

**THE NORWEGIAN COOPERATION PROGRAMMES FOR
ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT
IN BULGARIA AND ROMANIA**

Applicant's Guide

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1. Introduction

The main purpose of this Applicant's Guide is to give potential applicants more detailed information about the rules that will need to be taken into account when preparing applications. This guide includes information about projects and project funding, eligibility, disbursement, monitoring and reporting.

For practical information about how to prepare applications and advice on how to fill out the application form, please see the Application Form Guide.

2. Projects and project funding

Projects funded by the Norwegian Cooperation Programmes shall aim to promote social and economic development in the Beneficiary States. They shall be consistent with the Beneficiary States priorities and relevant arrangements with the European Union. All projects must be in compliance with relevant EU, national and local legislation.

2.1. Types of projects to be funded

Applicants may apply for funding by submitting proposals for individual projects, seed money assistance and travel support.

The submission of applications for project funding shall be done in accordance with the Applicant's Guide and the Application Form Guide adopted by Innovation Norway.

2.1.1. Individual projects

An individual project is an economically indivisible series of activities fulfilling a precise technical function and with clearly identifiable aims. An application for an individual project may include one or more sub-projects. These projects must be defined in the application to Innovation Norway.

The amount of grant assistance applied for individual projects shall not be less than € 250.000 and normally not more than € 5.000.000, projects promoted by NGOs and social partners excepted. For such projects no lower limit will apply.

2.1.2. Seed money

In order to facilitate the preparation of projects to be submitted to Innovation Norway as well as to support the establishment of new partnerships created for the purpose of designing and implementing new projects, the Programmes are providing seed money funding.

The amount of seed money assistance applied for shall not be more than € 25,000. The grant ceilings in Art. 2.5 will apply.

The seed money facility will support activities related to the preparation of complete applications. Subject to the grant agreement, eligible activities may include:

- feasibility studies
- financial and economic analysis
- preparation of technical documentation necessary for the application
- development of perspective project outlines
- preparation of projects focused on use of innovative approaches
- creation of new partnerships

Travel costs and subsistence allowance directly linked to the activities above are also eligible for funding from the scheme.

Arrangements for seed money grants concerning disbursement, monitoring, reporting and auditing shall be stipulated in the grant agreement.

More detailed information on how to prepare an application for seed money is included in the Seed Money Facility Application Form User Guide.

2.1.3. Travel support scheme for NGOs and social partners

In order to facilitate the participation of NGOs and social partners in projects under the cooperation programmes, a special travel support scheme is established. The scheme offers travel support of maximum € 2,000 to participation in activities directly relevant for preparation of potential project applications involving NGOs and social partners.

Eligible applicants

Recognised NGOs and social partners in the Beneficiary States or in Norway are eligible for support from the scheme.

For more information on the scheme and how to apply, see <http://www.norwaygrants.org/en/News-archive/Applications-for-Travel-Support-Are-Now-Open/>

2.2. Specific provisions for NGOs and social partners

As a general rule applications promoted by NGOs and social partners are subject to the same rules and procedures as applications promoted by other types of legal entities. Modifications and supplements to this general rule, in addition to the Travel support scheme described in Art. 2.1.3, are described below.

2.2.1. Definition of NGOs and social partners

In respect of the Norwegian Cooperation Programmes, the term NGO and social partners includes:

- voluntary, self-governing organisations not subject to direction by public authorities, independent of political control and established under the legal system of the beneficiary state (e.g. foundations, associations, charities, societies, trusts, etc.);
- social partners (employers organisations and trade unions); and
- certain independent organisations enjoying a specific legal status (e.g. the national Red Cross societies).

The definition does not include political parties. The NGOs should be organisations functioning on a not-for-profit basis.

2.2.2. Thresholds for applications

The general rule for the amount of grant assistance applied for individual projects, set out in Art. 2.1.1 does not apply. The amount applied for in projects promoted by NGOs and social partners have no lower limit.

2.3. Applicants and partnership

All public or private sector bodies and non-governmental organisations (NGOs) constituted as legal entities in the Beneficiary States or in Norway may apply for assistance for individual projects, provided that a partnership has been established.

