

**THE ESTONIAN-SWISS COOPERATION PROGRAMME**

**NGO FUND AGREEMENT**

**BETWEEN**

**THE MINISTRY OF FINANCE OF ESTONIA AS THE NATIONAL COORDINATION  
UNIT (NCU)**

**AND**

**THE NATIONAL FOUNDATION OF THE CIVIL SOCIETY AS THE NGO FUND  
INTERMEDIATE BODY**

**AND**

**THE SWISS AGENCY FOR DEVELOPMENT AND COOPERATION (SDC)**

**CONCERNING**

**THE GRANT**

**FOR**

**THE NGO FUND**

**TO BE IMPLEMENTED DURING THE PERIOD**

**1 APRIL, 2011 – 31 JULY, 2015**

The Ministry of Finance of Estonia and the Swiss Agency for Development and Cooperation,

*Having regard to the friendly relations between the two countries,*

*Desirous of strengthening these relations and the fruitful co-operation between the two countries,*

*Intending to promote further the social and economic development in Estonia,*

*Referring to the Framework Agreement between the Government of Estonia and the Swiss Federal Council concerning the implementation of the Estonian-Swiss Cooperation Programme to reduce economic and social disparities within the enlarged European Union, concluded on 20 December 2007,*

*Considering the Swiss Grant for the NGO Fund in favour of Estonia in the context of the Estonian-Swiss Cooperation Programme,*

*have agreed as follows:*

## Article 1 **Definitions**

In this NGO Fund Agreement, unless the context otherwise requires, the following terms shall have the following meaning:

- "Framework Agreement" means the Agreement between the Government of the Republic of Estonia and the Swiss Federal Council concerning the implementation of the Estonian-Swiss Cooperation Programme to reduce the economic and social disparities within the enlarged European Union, concluded on 20 December 2007;
- "Contribution" means the non-reimbursable financial contribution granted by Switzerland under the Framework Agreement;
- "NGO Fund Agreement" means the Agreement between the Ministry of Finance acting as the National Coordination Unit (NCU) and the National Foundation of the Civil Society acting as the NGO Fund Intermediate Body, and the Swiss Agency for Development and Cooperation (SDC), which lays down the rights and obligations of the Contracting Parties regarding the implementation of the NGO Fund;
- "Sub-project Grant" means the non-reimbursable financial contribution granted by Switzerland and Estonia from NGO fund through the NGO Fund Intermediate Body to the final Beneficiary – Sub-Project implementer;
- "National Coordination Unit" (NCU) means the Estonian unit in charge of the coordination of the Estonian-Swiss Cooperation Programme. In reference to the Framework Agreement, Art. 9, Estonia has authorized the Ministry of Finance to act on its behalf as the NCU for the Estonian-Swiss Cooperation Programme;
- "NGO Fund Intermediate Body" is the National Foundation of the Civil Society, operating in the public interest and acting under the responsibility of the NCU to implement the NGO Fund financed under this NGO Fund Agreement;

- “The Grant” means a non-reimbursable contribution provided by Switzerland, under this NGO Fund Agreement;
- “Sub-Project” means the activities with a non-profit character, implemented by a Beneficiary and undertaken under this NGO Fund Agreement;
- “Sub-Project Grant” means the non-reimbursable financial contribution granted by Switzerland and Estonia through the NGO Fund Intermediate Body to the Beneficiary - NGO Sub-Project implementer;
- “Contracting Parties” of the NGO Fund Agreement means the NCU, the NGO Fund Intermediate Body and the Swiss Agency for Development and Cooperation;
- “Paying Authority” means the institution established in the Ministry of Finance ensuring appropriate financial control within the Estonian-Swiss Cooperation Programme;
- “Non-governmental Organisation (NGO)” means a not-for-profit voluntary organisation constituted as legal entity in Estonia and operating in the public interest;
- “Advance payment” means the payment that is transferred to the Paying Authority after the Contracting Parties have signed the NGO Block Agreement and the Paying Authority has submitted Advance Payment Request to Switzerland;
- “Implementation Agreement” means an agreement to be signed between the NGO Fund Intermediate Body and Beneficiary for implementing the Sub – Project;
- “Beneficiary” means the organisation (NGO) implementing a Sub-Project financed from the NGO Fund.

## Article 2

### **Objectives and Scope of the NGO Fund**

- 2.1 The objective of the NGO Fund is to improve the access and quality of public services that contribute to the enhancement of social cohesion and create a healthy living environment for local residents.
- 2.2 The NGO Fund has to be implemented according to the following documents, listed by order of precedence in terms of legal applicability:
  - a. the Framework Agreement and its Annexes;
  - b. the present NGO Fund Agreement;
  - c. the confirmation of the NGO Fund approval by the SDC (Annex 1);
  - d. the Final NGO Fund Block Grant Proposal including Logical Framework (Annex 2);

- e. the Indicative Budget (Annex 3).

### Article 3

#### **Amount and Utilization of the NGO Fund**

- 3.1 The estimated total cost of the Project amounts to CHF 2'941'177 (two million nine hundred and forty one thousand one hundred and seventy seven). The estimated eligible cost of the Project amounts to CHF 2'941'177 (two million nine hundred and forty one thousand one hundred and seventy seven) (see Annex 2 and Annex 3).
- 3.2 Switzerland shall provide a Grant **in Swiss Francs amounting to maximum CHF 2,500,000** (two million five hundred thousand), to Estonia for the implementation of the NGO Fund defined in Article 2.
- 3.3 The Grant shall cover **a maximum of 85%** of the total eligible costs in Swiss Francs of the NGO Fund. This percentage shall never be exceeded during the NGO Fund implementation. It shall be calculated on the basis of effective costs in Swiss Francs. The Intermediate Body shall ensure the timely provision of the co-financing of a **minimum of 15%** in Swiss Francs by domestic sources.
- 3.4 As stipulated in Art. 7.1 of the Framework Agreement, the Value Added Tax (VAT) shall be considered as an eligible cost only if it is genuinely and definitively borne by the NGO Fund Intermediate Body or the Beneficiary. VAT, which is recoverable, by whatever means, shall not be considered eligible even if it is not actually recovered by the NGO Fund Intermediate Body or by the Beneficiary.
- 3.5 As stipulated in Art. 7.2 of the Framework Agreement, other levies, taxes or charges, in particular direct taxes and social security contributions on salaries and wages related to the NGO Fund, shall constitute eligible costs only if they are genuinely and definitively borne by the NGO Fund Intermediate Body or by the Beneficiary.
- 3.6 The following costs shall not be eligible: expenditures incurred before the signing of the present NGO Fund Agreement by all parties, interests on debt, the purchase of real estate and recoverable VAT as specified in Art. 3.4 of this NGO Fund Agreement.
- 3.7 The final date for eligibility of costs corresponds with the end of the NGO Fund as defined in Art. 25.2, with the exception of costs for reporting, auditing and evaluation that occur after the end of the NGO Fund. Eligibility of costs for reporting, auditing and evaluation ends twelve months after NGO Fund completion but not later than 13 June 2017.
- 3.8 Any unutilised portion of the Grant remaining at the completion of the NGO Fund shall be eligible for re-commitment unless otherwise mutually agreed by the Contracting Parties.

#### Article 4

##### **Amount and Utilisation for Sub-Projects**

- 4.1 NGO Fund shall cover a maximum of 90% of the Sub-Project eligible costs (85% of which will be from Swiss Grant and 15% Estonian co-financing). 10% of project eligible costs will be Beneficiary's own contribution. The usage of Beneficiary's own contribution is not a subject to NGO Fund level reporting.
- 4.2 3 open calls for Small Sub-Projects costing up to CHF 12'000 per one project and 3 open calls for Large Sub-Projects costing up to CHF 70'000 per project will be carried out.
- 4.3 The eligibility of costs for Sub-Projects is defined in the Final Block Grant Proposal and in the Implementation Agreements. All rules shall respect the eligibility of costs as defined for the NGO Fund under 3.5 to 3.7 in this Agreement and in the Framework Agreement.

#### Article 5

##### **Eligible Applicants for Sub-Projects**

- 5.1 The following organisations can apply for funding of Sub-Projects under the NGO Fund, provided that the organisation has the appropriate qualifications and the necessary financial as well as operational resources to complete the project:
  - non-profit voluntary organisation constituted as legal entity in Estonia and operating in the public interest;
- 5.2 Costs related to natural persons and profit-oriented sector are not eligible.

#### Article 6

##### **Advance Payment and Reimbursement Procedures**

- 6.1 The Grant shall be disbursed in accordance with the Framework Agreement, Final NGO Fund Block Grant Proposal (Annex 2) and the Indicative Budget (Annex 3) of the present NGO Fund Agreement.
- 6.2 The reimbursements shall be conditional upon receipt and approval by Switzerland of the reports pursuant to article 12 and 13.
- 6.3 An advance payment of 20% of the NGO Fund Agreement (CHF 500'000) will be paid into the account of the Paying Authority to be disbursed to the NGO Fund Intermediate Body upon signing the NGO Fund Agreement.
- 6.4 Advance payment and reimbursement requests sent to Switzerland by the Paying Authority shall be expressed in local currency and Swiss Francs, whereas the Paying Authority shall convert the local currency into Swiss Francs at the daily exchange rate provided by the State Treasury of Estonia prevailing at the date of issuance of the Reimbursement Request.
- 6.5 In exceptional cases, i.e. when large payments occur, and in accordance with

the Framework Agreement, Annex 2, Chapter 4, the Reimbursement Request could be submitted outside the conventional schedule.

