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INTRODUCTION

The general objective of creating an environment conducive to the activities and strengthening of citizens’ associations has been recognised at political level on several occasions. In addition to the commitments presented in the Estonian Civil Society Development Concept\(^1\) and the Civil Society Development Plan 2011–2014, the Government of the Republic approved in 2009 the Concept for arranging the public funding of citizens’ associations \(^2\). The aim of the concept is to increase transparency and clarity and to improve the effectiveness of using public resources for funding associations.

A guidance document is needed because at national level, associations are currently funded based on different concepts and principles, there are disparities in understanding the differences between various types of funding, and funding is neither transparent nor tied in with the strategic planning of financing entities. In addition, the financing entities are still not in the habit of assessing the effectiveness of funding. Ignoring several important principles and a multitude of different types of funding have given rise to a situation where it is difficult to assess the more general needs and objectives of civil society and where there is a heightened risk of corruption in terms of financing processes.\(^3\)

The latter issue has been highlighted in the Anti-Corruption Strategy 2008–2012\(^4\), which observes that the heightened risk of corruption is caused by the current procedure of funding non-profit associations\(^5\), which is not sufficiently clear or uniform. The National Audit Office has also pointed to problems with funding associations in local governments.\(^6\) It states in its audit that the granting of support cannot be considered transparent, as many local governments lacked any rules for granting support at the time of the audit or even if they did have such rules in place, there were numerous cases of so-called special treatment.\(^7\) Surveys also reveal that associations do not consider the granting of support just or comprehensible.\(^8\) However, the questionnaire survey and interviews conducted for the purposes of this guidance document indicated that some local governments had improved their systems of allocating funds as a result of the above-mentioned audit by the National Audit Office.

The objective of this guidance document is to lay a groundwork for harmonising the national

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1 One of the aims of the Estonian Civil Society Development Concept is to establish a favourable environment for the functioning and strengthening of citizens’ associations as an inevitable factor for the development of democracy, www.siseministeerium.ee/30410 09.07.2012.
3 See also Ümarik, 2007.
4 Ministry of Justice, 2008.
5 The strategy discusses the public sector’s relations and cooperation with specifically non-profit associations.
7 Ibid.
practices and principles of funding associations at state and local government level. The accompanying sample documents are mainly aimed at the financing entities who wish to establish a system of funding or update an existing system. When clarifying existing practices and documents, it is necessary to review and assess whether appropriate types of funding are being used for funding associations, whether the established system complies with the principles of this guidance document and the minimum requirements and conditions.

This guidance document was compiled by the PRAXIS Center for Policy Studies in cooperation with the working group on clarifying the funding of associations, assembled by the Minister of Regional Affairs. The document was compiled based on the existing practices of ministries, local governments and foundations as well as existing documents on funding associations and Code of Good Practice on Funding and Code of Good Practices on Engagement ⁹. A survey was carried out in all ministries with the aim of identifying best practices. In addition to the questionnaire survey, representatives of five ministries were interviewed (Ministry of Culture, Ministry of Education and Research, Ministry of Social Affairs, Ministry of the Interior and Ministry of Foreign Affairs), which allowed to clarify and add to the information collected via the survey. Information was collected regarding local governments based on a customised questionnaire for the consultants of county development centres specialising in advising associations and local governments. They were asked to provide information on the various types of funding and their share for local governments. 27 local government representatives were also interviewed.

In addition to focussing on ministries and local governments, the funding practices of the following foundations that specialise in funding associations (National Foundation of Civil Society, Environmental Investment Centre, Integration and Migration Foundation Our People, Open Estonia Foundation and Enterprise Estonia) was also observed. persons involved in funding associations in these foundations to were interviewed to collect information on how the institutions have organised the various stages of funding and what kind of documents are used for these purposes.

The feedback from training events and testing the guidance document was taken into account. We organised relevant training events for ministry and local government officials and representatives of associations from November 2012 to February 2013. The guidance document was tested in the Ministry of the Interior, in Tartu City and in Rae and Suure-Jaani rural municipalities. During the testing the applicability of the recommendations presented in the guidance document, the main bottleneck were analysed. The general feedback from the training events and the testing was supportive of the guidance document. The examples presented in the guidelines are taken from the procedures applied in February 2013

Who is the target group of this guidance document?

This guidance document is aimed at all legal persons governed by public or private law who cooperate with associations and are involved in grant support to them. Such financing entities include ministries, their divisions and other state authorities, local governments and their

⁹ See good inclusive practice and „Kaasamise käsiraamat ametnikele ja vabaühendustele” (manual on inclusion for officials and non-governmental organisations), 2009.
divisions as well as organisations operating under the dominant influence of the public sector (e.g. the so-called state foundations) and organisations established for the purposes of funding associations (e.g. the National Foundation of Civil Society, Open Estonia Foundation).

However, the guidance document also constitutes an important source of information for associations themselves in terms of getting a clearer picture of the rules of funding and the rationality and reasoning for the various requirements. The guidance document is a good basis for clarifying the relationship between public sector bodies and associations. It constitutes a reference for both parties when preparing funding procedures, engaging relevant parties and negotiating support.

The scope of the guidance document is limited to the principles and conditions applicable to the granting money. Therefore, it does not discuss programmes funded under the Structural Aid Act or support granted under other foreign instruments, where Estonian financing entities lack the sufficient ability for shaping the conditions for granting support.

**Structure of the guidance document**

Users of the guidance document are provided a summary of the main principles of funding associations and of the types of funding. The document describes the entire funding process and also focusses in on its various stages from setting objectives to assessing results. The guidance document includes best practices and sample documents regarding the funding of associations. Users may follow these examples in updating and personalising their respective funding procedures.

The guidance document has two parts. In the first part, the focus is on explaining the principles of funding and describing the types of funding and their differences. This part provides a uniform basis for clarifying funding regardless of the area or whether the financing entity is a state or local government body.

The second part of the guidance document outlines the main steps of granting support project grants and activity support in order to provide a description of the entire process. The activities relating to funding are explained in more, from the initial phase where the financing entity sets the objectives to the final assessment of the effectiveness of funding. The guidance document also includes several annexes in the form of sample documents, which help to put the guidance into practice.

As the existing practices of funding associations and the relevant needs and capabilities for change differ by sectors and organisations, the second part constitutes more of a recommended supplement which financing entities may adapt to their specific needs. However, the more the funding of associations follows the approaches and samples described in the guidance document, the greater the certainty of the financing entity that its funding complies with the principles and objectives for clarifying funding set out in the guidance document.

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10 See also National Audit Office, 2010.
Definitions

Finance entity – a legal person in public or private law that allocates public funds to an association (e.g. a state authority, local government authority and other organisations).

Associations – non-profit associations (including their umbrella organisations and networks), civil law partnerships and foundations that are not under the dominant influence of local government, state authority or public body.

Project – a single action or a set of actions defined in time and space and with a specific objective, whose implementation includes applying for or using support.

Project support - a type of funding whereby the public sector supports under a call for proposals a single action or set of actions defined in time and space carried out by an association and aimed at achieving a specific objective.

Activity support – a type of funding whereby the public sector supports the general activities and development of an association with the aim of maintaining or improving its capability.

Delegation of a public service – a situation where public authorities delegate the provision of a public service to a private company, non-profit association or another public authority, while retaining control over and responsibility for the provision of the public service.

Grant/support – funds allocated for a specific purpose that are transferred to the grant recipient’s bank account upon the signing of a funding decision and/or grant agreement either in full or in instalments, as provided in the terms and conditions.

Self-financing – a beneficiary’s financial or financially measurable contribution to a project reflected in the project budget.

Financially measurable contribution – a type of self-financing that is not validated with statement of costs drawn up by the grant recipient and/or a project partner (e.g. a log of volunteer work).

Volunteer work – the financially measurable contribution to a project of persons who work of their own free will without getting paid.

Total cost of a project – sum total of a project grant and self-financing.

Strategic document – a document that presents the sectoral or regional strategic objectives of a financing entity (e.g. a development plan, a concept).

Dominant influence of the state or a local government over an association – a situation where the state’s or a local government’s participation in an association’s management body and voting rights exceeds 50%. In the case of a foundation, this means the right to appoint half or most of supervisory board members, and in the case of a non-profit association that more than half of the members are state or local government authorities. This allows the relevant authority to appoint or recall the majority of the members of the association’s governing body or executive management by exercising its founding rights or by a General Meeting decision. Dominant
influence is not defined on the basis of an association’s sources of income.\textsuperscript{11}

For more terms related to the third sector, see the concise glossary on civil society (editor Mikko Lagerspetz) available on the website of the Network of Estonian Nonprofit Organizations (http://www.ngo.ee/sonastik).

1. PRINCIPLES OF FUNDING AND A GENERAL DESCRIPTION OF TYPES OF FUNDING

1.1. Principles of funding

According to the concept of clarifying funding approved in 2009, the funding of citizens’ associations should reach a level where the public sector is using harmonised funding practices that contribute to a funding that is transparent, accessible, protective of the public interest and effective, and that improve the capabilities of associations. These objectives form the basis for the common principles of funding listed below, which ensure transparent and effective funding and constitute a foundation for clarifying and harmonising funding. Financing entities and associations may also use them as checklists for assessing the need to improve existing funding procedures or how the adjustments that are being introduced harmonise with the set objectives.

The principles were fleshed out on the basis of the results and recommendations presented in an analysis of state budget funding for citizens’ associations, carried out by the Praxis Center for Policy Studies and the Centre for Civil Society Research and Development at Tallinn University.\textsuperscript{12} The common principles were further elaborated in the working group of the programme on clarifying state budget funding for citizens’ associations.\textsuperscript{13}

The principles of good funding are as follows:

Grants are awarded and used in a transparent manner.

✓ The financing entity’s website provides public information on the principles and terms and conditions of funding associations, and on the process and results of funding.
✓ Funds are allocated under an open call for proposals, which provides the best criteria for

\textsuperscript{11} The explanation of the term stems from consultations with officials of the Ministry of Finance and the National Audit Office.

\textsuperscript{12} http://www.praxis.ee/fileadmin/tarmo/Projektid/Valitsemine JA_kodanike%20Chiskond/K%20Chenduste_rigieelarvelise_rahastamise_korrastamiseksfinal_.pdf

systematically informing of the objectives and process of funding, of the requirements to grant recipients and of grant recipients and the results of funding.

- Information on associations and on how they use public funds is available to the public.

It is easiest for associations to publish the information regarding the use of grants (e.g. the purpose of a grant, actions carried out with the help of a grant, descriptions of beneficiaries) on their websites. If there is no website, the website of the city / rural municipality or a partner organisation could be used.

**Associations are ensured equal access to funding.**

- Clear funding rules and selection criteria are in place and complied with.

- The terms and conditions for granting support are objective and non-discriminatory towards potential applicants. This means that the provisions of calls for proposals may not favour specific associations or groups of associations.

- The terms and conditions for granting support are appropriate and justified in terms of the objective and function of funding. This means that the terms and conditions of funding must derive from the objective of funding.