Where the project costs is co-financed with 15 % or more by central, regional or local government budget allocation in the Beneficiary States, only the partner in the beneficiary state can be the applicant ("Project Promoter").

Partnership means cooperation between at least one legal entity in the Beneficiary State and at least one legal entity in Norway, and where all entities are independent of each other and perform substantial tasks in the completion of the project. The requirement regarding independence means that no ownership interest in other partners is allowed.

There are no other restrictions on the composition of the partnership. It could be any combination of types of legal entities, e.g. public/private, private/NGO or NGO/NGO. However, cooperation between equal partners is preferable as this could facilitate the project execution and especially to challenges as regards public procurement.

Each partner must have a precise and clearly identified role in the implementation of the project. The role of each partner must be explained in the application. Although Innovation Norway only concludes a grant agreement with the Project promoter(s) all partners must be shown to actively participate.

It is required that the Project Promoter and its partners draw up an agreement defining the rights and obligations of each partnership member.

Funding from the seed money facility and the travel support scheme for NGOs and social partners can be applied for without an already established partnership.

2.4. Priority sectors

Grants are available for projects in the following sectors:

For Bulgaria:

- Reduction of greenhouse gas emissions, including Joint Implementation projects under the Kyoto Protocol and other emissions in air and water,
- Energy efficiency and renewable energy,
- Facilitating sustainable production, including certification and verification
- Implementation of Schengen acquis, support of National Schengen Plans as well as strengthening the judiciary.

For Romania

- Reduction of greenhouse gas emissions, including Joint Implementation projects under the Kyoto Protocol and other emissions in air and water,
- Energy efficiency and renewable energy,
- Facilitating sustainable production, including certification and verification.
- Health

Possible project areas for both Beneficiary States are, *inter alia*, innovation, human resource–development, networking, capacity-building, technology transfer and research and development.

Within these priority sectors, special focus will be given to projects in the areas specified in the Annex III of the respective MoUs. However, this list may be adjusted by the Parties, and the updated list will always be found on www.norwaygrants.org.

2.5. Grant rate ceilings

The project promoters shall ensure the full financing of projects.

The contribution from the Programmes will be determined on a case-by-case basis, taking all relevant factors into account. The following rules on grant rate ceilings will apply to all types of applications:

- (a) With the exceptions referred to in subparagraphs (b) and (c) below, the grant rate shall not exceed 60 % of the eligible project cost.
- (b) Where the project costs is co-financed with 15 % or more by central, regional or local government budget allocation in the beneficiary states , the Cooperation Programmes may provide a grant for up to 85 % of the eligible project cost.
- (c) For grant assistance set up to support NGO activities (including social partners), the grant rate may be up to 90% of the eligible project cost.

3. Eligible costs and periods of eligibility

Unless otherwise decided in these detailed eligibility provisions or the grant agreement, costs incurred by a project promoter which are necessary and

directly related to the implementation of a project, and are incurred within the dates of eligibility, are considered as eligible costs.

To be considered eligible, costs must be included in the budget of the application submitted to Innovation Norway. Approved costs shall be described in the grant agreement.

3.1. Eligible costs

Subject to the grant agreement eligible costs include:

- the costs of staff assigned to the project with a maximum hourly rate of 1 promille of the actual annual salaries
- travel and subsistence costs
- the cost of purchasing equipment
- the costs of consumables and supplies
- subcontracting expenditure
- costs arising from the requirements of the contract (e.g. translation, insurance, audit, financial service costs)

3.2. Eligible costs subject to certain conditions

3.2.1. Overheads

Overheads may be eligible expenditure, provided that they are based on real costs which relate to the implementation of the project, and are allocated on a pro-rata basis to the project, according to a duly justified, fair and equitable method.

3.2.2. VAT and other taxes and charges

The expenditures related to VAT and other taxes, levies or charges of whatever nature, which by law are not recoupable from the Beneficiary State, are eligible for financing.

3.2.3. Charges and legal expenses

- Bank charges on accounts

Where the grant agreement or national legislation requires the opening of a separate account or accounts for implementing a project, the bank charges for opening and administering the accounts, are eligible.