- 6.6 Acceptance of the NGO Fund Completion Report, the last Interim Report and the conclusions of the Final Financial Audit by SDC is the base for approving the final project eligible costs and recovering unused amounts if necessary.
- 6.7 All payments related to this NGO Fund Agreement shall be transferred in Swiss Francs to:  
Account holder: Ministry of Finance of the Republic of Estonia  
Account no: 10 2200 3479 6011  
IBAN: EE89 1010 2200 3479 6011  
Swift: EEUH22X  
Reference no: 2550081357  
Bank details: SEB, Tornimäe 2, 15010 Tallinn, Estonia.

## Article 7 Procurement

- 7.1 Procurement shall be made by the NGO Fund Intermediate Body in accordance with the Estonian law and regulations, and in compliance with the relevant EU directives. To increase transparency and to prevent corruption, tender documents shall contain an integrity clause.
- 7.2 For procurements not exceeding the threshold of CHF 100'000 a confirmation of compliance with the relevant procurement rules and a short description on the tender process shall be provided to Switzerland by the Intermediate Body in the Interim Reports.
- 7.3 Switzerland shall have the right to conduct an audit of the applied procurement practices and procedures in accordance with the requirements stipulated in Art. 6.5 of the Framework Agreement.

## Article 8 Responsibilities of NCU

- 8.1 The NCU shall take or delegate all actions within its field of competences and responsibility, including coordination, the provision of advanced payment, control of the co-financing and other measures, necessary or appropriate, for carrying out the NGO Fund.
- 8.2 The NCU is responsible for the implementation and controlling of the NGO Fund as well as for the use of the NGO Fund in accordance with Art. 2.2 above. The NCU ensures the compliance of the involved agencies and other entities with this NGO Fund Agreement as well as with the Framework Agreement.
- 8.3 The NCU shall ensure that a publicity plan as requested in the Decision Letter on the Final Project Proposal (Annex 1) is prepared and submitted to Switzerland for no objection before the first Implementation Agreement is

signed.

8.4 In the frame of the NGO Fund Agreement, the NCU shall in particular carry out the following duties with regard to the NGO Fund Intermediate Body, including:

- Supervise and steer the implementation of the NGO Fund in accordance with this NGO Fund Agreement and carry out the necessary controls;
- Ensure the supervision of the NGO Fund, establish an adequate monitoring and auditing system;
- Ensure the verification of the authenticity and correctness of submitted documents as well as the eligibility of costs on payment claims;
- Establish financial control mechanisms;
- Control the efficient and effective use of the NGO Fund;
- Nominate a representative in the steering and Sub-Project approval committee as an observer;
- Ensure regular reporting to SDC on the implementation progress of the NGO Fund;
- Ensure the follow-up to audit recommendations;
- Ensure storing of all relevant documents related to this NGO Fund implemented within the Estonian-Swiss Cooperation Programme for 10 years after the completion of this NGO Fund;
- Support, advise and inform the Swiss Embassy with regard to NGO Fund-related issues, including irregularities and fraud. The NCU informs the Swiss Embassy immediately in writing with regard to any developments that could affect the implementation of the NGO Fund. In the event of the threat of any irreparable disadvantage, the NCU shall immediately take the requisite precautions.
- The NCU shall at all time clearly state that it is acting within the framework of the Estonian-Swiss Cooperation Programme to reduce economic and social disparities within the enlarged European Union. All publications must refer to the NGO Fund as "financed by the Estonian-Swiss Cooperation Programme". The general public in Estonia shall be informed adequately about the NGO Fund and the support provided by Switzerland.
- All communication to SDC with regard to this NGO Fund Agreement shall be directed to the Swiss Embassy in Riga, which generally represents SDC towards the NCU.

#### Article 9

##### **Responsibilities of the NGO Fund Intermediate Body**

9.1 The NGO Fund Intermediate Body implements the NGO Fund in compliance

with this NGO Fund Agreement. In particular, it executes the following tasks:

- Establishment of the NGO Fund, including open calls for proposals for Sub-Projects, establishment of the steering and Sub-Project approval committee and acting as its secretariat, organisation of meetings of the steering and Sub-Project approval committee, preparation of agreements with NGOs;
- Establishment of a financial reporting system;
- Ensure financial auditing of the NGO Fund and follow-up to audit recommendations;
- Report to the NCU on the progress of the NGO Fund implementation;
- Check for irregularities and report them to the NCU, the Board of the National Foundation of the Civil Society and the Ministry of the Interior;
- Ensure publicity on the NGO Fund implementation;
- The NGO Fund Intermediate Body shall at all time clearly state that it is acting within the framework of the Estonian-Swiss Cooperation Programme to reduce economic and social disparities within the enlarged European Union. All publications must refer to the NGO Fund as “financed by the Estonian-Swiss Cooperation Programme”. The general public in Estonia shall be informed adequately about the NGO Fund and the support provided by Switzerland.

#### Article 10

#### **Project Organisation**

- 10.1 The NCU supervises and steers the implementation of the NGO Fund. It establishes an adequate monitoring and auditing system.
- 10.2 The NGO Fund Intermediate Body implements the NGO Fund in compliance with this NGO Fund Agreement.
- 10.3 Strategic decisions related to the NGO Fund are taken by the steering and Sub-Project approval committee of the NGO Fund. The Supervisory Board of NGO Fund Intermediate Body consisting of five representatives of public sector and five representatives of civil society organisations will work as a steering committee and Sub-Project approval Committee.
- 10.4 The steering and Sub-Project approval committee of the NGO Fund shall hold at least one meeting per year. If deemed necessary by one of the voting members of the steering committee, additional meetings are to be held. The meetings shall be organised by the NGO Fund Intermediate Body, which also shall act as a secretariat.
- 10.5 The representatives of NCU and Switzerland may participate as observers at the meetings of the steering and Sub-Project approval committee.
- 10.6 The steering and Sub-Project approval committee shall:



- Approve the selection criteria for sub-projects;
- Make decisions on allocation of funds for the sub-project/rejection of the applications, based on the assessment report on submitted applications;
- Evaluate reports (Block Grant reports and audits);
- Provide recommendations on implementing the NGO Fund;
- Monitor the implementation of the NGO Fund.

#### Article 11

#### **Monitoring and Review**

- 11.1 The NCU shall ensure the establishment of a monitoring system that allows assessing periodically the status of achievement of the proposed objectives. Results and conclusions have to be part of the project reports as mentioned in Art. 12 below and should be the base of the annual reports on the Estonian-Swiss Cooperation Programme as stipulated in Art. 8 of the Framework Agreement.

#### Article 12

#### **Reporting**

- 12.1 Interim Reports shall cover a period of at least six months and are due to Switzerland not later than three months after the end of the period covered. The first Interim Report covering the period of 1<sup>st</sup> of April, 2011 to 30<sup>th</sup> of June, 2011 is due not later than 30<sup>th</sup> of September, 2011. The following Interim Reports cover a subsequent period of six months i.e. from July to December and January to June. Interim Reports support payment claims and are therefore to be presented to Switzerland with the corresponding Reimbursement Request. The Reimbursement Requests will be sent until the Grant mentioned in Art. 3.2 has been received in full. The reports include information on financial and physical progress, compare actual with planned expenses and provide an update on progress status, while confirming the co-financing. Any deviation has to be justified and corrective measures suggested.
- 12.2 Annual Reports are due to Switzerland not later than four months after the end of the calendar year. The first Annual Report covering the year 2011 is due not later than 31<sup>st</sup> of March, 2012. Annual Reports have an operational part that describes the progress of the NGO Fund and include a financial part (Financial Report) with a summary data on financial progress for the reporting year as well as cumulative data to date. The Annual Report presents a consolidated account of the annual project reports from the beneficiaries and compare actual with planned expenses and progress on the level of the NGO Fund, based on quantified targets for output and where possible based on outcome indicators. Any deviation has to be justified and corrective measures suggested. Annual Reports are not linked to advance payment Requests.
- 12.3 The NGO Fund Completion Report is due not later than six months after the end of the duration of the NGO Fund, meaning not later than 31<sup>st</sup> of January, 2016. The NGO Fund Completion Report - together with the last Interim

Report and the conclusions of the Final Financial Audit – and their acceptance by SDC is the base for approving the final project eligible costs and recovering unused amounts if necessary. The NGO Fund Completion Report has an operational part that documents and comments the overall achievement of outputs and outcomes against the original plan, the compliance with principles such as cross cutting themes and sustainability, and suggests lessons learned and conclusions. It contains a financial part (Final Financial Report) having a summary of financial data for the whole NGO Fund duration and compares the effective with planned expenses.