**Funding is based on the public interest**\(^{14}\) and complies with strategic objectives at national / local government level.

- Funding is granted for the objectives and actions of associations that support the interests of a wider target group than just the members or employees of associations. Funding may also be granted for actions whose target group are members of an association or another specific group, provided that they are in a disadvantaged situation compared to the rest of society. Disadvantaged target groups usually encompass groups in need of special assistance, e.g. children, disabled persons or ethnic minority groups.

- The funding of associations is associated with sectoral and/or regional, local, national and/or international strategic documents (development plans, action programmes, concepts, etc.).

**State budget funding of associations is effective.**

- Funds are spent efficiently, all expenses are justified and necessary for achieving relevant objectives.

- The financing entity establishes the terms and conditions and criteria for funding that most support the attainment of the set objectives and allow for assessing the general effectiveness of funding associations. Funding terms and conditions reflect the agreed central indicators, the financing entity has established the methodology and procedure for

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\(^{14}\) For a definition of the public interest, see Lagerspetz, 2007.
measuring/assessing the indicators, and the application and report form contain at least output indicators but where possible, also result indicators.

The administrative costs of granting and using funds are cost-efficient, i.e. granting and using funds may not generate disproportionate administrative burden in terms of the amount of support.

**Funding promotes the capability of associations.**

- Funding assists the association in reaching its objectives, in becoming more professional and competent and in operating in a sustainable manner. This can be assessed.

**Relevant parties are involved in the preparation of funding.**

- When preparing the main documents regulating the funding process and funding terms and conditions, associations are consulted as early on as possible, preferably in the phase of setting objectives.
- All interested parties, all associations operating in the relevant sector or region can have their say.
- After funds have been used, associations are requested to give feedback on the basic documents and terms and conditions regulating funding, on the funding process itself and on the work culture of the financing entity.

**1.2. Types of funding**

State authorities and local governments use various kinds of funding (event grants, investment grants, village society grants, etc.) with diverse objectives and obscure applications. Based on the five principles stated above and on the specific objectives for funding relevant associations, the guidance document proposes three main types of funding: 1) project grants, 2) activity support and 3) delegation of a public service.

The guidance document focusses on describing project grants and activity support as two separate types of funding. As there are separate guidelines for the delegation of public services (see the manual on non-governmental organisations and public services, www.ngo.ee/teenused\(^\text{15}\)), this guidance document does not go into the details of that type of funding.

**1.2.1. Project grants**

Project grants are a type of funding whereby the public sector supports under a call for proposals a single action or set of actions defined in space and time, carried out by an association and aimed

\(^{15}\) Lember *et al.*, 2011.
at achieving a specific objective.\textsuperscript{16} The actions and functions funded with project grants are in line with state or local government priority objectives and needs\textsuperscript{17}, and as such, are clearly intended for specific purposes.

Project grants are used for carrying out actions or tasks (e.g. training, events, raising awareness) aimed at a target group in order to achieve a specific result (e.g. unemployed people returning to work after receiving training, improving knowledge or skills in a certain field, executing an investment, etc.). By giving a project grant, the financing entity can attain its strategic objectives. Open calls for proposals enable to find the associations that contribute to achieving the overall umbrella objectives of the calls. The financing entity establishes in the call for proposals specific requirements in terms of the expected results, funded actions and related costs. In line with the objective established by the financing entity, the associations participating in the call propose projects whose implementation would contribute to solving problems and achieving results. The grant recipients themselves establish the specific objectives for their projects, which correspond to the wider objective derived from the financing entity’s strategies. Thus, a project proposal essentially constitutes a common denominator between the objectives of an association and the financing entity, while the association’s project objective is usually narrower than that of the open call for proposals.

As open calls for project proposals result in many applications, the award of grants is usually decided on either of the following two premises:

1. a project proposal exceeds the threshold established by the financing entity or
2. grants are awarded in hierarchical order until the budgetary funds allocated by the financing entity are exhausted.

The use of project grant funds is restricted, i.e. grant recipients may use the funds only for covering the expenses declared in the project proposal’s action plan and budget during a time period established by the financing entity.

Project grants are the most common type of funding both at state and local government level, i.e. the majority of applications for funding and funding decisions have to do with supporting projects. However, there is often a lack of awareness of the objective and content of project grants during the funding process, which results in allocating support that falls formally under project grants, but in terms of content is more in line with the objectives of activity support or delegation of a public service. Besides taking up a lot of time and other resources, this kind of a situation does not allow comparing project proposals and results or assessing the effectiveness of funding.

Where a financing entity expects different solutions to achieve its objective and where the offer of applicants with potential action plans and project proposals is diverse, an open call for proposals is the preferred mode for awarding grants. This means that all associations that qualify may submit their competing proposal, featuring an initial action plan and a budget. An open call for proposals is the best option in terms of following the principles of funding and ensuring access and transparency.

\textsuperscript{16} See also § 5 of the 2007–2013 Structural Assistance Act for a definition of a project.
\textsuperscript{17} Ümarik, 2007.
However, there are also situations where an open call is not appropriate and other modes of funding should be considered, namely negotiated restricted tenders and targeted tenders. These options are appropriate when there is no competition in terms of the attainment of necessary objectives or implementation of actions or when an action is consistently carried out by one and the same entity. For example, the financing entity may wish to organise a specific event that has already become a tradition. If the event objectives and format are not significantly modified and the current organiser is performing well, it is not necessary to open the call for all who might be interested. The current organiser of the event will have a competitive edge and competition would not be fair. Organising a call, when the winner is already known, is also a waste of public resources. When opting out of an open call, the following principles should be followed:

 ✓ A transparent and justified procedure: the public should be notified of the criteria for awarding a project grant to a specific association without competition.
 ✓ Fair access and effectiveness: if the public and/or other associations protest the mode of funding, the financing entity must assess whether the targeted tender has been sufficiently transparent and justified and consider announcing an open call for proposals.
 ✓ Consideration of feedback: the financing entity must request feedback from the target group to assess the quality of the funded action and the need for funding it further.

In the context of awarding support with a limited scope of application, a specific deadline and a specific purpose, substituting a project grant with public procurement may be appropriate. Public procurement rules are provided in the Public Procurement Act. The main difference from other modes of funding is that a public procurement results in the financing entity selecting one or several winning tenders, whose proposed action plans will be implemented to achieve the expected results. In addition, a public procurement does not impose any restrictions on the legal status of the applicants. In the case of project grants, the financing entity establishes very specific criteria for the operations of associations and for funding the related expenses. In the case of a public procurement, the financing entity has fewer requirements and exercises less supervision over the use of support, shifting the main focus to the objective and how well it is achieved.

Until now, local governments have used grants such as single event grants, self- or co-financing grants, organising grants, etc., which are in essence project grants but have not always been allocated based on the principles of awarding project grants. In this guidance document, we recommend substituting the above-mentioned types of funding with only one, i.e. project grants. The former types of support may be presented as sub-objectives for project grants; for example, event grants and organising grants would be replaced with project grants with a sub-objective of supporting event organisation.

Co-financing provided by local governments (co-financing support, also known as support for participating in international projects) may also be considered a subset of project grants. In this case, local governments themselves are not the main financing entities of projects, but they contribute to the self-financing of projects funded from other sources. With co-financing support, it is recommended to keep the call for proposals constantly open, as it is difficult for local governments to time their calls by the deadlines of other financing entities (e.g. major national funds).
Although project grants are used for carrying out operations or tasks with specific objectives, each operation or task also generates indirect, or overhead costs for associations. In this guidance document, it is recommended that in addition to covering direct project action expenses, financing entities also cover to a certain extent the overhead costs or salary costs of associations. This helps minimise the risks of associations in carrying out projects and contributes to maintaining and improving the capability of associations, which constitutes one of the funding principles (see Table 1).

**EXAMPLE**

Several local governments provide so-called bridge financing for associations. This means that local governments grant support for initiating project actions to associations that have been granted support from an international fund, which will be transferred to the association only after the completion of project actions (this is often needed because associations have difficulties with getting bank loans). Once the project actions have been completed and the corresponding international fund has transferred the support money to the association, the association will pay the support back to the local government. We do not recommend this practice, as bridge financing essentially equals giving out loans to associations. According to the Local Government Organisation Act, local governments may not provide loans, except to related entities.

### 1.2.2. Activity support

Activity support is a type of funding whereby the public sector supports the general operations and development of an association with the aim of maintaining or improving its capability.

Financing entities allocate activity support improving the capability of associations in order to achieve the strategic objectives established in their development plans in cooperation with associations. Activity support is used for funding, in the agreed amount, associations’ main operations and related costs (e.g. office, staff, training and other costs) that are necessary for an organisation’s consistent operation and development. Activity support is usually awarded for longer periods than project grants (for more than a year and for a maximum of five years), providing the association a certain financial stability for the agreed period and an opportunity to focus on its main functions.

Local governments are currently granting activity support in the form of participation grants, village society grants, recognition grants, etc. Other countries also employ the subtype of development grants aimed at improving the capability of associations by funding development activities. Financing entities support costs such as strategic planning, preparing and launching quality standards, introducing IT media for stepping up effectiveness of operations, introducing new services and developing the existing ones, training members and staff, merging associations and creating cooperation networks. With the clarity and transparency of funding in mind, we recommend in this guidance document that all current types and titles of funding containing elements of activity support be grouped under a single designation: activity support.
Activity support helps cement cooperation with associations, agree on mutual roles and objectives and thereby contribute to the development of a sector or region in the longer term. From the perspective of the financing entity, an association that receives activity support fulfils three main functions: 1) participates in legislative drafting and/or decision making; 2) is directly involved in developing a certain sector (e.g. culture, sports, social work); 3) mediates funds to other associations.

The roles of activity support recipients are described in more detail as follows:

1. **Participating in decision making**: making use of the competence and know-how of associations in preparing strategic documents and legislation

According to good inclusive practice, all parties affected by a decision must have the opportunity to participate. The participation of associations in decision making is generally appropriate, provided that they represent the majority of a target group and/or they have the necessary competence and experiences in the respective field. This type of associations include advocacy and umbrella organisations and major service providers (particularly in the social field).

Financing entities may include various parties in solving issues and shaping decisions, but need not provide activity support to all of them.

**EXAMPLE**

A separate call for proposals may be organised for finding a strategic partner. For example, the government area of the Minister of Regional Affairs announced in January 2013 an open call for finding a strategic partner in the field of volunteering. The call listed the conditions for applying, i.e. the criteria for suitable candidates. Applicants were asked to describe the following:

1) at least five years of activity;
2) competence and experiences in actively involving members;
3) at least a couple of years’ experience in developing volunteering;
4) capability to represent organisations that deal with different target groups and to carry out advocacy;
5) a functioning network of organisations that involve volunteers or the capability to form such a network;
6) organisational capability and capability to operate everywhere in Estonia;
7) capability to participate in the strategic development of the field of volunteering;
8) recommended: a strategy or development plan of the organisation;
9) recommended: involvement in mediating volunteers;
10) abiding by the code of ethics of non-governmental organisations.