- Professional services

Fees for legal advice, notary fees, costs of technical and financial expertise, costs related to preparation of procurement, insurance, and accountancy or audit costs are eligible if they are directly linked to the project and are necessary for its preparation or implementation. In the case of accounting or audit costs, these must also relate to grant agreement requirements by Innovation Norway and/or national legislation in the Beneficiary State.

- Costs of guarantees provided by a bank or other financial institution

These costs are eligible where such guarantees are deemed necessary by Innovation Norway in case of advance payments by the Cooperation programmes.

3.2.4. Purchase of second-hand equipment

The purchase costs of second-hand equipment may be eligible for grant by the Cooperation Programmes under the following conditions:

- a) the price of the equipment shall not exceed its market value at the time of the purchase
- b) the equipment shall have the technical characteristics necessary for the project and comply with applicable norms and standards.

3.2.5. Purchase of land and real estate

- Purchase of land

Purchase of land is normally not eligible for grant, but may be eligible if there is a direct link between the land purchase and the objectives of the project. Conditions shall be described in the grant agreement.

- Purchase of real estate

Purchase of real estate, meaning buildings constructed or under development and the appropriate rights to land on which they are build, may be eligible for grant if there is a direct link between the purchase and the objectives of the project. Terms of eligibility shall be described in the grant agreement.

3.3. Not eligible costs

3.3.1. Financial charges

Debit interest charges for financial transactions, foreign exchange commissions and losses, and other purely financial expenses, are not eligible.

3.3.2. Fines, financial penalties and expenses of litigation

These expenses are not eligible.

3.4. Periods of eligibility

Unless otherwise stated in the grant agreement, expenditure incurred shall be eligible for assistance as of the date Innovation Norway decides to award the grant, which means the date of the grant offer. Certain type of expenditure incurred before that date, such as feasibility studies, may be considered as eligible costs if incurred not before 1. August 2007.

Costs are deemed to be incurred within the dates of eligibility if the costs are paid, invoiced, and the subject matter (goods, services or works) of the costs is delivered, within the said dates.

4. Co-financing by the promoter

The contribution of the promoter to the overall project budget shall normally be in form of cash. However, under the conditions set out below contributions in kind can also form part of the total contribution.

In-kind contributions are subject to conditions set out in the grant agreement and may be eligible expenditure provided that:

- a) they consist of the provision of land or real estate, equipment or materials, research or professional activity, or unpaid voluntary work
- b) their value can be independently assessed and audited,
- c) in the case of the provision of land or real estate, the value is certified by an independent qualified evaluator or duly authorised official body, and shall not exceed the real market value.

- d) in the case of unpaid voluntary work, the value of that work is determined taking into account the amount of time spent and the normal hourly and daily rate for the work carried out.

Unless otherwise is decided in the grant agreement, the maximum in-kind contribution can be 50 % of the co-financing provided by the promoter for an individual project. For seed money projects the maximum in-kind contribution can be 100% of the co-financing provided by the promoter.

5. Disbursement

5.1. General

All disbursements shall have a reference to the Grant offer letter and the agreed project implementation plan.

This chapter describes the disbursement process from the point of signature of the Grant offer letter until the Project Promoter receives the final disbursement.

The aim is to have identical disbursement procedures for all disbursements regardless of Project and to respect specific requirements and structures within Romania, Bulgaria, Norway and other parties involved in the process. Deviations from this general description of the disbursement process will be reflected in the disbursement procedure of the individual Project

5.2. Request for disbursement

The request for disbursement is submitted by the Project Promoter to Innovation Norway. The request consists of a cover letter summing up the claim and enclosed with the request, the individual project interim report which contain a payment claim section and a project progress section.

The request shall be accompanied by all the necessary documentary evidence demonstrating fulfilment of the conditions as specified in the grant offer letter with annexes for each disbursement.