- 12.4 The financial parts of the Annual Reports are to be presented in Swiss Francs. The Reimbursement Requests, Interim Reports and of NGO Fund Completion Report are to be presented in local currency and in Swiss Francs in parallel.
- 12.5 The summary of ex-post reports of the sub-projects exceeding CHF 60'000, which have been selected in the first and second open call for large sub – projects, shall be submitted to Switzerland by the NCU within two years after completion of the last such a sub-project but not later than May 2017.

### Article 13

#### **Audit**

- 13.1 In accordance with the annual system audit planning agreed upon with Switzerland, the Audit Institution established at the level of the Ministry of Finance and the entitled audit organisations shall perform control and audits in accordance with the respective national law. In doing so, they shall verify the correct use of funds, make recommendations to strengthen the control system and report any actual or alleged fraud or irregularity.
- 13.2 Financial Audits of the NGO Fund shall be conducted annually in parallel to the regular annual financial audit of the Intermediate Body conducted by an external auditor. The aforementioned financial audits shall be consolidated into the Final Financial Audit which shall be carried out at Project completion by an external certified audit organisation or external certified auditor.
- 13.3 The Final Financial Audit shall cover the entire NGO Fund implementation period. The conclusions and recommendations shall be transmitted to Switzerland together with the Project Completion Report, by the NCU at the latest six months after the termination of the Project, not later than 31<sup>st</sup> of January, 2016.
- 13.4 The financial audit shall be performed by the Audit Organisation in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA) and the respective national law. In doing so, they shall give their opinion of the correct use of funds, make recommendations to strengthen the control system and report any suspicions of actual or alleged fraud or irregularity. The audit report is transmitted to the NCU. The competent authorities with the full support of the Government of the Republic of Estonia shall investigate alleged cases of fraud or irregularity. Proven cases of fraud will be prosecuted according to existing regulations. The NCU shall ensure that the Final Financial Audit is done in due time and in line with

the IIA and the respective national law.

- 13.5 The objective of the Final Financial Audit is to enable the Audit Organisation to express an opinion of the correct use of funds, make recommendations to strengthen the control system and report any suspicions of actual or alleged fraud or irregularity. The Audit Organisation shall conduct the Final Financial audit in accordance with International Standards for the Professional Practice of Internal Auditing and the respective national law to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. Results of any previous audits shall be taken into consideration. The Audit Organisation shall take into account additional requirements that may be suggested by the NCU or by Switzerland.
- 13.6 In addition to the Audit Organisation's report on the financial statements, the Audit Organisation is expected to provide the NGO Fund Intermediate Body with a management letter concerning any material weaknesses in accounting and/or internal control systems detected by the Audit Organisation. The copy of such letter shall be presented to the NCU. Audit arrangements with the Audit Organisation shall be effective for the whole project duration unless it is terminated, amended or superseded with appropriate justifications.
- 13.7 The Intermediate Body or the NCU shall comment the results of the Final Financial Audit as well as any recommendations proposed by the Audit Organisation. Furthermore, the NCU shall transmit the results and the proposed recommendations of the Final Financial Audit to Switzerland.
- 13.8 Switzerland shall have the right to request additional external financial audits. The costs of such financial audits shall be borne by Switzerland.

#### Article 14

#### **Right of Examination**

Switzerland, as well as any third party appointed by it, shall have the right to visit the NGO Fund Intermediate Body as well as the Beneficiaries' projects, conduct a comprehensive assessment or evaluation, and shall be granted full access to all documents and information related to the NGO Fund settled by this NGO Fund Agreement, during its implementation and after 10 years its completion. The NCU shall, upon request, ensure that the above mentioned authorised representatives are accompanied by the relevant personnel and are provided with the necessary assistance.

#### Article 15

#### **Project Material**

- 15.1 Goods procured under the management budget line of the Grant (except office supplies goods) shall remain at the unrestricted disposal of the NGO Fund Intermediate Body for five years after the completion of the NGO Fund and these goods shall not be diverted without prior written approval of Switzerland.

- 15.2 Goods procured under the Grant for sub-projects (except office supplies goods) shall remain at the unrestricted disposal of the NGO Fund beneficiary for five years after the completion of the NGO Fund and these goods shall not be diverted without prior written approval of the NGO Fund Intermediate Body.
- 15.3 For material procured under the Contribution and used only during the NGO Fund implementation, the Contracting Parties shall decide before the termination of the NGO Fund about post-completion ownership and use of the goods provided with the Contribution. Switzerland shall assume no liability whatsoever in connection with said goods.

#### Article 16

##### **Liability**

Switzerland does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the NGO Fund or by the sub-projects of the beneficiaries, including, but not limited to inconsistencies in the planning of the NGO Fund, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the NCU to satisfactorily address such issues.

#### Article 17

##### **Common Concern**

The Contracting Parties share a common concern in the fight against corruption, which jeopardizes good governance and the proper use of resources needed for development, and, in addition, endangers fair and open competition based on price and quality. They declare, therefore, their intention of combining their efforts to fight corruption and, in particular, declare that any offer, gift, payment, remuneration or benefit of any kind whatsoever, made to whomsoever, directly or indirectly, with a view to being awarded a mandate or contract within the framework of this NGO Fund Agreement, or during its execution, will be construed as an illegal act or corrupt practice. Any actual case of this kind shall constitute sufficient grounds to justify termination of this NGO Fund Agreement, the annulment of the procurement or resulting award, or for taking any other corrective measure laid down by the applicable law.

#### Article 18

##### **Irregularities Clause**

- 18.1 In case of irregularities, wilfully or negligently caused by the involved parties or the NGO Fund Intermediate Body, regarding the execution of the NGO Fund Agreement and attachments thereto, Switzerland is entitled to:
- a) stop reimbursements immediately,
  - b) instruct the NCU to stop payments from the Swiss Contribution,
  - a) ask repayment of illegitimately paid reimbursements at any stage of the

implementation of the NGO Fund.

- 18.2 Irregularities are notably considered to be all actions or non-actions that are aimed at the illegitimate obtainment and/or usage of the Contribution - notably fraud, misappropriation, misrepresentation, breach of contractual duties, breach of duty of care and the like.
- 18.3 The NCU shall be responsible for the reporting on irregularities to Switzerland in accordance with the European Commission Regulations 1681/1994 (amended by 2035/005) and the future amendments to the said legislation.
- 18.4 SDC shall immediately and in written form communicate the reasons for their respective instructions to the NCU, the NGO Fund Intermediate Body and the other actors involved.
- 18.5 NGO Fund Intermediate Body shall be responsible for discovering irregularities in the sub-projects and entitled to decide on the reallocation of the repayments of illegitimately paid reimbursements within the re-granting budget.

#### Article 19

##### **Post-Completion Obligations**

- 19.1 Switzerland has neither responsibility for nor obligation to ensure the maintenance, the repair or the undertaking of any measures for ensuring the safety and protection of persons, equipment, installations, of all objects on site of NGO Fund Intermediate Body, the beneficiaries' sub-projects or in the vicinity.
- 19.2 The Contracting Parties shall keep all documents concerning this Agreement and its implementation for 10 years after completion of this NGO Fund.

#### Article 20

##### **Language**

All correspondence with Switzerland, including operational, financial and audit reports as well as project documents and any other papers related to the NGO Fund, shall be in English.

Article 21  
**Competent Authorities**

Embassy of Switzerland in Riga  
Swiss Contribution Office  
Elizabetes iela 2  
1340 Riga  
Latvia  
Tel: +371 67 33 83 51/52/ Fax:+371 67 33 83 54

The Ministry of Finance of Estonia  
Structural and Foreign Assistance Department (National Coordination Unit)  
Suur-Ameerika 1  
15006 Tallinn  
Estonia  
Tel: +372 611 3496 / Fax: +372 696 6810

The National Foundation of the Civil Society  
Toompuiestee 35  
10133 Tallinn  
Estonia  
Tel: + 372 508 2997

Article 22  
**Settlement of Disputes**

- 22.1 In Accordance with Art. 11 of the Framework Agreement, any dispute which may result from the application of this NGO Fund Agreement shall be solved by diplomatic means.
- 22.2 Disputes as to the interpretation or application of the provisions of this NGO Fund Agreement which have not been settled satisfactorily by means of diplomatic negotiations within three months of the date on which they were raised by a Contracting Party shall, upon request of either Contracting Party, be submitted to a single arbitrator. The Contracting Parties shall appoint the arbitrator.