In addition, the competences of the person(s) responsible for the organisation and operations were assessed. The applicant was also asked to describe the organisation’s past contribution to the development of the sector, its potential role as a strategic partner in the field of civil society, the association’s vision for developing the field of volunteering and possible solutions for the years 2013–2014.

2. **Carrying out the objectives established in the respective sector**: the operations of associations are aimed at solving a social problem in the framework of achieving national
objectives.

This role offers the most choices in terms of type of funding. In the case of a single objective, a project grant should be considered, while the delegation of a public service would be appropriate where support was aimed at a public service (see also 1.2.3.).

Activity support is justified in the following cases:

- the financing entity considers it necessary to support all associations operating in a given sector on equal terms in order improve the operational capability of all associations operating in the sector;
- an association is one of its kind in a given sector/region, and the financing entity considers it important that the association continue operating;
- a sector or region has developed a specific, as yet unmet need; in this case, activity support may be used for creating a new network or association or for supporting the development of an association so that it would grow into a strong partner for the public sector (e.g. as a service provider or participant in decision making).

EXAMPLE
In Rae rural municipality, village societies are given activity support through an umbrella organisation: NPO Society of Small Towns and Village Elders of Rae Rural Municipality. Each village prepares a table of its needs for covering operating costs and events support, which is sent to the umbrella organisation, who assembles the information and submits a single application for activity support. Before submitting a proposal for including the support mount in the budget, the municipality officials discuss the annual objectives and plans of village societies with the representatives of the non-profit organisation. A portion of the activity support is base funding for societies and a portion is aimed at covering the planned event costs; the budget also includes a specific annual support amount for the co-financing needed for participating in other projects.

EXAMPLE
Estonian local governments allocate funds to the round tables of village elders and non-governmental organisations both for covering operating costs and granting as support to village societies. The distribution agreements are concluded by the round table itself, taking into account the annual plans and needs of local associations.

3. Mediating public funds to other associations: the task of so-called resource organisations, which give grants or offer counselling and support to other associations.

EXAMPLE
The Integration and Migration Foundation Our People, operating in the area of administration of the Ministry of Culture, provides base funding to the umbrella organisations of ethnic minority cultural societies and ethnic minority Sunday schools. These associations are evaluated and must prove that they comply with the requirements established for applying for the reimbursement of operating costs. There is a range of requirements that suitable applicants must meet: for example,
they must be registered in the Estonian Education Information System and organise at least 100 academic hours of native language, ethnic culture and history studies a year; the students must be between the ages of 3 and 18 and of the ethnic minority origin whose culture and language form the basis for the application of the relevant Sunday school. Pursuant to the Estonian Integration Strategy 2008–2013, supporting ethnic minorities in preserving their native language as the language of communication within their communities and in promoting their culture in Estonia also forms part of national strategic objectives. (Source: www.meis.ee)

In reality, associations usually fulfil several of the above-mentioned three roles. However, it is not always so, i.e. associations that operate successfully in a given field may not always have the capability or wish to participate in decision making or to contribute to legislative drafting. It is important to emphasise that activity support may be granted to associations that fulfil one or several of the above-mentioned roles.

Activity support is awarded under an open call, where the financing entity establishes and announces the requirements for receiving activity support. The interested associations submit applications for support to the financing entity. They must also prove their capability and that their main objectives and activities contribute to the attainment of the financing entity’s strategic objectives. Thus, activity support puts a greater emphasis on the criteria that describe the association, its experiences and capability. We recommend aligning the application criteria, the criteria for evaluating applications and the criteria for assessing the effectiveness of funding (see the indicators listed in Annex 14). Open calls may be followed by negotiations for agreeing on the obligations and objectives regarding activity support and for clarifying how they relate to the financing entity’s strategic objectives.

There have been cases where funds are allocated to associations annually directly from state or rural municipality / city budget without a prior open call or documented negotiations. We do not recommend this practice, as this essentially means that activity support is awarded in a way that gives a certain political edge to some associations, disregarding the principle of equal access.

Support to an association must be reflected on a separate budget line when there is a multiannual agreement with an association, e.g. for receiving activity support or providing a service.

1.2.3. Delegation of a public service

Public services are services, goods, information or benefits provided to the public by a public administration authority, organised directly or indirectly by the public sector. Public services are characterised by a community-driven perceived need to ensure equal access to and the availability of the services. This includes both statutory (deriving from e.g. the Local Initiative Act, Social
Welfare Act, etc.) as well as voluntary tasks of the state and local governments.\textsuperscript{18}

When delegating public services, public authorities transfer the provision of a public service to a private company, non-profit association or another public authority, while retaining control over and responsibility for the provision of the service. This process is also sometimes called delegating or conferring administrative duties. The aim of delegating public services is to improve or maintain the accessibility and quality of public services, to achieve an efficient provision of services. Therefore, we should make sure that services are delegated to capable associations on terms that do not threaten the sustainability of associations or the quality of the service.

Delegating public services to associations is not a very widespread practice in state authorities. In over half of local governments (ca 60\%), local governments and non-profit organisations cooperate in providing public services. Close to 42\% of local governments actually delegate public services, while the remaining 18\% conclude contracts where providing public services forms part of a general contract or where public services are provided in the course of fulfilling a contract. Local governments fund services in different ways, and often fail to define services clearly or classify them as provision of services, grouping them together with e.g. activity support and project grants, free use of property, cooperation agreements, etc.\textsuperscript{19} When discussing project grants and activity support below, we will include comparisons with delegation of public services for the sake of clarity.

As buying services from associations by state or local government authorities qualifies as an economic transaction, it is not the topic of this guidance document. Therefore, financing entities have to choose among the three above-mentioned types of funding according to the relevant objectives and the results expected of associations.

When choosing among associations, the most important factor is their capability to offer the services in question most cost-efficiently and their compliance with any existing service standards (e.g. qualification certificates, etc.). The most appropriate associations are found either through an open call or a negotiated targeted tender aimed at potential service providers.

1.2.4. Comparison of the types of funding

According to the National Audit Office, the line between supporting associations and delegating public services to them in local governments is diffuse. Local governments have often failed to understand that when awarding support to an association, the beneficiaries are the members of the association, while the delegation of public services benefits all residents in a local government.\textsuperscript{20}

It would be appropriate to clarify what separates project grants and activity support, as they are

described in this guidance document, from the delegation of public services as a third type of funding.

When to prefer the delegation of a public service

The delegation of a public service should be preferred to project grants or activity support in the following cases:

- The operation in question is actually a statutory function of the public sector authority, but the authority has not managed to provide it on its own or it has not been rational due to insignificant volumes, etc.\(^{21}\)
- It is clear to all parties that the service in question constitutes a service to the residents that the local government must organise and be responsible for, and not an initiative of an association. Studies show that if public services are provided using project grants, the role of the local government becomes unclear and responsibility is not recognised. This also threatens the sustainability of associations, as authorities may assign to them duties and responsibilities of which they actually may not relieve themselves.
- The operation in question is supported repeatedly and the aim is to make it consistently available for the target group. When delegating public services, the objective of the financing entity is to ensure appropriate quality, availability and consistency of service.
- In the case of delegating a service, the conferring entity determines the nature and service standards\(^{22}\) of the service, including the target group, timing of service, quantitative and qualitative characteristics, minimum statutory requirements, i.e. what is offered to whom, when, how often and for how long. In the case of project grants, in contrast, it is the project organiser (an association) who suggests the means for reaching the objectives set by the financing entity.
- The aim of support is not limited to covering an association’s overhead and development costs (as in the case of activity support), but primarily to support specific actions that serve the agreed target groups.

When to prefer activity support and project grants

In certain cases, the delegation of public services could be substituted with activity support, which is more flexible in nature for both public authorities and associations. This applies to the following cases:

- Activity support is appropriate in the case of so-called voluntary administrative duties, which are not statutory by law. It is also relevant when public authorities do not describe in detail the required characteristics of a service, but instead aim at achieving the relevant general goals through the criteria established for associations regarding their operations or provision of services. In this case, the principle of partnership (negotiations) applies, which


\(^{22}\) Service standards are instructions for the use of public services that determine the minimum requirements to various public services. Establishing instructions for use helps improve the accessibility and quality of public services.
means that the exact content and other aspects of a service are determined by the parties together. This option is appropriate if a local government does not have a clear vision of the service, as the activity support allows more flexibility for providing a service than a public service delegation contract. With this scenario, the association will have a greater say in terms of the choice and availability of service, and the agreement should reflect the freedom and flexibility characteristic of activity support.23

- If there are shortcomings in existing strategic objectives and newly emerged needs in the corresponding sector, activity support is suitable for launching a new service or for finding a service provider for a potential service and developing the service.
- Substituting the delegation of public services is called for when the aim is to save time and other resources in the public sector, as the authorities then count on the professionalism of associations in designing and providing services and do not have to follow tendering rules of procedure in their decision making.

However, it should always be considered whether the flexibility offered by project grants or activity support outweighs the following possible problems associated with providing a public service, which would be prevented in the case of delegating public services:

- Authorities have less sway and control over the quality and provision of services, as non-governmental organisations are the ones who define the services.
- Responsibility becomes diffuse, as the division of responsibilities (including the consistency of the public service) is not clear.
- It becomes difficult to distinguish the provision of services from other supported actions (also resulting in problems with organising public sector accounting).

Simultaneously awarding a project grant and activity support to an association

Both the financing entities and applicants need to realise that project grants and activity support are not mutually exclusive types of funding. This means that an association receiving activity support may also submit a project grant proposal. Indeed, achieving the objectives of the financing entity usually requires using different types of funding and supporting several projects. When awarding different types of support to an association, it is advisable to conclude separate agreements for the sake of clarity (see project grant and activity support agreement templates in annexes 10 and 11).

It is possible to agree with an association on carrying out certain actions or tasks in the framework of activity support. For example, a local government may grant activity support to a village society, whereby the society undertakes to organise the village Midsummer Night or Christmas party every year. It is important for the financing entity to make sure whether the actions agreed on within activity support also contribute directly to the objective of activity support, i.e. the actions in question should be connected to the association’s general objective and development. If activity support is awarded on this basis, there should be no competition in terms of other potential organisers of the actions. If this is not the case, a separate call for

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proposals should be announced.

EXAMPLE

Examples of how the types of funding are used

The Integration and Migration Foundation allocates project grants for promoting various integration-related topics. For example, ethnic minority cultural societies may apply for funding for organising events aimed at young people. At the same time, ethnic minority cultural societies can also apply for activity support, which allows them to represent their members and offer regular advice and assistance to the members of their ethnic groups.

The Ministry of the Interior allocates activity support to the Estonian Volunteer Rescue Association, which is an advocacy organisation and coordinates and supports the work of volunteer rescue units. Local governments may allocate activity support to rescue units for their regular operations and for improving their operational capability.

Awarding project grants to rescue units is justified for organising a specific activity, e.g. raising awareness in schools.

