

Annex 3: Rules and Procedures for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Research Funds in the Framework of the Swiss-Croatian Cooperation Programme

Annex 3 is an integral part of the Framework Agreement between the Swiss Federal Council and the Government of the Republic of Croatia concerning the implementation of the Swiss-Croatian Cooperation Programme. Any amendment to this Annex shall be made in writing with the mutual agreement of the competent authorities mentioned in Article 9 of the main part of the Framework Agreement.

Annex 3 describes definition and purpose, selection of Intermediate Bodies, content of agreements, eligibility of costs and co-financing as well as roles and responsibilities for:

- A. Block Grant**
- B. Project Preparation Facility**
- C. Technical Assistance Fund**
- D. Research Funds**

Annex 1 defines the conceptual framework of the Swiss-Croatian Cooperation Programme. Annex 2 defines the controlling at the Swiss-Croatian Cooperation level, procedures at Project level, requirements for Project proposals, payment and reimbursement procedure, and responsibilities and tasks.

A. Block Grant

1. Definition and purpose

Block Grants are funds, set up for a clearly defined purpose, providing assistance to organisations or institutions, facilitating a cost-effective administration in programmes with many small projects.

Block Grants may be established on national, regional or local level. They enable organisations or institutions to: address pertinent issues through small projects and enhance their capacities.

In general, small projects shall: have a non-profit character and be in the range of CHF 20'000 (twenty thousand Swiss francs) to CHF 200'000 (two hundred thousand Swiss francs).

2. Selection of the Block Grant Intermediate Body

A Block Grant Intermediate Body may be a public or private sector body or a non-governmental organisation constituted as a legal entity in Croatia and operating in the public interest.

In principal, the Block Grant Intermediate Body should have strong ties to the sector in which a Block Grant is to be implemented. The Intermediate Body may act in a consortium with a Swiss partner.

3. Block Grant Agreement

For each Block Grant, an agreement shall be prepared by the NCU based on a standard Block Grant Agreement provided by SDC. The Block Grant Agreement [may] be signed by the NCU, SDC and the selected Block Grant Intermediate Body. The content of the Block Grant Agreement shall include i.a.:

- Objectives of the Block Grant;
- Organisational structure, roles and responsibilities (incl. constitution of a steering and small project approval committee);
- Procedures for the assessment and selection of small projects (incl. selection criteria);
- Co-financing rules and procedures;
- Implementation schedule;
- Budget and financial planning (incl. management costs);
- Disbursement and audit procedures;
- Monitoring and steering;
- Reporting;
- Publicity measures.

4. Eligibility of costs and co-financing

Eligible costs for the management and administration of the Block Grant shall be defined in the Block Grant Agreement.

Small projects implemented by the Block Grant Intermediate Body on its own are not eligible for funding by the Block Grant.

The Block Grant's contribution to small projects shall be, as a rule, 90%.

Support by the Block Grant shall not replace subsidised facilities and bank loans.

5. Roles and Responsibilities

Roles and responsibilities of the NCU include

- Propose the establishment of Block Grants;

- Ensure the establishment of Block Grants including, Block Grant Intermediate Body pre-selection and preparation of agreement;
- Ensure the supervision of Block Grants by establishing adequate monitoring, steering and auditing systems;
- Establish financial control mechanisms;
- Nominate a representative in the steering and small project approval committee;
- Control the efficient and effective use of the Block Grants;
- Ensure regular reporting to SDC on the implementation progress of Block Grants, as well as ensure immediate reporting in case of any irregularities;
- Ensure auditing and follow-up to audit recommendations;
- Ensure inclusion of the Block Grants in the general publicity on the Contribution.

Roles and responsibilities of the Block Grant Intermediate Body include:

- Overall management of the Block Grant;
- Establish a steering and small project approval committee and act as its secretary;
- Establish an adequate financial and operational controlling system for small project implementation;
- Call for and collect proposals for small projects, review compliance with the proposal requirements and establish selection recommendations;
- Establish contracting arrangements with the organisations and institutions implementing the small projects;
- Apply controlling systems and intervene if required. Inform the NCU on irregularities immediately;
- Report to the NCU. Reporting includes at least an annual progress report and financial reports;
- Publicity on the Block Grant implementation.

Roles and responsibilities of the steering and small project approval committee include:

- Select small projects for implementation;
- Discuss progress reports;
- Review and adapt small project selection criteria.

Roles and responsibilities of SDC include:

- Approve in principle the establishment of Block Grants;
- Provide feedback on outlines for Block Grants;
- Decide on the financing of Block Grants;
- Nominate a representative or an observer in the steering and small project approval committee;
- Monitor implementation progress on a general level;
- Assess and discuss implementation progress with the NCU based on annual reporting by the NCU.

Roles and responsibilities may periodically be reviewed. A first review shall take place during the first annual meeting of the Parties.