- 22.3 If the Contracting Parties cannot come to an agreement about the choice of the arbitrator within two months, the latter shall be appointed, upon the request of either Contracting Party, by the Secretary-General of the Permanent Court of Arbitration.
- 22.4 If in the case specified under paragraph 3, the Secretary-General of the Permanent Court of Arbitration is prevented from carrying out the said function, or if he is a national of either Contracting Party, the appointment shall be made by the Deputy Secretary-General, and if the latter is prevented, or if he is a national of either Contracting Party, the appointment shall be made by the next Senior Legal Staff of the Court who is not a national of either Contracting Party.
- 22.5 The seat of the arbitrator shall be in Switzerland.
- 22.6 Subject to other provisions agreed upon by the Contracting Parties, the arbitrator shall determine the procedure. The seat of the arbitrator shall be in Switzerland.
- 22.7 The decisions of the arbitrator will be final and binding for each Contracting Party.

#### Article 23

##### **Project Modifications and Amendments to the Project Agreement**

- 23.1 Any amendment to this NGO Fund Agreement and its attachments shall be made in writing with the mutual agreement of the Contracting Parties and according to their respective procedures.
- 23.2 Any increase of the NGO Fund budget, any significant changes within the budget as well as any strategic changes or conceptual adjustments to the NGO Fund shall be discussed with and approved by Switzerland.

#### Article 24

##### **Termination, Suspension**

- 24.1 The present Agreement can be terminated at any time by one of the Contracting Parties upon a six-month prior written notice. Prior to making such a decision, the Contracting Parties shall enter into a dialogue to ensure that it is based on accurate and correct facts. The Contracting Parties shall decide by mutual agreement on any consequences of the termination.
- 24.2 If either Contracting Party considers that the aims of the NGO Fund Agreement can no longer be achieved or that the other Contracting Party is not meeting its obligations, it shall have the right to suspend immediately the application of this NGO Fund Agreement by giving the other Contracting Party a written notice on the grounds.

Article 25

**Entry into Force, Duration**

- 25.1 This NGO Fund Agreement shall enter into force on the date of its signing by the Contracting Parties and shall remain in force until all obligations under it have been fulfilled.
- 25.2 The NGO Fund shall be implemented in 52 months, starting on 01.04.2011 and ending on 31.07.2015.

Done in Tallinn on ..... 2011, in three authentic copies in the English language.

For the Ministry of  
Finance of Estonia

For the National  
Foundation of the Civil  
Society

For the Swiss Agency for  
Development and  
Cooperation

Ivar Sikk

Agu Laius

Maurice Darier

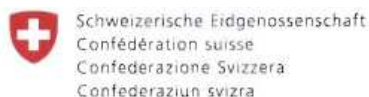
Deputy Secretary-  
General for State Fiscal  
Policy

Executive Director

Ambassador



Annex 1



Federal Department of Foreign Affairs FDFA  
**Swiss Agency for Development and Cooperation SDC**  
 Cooperation with Eastern Europe

CH-3003 Bern, DEZA, KKU

**A Post**  
 National Coordination Unit  
 Mr. Ivar Sikk  
 Deputy Secretary General for State Fiscal Policy  
 Suur-Ameerika 1  
 15006 Tallinn  
 Estonia

Your reference: 13.12.2010 N° 9.2-4.7/17462  
 Our reference: 556/2009/1835  
 Bern, 3. März 2011

**Subject: Swiss Contribution to the Enlarged EU – Cooperation Programme with Estonia**  
**Decision Letter on Final Project Proposal**  
**Project Name: NGO Fund**  
**Project N°: 7F- 07288.01**

Dear Mr. Sikk

The Final Project Proposal mentioned above and submitted by the NCU on 13 December 2010 has been considered by Switzerland. I have the pleasure to inform you that the project has been:

**Approved subject to conditions**

You are kindly requested to take into account the conditions expressed below, before proceeding with the finalisation of the Project Agreement as fixed in Annex 2 of the Framework Agreement, section 2.

Condition	Indicator of fulfilment	date / period
<p><b>1. Project sustainability</b>                      There must be prepared an ex-post report for each sub-project exceeding CHF 60'000 and having been elected in the first or second open call. The ex-post report has to cover the period of two years after its completion and must be submitted by the concerned beneficiary to the Block Grant Intermediate Body. The reports shall assess the sustainability of the sub-project and therefore highlight the main results achieved so far and the perspective to continue activities. The Block Grant Intermediate Body shall summarize all these ex-post reports and provide the summary to the NCU and the SDC not later than in May 2017.</p>	<p>The corresponding clause is mentioned in the Project Agreement</p>	<p>With signature of the Project Agreement</p>

Swiss Agency for Development and Cooperation SDC  
 Kurt Kunz  
 Freiburgstrasse 130, 3003 Bern, Switzerland  
 Tel. +41 31 322 44 02, Fax +41 31 324 16 96  
 kurt.kunz@deza.admin.ch  
 www.deza.admin.ch

The Estonian-Swiss Programme

<b>2. Publicity</b> Switzerland has no-objection rights on the publicity plan to be worked out and approved by the Steering Committee.	The corresponding clause is mentioned in the Project Agreement	With signature of the Project Agreement
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The fulfilment of the conditions is a prerequisite to the signature of the Project Agreement.

Yours sincerely,

Swiss Agency for Development and Cooperation SDC



Kurt Kunz  
Assistant Director-General

Copies:

Swiss Contribution Office for Estonia, Latvia and Lithuania

Swiss Embassy in Helsinki

Annex 2



# **Estonian-Swiss Cooperation Programme**

## **Final Block Grant Proposal**

### **NGO Fund**

**Block Grant summary**

<b>Block Grant title:</b>	NGO Fund
<b>Block Grant duration:</b>	50 months
<b>Priority sector:</b>	Special allocations/NGO Block Grant/ NGOs, promoting civil society's contribution to economic and social cohesion as important actors of development and participation
<b>Location/region:</b>	Estonia (all regions)

**Short description of Block Grant:**

Overall objective of the Block Grant is to promote civil society's contribution to economic and social cohesion because civil society is an important actor of development and participation. It is achieved through capacity building of Estonian non-profit associations and foundations, developing civil society and shaping an environment that fosters civic action.

The purpose of Block Grant is to develop and reinforce cooperation between the third and the public sector in improving the access and quality of public services that contribute to the enhancement of social cohesion and create a healthy living environment for local residents.

NGO Fund will provide funding related to the cooperation between the third and the public sector, developing public services and contracting out, in the context of health-friendly living-environment.

The main activities of the Block Grant are: effective administration of Block Grant and granting and implementation of sub-projects. Total eligible Block Grant cost is CHF 2 941 177. Estimated Block Grant duration is 50 months.

**Budget:**

	Total costs, CHF	Requested grant, CHF	Grant %	Co-financing, CHF	Co-financing %
Sum	2 941 177	2 500 000	85 %	441 177	15 %

**Applicant****Applicant details:**

Name of institution:

National Foundation of Civil Society (NFCS)

Address:

<b>Street, no.:</b>	Toompuiestee 35
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<b>City, region:</b>	Tallinn
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<b>Country:</b>	ESTONIA
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<b>Postal code:</b>	10133
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**Applicant's responsible officer:**

Name:	Mr Agu Laius	
Position:	Executive Director	
Contacts:	<b>Phone:</b>	+ 372 5082997
	<i>E-mail:</i>	Agu.Laius@kysk.ee

**Applicant's contact person:**

Name:	Ms Merlin Sepp	
Position:	NGO Fund program manager	
Contacts:	<b>Phone:</b>	+ 372 53016866
	<i>E-mail:</i>	Merlin.Sepp@kysk.ee

**Previous, relevant experience (if any):**

The National Foundation of Civil Society (NFCS) is a foundation established by the Estonian Government on February 18, 2008. According to the Statute, the goal of NFCS is to help building the capacity of Estonian non-profit associations and foundations to develop civil society and shape an environment that fosters civic action. NFCS has developed three programs to accomplish the goal of the organisation. By now, there have been seven different open calls in the first program. Other two programs have continuous open calls for grants. Administrative costs and current programs are financed from the state budget of the Republic of Estonia.

**I Program for operational capacity of national and regional non-profit associations and foundations.** Organisations submitted 259 different project applications through 7 open calls of which 123 received the grant. Until now, NFCS has financed 18 national level projects, 55 regional level projects (three open calls), 10 integration thematic projects, 15 advocacy thematic projects and 25 social entrepreneurship projects.

**II Program for innovative ideas and international cooperation.** The program is carried out through the implementation of good ideas, new knowledge and international distribution of the experience of Estonian civil society through continuous open call for grants. In this program, NFCS has received more than 90 good idea applications of which 23 have received the grant. NFCS has also financed 11 international distribution of the experience of Estonian civil society projects.

**III Advocacy and support program for civil society development.** The program (researches, analyses, information and media campaigns, conferences, seminars, trainings, etc.) is implemented through the activities initiated by the Board of NFCS. Project management trainings, advocacy and social entrepreneurship thematic trainings, information seminars and 3 civil society researches have been carried out.

The goal of NFCS is to become a competence centre of financing NGOs in Estonia, with the aim to develop common understandings among Estonian NGOs financing funds and structures (common understanding like applying process and documents, co-financing principles, valuation basis of voluntary work, transparency and openness in decision-making process etc.).