The table below summarises the main differences between the types of funding

Table 1. Comparison of types of funding

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>PROJECT GRANTS</th>
<th>ACTIVITY SUPPORT</th>
<th>DELEGATION OF A SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OBJECTIVE</strong></td>
<td>Achieving the objective stated in the project proposal by carrying out an activity / activities</td>
<td>Developing the capability and sustainability of associations; contributing to achieving the financing entity’s strategic objectives</td>
<td>Providing public services with optimum costs and guaranteed quality; accessibility of services</td>
</tr>
<tr>
<td><strong>APPLICANTS</strong></td>
<td>Associations that meet the requirements established in the call for proposals</td>
<td>Associations operating in the public interest</td>
<td>All legal persons capable of providing the relevant service</td>
</tr>
</tbody>
</table>

NB! To achieve an objective, the financing entity may allocate activity support to several associations or on equal basis to all associations operating in a sector/ region.
### MODE OF FUNDING

| As a rule, an open call for proposals | As a rule, an open call for proposals, which may be followed by negotiations | An open call for proposals or negotiations (if there is no competition), in accordance with the Public Procurement Act |

### TERMS OF FUNDING

| Grants are allocated based on ranking to projects in the public interest in accordance with the terms set by the financing entity. | Do associations operate in the public interest? Are they capable of fulfilling the functions of activity support recipients (e.g. advocacy for the interests of members or a target group, involving members or coordinating a network, supporting the operations of other associations or mediating support funds)? | Capability to provide the most cost-efficient services |

| Do associations operate in the public interest? Are they capable of fulfilling the functions of activity support recipients (e.g. advocacy for the interests of members or a target group, involving members or coordinating a network, supporting the operations of other associations or mediating support funds)? | Service provision is entrusted to the best bidder according to evaluation criteria. |

### ELIGIBLE COSTS

| Eligible costs associated with project implementation, including overhead and development costs | Overhead and development costs of support recipients | Costs required for providing the service, incl. overhead and development costs |

| Overhead and development costs of support recipients | There is no established list of eligible costs. |

### DURATION

| A specific period based on the duration and logical sequence of actions | Considering the funds available to the financing entity and the agreement concluded between the financing entity and the association: more than 1 year, up to 5 years | A specific period for providing the service, generally a multiannual framework contract with specific terms agreed by annual negotiations |

### EFFECTIVENESS

| The specific outputs and results presented in the proposal are achieved. Project results have an impact on achieving the financing entity’s objectives. | The association’s capability is maintained or improved; there is a functioning and effective cooperation in working towards strategic objectives at national / local government level. | The expected results are achieved in terms of the volume and quality – availability – of the provided service. |

| The expected results are achieved in terms of the volume and quality – availability – of the provided service. |

### 1.3. Modes of funding

According to the principle of transparency, the preferred mode of funding for all types of funding is an open call for proposals or a public competition. There are also alternative options, depending on the possibilities, requirements and the aim of the financing entity.
The preferred mode of funding is selecting the associations and/or ideas to be funded by way of an open call or competition, i.e. competitions and calls for proposals. This mode of funding ensures open access for all applicants that meet the requirements and a sufficiently wide range of applicants.

An alternative to open calls is a **negotiated restricted call**, where the financing entity negotiates with previously selected associations, provided that the requirements are met. Another alternative to an open call is a **targeted tender**, where the financing entity invites only one association to tender, as it is the only competitor on the market.

**2. FUNDING PROCESS**

Figure 1 depicts the entire funding process, which is cyclical, consists of different phases and includes various sub-actions. Each financing entity should view the funding of associations in a wider context than just conducting funding-related operations; it is a process that contributes to meeting the objectives set by the financing entity.
2.1. SETTING FUNDING OBJECTIVES

In summary:

- Make sure that the objectives of the funding of associations are associated with the public interest, i.e. that they are reflected in a development plan or another strategic document or that they coincide with the objectives in such documents.
- Select the appropriate type of funding.
- Map the associations operating in your sector or region, potential contributors to the objectives.
- If there are many potential competing applicants, prefer an open call for proposals for awarding support.
- Select the suitable indicators for assessing how objectives are met, document the current situation (base level) and the desired situation (target level) in terms of the problem to be solved, determine the period allotted for achieving the objectives.

In the phase of setting objectives, the financing entity has to answer the following questions:

- Does the financing entity need additional assistance or know-how for achieving its objectives and what are the options for finding this outside the institution of the financing entity (i.e. from the private or third sector)?
- Which type of funding is the most appropriate for achieving the established objective?
- Does attaining the objectives require an open call for proposals or negotiations?
- Which indicators allow assessing the success or failure of attaining the objectives afterwards, what is the current situation (i.e. base level) and what is the desired situation (i.e. target level)?
- What is the schedule for attaining the objectives?

2.1.1. Funding in relation to the public interest

In accordance with the principles described earlier, funding associations from public resources must be based on the public interest. This means that the first step required is to establish funding objectives that contribute to the objectives of the financing entity. These objectives are usually provided in a sectoral/regional development plan or another similar strategic document.

These objectives are to be met by implementing already existing or pending measures and action plans. It should also be analysed whether the objectives are to be attained and actions carried out by involving partners from the private and third sector.

In summary, provided that the funding objectives of associations are connected to the strategic objectives of the financing entity, it follows that the funding of associations is indeed based on the public interest, which constitutes the basis for awarding support from state or
city/municipal budgets.24

2.1.2. Types of funding in relation to funding objectives
The nature of the funding objective determines the most appropriate type of funding.

Activity support is the most appropriate choice when the aim is a more long-term cooperation that contributes significantly to attaining the financing entity’s strategic objectives, but also requires improving (or maintaining) the capability of the association. A more long-term strategic cooperation is established when there is a need for the know-how and contribution of associations in developing a sector, including mapping problems, setting development objectives and finding solutions.

Project grants, delegation of public services or commissioning specific services should come into consideration when there are more specific, measurable objectives and/or there is an action plan that describes the most appropriate actions for achieving the objectives. Funding should therefore be granted to associations that prepare and implement an action plan. Project grants are also appropriate when the established specific objective can be achieved by separate, single and more short-term actions that can be described in detail beforehand. In the case of project grants, developing long-term strategic cooperation is usually not a priority need.

If a relevant strategic objective has not been defined or referenced in any document, it is called for to consider whether an action or association should be refused funding from public resources. In any case, associations are obligated to support their operations from other sources: the community, members, companies, by involving volunteers and selling their products/services, etc.

2.1.3. Mapping the associations contributing to the attainment of objectives
When setting objectives, the financing entity must analyse whether and to what extent it needs help in achieving the objectives. In the case of ministries, their divisions and local governments, the sectoral/regional demarcations limit the size of the target group. The more specific the strategic and funding objectives are, the greater the exactitude of analysing the opportunities to find assistance or additional know-how outside the public sector.

Financing entities often need the contribution of associations to reach their objectives, as associations are closer to the target group and are more familiar with the nature of the needed measures and results. Also, the main orientation of associations is often alleviating social problems instead of generating profit, and in certain situations they help lighten the workload of the public sector by assuming responsibility for dealing with some of the issues. Therefore,

24 See also Rahastamine, 2004. Eesti kodanikuühiskonna arengu konseptsiioni rakendamise ühiskomisjon rahaastamise ja statistika töögrupp (working group on financing and statistics of the Estonian Civil Society Development Concept)
financing entities should know the associations operating in the sector or region. To this end, the financing entity must gather information and preferably create a database of sectoral or regional advocacy and umbrella organisations and separate associations specialised in a specific activity, social group, solving a problem or providing a service. Having this kind of an overview allows the financing entity to estimate the potential funding target group and the number of potentially suitable partners or applicants. Having an overview of associations also helps plan the communication regarding funding opportunities.

As the Estonian landscape of associations is in a constant flux (i.e. new associations are constantly being formed, some terminate their activities or alter their operating objectives), in many sectors it is not possible to achieve an exhaustive overview of all active associations. It is necessary to begin by compiling a summary or a database of associations that have already received funding (and are still active), by highlighting the more relevant associations for the financing entity, without unjustly leaving out others, and by keeping the summary or database up to date (a corresponding procedure is recommended for that, establishing when the database is to be updated, who is responsible for doing it, etc.).

It is recommended that the financing entity highlight in strategic documents (e.g. action plan for a development plan) the major associations operating in a sector or region, together with providing the corresponding functions or descriptions of tasks. Thus, the funding of specific associations is tied to the strategic objectives and actions of the state and/or local government. This, in its turn, significantly improves the transparency of funding.

2.1.4. Preference for an open call for proposals

The funding procedure depends on the funding objective, potential applicants/partners and the most appropriate type of funding. The principles and procedure of awarding support to associations is not separately regulated in Estonian legislation, but the process of awarding support has the most direct relevance with the Administrative Procedure Act. Several concepts and procedures can be modelled on the Structural Funds Act for the period 2007–2013. In addition, the principles provided in the Public Procurement Act and the State Assets Act also have an indirect bearing on the processes and actions connected to the use and control of state funds. For example, subsection (4) of § 3 provides that “the contracting authority must ensure effective use of the existing competition in public procurement”.

It follows from this that the most transparent mode of allocating state funds is an open call for proposals. An open call for proposals allows all interested parties to submit their suggestions for carrying out certain actions and/or for achieving the results necessary for the financing entity, and to receive support for this. An open call may be a single separate call, it may consist of calls with different aims or it may take the form of an ongoing open call (i.e. applications may be submitted on an ongoing basis). In the latter case, applications may be evaluated once or several times a year or on an ongoing basis, as they are submitted.

An open call is not always appropriate, however. For example, awarding support based on

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25 See also Joons, 2007.
negotiations is appropriate when there are not enough competing associations that are appropriate and interested or when only one association has the necessary experience and know-how. If this is the case, the financing entity must negotiate with the association the specifics of the actions and the results.

It is particularly important to make sure that the decision for choosing this mode of funding is based on transparent and understandable criteria, that the target group is involved in planning the process and that the public is informed of the reasoning for preferring negotiations in the situation in question.

2.1.5. The need for assessing the attainment of objectives

In the final phase of the funding process (see 2.4. Assessing the effectiveness of funding), the financing entity must assess whether and to what extent the funding helped achieve the established objectives. This means that ongoing monitoring and reporting on the use of support must be complemented with a retrospective assessment of funding an association. This provides information on the results of funding, but also confirms whether the funding and the actions funded are based on the public interest and have helped achieve the strategic objectives of the state / local government. Where the assessment results call for this, the strategy of funding (i.e. who is funded and how and to what extent) should be amended.

For assessment purposes, the goal-setting phase should already be used for selecting appropriate and exactly measurable indicators, for establishing the current status of the relevant issue (base level) and the desired outcome (target level) and also for determining an appropriate timeline for achieving the objectives.

2.2. PREPARATIONS FOR FUNDING

After the objectives have been set, the funding preparations phase will follow. It focusses on planning the support period and the maximum amount and frequency of payments. In this phase, the financing entity also draws up the basic documents for funding or amends the existing documents according to its needs and/or feedback from associations.

