- e) for additional deliveries by the original supplier intended either as a partial replacement of normal supplies or installations or as the extension of existing supplies or installations, where a change of supplier would oblige the Grant Recipient to acquire equipment having different technical characteristics which would result in either incompatibility or disproportionate technical difficulties in operation and maintenance;
- f) for additional works not included in the initial contract concluded which have, through unforeseen circumstances, become necessary for carrying out the works and on condition that such works cannot be technically or economically separated from the main contract without serious inconvenience for the Grant Recipient(s) and on the condition that, although separable from the performance of the original contract, are strictly necessary for its completion and where the aggregate value of contracts awarded for additional works does not exceed 50 % of the value of the principal contract.;
- g) where the tender procedure has been unsuccessful, that is where no qualitatively and/or financially worthwhile tender has been received. In such cases, after cancelling the tender procedure, the Grant Recipient may negotiate with one or more tenderers of its choice, from among those that took part in the tender procedure, provided that the initial terms of the tender procedure are not substantially altered;
- h) where the contract concerned follows a contest and must, under the rules applying, be awarded to the winner of the contest or to one of the winners of the contest, in which case, all winners shall be invited to participate in the negotiations;
- i) where, for technical reasons, or for reasons connected with the protection of exclusive rights, the contract can be awarded only to a particular service provider;
- j) where warranted by the nature or particular characteristics of the supplies, for example, where performance of the contract is exclusively reserved for the holders of patents or licences to use patents;
- k) for contracts declared to be secret, or for contracts whose performance must be accompanied by special security measures or when the protection of the essential interests of the KLD / Norway or the Grant Recipient country so requires;
- l) for contracts in respect of supplies quoted and purchased on a commodity market;

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- m) for contracts in respect of purchases on particularly advantageous terms, either from a supplier which is definitively winding up its business activities, or from the receivers or liquidators of a bankruptcy, an arrangement with creditors, or a similar procedure under national law;
- n) where a new contract has to be concluded after early termination of an existing contract. Such a decision has to be substantiated by reason of non-performance by the supplier or by reasons for termination similar to the grounds for exclusions as mentioned in section 2.3 above.

## 8 SPECIAL CASES

- 8.1 Different rules than those specified in this Part III may apply in the following cases, with the exception of section 1 and the rules on nationality provided for in section 2, which always apply.

### **Co-financing**

- 8.2 When the Project is co-financed by several donors and one of the other donors, who acts as the lead donor for the Project, imposes procurement rules on the Grant Recipient(s) that differ from those set out in articles 3 to 7, the Grant Recipient(s) may apply these rules, if they offer guarantees equivalent to internationally accepted standards. Where its pillars have been positively assessed the relevant rules are considered equivalent. If the lead donor's rules do not offer equivalent guarantees, or in specific cases, the KLD and the Grant Recipient will agree on the use of other procurement procedures offering such guarantees. In this case, the rules to be followed are set forth in the Special Conditions.

### **Public administrations of an EEA country**

- 8.3 Where the Grant Recipient(s) or an affiliated entity is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, in preference to the rules set out in this Part III.

### **Non-Governmental Organisations (NGOs)**

- 8.4 Where the Grant Recipient(s) or an affiliated entity is a NGO, it may apply its own procurement rules if a prior positive assessment of the relevant rules has shown that they offer guarantees equivalent to internationally accepted standards. If the rules do not offer equivalent guarantees, or in specific cases, the KLD and the Grant Recipient will agree on the use of other procurement procedures offering such guarantees. In this case, the rules to be followed are set forth in the Special Conditions.