NFCS also values partnership on different levels - partnership with NGOs and public sector, which is helping to build capacity of NGOs. NFCS aims to become a trustworthy and well-known active

partner in implementing different funds.

(More information on the homepage of NFCS <http://www.kvsk.ee>)

**Block Grant partners (if any):**

NFCS will perform its responsibilities without delegating functions. The sub-projects will be implemented by the NGOs receiving grants. In case of sub-projects, eligible partners are non-profit organisations, local municipalities, ministries or other public or private sector organisations.

**Swiss link (if any):**

Up to this date there has been no co-operation between NFCS and Swiss institutions, also the cooperation between Estonian and Swiss third sector organisations has not reached a remarkable level. NFCS is looking forward that both countries have more possibilities to cooperate on an organisational level in the future.

NFCS will inform about possible partnerships with Swiss organisations through homepage, different introducing materials and NGO Fund trainings/seminars for potential applicants. The sub-projects in partnership with Swiss side will receive the extra score in the selection process.

## Relevance

By providing support to active NGOs in Estonia which are eager as well as ready to develop public services, enhancing partnership with municipalities, ministries and other service providing NGOs, social cohesion can be increased significantly through reducing disparities in accessing public services, creating new jobs at the service providing organisations, engaging socially excluded groups and intensifying social relations and connections.

**NGOs in Estonia**

Estonia boasts an enormous number of registered, non-profit organisations (30 300 associations and 807 foundations for a total of 31 107 as of July 1, 2010). It is estimated that about 3% of the Estonian workforce is employed in the non-profit sector.

Good examples of Estonian third sector are Network of Estonian Non-profit Organisations (NENO <http://www.ngo.ee>) and Estonian Village Movement Kodukant (<http://kodukant.ee>). NENO as a national umbrella association of NGOs unites currently (summer 2010) 110 large and medium-sized active and operational public benefit non-profit organizations in Estonia from all fields, both associations and foundations. Kodukant consists of 15 county associations and 6 other NGOs, altogether about 5000 active members.

The non-profit sector in Estonia is diverse. There are many strong organisations, advocacy and umbrella organisations and networks, but the strengthening of civil society, cooperation of civil society organisations and coordination requires systematic further support.

**Contracting out public services to NGOs**

By *public service* it is meant a service or product provided partly or fully by the public authority (the state, local municipalities and their agencies) to the public. By *contracting out public services* it is meant a situation where the public authority delegates the provision of a public service to a civil society organisation but maintains the control and responsibility for the provision of the service. The deliverer specifies the conditions for offering the service, finances it partly or fully and

has a right to monitor the service.

The main reasons for contracting out public services to NGOs are that in many cases it improves the quality and accessibility of services; NGOs are often better in addressing the needs of target groups and can provide additional sources for funding services.

Centre for Policy Studies PRAXIS analysed the situation of public service delivery through NGOs and made policy suggestions in 2009 (“Contracting out public services to the civil society organisations”). 60% of local municipalities reported that they cooperate with NGOs to offer public services. These municipalities cover 87% of Estonian population. Public services are outsourced by 42% of local municipalities and the rest 18% sign contracts that only support service provision (free of charge property renting or covering administrative costs). The latter means that service is based on volunteers and their willingness to find additional funding for actual service provision.

In years 2006-2008 the financial scope of services offered by NGOs doubled. At the same time results of analysis concluded by the Network of Estonian Non-profit Organisations shows that due to the budget cuts done in 2009 about a third of organisations needed to reduce the volume of services and a sixth of organisations had to cancel investment and development activities (NENO, 2009, Efficient Sector). At the same time the need for public services has remained the same or even increased because of difficulties in coping with the economic downturn (2008-2009) and its effects.

#### **Main problems with providing services through NGOs**

NGOs play an important role in offering public services but there is an enormous potential for development. There are several problems that make it difficult to ensure access, quality and sustainability of the services.

**Cooperation between local municipalities is rather weak in organising public service provision and the potential of NGOs has not been exploited sufficiently.** At the same time many local municipalities are too small to be able to offer all needed public services. To ensure an optimal user base, NGOs can become a link in their cooperation, providing public services for many local municipalities, engaging local people and organisations.

**Some municipalities tend not to be interested in the content of service and its impact on target group.** Officials in local municipality are often not familiar with the nuances of service provision and specific needs of a target group, but at the same time they are responsible for ensuring access and quality of the services offered by NGOs. When public officials are not sufficiently competent in the respective field, it is difficult to discuss the issues of service provision and development with the municipality and a few negative examples that can be connected with the service might start shaping the impression of officials about the organisation and its activity. Thus the organisations may lose trust of the officials.

**Contracts do not always specify sufficient requirements for offering the services:** 2/3 of service contracts specified general requirements for the service, but only 15% included quality standards (2008). **Municipalities usually ask only formal reports about using the allocations for service provision.** Some officials ask bureaucratic reports instead of visiting the organisation to get feedback about the service provision. Some NGOs gather feedback from the service users, but **municipalities rarely see that user feedback should play an important role in developing the service.**

**Often NGOs have to provide services with minimal resources that make sustaining and developing of services very difficult.** Many local municipalities expect that NGOs can offer the service with lower costs by using volunteers and often they expect that NGOs should apply for additional funds that local municipality cannot access. In a situation where NGOs have to find resources besides offering the service itself, there is always a risk of burnout of the people who used

to be highly motivated to make a difference in target group situation. Thus NFCS should support their initiative and help them organise better funding conditions, otherwise services might be lost and the full potential of the active NGOs cannot be implemented.

**Public services offered by NGOs are rarely linked to local, regional or national development plans.** It is often unclear what is the role of the service in reaching the goals of the local, regional or national development plans and connection with them is rarely realised in providing the public service.

### **Main shortcomings**

The Network of Estonian Non-profit Organisations conducted a survey among local municipalities in summer 2010 about the main needs for developing public services. The need for developing **social and youth services** was brought out most frequently. Also, the shortage of kindergarten places and needs for additional **child-care services** were frequently mentioned. Need for public space maintenance, cultural and sports services were also mentioned.

NFCS held 5 focus groups in June 2010 in the framework of the PPF study in different regions - Northern, Eastern, Southern, Western and Central Estonia with NGOs, local municipalities and NGO consultants from Economic Development Centres. The shortcomings for offering public services to local people were more thoroughly discussed. The following needs were brought out:

### ***Children, young people and families***

- a) Early noticing and prevention of juvenile delinquency regarding children with learning difficulties and difficult behaviour in kindergartens and schools
- b) Social programs for young people sent to juvenile committees
- c) Developing social skills and risk-free behaviour
- d) Speech therapist services in rural kindergartens
- e) Affordable legal consultation for families (also children and property questions related to parents' split-up)
- f) Consulting parents on child rearing (to prevent risky behaviour and deal with problematic children)
- g) Services for disabled children: day-care, special transport, support persons, community living, sign language translation, supported working
- h) Nursing in families and rehabilitation after medical treatment
- i) Youth centre and hobby group services, career counselling, special attention to socially excluded young people (e.g. living in orphanage, with unemployed parents)
- j) Daily and overnight camps for children
- k) Organising transport to access youth services
- l) Childcare and family centres

### ***Adults***

- a) Psychological help and mental health support groups in rural areas
- b) Services for drug-, alcohol, and gambling addicts
- c) Financial planning and loan counselling
- d) Reintegrating former convicts
- e) Services for single elders (e.g. support persons, transport, coping with dementia)
- f) Sport equipment rentals (bicycles, roller-skates, hiking sticks etc – many are not able to buy the equipment)



- g) Adult education and life-long learning services
- h) Community services in rural and sparsely populated areas
- i) Organising transport in rural and sparsely populated areas to provide access to public services

### **Relevance to National strategies**

The mission, goals of the civil society and partnership principles with public and private sector are stated in a strategy document called the **Estonian Civil Society Development Concept (EKAK)**, approved by the Parliament in 2002. **Estonian coalition government program for 2007-2011** brings out some of the goals of EKAK: it considers important, to strengthen civil society organisations (NGOs), forming partnerships with them in developing the state, involving citizens and NGOs in decision-making. Thus the government has approved common principles in making state and local municipality funding more transparent, accessible and effective.

Recently Estonian Ministry of the Interior has prepared **Civil Society Development plan 2011-2014**, that includes contracting public services to NGOs and is currently in the last consultation phase with stakeholders.

The public service provision part of the strategy is largely based on analysis done by Praxis Centre for Policy Studies in 2009. The analysis confirmed that contracting public services to NGOs is an opportunity in raising the capacity of local municipalities in ensuring access to public services and their quality. Estonian governance is based on subsidiarity principle and therefore the capacity to offer public services as close to citizens as possible is crucial. Often contracting public services to NGOs is suitable in a situation where local municipality does not have the necessary human capacity. Public service delivery through NGOs is a central instrument in facilitating cooperation between local municipalities. At the same time this needs strong internal structure of active NGOs.