In summary:

- Prepare and announce the requirements and procedure for funding, establishing the general requirements for applying for support, processing applications and reporting.
- Draw up call requirements, describing the objectives and expected results of funding, the requirements for applications, criteria for associations and other similar terms and conditions.
- Plan the total support amount and the maximum amount of support in accordance with the requirements and restrictions that apply to state authorities, local governments and foundations established by the state.
2.2.1. Planning the funding volumes and period

In order to ensure transparent funding of associations and comply with the public interest and strategic objectives, the funding volumes and period must be planned with care.

Planning funding volumes is particularly relevant in the case of more long-term cooperation, which requires assuming contractual obligations for a period longer than one budget year (e.g. in the case of activity support).

In state authorities, the conclusion of contracts on account of the budgets of future budget years is regulated by § 31 of the State Budget Act. According to its subsection (1), a state authority may enter into contracts for purchasing goods or services, including construction work, on account of the budgets of future budget years, if the volume of contractual payments in any of the future budget years does not exceed 50 per cent of the amount of the corresponding item of expenditure prescribed for the authority for the current budget year.\textsuperscript{26} Subsection (2) stipulates that exceeding this limit requires the permission of the Government of the Republic.

These provisions can also be applied to the funding of associations. Thus, provided that the volume of contractual payments of a state authority does not exceed 50 per cent of the amount of the corresponding item of expenditure prescribed for the current budget year, the state authority is entitled to assume financial obligations also for upcoming years.

The aim is for the financing entity to plan its long-term financial obligations as far ahead as possible. Therefore, it is already in the phase of preparing the development plan and budget (which follows the 1+3 principle in any case) for an area of government that the financing entities should focus on the associations and areas that they would like to support. This way, it is possible to take account of the restrictions provided in the State Budget Act in the phase of submitting a draft budget.

A state authority must calculate its total volume of contractual payments for specific budget years, the amount of existing and future agreements and the lengths of previously accorded payment periods. Taking all this into account, the payments entered into the draft annual state budget may not exceed 50 % of the total volume of the above-mentioned expenses in any budget year.

Therefore, state authorities have the following options when assigning long-term support:

1. Specific support amounts are assigned contractually for the current and future budget years, provided that they do not exceed 50 % of the amount of the corresponding item of expenditure.
2. The support amount is paid in full within one budget year, although activities extend to future years. This imposes financial restrictions on assuming other financial obligations (e.g. awarding project grants) during the same budget year.
3. A long-term cooperation agreement, i.e. a framework agreement, is concluded, where the

\textsuperscript{26} An item of expenditure is a wider concept here and does not refer to only a single activity support agreement, but rather to sets of agreements which are analysed and compared.
state undertakes to support the operations of an association over a certain period, but where specific financial payments are regulated in separate annual agreements.

For example, a state authority has budgeted 4,000 euros for support in the current year and it wishes to conclude multiannual activity support agreements with associations A, B, C and D. Therefore, the total volume of its contractual obligations in the upcoming years may amount to up to 2,000 euros, and payments may be organised as shown in Table 2.

Table 2. Planning the amount and total volume of activity support payments (state authority), in euros

<table>
<thead>
<tr>
<th>Association</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Total volume of support for upcoming years*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>200</td>
<td>150</td>
<td>250</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>200</td>
<td>150</td>
<td>200</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>100</td>
<td>200</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>2,000</td>
</tr>
</tbody>
</table>

* As the volume of support budgeted for the current year is 4,000 euros, 50% of 4,000 euros amounts to 2,000 euros.

If the total volume of contracts to be concluded in upcoming years exceeded 50% of the state authority’s support budget for the current year (in this case, if it exceeded 2,000 euros), the state authority should submit a request to the Ministry of Finance, via its own ministry, in order to get permission from the Government of the Republic to conclude agreements for more funds. As exceeding the volume of contracts stipulated by law narrows the breadth of the Government of the Republic in terms of planning state budgets for upcoming years, it is not recommended to exceed the established ceiling. A state authority may conclude new agreements and increase or decrease the amounts and annual breakdowns of payments corresponding to existing agreements proportionally to existing contractual obligations and changes in the total volume of the relevant article of expenditure in the state budget of the year in question.

In the case of local governments, the regulations concerning long-term support are somewhat different from those applied to state authorities. In local governments, support agreements must be concluded pursuant to § 34 of the Local Government Financial Management Act.27

The obligations (both short- and long-term) of local governments are grouped together with loan commitments, which means that when assuming such obligations, a local government

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27 That section provides that at the end of an accounting year, the net debt of a local government may amount to a sixfold difference between the operating revenue and operating expenditure of the accounting year ended but shall not exceed the total amount of the operating revenue of the same accounting year. Subsection (4) clarifies that if the sixfold difference between the operating revenue and operating expenditure calculated on the basis of subsection (3) of that section is less than 60 per cent of the operating revenue of the corresponding accounting year, the net debt may amount to up to 60 per cent of the operating revenue of the corresponding accounting year.
must adhere to the limits prescribed by law. The announcement of a call for proposals does not usually generate obligations yet, as the call may not yield a result or the result may not generate consequences in terms of obligations. A commitment arises from the moment the obligation of awarding support becomes a reality, i.e. as of the moment a corresponding administrative decision is made. For example, if a local government decides to grant 100 euros for every pupil who takes up sports practice in a budget year, it will not incur long-term obligations to its balance that would exceed the current budget year.

EXAMPLE
A local government whose commitment ceiling is 60% and whose operating revenue at the end of the year is 1,000 euros may have commitments in the amount of up to 600 euros at the end of the year. If it has loan commitments in the amount of 400 euros, it may assume new commitments (e.g. award new grants) in the amount of 200 euros. However, it is not allowed to assume a support commitment for four years, for example, with annual payments of 100 euros, as the total volume would be 400 euros, which would exceed the ceiling allowed (see also Table 3). If a state authority exceeds the ceiling of 50%, there is the theoretical possibility to request that the Government of the Republic increase the ceiling, whereas in the case of local governments, the ceiling is final without any options for increasing it.

Table 3. Planning the amount and total volume of activity support payments (local government), in euros

<table>
<thead>
<tr>
<th>Association</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Total volume of support for upcoming years*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>20</td>
<td>15</td>
<td>25</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>20</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>10</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>200</td>
</tr>
</tbody>
</table>

* As the maximum commitment amount at the end of the year, pursuant to the ceiling established for local governments, is 600 euros, of which 400 are already under existing loan commitments, the volume of support awarded could be 200 euros.

In order to gain a clearer overview of public funding, the National Audit Office recommends that rural municipalities or towns clearly separate support paid to associations from the operating costs of local government divisions in their budgets. It is recommended to group support on a separate budget line, so that the total amount allocated to associations for one budget year can be clearly discerned. This requires adjusting the budgetary procedure and other related legislation.

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28 The limits of local governments vary, depending on their financial capacity, between 60 % and 100 % of their operating revenue in the current year, which local governments may not have exceeded by the end of the year.
separating support awarded to associations by classifiers/accounts in the budgets, complementing the explanatory statements of budgets with explanations of the budget lines that reflect allocations to associations and publishing the explanatory statements and budgets on the websites of rural municipalities. If there is no other option, the information on the total amount of support paid to associations must be published in the local government’s annual report. In addition, the rules of funding must indicate the budget line for support amounts paid to associations (or assigned under a specific procedure).

2.2.2. Preparing basic documents

This phase consists of preparing the documents regulating the funding process and discussing them with the different parties (incl. associations).

The basic documents regulating the funding process include:

- conditions and procedure for funding;
- requirements for calls for proposals (project grant call requirements and requirements for applying for activity support).

Conditions and procedure for funding

Associations must be awarded support under a universal procedure that ensures associations equal conditions and access to support. The procedure for funding is one of the main basic documents of the funding process, establishing principles, conditions and a procedure that do not change from one call to another. The procedure for funding may also include more specific requirements for support applicants. In that case, the financing entity does not need to prepare separate requirements for calls. At the same time, the procedure for funding should not become too detailed, as this would require all too frequent amendments to the document. Amending the procedure for funding also generates excess work for the financing entity.

The procedure for funding contains the following information:

- principles of awarding support (e.g. who is funded and how);
- (general) requirements to the applicant and application (e.g. requirements to the applicant: solvency, absence of tax arrears, history of appropriate use of support);
- procedure and principles for processing applications (e.g. procedure for submitting, evaluating and selecting applications);
- procedure for concluding grant agreements;
- terms of monitoring the use of support;
- rights and obligations of the applicant, possible sanctions, etc.

It is recommended that the financing entity establish a procedure for funding applicable to associations of various legal statuses, operating in all sectors. If the aim of the financing entity is to limit funding to single topics or associations over a specific period, it is more appropriate to formulate a more flexible procedure for funding and, based on the needs of the financing entity, to complement the procedure with requirements for calls, which can be amended more
easily where needed.

As there is expected public interest in the procedure for funding, it is recommended that a state authority formulate it as a legislative act (e.g. ministerial regulation) and not as a ministerial directive for example. This requires that a provision delegating authority be provided by law or that such a provision be introduced where needed. The regulations of the Government of the Republic and of the ministers are to be published by law in the State Gazette\textsuperscript{30}, while ministerial directives are usually published in the document register, which makes it harder to find them.

**In the case of state authorities, the choice of legislative act establishing the procedure for funding associations also depends on the following aspects:**

1) whether the support may have a significant bearing on the areas of government of other ministries;
2) the significance of support (e.g. amount of support, the political significance of support, etc.).

Consequently, if the award of support affects the area of government of several ministries or if the issue has political significance, the procedure for funding should be established as a regulation of the Government of the Republic (e.g. the procedure for applying for, granting, using and reclaiming support from the receipt of gambling tax).

In the case of foundations established by the state or local governments, the procedure for funding is established by a decision of the supervisory board and in the case of local governments, by a city or rural municipality council regulation.

Regardless of the legal format of the procedure for funding, it must always be published on the financing entity’s website.

**Requirements for calls for proposals: project grants**

The requirements are prepared or revised separately for each call. The requirements are approved either by a ministerial directive or, in a local government, by an order of a department head. The practice of preparing separate requirements for calls for proposals is still not common in local governments, as funding volumes are small and funding terms change rarely. As a result, call requirements are often included in the procedure for funding in local governments.

Preparing call requirements is guided by the principle that the requirements to applicants (and applications) should be limited to only the terms and conditions that actually bear weight in the decision making process. As all terms and conditions require that the applicant make an effort in proving their compliance, the requirements must be optimum both in terms of content (i.e. the type of requirements) and form (i.e. how compliance is to be proved).