The following conditions must be met prior to making a disbursement:

- The payment claim is based upon expenses that comply with the eligibility provisions in chapter 3 above
- The payment claim complies with the grant offer letter with annexes and the project implementation plan;
- That a sufficient audit trail is present and in accordance with the eligibility provisions in chapter 3 above

Promoters or any of the promoters' intermediaries shall submit a project interim report to Innovation Norway. The project interim report includes, *inter alia*, a payment claim section and a project progress section. The payment claim section comprises of a summary of eligible expenses for activities for the individual projects or seed money, respectively.

The project progress section gives a break down of the eligible expenses to project activities or a clearly measurable part thereof. Both sections shall be in accordance with the project implementation plan and normally cover a period of at least four - 4 - calendar months. The summary of eligible expenses should be supported by relevant documents.

The format of the project interim report is to be decided by Innovation Norway.

Innovation Norway shall ensure that all disbursement conditions have been fulfilled (including the availability of co-financing) prior to making a disbursement. This includes, but is not limited to, ensuring that the individual project interim reports which include the certified and verified sections are attached to the request for disbursement.

After ensuring that all disbursement conditions have been fulfilled, Innovation Norway shall make the disbursement to the designated account of the Project Promoter.

5.3. Other payments

Advance payments and other disbursements are all subject to the same proceedings as described in this chapter.

An advance payment of up to 20% of the grant may be made, upon a justified request by the Project Promoter, if deemed necessary by Innovation Norway.

Advance payments should be included in the Disbursement Schedule and all disbursements shall be based on the grant offer letter.

5.4. Disbursement

Disbursements are made on the basis of request for disbursements covering minimum four – 4 – calendar months.

However, an advance payment may be executed following the signing of a Grant offer letter if it is included in the Disbursement Schedule.

5.5. Common rules for disbursements

5.5.1. Use of Euro

Commitments and payments will be carried out in Euro (€)

Payment claims (incl. advance payment) forwarded from the Project Promoter to Innovation Norway shall be in Euro (€).

For Bulgaria, the Project Promoter's conversion from Leva to Euro (€) shall be the official tied currency rate, i.e. €1 = BGN 1.9558 and thus, this rate shall be applied. For Romania, the Project Promoter shall apply the rates in force on the day before the last working day of the months preceding the month during which the expenditures were recorded. These rates are published in the C series of the Official journal of the European Communities (available at: <http://eur-lex.europa.eu/JOIndex.do?ihmlang=en>)

5.5.2. Suspension of payments

In case of any suspected or actual financial irregularities, Innovation Norway may decide to withhold/suspend further disbursements until the matter have been resolved.

5.5.3. Audits and financial control

Audit and financial control is carried out in accordance with Article 6.2 of the Rules and Procedures.

6. Reporting and monitoring

The guidelines in this chapter are intended to give a general overview of monitoring and reporting, including monitoring by Innovation Norway.

6.1. Reporting at project promoter (applicant) level to Innovation Norway

The reporting and monitoring systems established shall allow Innovation Norway to monitor the progress of projects, provides the basis for the project promoter's disbursement requests to Innovation Norway or anyone Innovation Norway has engaged to carry out any of Innovation Norway's tasks, as well as facilitate the work of the control authorities, being the Norwegian Ministry of Foreign Affairs and the the Office of the Norwegian Auditor General .

6.1.1. The project interim report

The project interim report prepared by the promoter will serve as a basis for the promoter's disbursement request to Innovation Norway and will be used for Innovation Norway's monitoring of the project progress.

A project interim report for the project promoters to Innovation Norway consists, *inter alia*, of a payment claim section and a project progress section. The project interim report should cover a period of at least three calendar months. The payment claim section comprises summary eligible expenses for activities for individual projects and seed money facilities respectively.

As for project progress, the project interim report must include information on financial and physical progress. The report must include information on the progress towards quantified targets for Results indicators of the project. In addition, the report must include a description of and documentation on the co-financing.

The project progress section of the report and the payment claim section shall be approved by Innovation Norway. Innovation Norway will forward the project interim report to the NFP.

6.1.2. Semi-annual project progress report

The project promoter shall, unless otherwise stated in the Grant Agreement, prepare a semi-annual project progress report, being a more detailed interim report.