The development plan aims that service contracting should be transparent, sustainable and follow partnership principles. The main activities in raising access and quality of public services through contracting are:

#### **Developing service contracting in general**

- Compiling a list of local municipality functions by separating administrative tasks and public services
- Constructing the description of contractible services covering both - the process and intended outputs
- Creating minimum standards and optimal solutions to guarantee certain quality and accessibility of services
- Developing capacity of local municipalities to contract out public services: competence on needs based contracting, quality control, reporting and development

#### **Developing service contracting as a way of decentralising power**

- Facilitating the development of service/competence networks and centres
- Facilitating service provision for several small municipalities in order to optimise the use of trained staff
- Facilitating cooperation between local municipalities in offering and contracting public services
- Facilitating cooperation between NGOs in the same field to share practices, competences, skilled employees and volunteers

#### **Developing cooperation between local municipalities and NGOs offering public services**

- Recognizing NGOs as important partners for local municipalities by using contracting to find solutions for strategic functions, involving those NGOs in local decision-making: raising awareness of members of local municipalities
- Signing long-term multi-annual contracts for offering public services and linking them with local

strategic goals

- Providing state support for NGOs to raise their service provision capacity and competence

### **Optimal organisation of contracting**

- Creating database of service providers and buyers
- Transparency: providing information about service contracts on web-pages, showing service contracting in local municipality budget
- Systematically gathering feedback from service users in order to develop services
- Promoting partnership relations with NGOs
- Making decisions firstly based on competence and quality and then on offered price
- Providing equal tendering conditions for NGOs and non-profit organisations founded by local municipalities

Several national strategies set aims in health, social, youth, educational and regional policies that must be implemented through public services on a local level. As local municipalities lack human capacity in implementing the strategies and NGOs already play a role in offering public services in the mentioned fields, partnership between NGOs and local municipalities become important actors in implementing the national strategies.

### **Health Policy**

One of the main aims set by the Estonian Health Development Plan 2009-2010, is to increase physical and sporting activities and to promote healthy lifestyles to tackle obesity, smoking and heavy drinking.

National Strategy on Preventing Cardiovascular Diseases 2005-2020 aims to improve physical activity, improve eating habits and reduce tobacco consumption.

The National Strategy of Preventing Drug Abuse 2012 stands for improving cure and rehabilitation of drug addicts.

### **Social Policy**

The Standard Procedures for Creating Equal Opportunities for Disabled People aim to develop rehabilitation and personal support services and also access to cultural and sports activities.

The Principles for Elderly Policies help to ensure a decent life standard for elderly people and equal position in society compared to other age groups by providing them social services

Development Plan for Reducing Violence 2010-2014 aims to prevent and reduce juvenile crime, domestic violence and violence against children.

### **Educational and Youth Policy**

Youth Work Strategy 2006-2013 aims to provide a pack of skills that prepare young people for adult life (creativity, learning, self-expression) and experience in being an active citizen and participating in decision making process.

Adult Education Development Plan 2009-2013 helps to improve competitiveness of labour force by providing adult education and non-formal education, develop creativity, talent, initiative and social responsibility.

### **Regional Policy**

Estonian Rural Life Development Strategy 2007-2013 aims to enhance accessibility of public services in order to stop migration from rural areas through providing multifunctional service centres and mobile solutions in offering goods and services

### **Relevance to European Union policies**

One of the five key objectives of **European Union Sustainable Development Strategy (EU SDS)**

is to promote a democratic, socially inclusive, cohesive, healthy, safe and just society with respect for fundamental rights and cultural diversity that creates equal opportunities and combats discrimination in all its forms.

NFCS understands that increasing access to public services and improving their quality helps to raise social cohesion and reduce social disparity. Social public services are needed for children, young people, working-age people and elderly in order to cope with different social problems ranging from unethical or criminal behaviour and substance addiction to unemployment. Here it is important that public services pay attention to both prevention and consequences of social problems. Also other public services in the fields of youth work, sports, adult education and community development are needed to raise quality of life, prevent social problems and reduce disparities.

According to Eurostat statistics social cohesion in Estonia is significantly lower than in the 15 old EU countries' average. Only early school leavers indicator has scored better and income distribution was similar to 15 old EU countries in 2008. Together with decrease of economic activity in 2008 (GDP -3,6%) and 2009 (GDP -14,1%) unemployment has risen respectively to 5,5% and 13,8%, thus increasing the need for public services to preserve the social cohesion level. It has also been reported before that social cohesion indicators in Estonia are lower than in Northern and West-European countries. Estonia has to develop significantly to reach the level of social inclusion that would be equal to other European regions. The main way of increasing social cohesion is to provide equal access to public services and intensify social relations through community building.

*For more detailed information on background please see annex No 6.*

## **Block Grant content**

### **Description:**

#### **Overall objective:**

Overall objective of the Block Grant is to promote civil society's contribution to economic and social cohesion as important actors of development and participation.

Secondly, to help building the capacity of Estonian non-profit associations and foundations to develop civil society and shape an environment that fosters civic action.

#### **Block Grant purpose:**

Project purpose is to develop and reinforce cooperation between the third and the public sector in improving the access and quality of public services that contribute to the enhancement of social cohesion and create a healthy living environment for local residents.

#### **Thematic Focus:**

Activities with the impact of reducing social inequality, enhancing social cohesion and creating a healthy living environment and promoting healthy life-styles will be subject to financing. The applicant's task is to demonstrate how the service to be developed or how a new public service performs in that role. New and innovative solutions and approaches upon provision of public services will be eligible.

#### Social services (services focused on prevention as well as dealing with consequences):

- based on age – for children, youth, people of working age, elderly;
- based on the social problem – for addicts, people related to violence and crime, unemployed, people with special needs and others in need.

Services preventing social problems and reducing the need for social services: sports, youth work, hobby and informal education, community services.

**Applying process is organised in two stages:**

1. Small sub-projects

Preliminary work for service development – preparation of the (business) plan to develop the quality and access of the service and to ensure sustainability. The development of public services provided by the existing NGOs as well as the expansion of the territory of operation and elaboration of new services.

2. Large sub-projects

Development and launch of the service – implementation of the service provision plan, improving the quality and access of the service, ensuring sustainability of provision (according to the business plan and budget)

*More detailed information on history please find in annex No 4.*

**Expected outcomes/outputs:**

**Block Grant results:**

- a) Strengthened institutional and operational capacity of Estonian NGOs in offering public services
- b) Improved and stronger cooperation between the third and the public sector. NGOs are equal and recognized partners to public sector. NGOs are experienced and acknowledged public service developers and providers. Increased number of contacting out agreements between the third sector and public sector.
- c) The role of the third sector, as an active actor in developing health-friendly living-environment and healthy life-styles, has increased.
- d) New service users
- e) New jobs created in NGOs offering public services
- f) Socially excluded people (unemployed, handicapped, retired etc.) involved in service provision
- g) Intensified social relations and connections

**Block Grant outputs:**

- a) Effective NGO Fund management system established and implemented
- b) Information activities, trainings and consultations implemented
- c) Open calls for proposals organised
- d) Submitted applications evaluated and selected for financing, sub-project agreements signed
- e) Sub-projects implemented (by NGOs)
- f) Analyses and reports

**Activities and respective indicators, planned activities for Block Grant implementation (Activity plan):**

No.	Activity (start month/estimated duration in months)	Detailed activity description	Costs of activity (in compliance with the Detailed Budget Annex 1)
1.	Administration of Block grant ✓ start month -1 ✓ estimated duration in months – 50	a) Preparing and managing NGO Fund. b) Organising open calls (preparation of documentation, publication of open call, organisation of seminars/trainings for potential applicants). c) Organising appraisal process (evaluation of applications, selection for financing, signing sub-projects contracts). d) Organising trainings and consultations for NGOs implementing sub-projects (regarding procurements, reporting, other issues). e) Control and supervision of sub-projects. f) Publicity on the Block Grant implementation. g) Reporting, analysing h) Organising NFCS work connected to independent audits	CHF 294 118 (10 % of total Block Grant cost)
2.	Implementation of sub-projects ✓ start month -5 ✓ estimated duration in months - 45	One open call for small sub-projects and one open call for large sub-projects will be held every year, starting in 2011 and lasting until 2013. Altogether there will be 3 open calls for small sub-projects and 3 open calls for large sub-projects. For each call for small projects approximately CHF 170 000 will be made available and for each call for large projects approximately CHF 690 000 will be made available. <i>NFCS Supervisory Board will approve the final requirements and call for proposals documents for sub-projects, if necessary the open call grant proportions will be changed.</i>	CHF 2 588 235 (88% of total Block Grant cost)
3.	Independent audit: 3.1. Intermediary Financial Audit ✓ start month -24 ✓ estimated duration in months - 3 3.2. Final Financial Audit ✓ start month -50 ✓ estimated duration in months - 3	NFCS is audited after every financial year by independent external auditor. Block Grant will be audited in accordance with the rules set out in the Framework agreement. NGO Fund Intermediary Financial Audit will be carried out after first 2 years and Final Financial Audit will be performed after completion of all activities. In case there will be an audit expenditure surplus it will be added to the re-granting budget.	CHF 58 824 (2 % of total Block Grant cost)

**Indicators:**

definition of the indicator	unit of the indicator	expected value to be achieved as a result of the Block Grant
Number of sub-project applications	Application	120
Number of sub-projects supported	Sub-project	75
Number of sub-projects gained their objectives and outputs	Sub-project	70
Number of public services outsourced	public services	35
Number of partner NGOs participating in sub-project implementation	NGO	80
Number of local municipalities and other public sector institutions participating in sub-projects implementation	Local municipalities, other public sector institutions	80
Number of NGOs representatives participating in informative seminars	NGOs representatives	150

**Beneficiaries:**

NGOs – Applicants of sub-project:

Eligible applicants are non-profit associations and foundations, which are not under the dominant influence of the national or local municipality. The applicant must be legal entity, registered in Estonia and operated in public interest at least for a year.