\textsuperscript{30}See § 2 of the Riigi Teataja Act.
Call requirements include at least the following information:

a) a reference to the documents that form the basis for the call (e.g. procedure for funding; where needed, other guidelines, rules and documents, a document stating the objectives specified in the articles of association, national development plans and strategies relevant for the financing entity and with a significant bearing on the objective of the call);
b) objectives of the call and more detailed funding priorities, where necessary;
c) total financial volume of the call;
d) deadline for submitting applications and submission address;
e) expected results and objectives of funded projects (including the possible qualitative and/or quantitative criteria of project results and actions);
f) requirements to the applicants (i.e. who may and who may not submit an application);
g) requirements to the application (e.g. application form, required appendices, who is to sign the application and how, deadline for submitting the application and where to submit it, number of copies to be submitted, etc.);
h) eligibility period\(^{31}\);
i) list of eligible and/or ineligible costs;
j) maximum amount of support that can be applied for;
k) if self-financing is required, its minimum amount and accepted format (financial contribution, volunteer work, other financially measurable contribution);
l) criteria and procedure for evaluating the application;
m) conditions for accepting or refusing an application;
n) obligations of support recipients (e.g. obligation to submit progress and final reports on schedule, obligations to announce the receipt of support and project results, etc.);\(^{32}\)
o) deadlines and procedure for submitting information and reports regarding the award and use of support, and report forms;
p) procedure for executing support payments (i.e. payment amounts, when should payments be made and on what conditions);
q) procedure for amending grant agreements and the procedure and bases for recovering grants;
r) contestation procedure;
s) contact details of the financing entity for requesting further information.

The call requirements must provide the applicant in-depth information on funding objectives, terms and conditions of applying for a grant, the procedure of evaluating applications and the requirements regarding the use of grants.

As mentioned above, call requirements and the procedure for funding may also be integrated into one document. This is currently a rather common practice in local governments. As the procedure for funding and call requirements usually differ in terms of the level of detail of the

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\(^{31}\) An eligibility period is a period, provided in the funding decision or administrative agreement, where project actions begin and end and project expenses are incurred.

\(^{32}\) See § 22 of the 2007–2013 Structural Assistance Act for a possible list.
conditions and requirements, it should be made sure that the procedure for funding does not become too detailed. This might require frequent amendments to the procedure, which makes it harder for the associations to plan their operations. Neither should call requirements become too general, as this interferes with setting a clear focus for funding, making a clear distinction between eligible and ineligible costs, etc.

Requirements for calls for proposals: activity support

The call requirements for activity support may also be prepared largely on the basis of the list above. The financing entity must include in the requirements all conditions and restrictions that are known: for example, the maximum period for activity support, total volume of support. An agreement is reached within these restrictions by way of negotiations, where necessary.

Considering the specificity of actions and cooperation, it is not sensible for the financing entity to establish a uniform application form for activity support. Rather, the financing entity should aim at describing the information expected from the application in the call requirements.

The call requirements for activity support include at least the following information:

1) name of support provider;
2) objectives and expected results of awarding support;
3) maximum support period and total volume;
4) requirements to the content and form of the application;
5) requirements to and expectations of the applicant;
6) deadline and address for submitting the application;
7) criteria and procedure for evaluating applications;
8) sources of additional information.

Timeliness and relevance of basic documents

The basic documents for funding should be reviewed regularly and revised where necessary. However, basic documents should not be amended too often, as this would hamper associations in planning their operations. If calls for project proposals are frequent (several calls a year), we recommend considering updating the procedure for funding every two years (e.g. based on the feedback provided in final reports or after updating the strategic documents of the financing entity). If the financing entity awards small amounts of support and there are relatively few applications (e.g. in the case of local governments), it is sufficient to assess the relevance of the procedure for funding every 3–5 years. In accordance with the principles of funding and if the financing entity has not been gathering feedback and suggestions on an ongoing basis, associations need to be involved in the assessment.

Call requirements should be reviewed each time a new call is announced. In addition to adjusting the eligibility period of expenses, application deadlines, etc., the financing entity also needs to review and revise, where necessary, the requirements to applications and applicants, the list of eligible expenses, etc. With new calls for project grant proposals, the need for
adjustments may emerge right in the beginning, e.g. within the first couple of years, when the objectives have just been set and their attainment is assessed for the first time. In the case of local governments, it is recommended that new council formations also review the documents regulating funding.

Both the procedure for funding and call requirements should leave the applicants sufficient flexibility in planning their actions. For example, there may be problems with support where the budget is based on price quotes. If a project spans over a long period or if it takes months to make a decision, the prices may increase in the meantime, increasing the project’s final cost as well. Both applicants and financing entities should take this into consideration and plan their budgets accordingly.

2.3. THE PROCEDURE FOR AWARDING SUPPORT

<table>
<thead>
<tr>
<th>In summary:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Prepare a call for proposals and inform the target group using appropriate information channels.</td>
</tr>
<tr>
<td>✓ Allow at least one month for submitting applications as of the initial call announcement, and at least 5–6 weeks in the summer or during holidays.</td>
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<tr>
<td>✓ Inform applicants of having received their applications.</td>
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<tr>
<td>✓ Check that the applications are formulated correctly.</td>
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<tr>
<td>✓ Assess the content of applications according to the assessment criteria and system published in the procedure for funding and/or call requirements.</td>
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<tr>
<td>✓ Make a decision by the deadline announced in the call requirements (in a maximum of 3 months).</td>
</tr>
<tr>
<td>✓ Inform the applicants of the decisions made. In the case of refusals, give reasons to the applicants in writing and inform them of contestation options.</td>
</tr>
<tr>
<td>✓ Publish grant award decisions, including the amount of support, names of grant recipients and projects.</td>
</tr>
<tr>
<td>✓ Conclude grant agreements by the deadline established and announced previously.</td>
</tr>
<tr>
<td>✓ Monitor the use of funds.</td>
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</table>

2.3.1. Preparing a call for proposals

In order to receive substantial project proposals, the financing entity must prepare a well-rounded call that provides introductory information on funding options and invites target group members to apply.

A call for proposals includes information on at least the following:
1. **Who is the financing entity?** – Name of financing entity
2. **What is funded?** – Areas and/or actions to be funded or the title of the call;
3. **Who is funded?** – What kind of applicants qualify?
4. **How is funding organised?** – Type of funding, information regarding applying
   (application deadline, where and how to submit the application, documents submitted upon application, contact details and contacts for additional information).

The call must include a link to the website of the financing entity, where applicants can find information on the procedure for funding and call requirements as well as other relevant documents and materials, such as application and report forms, evaluation criteria, standard terms of contracts, etc. The information on the website should be displayed as compactly as possible. This means that information and links to additional documents and materials should be found on one page or in a separate section.

### 2.3.2. Informing the target group

Once the necessary preparations have been made, the financing entity must find the most appropriate way to inform potential applicants of funding options. A minimum mode of communication is the newsfeed of the institution’s own website and its section on support for associations. When spreading information, it should always be kept in mind who is the target group and what kind of channels it uses for getting information. The more diffuse the target group, the more diverse channels of information need to be simultaneously used, e.g. the websites of various organisations, printed media and direct communication, where possible. If the target group is easily defined, a couple of specific channels of information (e.g. direct mailing) may be selected. Direct communication is also a good option if associations have gathered in a round table or under a similar umbrella institution. A good mode of direct communication are also e-mailing lists for associations operating in certain regions or sectors. Potential applicants are saved the effort of looking for information, as financing entities themselves send the relevant information to the applicants. For example, the Network of Estonian Nonprofit Organizations spreads information regularly via its weekly e-newsletter, and each county development centre also maintains a mailing list for local associations interested in news and information.

Each county has a development centre that offers free counselling to start-up and active companies, local governments and start-up and active associations. For example, county development centres provide information on the available grants, non-profit work in the corresponding county and the services of private consultants. County development centres also advise local governments and their divisions on various topics: development ideas, preparing support applications, preparing and organising commissions from the private sector for development work and services, organising tenders, etc.

In order to ensure the widest possible access to information, the information channels on the funding of associations should be complementary to one another. This means that in addition to publishing information in mailing lists or on websites, it would be a good idea to organise informative events and publish notices in local printed media. Local town or parish newspapers are particularly important channels of information at the level of local governments. Many financing entities (e.g. the Ministry of Foreign Affairs, National
Foundation of Civil Society, Integration and Migration Foundation) organise information days where they offer information and advice on call requirements and applying for support. This also saves the financing entity time that would be later spent on dealing with problems and issues.

Social media (Facebook, Twitter, etc.) are also enjoying an ever-increasing popularity and growing user numbers (also in terms of spreading official information), and their advantage over other electronic channels lies in their interactivity. However, when using electronic solutions, it is important to keep in mind that despite the growing numbers of Internet users, a part of the population still has limited or even no access to the Internet.  

**Information submitted in support applications**

The funding decision is based on an association’s application. The information required corresponds to the terms and requirements established in the procedure for funding and call requirements. This means that the financing entity must know what kind of information is needed for evaluating applications already when preparing call requirements. It is important not to burden the applicants with requirements for information that actually does not bear any significance for the financing entity (which may be the case if the conditions for applying or application form are copied from the forms of other financing entities, etc.).

The application requirements should also reflect a balance between, on the one hand, the level of detail of describing actions, the budget and other information required in the application and, on the other hand, the available support amount. Therefore, applicants are asked to provide “as little information as possible and as much information as necessary”. When support amounts are minimal and projects very short, it is not necessary to impose the obligation of filling out overly detailed report forms and submitting several progress reports. In addition, the financing entity itself has to make maximum use of data available in public registers and request that applicants submit only the information that it cannot access otherwise or where accessing the information would require unreasonable efforts by the financing entity in terms of labour, time or material resources.

In the case of **project grants**, a uniform application form applies, for comparison purposes, throughout a call and contains questions regarding all aspects that may affect the evaluation of the content of the application. In the case of **activity support**, a uniform application form is not necessary, as the information submitted depends on the specific operations of the applicants and financing entities and on the nature of the cooperation based on strategic partnership. The financing entity explains in the funding notice what kind of information the application should include. The evaluation checklist prepared by the financing entity should reflect the information required.

In the application form for **project grants**, the financing entity requests the following information in line with the specific needs of the call:

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34 See § 14 of the Administrative Procedure Act.
1. Details of the applicant

2. A summary of the project

3. Project objective. The desired situation after a project is completed. An objective may be divided into several sub-objectives. The description of the objective must allow the financing entity to evaluate how the implementation of the project contributes to achieving the objective of the financing entity.

4. Reasons why the project is necessary. A description of the problem that project actions try to solve, and of how it was identified and relates to sectoral/regional development plans or other priorities of the financing entity.

5. Project target group. A description of the group, its size, location, etc. (e.g. parents of disabled children of rural municipality N (20 families)).

6. Project results and expected impact. A description of how project results impact on the situation of the target group and more generally, on the situation in the region, community or in society. The applicants explain how they plan to measure project results and assess their impact.

7. Project action plan. Project actions in order of implementation. The action plan must provide the financing entity with answers to the following questions:

   a. WHAT KIND of actions will take place and how do they contribute to achieving project objectives (i.e. explanation of the action plan)?
   b. WHEN will the actions take place (i.e. the project’s time frame, beginning and end date and the dates/periods for specific actions)?
   c. Optional: who is responsible for specific actions in the list (position in the project team) and what are the reasons for these actions?