The semi-annual report is not linked to disbursements/payments. The semi-annual progress report covers a period of 6 months. The first reporting period starts from the commitment date. IN should receive the semi-annual reports no later than one month after the reporting period has elapsed.

The annual progress report must include summary data on financial progress for the reporting year as well as cumulative data to date. The report must compare the actual expenses with the planned expenses and the actual process with the planned progress in accordance with the project implementation plan. As for any deviations between the planned progress and the actual progress, the report must describe the deviations' possible repercussions for the project, analyse the reasons for the deviations and propose an action plan how to deal with the deviations.

The semi-annual progress report must include information on the progress towards targets for indicators for Results and Purpose¹ and cover the cross-cutting issues relevant to the project. The report must also address risks and risk management, in particular whether or not the assumptions made are likely to hold true, what new risks might be emerging, and what actions have been taken/are planned to manage or mitigate these risks.

6.1.3. Project completion report

The project promoter shall prepare a project completion report according to the requirements of the grant agreement. The final disbursement is made based on the project completion report and the final project interim report. Accordingly, these reports should serve as a basis for the project promoter's disbursement requests to Innovation Norway.

The project completion report must document that the project has been completed according to the specific criteria on the basis of which it was approved for grant assistance, as set out in the grant offer letter and in the

¹ When applicable

grant agreement (including the project implementation plan annexed to the grant agreement). In the final project interim report, the project promoter shall document the final expenses for the completed project. The completion report shall document and comment on overall achievement against the original plan, including the achievement of the targets set out for indicators on results, purpose and overall objective, on the cross-cutting issues, prospects for the sustainability of benefits, highlight lessons learned and make recommendations on any follow-up actions that might be needed.

6.2. Transparency and documentary evidence

The Project Promoter(s) shall provide records for projects co-financed by the Cooperation Programmes that permits:

- reconciliation of the summary amounts specified in the disbursement request with the individual expenditure records and original supporting documents held at the various administrative levels and by final beneficiaries including, where the latter are not the final recipients of funding, the bodies or firms carrying out operations and
- verification of the allocation and transfer of the available funds under the Cooperation Programmes

The Project Promoter shall ensure that all original documents remain available for inspection for at least 5 years after the project has been completed, or longer if required in the grant agreement or under the national law of the Beneficiary State.

6.3. Monitoring by Innovation Norway

6.3.1. Objective

The monitoring will in general be carried out by Innovation Norway.

Monitoring comprises individual projects as well as seed money projects. The main purpose of the monitoring is to verify that the project is proceeding according to the grant agreement. This may cover all aspects of the grant agreement. In case any problems are identified, the main focus shall be on how they can be rectified in a way that benefits the project implementation.

The monitoring will have one, or both the following focuses:

1. Overall monitoring of project development

2. Verification of a payment claim

The basis for monitoring are mainly the grant agreement, the application and the appraisal report and all previous project interim reports and annual progress reports by the time the monitoring begins. The monitoring shall, as far as practicable, be coordinated with the project reporting and monitoring activities already taking place as described in 6.1 above as regards reporting and monitoring at project promoter's level.

6.3.2. The monitoring process

- General

The monitoring shall normally be carried out by an independent monitoring agent working on behalf of Innovation Norway. Representatives of Innovation Norway may participate in the monitoring. Innovation Norway may alternatively decide to carry out the monitoring itself. In addition, Innovation Norway may request the participation of representatives from the National Focal Point.

Normally, the monitoring will take place as an "on the spot check". Such site visits may, whenever practicable, be announced two weeks in advance in order to allow the project promoter to be prepared and to make all relevant personnel and documentation available. In some cases, the "on the spot check" can take place without prior announcement. If assistance from the National Focal Point is required, such request shall be included in the announcement of the planned visit.

During the monitoring activities, the project promoter shall make reasonable efforts to make any required information and personnel available that may be relevant to the monitoring.

In some cases it may also be necessary to visit stakeholders other than the project promoter, such as partners, target groups, or others in order to cover all relevant aspects of the situation. The monitoring agent must consider the need and relevance of such information sources throughout the monitoring process.