Eligible applicant is neither a political party nor an NGO established to support the activity of a political party; employers' association and business association, union; labour, professional or trade union.

Eligible partners are non-profit organisations, local municipalities, ministries or other public or private sector organisations.

*For more detailed information on sub-project please see annex No 4.*

**Target groups:**

Direct target group: NGOs

Indirect target group:

Local municipalities, ministries or other public sector organisations as sub-project partners and partners in outsourcing. Estonian population and other nations who will be involved or affected by the sub-projects.

**Risks and potentials:**

<i>Risks</i>	<i>Considerations of likelihood flow (low – L; medium- M;</i>	<i>Considerations of Impact (low – L; medium- M; high – H)</i>	<i>Means for management/ risk mitigation plan</i>

	<i>high – H)</i>		
Not enough applications and sub- projects.	L	H	<ul style="list-style-type: none"> <li>- organize different information activities (websites, information bulletins, seminars, publications, trainings etc) about possibility to submit the proposals and training how to develop application form</li> <li>- consulting of potential applicants</li> </ul>
Timeliness of Beneficiaries' co-financing resources.	M	H	<ul style="list-style-type: none"> <li>- evaluate the ability of NGO or partners to co-finance</li> <li>- in every open call there will be a minimum and maximum possible amount of grant, so that NGOs can choose the amount they can afford according to their financial resources they are able to contribute</li> </ul>
Proper organizational and financial capacity of the selected civil society organizations and sub-project partners.	M	H	<ul style="list-style-type: none"> <li>- three-level selection process</li> <li>- The Board, panel, bureau have professional and experienced specialists</li> <li>- previous experience of NGOs will be evaluated</li> <li>- specific trainings, seminars</li> <li>- consultations</li> </ul>
Lack of efficient and effective coordination and cooperation among Beneficiaries and Intermediate body.	M	M	<ul style="list-style-type: none"> <li>- skilled staff of Intermediate Body</li> <li>- well prepared Block Grant and application documents</li> <li>- regular communication with beneficiaries</li> <li>- consultations</li> </ul>
Local municipalities are not in favour of funding service provision after sub-projects have ended, the service is not developed and financed sustainably by the local municipalities.	M	H	<ul style="list-style-type: none"> <li>- local municipalities will be engaged as partners at early stages of sub-project (NGO needs signed expression of interest confirmation)</li> <li>- local needs-assessment will be conducted</li> <li>- following will add points in evaluation:               <ol style="list-style-type: none"> <li>a) partnering with other experienced service providers, using best practice</li> <li>b) using quality standards</li> <li>c) implementing potential of local people</li> </ol> </li> <li>- using additional sources to diversify and share funding</li> </ul>

### **Sustainability of Block Grant :**

Intermediate Body is established to support the capacity building of Estonian non-profit associations and foundations, to develop civil society and shape an environment that fosters civic action. NFCS and its programs are financed through the state budget of the Republic of Estonia. NFCS will continue to fulfil this goal in the future and after the NGO Fund has been completed. NGO Fund offers valuable experiences to NFCS and will definitely increase the capacity of Intermediate Body.

The capacity of Estonian NGOs will rise and the intensified cooperation experience between the third and the public sector will provide long-term results

The sub-projects will enhance life quality of target groups and increase social cohesion. Healthier lifestyles will as a result increase the overall productivity of citizens and local economic

development.

### **Block Grant justification**

Most local municipalities in Estonia are too small to be able to provide access to all public services and ensure their quality. 39% of municipalities have around 1000 inhabitants and many of them must cope with less than 10 employees to fill all the functions of a local municipality. This means that they do not have enough human resources, knowledge and skills to reach all the needs of their community. Thus, there are places in Estonia, where some public services (especially social and youth services) are not provided and this contributes to social exclusion and disparity in these regions.

Eurostat statistics show that Estonia has room for improvement to reach the EU-15 countries in social cohesion. Estonian Human Development Report 2009 shows that there are both economic and social disparities between the bigger and smaller towns, between urban and rural areas, towns and their surroundings. These disparities can be reduced and local life can be developed by offering social, youth, sports, educational and community services. To cope with the human capacity problems in municipalities NGOs have started to play an important role in offering the services.

There are active people in NGOs, who have implemented projects in respective fields and developed them into regular public services. Some of them are local community organisations organising local events and other activities, others are professional organisations with qualified staff offering professional social services to drug addicts, victims of crime, homeless and unemployed people etc. At the same time, they provide a bigger variety of services in bigger municipalities and small places with around 1000 people often lack many public services. Organisations in such municipalities are often not developed enough to offer services which need professional preparation (e.g. social services). NGOs with longer-term service provision experience could be agents who help to create a common level of knowledge and skills among organisations active in the respective field by organising service provision through local organisations and people or starting offering the service themselves.

Often NGOs offering public services need to become active in many municipalities to ensure the optimal user base. NGOs have to find alternative and additional ways of funding in order to guarantee the sustainability of their activities and to cover the needs of target groups. It can be done by offering additional services, reaching compliance with service standards or sustain a service that is run by volunteers. Often the service provision has to be linked more clearly with national and local development plans to help reach respective goals in social cohesion. Also, service user feedback and assessment systems need to be evolved in order to ensure compliance with the needs of target groups. Some NGOs have high administrative burden in reporting to the local municipality or national government institutions, but cannot hold mutual dialogue with the officials on the issues and solutions.

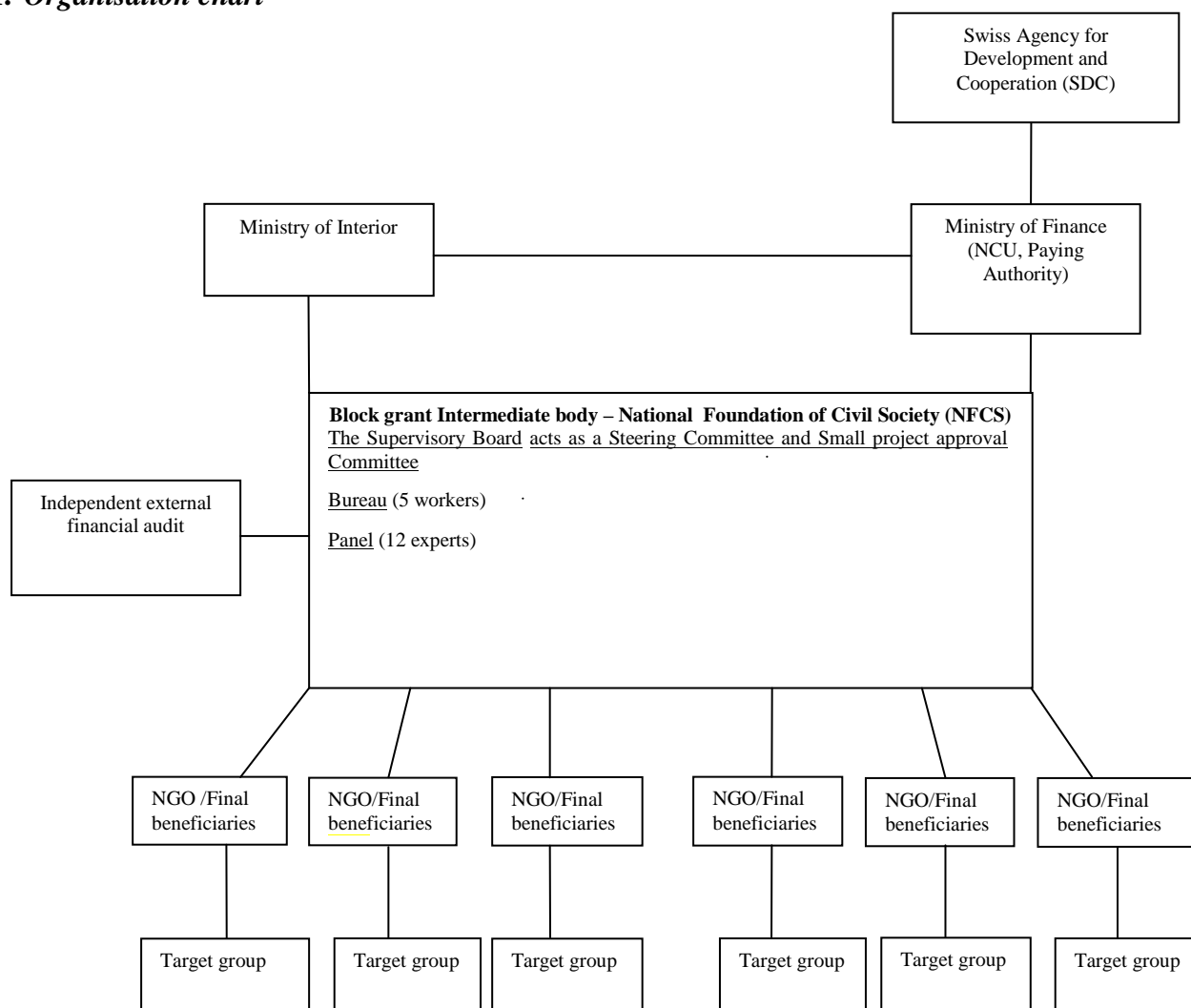
National Foundation of Civil Society (NFCS) is convinced that providing support to the active NGOs in Estonia in developing public services, enhancing partnership with municipalities, ministries and other service providing NGOs, social cohesion can be increased significantly through reducing disparities in accessing public services, creating new jobs at the service providing organisations, engaging socially excluded groups and intensifying social relations and connections.