8. Outputs and corresponding indicators (qualitative and/or quantitative). These allow the financing entity to assess the success or failure of projects. This is primarily relevant for the main actions that are directly connected to project objectives (i.e. it is not necessary to require indicators for describing various supporting activities, such as project management, team meetings, etc.).

9. Sustainability. A description of the planned further actions that ensure sustained impact on the target group and/or sector after project actions have been completed.

EXAMPLE
A project objective could be establishing a functioning network. The sustainability description could demonstrate how the network would continue operating after the end of the project and how it would expand further.
10. **Background and previous experiences of the applicant.** A description of the content and volume of an association’s previous projects and actions. It allows the financing entity to assess to what extent the association is capable of making intended use of the grant and achieving the expected results. However, the lack of previous experiences alone should not be a reason for refusing support.

11. **Project team and partners.** A description of the distribution of the roles and tasks among project participants. When other organisations or experts are involved in project implementation and funding, the applicant should justify the choice of cooperation partners.

12. **The project budget** includes the following information on eligible costs:
   a. items of expenditure related to the implementation of actions, their number and prices;
   b. self-financing amount and percentage of the budget in relation to the requirements established by the financing entity;
   c. volume of the financially measurable contribution, including volunteer work, in self-financing.

13. In the case of larger support amounts or projects that are otherwise more significant for the financing entity, the application might include information on the **risks** associated with project implementation. In that case, the applicant should also describe the planned measures for managing risks.

**NB!** Well-rounded application and reporting forms require involving the target group in drafting and testing the forms. Once the call for proposals is over, the financing entity should request feedback from applicants and adjust the forms accordingly.

As one option, the financing entity might try to fill out the form before introducing it officially. Personal experience in filling the application form makes it easier to give satisfactory answers to the questions of applicants and to assess the relevance of the information requested.

**Additional documents**

The nature of the project may require that some information be submitted in the form of appendices to the application form. The additional documents depend on the specific funding objective and the actions funded. Additional documents may include evidence of relevant formal qualification (CVs), a business plan, training programme, etc. Additionally requested documents may include cooperation confirmations, letters of authorisation (if the applicant’s representative operates under an authorisation), etc. The main principle here should also be that the provider of support requests only the additional documents that are essential for making a funding decision (principle of proportionality) and that additional documents are requested only if the information cannot be found otherwise (from registers, databases) or if it
is too much work. The financing entity should refrain from requesting preliminary work and documents that incur unreasonable expenses for the applicant. In terms of CVs, the financing entity should accept as much as possible the formats used by the associations themselves, provided that they include the information requested by the financing entity. It is easier for the financing entity to evaluate applications if a significant part of the necessary information is submitted within the application form and additional documents are either not required or form a very small part of the application.

**Application budget form and eligible costs**

In the preparatory phase, the financing entity must determine the eligible costs associated with implementing the actions. An eligible cost is a justified, reasonable and necessary cost determined by the financing entity and incurred for implementing a project in accordance with the requirements provided in legislation or the decision to award support.

The various items of expenditure may include project manager fee, direct costs related to the implementation of actions, such as catering, transportation, accommodation, rental fees of premises, fees for designing, granting and publishing materials, etc. It is recommended that in addition to covering the direct costs of project actions, the financing entity also cover a certain percentage of the overhead or salary costs of associations, as this contributes to maintaining and improving the capability of associations (one of the principles of funding).

Issues may arise in terms of eligible costs when in addition to receiving activity support, an association is awarded a project grant or is delegated the provision of a public service. However, even then, it is not advisable to deprive a project grant the option to cover some of the overhead costs, as each type of support serves a separately agreed objective. Each action generates overhead costs, and ignoring them or leaving even a portion uncovered jeopardises the association’s ability to carry out project actions (the same applies to the provision of delegated services). In other words, covering a part of overhead costs in project grants (or service delegation contracts) contributes to the objective of a corresponding project or provision of service, while activity support contributes, in contrast, to the increased capability of the association and its development objectives.

The financing entity is advised to prepare a budget form for the application, with separate budget lines for eligible costs. This could, for example, take the form of an Excel table, which allows entering the formulas for all the criteria established by the financing entity and providing them with the necessary control lines. A budget form based on cost categories allows for entering the formulas for taxes paid on labour costs. A budget form may be based either on actions (action 1, action 2, etc.) or cost categories (labour costs, services acquired, events, equipment acquired, etc.).

**Calculating self-financing**

It is recommended to include in the budget form columns for different sources of revenue,
including support, self-financing, financial contribution and financially measurable contribution (see Annex 4). If the financing entity wishes to simplify the budget form, it may group the financial and financially measurable contributions into one column, marking the latter with an asterisk or in italics (practiced in the Norwegian NGO Fund of the Open Estonia Foundation). This guidance document uses the following terms in relation to self-financing:

**Grant/support** – funds allocated for a specific purpose that are transferred to the grant recipient’s bank account upon the signing of a funding decision and/or grant agreement either in full or in instalments, as provided in the terms and conditions.

**Financing entity** – a legal person in public or private law that allocates public funds to an association (e.g. a state authority, local government authority and other organisations). A project may have one or several contributors: (co-)financiers. Co-financiers may agree on supporting all expenses proportionally, or on dividing the expenses among different financiers. The rationale is based on the approach employed by the EU Structural Funds, where Estonia is viewed as a co-financier from the point of view of the ESF. There may be more co-financiers if needed.

**Self-financing** – a grant recipient’s financial or financially measurable contribution to a project reflected in the project budget. Self-financing includes the funds contributed by the grant recipient via its bank account (irrespective of the initial origins of the funds) and financially measurable resources (including volunteer work, premises for free use, etc.). Where the financing entity so wishes, it may provide in the call requirements or the procedure for funding that grant recipients are only required to provide financially measurable contributions or it may forego the self-financing requirement altogether.

The use of grant money and financial self-financing is validated in the accounting of grant recipients pursuant to the Accounting Act. Grant recipients must make sure that the expenses of supported projects and the corresponding expense and payment receipts are kept separately from other expense and payment receipts in their accounting.

**Financially measurable contribution** – coverage of project expenses by grant recipients and project partners not reflected in the grant recipients’ accounting (including volunteer work, premises, transportation, equipment, where grant recipients do not pay for the use of equipment with project funds; free transfer of materials and equipment with market value to grant recipients for the purpose of implementing project actions). A financially measurable contribution is eligible if its value can be measured independently, validated with documentary evidence and inspected. The financing entity monitors the financially measurable contribution through project actions, assessing whether the declared expenses have been incurred as intended and in accordance with a project’s objective and action plan. Where it so wishes, the financing entity may simplify the recommended budget form and allow declaring the entire financially measurable contribution in two columns (volunteer work, other financially measurable contribution). Until recently, the term “in-kind contribution” was in use. The term “financially measurable contribution” is used in the 2007–2013 Structural Assistance Act and it conveys the meaning more accurately.

The term co-financing has also been used in current funding practices. This guidance
document considers it a part of self-financing: it is the financial or financially measurable contribution of the grant recipient’s partners to implementing project actions. The financing entity may establish the requirement of involving partners in providing self-financing and where needed, formulate the requirement in the support terms and conditions or the procedure for funding.

A partner is an active contributor to project actions whose accounting reflects the expenses it has incurred toward the implementation of the project or whose corresponding expenses can be validated otherwise. For example, if a partner allows the grant recipient to use its classroom for free, this can be validated indirectly with a statement that on the corresponding date, the classroom was used for a certain amount of hours for project-related training (list of participants with project details), accompanied by a statement of the rental fee of the partner’s classroom. Partners are not subcontractors in projects.

**Recommendations for the financing entity:**

1. Both financial and financially measurable contributions must be considered eligible. This makes the funding of associations more flexible and recognises the non-profit nature of associations.
2. The financing entity usually establishes the self-financing requirement to increase the applicant’s motivation in achieving the project objective. Thus, the financing entity supports covering a project’s budgetary expenses to a certain extent depending on the nature of the project and establishes the requirement that the rest must be provided by the grant recipient as self-financing.
3. The rate of required self-financing must take into account the financial capability of the grant recipient and be within its means. The optimum required self-financing in the case of project grants is usually no more than 10% of the project budget. If there is a need for a higher rate of self-financing, this must be decided when preparing the procedure for funding and with the involvement of target group representatives. Self-financing is not required in the case of activity support.
4. The support terms and conditions must motivate associations to generate revenue and increase their own contribution (e.g. selling tickets, extra activities).

Self-financing carries the threat of so-called double funding: it must be kept in mind that declaring support received for projects with other actions and objectives as self-financing is not allowed.

**Double funding can be avoided by:**

- ensuring maximum transparency of the funding procedure;
- publishing information on the associations and projects funded;
- cooperation and exchange of information among financing entities;
Method for calculating volunteer work

Volunteer work is the financially measurable contribution of volunteers to a project. The following method could be the most precise way to calculate volunteer contribution.

The financial value of volunteer work must be calculated on the basis of working time and the average hourly or daily fee for similar work in a given country.

When calculating volunteer work hours, the applicant must submit to the financing entity an estimate reflecting the quantity of volunteer work either in hours or days and the content of the work. The applicant should also explain and justify the estimates. The value of volunteer work must be indicated by its major job group of the ISCO classifications and by the corresponding national average gross hourly wage. The maximum financial value of volunteer work as self-financing is the hours of working time multiplied by the average gross hourly wage (i.e. the applicant may also declare a lower value).

The major job groups and the corresponding national average gross hourly wages are published by the Statistical Office\textsuperscript{35} in the salary section of the database “Economy: salary and labour costs”. The most recently published data must be used. Table 4 features the most recent average gross hourly wages of major job groups.

Table 4. Average gross hourly wages by major job groups, in euros, 2010.

<table>
<thead>
<tr>
<th>Major Job Group</th>
<th>Wage (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General average for the major job groups</td>
<td>4.77</td>
</tr>
<tr>
<td>Managers</td>
<td>7.99</td>
</tr>
<tr>
<td>Professionals</td>
<td>6.60</td>
</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>5.17</td>
</tr>
<tr>
<td>Service and sales workers</td>
<td>2.90</td>
</tr>
<tr>
<td>Craft and related trade workers</td>
<td>4.21</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>2.62</td>
</tr>
</tbody>
</table>

Source: Statistical Office, economic database

When evaluating applications, the financing entity must 1) compare the declared working time to the contents of the work and the corresponding explanation in order to evaluate whether the declared working time is realistic; 2) compare the average hourly wage of a declared major job group of volunteer work to the general description of the work in order to evaluate the relevance of the chosen major job group. When evaluating the hourly wage, the competence and experience of volunteers should also be taken into account. If the applicant has used an hourly wage exceeding the average hourly wage of the job group, the applicant has to explain this and justify the involvement of a volunteer with the indicated competence and experience in the project.

The financing entity must establish the format for reporting on volunteer contribution in projects, for example in the form of a volunteer work log, also to be signed by the volunteers. The report must include:

1) first and last name of volunteers who worked without pay for the project;
2) work done;
3) working hours (or days);
4) average gross hourly wages (or gross working day wages) of the major job groups corresponding to the work done;
5) total cost of work (time × fee);
6) reference to the basis for calculating the unit price of work.