- The scope and content of the monitoring visit

Innovation Norway may adjust the topics for each monitoring activity, as appropriate. It is for the professional judgement of the monitoring personnel

to decide when other topics are relevant, if any, and to include such in the report.

If necessary, Innovation Norway will make additional inquiries regarding information given in the report. Innovation Norway shall provide copies of the monitoring report for information to the NFP.

6.4. Selection for monitoring

1. Large individual projects

For individual projects equal to or above 2.5 million € grant support monitoring will normally take place at least once during the project implementation. This monitoring shall check that all agreed procedures for the project promoters management of the funding regarding legal framework, disbursement, reporting, monitoring and auditing are being followed. This monitoring shall include a visit to any intermediary with a thorough review of all activities over the preceding period. Additional visits, e.g. to verify payment claims, may also be made.

This monitoring may also include a number of any sub-projects randomly selected for monitoring.

6.4.1. Random selection of smaller individual projects and seed money projects

For individual projects falling below the threshold indicated in section 6.3. above, and seed money projects, monitoring will in general be based on random selection. The monitoring shall normally include an on the spot check to verify that everything stated in reports and claims is correct. This check includes the project progress, the quality of the project implementation and the status of the expenditure.

6.4.2. Selection for a specific reason

Innovation Norway may decide to monitor any project or payment claim for whatever reason. Such monitoring is not necessarily an indication of any problem with the project or the payment claim chosen for monitoring.

Such specific monitoring may take place at any time from the moment of grant decision and on short notice.

7. Application assessment criteria

The application assessment criteria & methodology are divided into the following sections:

- I. Formal/administrative criterias
-
- II Eligibility criterias
 - II.1. Applicant
 - II.2. Project
- III Selection
- IV. Award

A detailed description of the "Application assessment criteria and methodology" is available at www.norwaygrants.org

8. Compliance with relevant legislation

All relevant national and EU/EEA legislation must be complied with, including, but not limited to legislation on public procurement, state aid and corruption.

8.1. Public procurement

If the partnership consists of a body encompassed by the relevant public procurement legislation, and the partnership in fact consists of a contractor-customer relationship, the partnership must be based on a public tender. Description and documentation on such tender competition must be submitted to Innovation Norway.

If, for any reason, the procurement is exempted from the public procurement legislation, the Project Promoter must document that the conditions for such exemption are met.

If the partnership consists of two equal partners, f ex two public bodies, consecutive purchases made in order to implement the project, are subject to tender competitions. Such tender must be described and documented prior to disbursement pursuant to the conditions as laid down in the grant offer letter with annexes.

8.2. State aid

If the partners consists of undertakings, i.e. entities dealing with economic activity (private and public), the grant provided must be in compliance with the relevant state aid legislation. This signifies that the grant rate provided can be less than 60% if the relevant state aid legislation limits the aid intensity to be provided.

Further, in some cases which the state aid legislation applies, grants may only be given after prior notification and approval by the relevant EU/EEA body (the EU-Commission or the EFTA Surveillance Authority). Such notification may delay the grant due to the case handling time in the relevant EU/EEA body.

It is Innovation Norway who is responsible to only provide grants in accordance with the relevant state aid legislation. However, the partners must cooperate with Innovation Norway to the extent possible to clarify the issue. This signifies that the partners must provide the information and documentation requested by Innovation Norway.

Further, the applicant should describe whether any of the partners already have received state aid to this particular project, the size of the aid, which costs this aid covered etc.

Finally, the applicant should inform in the application whether and/or the size of de minimis aid provided to the partners in the two last fiscal years and the applicable fiscal year.

8.3. Corruption

The partners shall ensure the application of adequate and effective means to prevent illegal or corrupt practices. No offer, gifts, payments or benefit of any kind, which would or could, either directly or indirectly be construed as an illegal or corrupt practice will be accepted.

If Innovation Norway becomes aware of suspected or actual cases of irregularities, fraud or corruption, or if such cases have not been adequately reported, investigated or remedied, Innovation Norway may suspend disbursements.

Further, Innovation Norway may decide to demand reimbursement if it becomes aware of any conviction of or fines for irregularities, fraud or corruption, or if such cases have not been adequately reported, investigated or remedied.