*For more detailed information on history please see annex No 6.*



## Block Grant organisation

### 1. Organisation chart



### 2. Responsibilities:

*NGO Fund will be implemented by the following bodies:*

#### **Block Grant Intermediate body – National Foundation of Civil Society**

- a) Preparing and managing NGO Fund.
- b) Organising open calls (preparation of documentation, publication of open call, organisation of seminars/trainings for potential applicants).
- c) Organising appraisal process (evaluation of applications, selection for financing, signing sub-projects contracts).
- d) Organising trainings and consultations for NGOs implementing sub-projects (regarding procurements, reporting, other issues).
- e) Control and supervision of sub-projects.
- f) Publicity on the Block Grant implementation.
- g) Reporting, analysing.
- h) Organising NFCS work connected to independent audits.

### **NFCS Supervisory Board will work as a Steering Committee and Small project approval Committee**

- a) Consisting of representatives from the public sector and civil society organisations. Representatives from Estonian Ministry of Finance as NCU, Estonian Ministry of Interior and SDC, can participate in NFCS Supervisory Board meetings connected to Block Grant as observers.
- b) Approving the selection criteria for sub-projects
- c) Makes a decision on allocation of funds for the sub-project/rejection of the applications, based on the assessment report on submitted applications
- d) Evaluating reports (Block Grant reports and audits)
- e) Providing recommendations on implementing the NGO Fund
- f) Monitoring the implementation of the NGO Fund

### **NGOs.**

- Developing and submitting sub-project proposals
- Implementing supported sub-projects

### **3. Financial flow**

Advance Payment is needed for implementing the NGO Fund. Co-financing (15%) from State budget will be ensured timely every year during NGO Fund implementation. Requested Grant (85%) is needed as advance payment at least twice a year (according to Block Grant Interim Reports and the Block Grant Agreement).

Advanced payments/25% system:

- Transfer of 25% of the requested Grant to the NFCS after signing the Block Grant Agreement;
- The amount of eligible expenditure paid out from advance payment means in a reporting period would be requested with the Block Grant Advance Payment Request and Interim Report. In that way continuous 25% advance payment would be guaranteed during the lifetime of the Block Grant.

*Financing on sub-projects level please see annex No 4.*

### **4. Reporting, monitoring and auditing procedures**

Intermediate Body will submit reports to the National Coordination Unit/ Estonian Ministry of Finance. The reports will be prepared and submitted in accordance with the procedures set by the Block Grant Agreement. Intermediate Body will submit:

- ✓ Project Interim Reports (after every 6 months)
- ✓ Annual Project Reports
- ✓ Project Completion Report

To monitor the progress of sub-project implementation Intermediate Body will use the following tools:

- ✓ regular communication and consultation;
- ✓ interim projects' content and financial reports; final content and financial reports;
- ✓ monitoring visits, on-spot checks;
- ✓ informative seminars and/or meetings.

### Independent financial audit

NFCS Supervisory Board will appoint an independent external auditor, who will carry out Intermediary and Final Financial Audit. Block Grant will be audited in accordance with the rules set out in the Framework agreement:

- ✓ Intermediary Financial Audit will be carried out after first two years.
- ✓ Final Financial Audit will be performed after completion of all activities.

*For more detailed information on Block Grant organisation please see in annex No 3.*

### Detailed implementation schedule

Duration of the Block Grant will be 50 months.  
*Detailed implementation schedule can be found in annex No 5.*

### Budget

	Total costs, CHF	Requested grant, CHF	Grant %	Co-financing, CHF	Co-financing %
Sum	2 941 177	2 500 000	85 %	441 177	15 %

### Non-eligible costs (if any):

Expenditures incurred before signing of the Block Grant Agreement by all parties, interests on debt, the purchase of real estate and recoverable VAT.

### Source of co-financing:

NGO Fund will be co-financed additionally by 15% from the state budget of the Republic of Estonia.

### Own contribution:

Several activities connected to the Block Grant implementation are not covered with the Block Grant budget and will be covered from NFCS own recourses:

- Administrative and technical support
- Training of employees

### Cost efficiency aspects:

During the implementation of this Block Grant, maximal cost efficiency regarding program objectives will be ensured. Intermediate body will define concrete guidelines (in the sub-project grant contract) for the procurement procedures ensuring that the beneficiaries of sub-projects will choose supply/service with best quality and lowest price.

### Procurement

If there will be any procurements, then all procurements of services and supplies under the Block Grant will be organised according to the Public Procurement Act.

### Development impact

NFCS will perform evaluation of the program after all sub-projects are completed. Sub-project beneficiaries will provide ex-post reports one year after the completion of their sub-projects, by that NFCS monitors sustainability of sub-projects.

## **Horizontal issues**

### **Environmental, social and economical aspects of the Block Grant:**

NGO Fund helps to promote civil society's contribution to economic and social cohesion as important actors of development and participation. The Fund will provide funding related to the cooperation between the third and the public sector in developing services and contracting out, in the context of health-friendly living-environment.

The projects supported under the NGO Fund will directly contribute to increasing access and quality of services provided by NGOs who intend to advance the social conditions of community. Financial support from the NGO Fund will create jobs in NGOs, engage socially excluded groups, intensify social relations and connections by contributing to the reduction of economic and social disparities in the enlarged European Union.

The financial support under the Fund will also strengthen NGOs', promote their consolidation process and provide opportunities to play more active role in the community life. It is well known that the economic development of the country is based on active citizens, thus strengthening NGOs is crucial as civil society organisations mobilize and engage citizens who wish to play an active and responsible role in generating public benefit.

NFCS will encourage using sustainable management and activity principles that aim to preserve nature and reduce ecological footprint of NGOs

### **Gender equality:**

NGO Fund will emphasise on the importance of gender equality through seminars, trainings etc. Gender equality principles will be taken into account in applying, selection and monitoring processes.

NFCS has so far made a positive direct impact on developing gender equality knowledge in Estonia. In advocacy thematic open call, two gender equality thematic projects are being implemented.

**Annex 3 – Detailed Budget (initial)**

Activity	Costs of activity (CHF)
<b>1. Administration</b>	<b>294 118</b>
Personnel (Program manager, accountant, IT-manager)	259 878
Administration and office	19 000
Open call organisation, seminars, experts	15 240
<b>2. Implementation of sub-projects</b>	<b>2 588 235</b>
Small sub-projects	489 000
Large sub-projects	2 099 235
<b>3. Independent audit (intermediary, final financial audit)</b>	<b>58 824</b>
<b>Total</b>	<b>2 941 177</b>

Activity	2011	2012	2013	2014	2015	Total
<b>1. Administration</b>	<b>43 971</b>	<b>72 616</b>	<b>69 336</b>	<b>64 996</b>	<b>43 199</b>	<b>294 118</b>
Personnel (Program manager, accountant, IT-manager)	37 271	60 436	60 436	60 436	41 299	259 878
Administration and office	3 420	4 560	4 560	4 560	1 900	19 000
Open call organisation, seminars, experts	3 280	7 620	4 340	0	0	15 240
<b>2. Implementation of sub-projects</b>	<b>136 000</b>	<b>963 000</b>	<b>1 006 235</b>	<b>414 000</b>	<b>69 000</b>	<b>2 588 235</b>
Small sub-projects	136 000	204 000	149 000	0	0	489 000
Large sub-projects	0	759 000	857 235	414 000	69 000	2 099 235
<b>3. Independent audit (intermediary audites, final financial audit)</b>	<b>0</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>	<b>40 824</b>	<b>58 824</b>
<b>Total</b>	<b>179 971</b>	<b>1 041 616</b>	<b>1 081 571</b>	<b>484 996</b>	<b>153 023</b>	<b>2 941 177</b>