B. Project Preparation Facility

1. Definition and purpose

A “Project Preparation Facility” provides financial support for the preparation of the Final Project Proposals (e.g. feasibility studies, environmental impact assessments, etc.).

2. Request and approval procedures

A request for financial support for the preparation of the Final Project Proposal within the Project Preparation Facility must be part of the Project Outline (see Annex 2, Chapter 2.1). Costs for such assistance can be retroactively supported through the Project Preparation Facility, also if such costs occur before the entry into force of the Framework Agreement. SDC or SECO shall assess whether the requested assistance for project preparation is suitable for financial support. The decision on the provision for financial support for the elaboration of the Final Project Proposal is part of the decision by Switzerland on the Project Outline.

3. Management of the Project Preparation Facility

The Project Preparation Facility is managed by the NCU. The NCU may delegate part of the tasks and responsibilities to an Intermediate Body and an Executing Agency.

4. Project Preparation Facility Agreement

The Project Preparation Facility Agreement shall be prepared and signed by the NCU on the Croatian side and by SDC/SECO on the Swiss side. The content of the Project Preparation Facility Agreement shall include i.a.:

- Objectives of the Project Preparation Facility;
- Roles and responsibilities;
- Detailed listing of costs eligible for financing;
- Co-financing;
- Audit procedures, monitoring and reporting.

5. Co-financing

Financial means provided by the Project Preparation Facility require a minimum co-financing of 15% by the recipient or any third party. The co-financing rate shall be determined on a case-by-case basis.

C. Technical Assistance Fund

1. Definition and purpose

A Technical Assistance Fund may be established to contribute to some additional costs incurred by Croatia for the efficient and effective implementation of the Contribution.

2. Eligible costs

Costs incurred by the Croatian authorities for the management, implementation, monitoring and control of the Contribution are in general not eligible for financing. However, some costs incurred by the Croatian authorities for tasks performed additionally and exclusively for the implementation of the Contribution are eligible for financing, if they belong to one of the following categories:

- a) Costs of Committees established in the framework of the Swiss-Croatian Cooperation Programme as defined in the Technical Assistance Fund Agreement;
- b) Training for the NCU, Intermediate Bodies and potential Executing Agencies with the objective to prepare themselves for the Swiss-Croatian Cooperation Programme;
- c) Hiring of consultants for the review of Project proposals addressed to the NCU and the preparation of financing requests to Switzerland;
- d) Hiring of consultants for the monitoring and for the review of Projects financed by the Contribution and of the overall Swiss-Croatian Cooperation Programme;
- e) Hiring of consultants for the preparation of Final Project Proposals for Projects that are classified in the funding guideline "human and social development" (Annex 1, Chapter 5);
- f) External audits and on the spot checks of Projects related to the Contribution, where this relates to activities above and beyond the normal obligations of Croatia; including performing the Compliance / System Audit;
- g) Hiring of consultants for final evaluations of Projects that may be requested by the Parties. The NCU and SDC/SECO can agree that SECO/SDC hire the respective consultants and that the corresponding cost would be financed through the Technical Assistance Fund;
- h) Publicity measures related to the Contribution;
- i) Costs for the participation in meetings with Swiss authorities held outside of Zagreb;
- j) Translation costs of the NCU and Intermediate Bodies at the level of the management of the Swiss Contribution;
- k) Additional equipment, including software, specifically procured for the implementation of the Contribution.

3. Intermediate Body for the Technical Assistance Fund

The Intermediate Body of the Technical Assistance Fund is the NCU.

4. Technical Assistance Fund Agreement

The Technical Assistance Fund Agreement shall be prepared and signed by the NCU on the Croatian side and by SDC/SECO on the Swiss side. The content of the Technical Assistance Fund Agreement shall include inter alia:

- Objectives of the Technical Assistance Fund;
- Detailed listing of costs eligible for financing;
- Organisational structure, roles and responsibilities;
- Procedures;
- Budget and financial planning;
- Audit procedures;
- Monitoring and steering;
- Reporting.

D. Research Funds

1. Definition and purpose

One or several research related funds can be established. The Funds can provide financing for Joint Swiss-Croatian Research Projects, for Projects of Applied Research between Croatian and Swiss companies as well as other research activities defined in the framework of the Swiss-Croatian Cooperation Programme.

2. Intermediate Bodies for the Research Funds

The Intermediate Body for the management of a Research Fund can be a Swiss institution, a Croatian institution or a supranational body.

3. Research Fund Agreements

The Research Fund Agreements shall be prepared by the respective Intermediate Body. Every Agreement shall be signed by the NCU on the Croatian side and by the SDC on the Swiss side. The content of the Research Fund Agreements shall include inter alia:

- Objectives of the Fund;
- Detailed listing of costs eligible for financing;
- Organisational structure, roles and responsibilities;
- Procedures;
- Budget and financial planning;
- Audit procedures;
- Monitoring and steering;
- Reporting.