Volunteer work does not include the voluntary contribution of people who receive a salary or contractual commissions from the project.

2.3.3. Processing applications

Application deadline

Applicants must be allowed sufficient time for preparing applications. The financing entity needs to realise that examining the procedure for funding and call requirements, conceiving the project, planning the actions, discussing with the team and partners and joining all these steps into an application is a time-consuming task.

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36 See section “Klassifikaatorite nimistu” of the Statistical Office website for a more detailed description of major job groups.
According to a study on the corruption sensitivity of tenders\footnote{Klopets, 2009.}, a tender having too short a deadline may constitute a condition restrictive of competition and therefore a risk of corruption. The same principle extends to other modes of allocating state budget support. When it comes to both project grants and activity support, the minimum period between the initial announcement of the call for proposals and the deadline for the submission of applications must be at least one month. It should be made sure that the application deadline does not coincide with longer holidays (Christmas and the New Year, summer vacations). If that is the case, the period allotted for preparing applications should be longer, for example 5–6 weeks. Neither is it advisable to set the application deadline for the days following a holiday.

**Ways for submitting applications**

The most common way for submitting applications is by e-mail with digital signatures. Some financing entities (e.g. the Ministry of Culture, Enterprise Estonia, Environmental Investment Centre, Tartu City) use electronic interfaces for uploading applications.

Electronic solutions should, however, be complemented with the option to submit applications and reports on paper. This is more relevant in local governments, where it is much more common to submit applications on paper, and therefore, this option should be clearly stated in the procedure for funding or call requirements. Launching a special web interface for applying for support is a good alternative, which might be considered in the context of the common portal for services of local governments.

**Checking and evaluating applications**

When an application is received, it is registered and the applicant is informed of the receipt of the application. The registry numbers of received applications must indicate the call, so that applications received under one call can be identified. The receipt and registration of the application usually launch the processing procedure.

The financing entity is not obligated to begin processing or to review an application if it has not reached the financing entity on time, provided that the application deadline has not been extended.\footnote{See subsection 14 (6) of the Administrative Procedure Act.} However, the financing entity must inform applicants of refusing to review their applications and to justify this in writing.\footnote{See subsection 14 (7) of the Administrative Procedure Act.}

The financing entity usually reviews the applications in two phases:

1. Formal check for making sure that the application has been filled out as required and includes all the necessary appendices. This is a technical procedure for identifying the
applications that do not meet the established formal requirements. If formal deficiencies are found, the financing entity must request that the applicant amend the application by a certain deadline. In that case, this option of extra time should apply to all associations whose applications have formal deficiencies, in accordance with the principle of equal treatment. If the applicant fails to submit an amended application by the established deadline, the financing entity may terminate the procedure and decide to refuse support due to non-compliance with formal requirements. The decision must be motivated, i.e. all factual and legal details of the decision must be presented in writing (see also “Making the decision and notifying the applicant”).

The formal evaluation may be conducted by one person, as subjectivity does not play a role here. Where needed, the evaluator discusses the results of the formal evaluation with the person in charge of awarding or refusing support.

2. Evaluating the content of applications is based on the relevance of the actions and objectives described, the expediency and purposefulness of budgetary expenses, the capability of associations and other information presented in the applications. Content must be evaluated using specific criteria established by the financing entity, which are also published in the call requirements for transparency purposes. They must be sufficiently detailed and indicate clearly which criteria form the basis for evaluating applications. Content-wise, it is important that each application be evaluated by more than one person. To that end, it would be useful to form a separate committee for reviewing applications (see also “Evaluators of applications” for more information).

When it comes to the budget, the financing entity must evaluate its feasibility and expediency. One possible option for this is to compare the expenses presented in the application to expenses presented in other applications and to the usual expenditure on similar actions, while keeping in mind the different contexts of projects. For example, the project team may be more competent and experienced compared to others, which improves the efficiency and quality of actions. As a result, the team’s salaries may be higher than those of other applicants. Therefore, the most important factor in terms of assessing the budget is the competence of evaluators and their experiences in evaluating and implementing similar projects. The financing entity’s claims of insufficient or excessive expenses must be justified. If this is the case, the financing entity may suggest amending the budget. This usually means that an applicant must cut down excessive expenses or downsize actions. The financing entity should not decide on awarding support in a smaller amount than applied for without consulting the applicant first. The financing entity must make sure that the applicant is willing to go on with the project even with a smaller budget and support amount.

Reducing support may also change the results. Therefore, negotiations must reveal what kind of results are actually feasible for an association if it does not receive the total support amount of the initially planned project. After the negotiations, the applicant must submit an application with an

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40 See § 15 of the Administrative Procedure Act.
amended budget and/or action plan, which the financing entity takes as a basis for making its decision.

**EXAMPLE**

NPO Kirderanniku Koostöökogu, which is one of three LEADER action groups in Ida-Viru County, clearly describes its evaluation process and procedures on its website (www.kirderannik.ee/ametlik/). The information on the action group’s activities, organisation, measures, calls for proposals, basic documents, reporting forms and procedures can be easily found on the website. There are procedures in place that ensure the transparency of terms and conditions, rules and the entire process from processing project proposals to reviewing contestation claims: the procedure for registering and maintaining the documents related to processing project proposals; the procedure for forming a working group for evaluating and ranking project proposals and the rules of procedure of the working group; the procedure for removing evaluation committee members from evaluating project proposals; the procedure for evaluating and ranking project proposals; the procedure for reviewing contestation claims.

**System for evaluating applications**

The evaluation is based on previously published criteria, to which the financing entity can assign varying weight based on their importance. The quality of applications is reflected in the total score of the individual scores of evaluators.

**NB!**

Assigning varying weight to criteria provides leverage for deciding in situations where several applications receive equal scores. The decisive factor may be which application scored the highest in a criterion with greater weight.

The criteria may be divided into several sub-criteria, which are evaluated separately. Evaluators must only be guided by the established criteria and avoid evaluating irrelevant factors (i.e. factors outside the established evaluation criteria).

Based on the content of the application, specific (sub-)criteria are assigned numerical values in accordance with the evaluation system and scale used.

One possible option is a 5-point scale where 1 = insufficient, 2 = poor, 3 = average, 4 = good, 5 = excellent. The total score of each evaluation criterion is the arithmetic average of the scores of sub-criteria. The final score of each evaluation criterion is the arithmetic average of evaluators’ scores multiplied by the significance of the criterion. The total application score is the sum of the final scores of evaluation criteria. The wider the scale, the lower the probability of equal scores and the easier it is to rank applications.

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41 See also Annex 3 “Instructions for evaluating development cooperation and humanitarian aid applications” of Minister of Foreign Affairs Directive No 34 of 11.03.2010 “Formation of the development cooperation committee and approval of legislation”.
Documenting evaluation results and making funding suggestions

Documenting evaluation results is one of the main ways to improve the transparency of the entire funding process. For this, the financing entity has to draw up special scoring sheets for evaluating the applications submitted. The entire evaluation is based on the scoring sheets to be filled out for each application. The sheets indicate the applications’ scores for each criterion together with justifications. Therefore, it must be seen from the score sheets why the scores were lowered. This forms the basis for a motivated decision by the financing entity. Evaluators confirm the evaluation result by signing the score sheets.

Score sheets must feature at least the following information:

1. name of evaluator;
2. criteria for evaluating an application;
3. scores for each criterion (and sub-criterion, where applicable) together with justifications;
4. if criteria bear varying weight, a corresponding percentage or coefficient;
5. total score of the application;
6. where needed, suggestions of the evaluator as to amending the volume of actions or the budget.

Based on the evaluation results, the evaluation committee or the expert committee suggests\textsuperscript{42} to either accept or decline an application. A negative decision must be motivated, i.e. it must include all the factual and legal details of the decision. It must also indicate the options for the applicant to contest the decision with the financing entity or in court.

Evaluation is followed by ranking the applications based on the scores, starting with the application that received the highest total score. The ranking features the names of applicants (and names of projects in the case of a call for project proposals), support amounts and total scores of applications.\textsuperscript{43} Suggestions to accept applications begin with the application with the highest total score, descending downwards, until the budget of the call is exhausted.\textsuperscript{44}

In case of equal scores, the application that scored better in the evaluation criterion with the

\textsuperscript{42} In a ministry, to a senior official (usually secretary general or deputy secretary general) or the minister; in a state or local government founded foundation, to the management board; in a local government, to a city/municipal government.
\textsuperscript{43} Ministry of Foreign Affairs, 2012.
\textsuperscript{44} Ibid.
most weight is preferred. If scores are equal even in that criterion, the application that scored better in the second most significant criterion is preferred.\textsuperscript{45}

The financing entity often sets a threshold (minimum score) as a prerequisite to be met by funded applications. This means that the applications that failed to reach the threshold score are not funded even if the financing entity has enough resources. Setting a threshold essentially means that all funded applications must meet at least minimum quality requirements.

\textit{Negotiations}

In the case of \textit{activity support}, the above-mentioned evaluation of the form and content of applications is often complemented by a third phase: that of negotiations. The main aim of negotiations is to reach an agreement on the actions, expected results and support amounts. Negotiations clarify the role and functions of associations, i.e. discussions focus on the action plan that the association presents as a response to the funding notice and on issues concerning the attainment of results.

\textbf{Negotiation results are recorded in the minutes, containing the following information:}\textsuperscript{46}

1) name of financing entity;
2) time and location of negotiations;
3) beginning and end of negotiations;
4) list of participants;
5) agenda of negotiations (including the aim of negotiations);
6) decisions made and differences in opinion.

All parties sign the minutes.

If the application is amended in the course of negotiations, this must be recorded in the minutes. After the negotiations, the association submits an updated application by an agreed deadline, which the financing entity takes as a basis for making a decision. If the association and financing entity fail to reach an agreement on the actions and amounts funded, the applicant may withdraw the application after negotiations or the financing entity may decide to refuse funding.\textsuperscript{47}

\textbf{Evaluator of applications}

A system where applications for funding are reviewed by one person may be efficient in terms of time and resources, but the clarity and objectivity of funding decisions are best ensured by a

\textsuperscript{45} \textit{Ibid.}
\textsuperscript{46} See subsection 18 (2) of the Administrative Procedure Act.
\textsuperscript{47} See § 43 of the Administrative Procedure Act.
special committee (with several members).\textsuperscript{48}

As the number of committee members depends on the amount of funding, the number of applications and other factors, the exact number of committee members cannot be prescribed. It is important ensure that decisions are made quickly, transparently and sufficiently objectively. It is generally advisable that the committee evaluating project proposals as well as activity support applications comprise at least three people. Involving external experts increases the impartiality and transparency of funding decisions.

**EXAMPLE**

The Ministry of Foreign Affairs has formed a committee for evaluating project proposals, comprising officials from relevant ministries and representatives of two associations.

It is recommended to make changes to the membership of the committee from time to time, where possible. The frequency of making changes mainly depends on the frequency of calls and evaluation exercises. The committee must be able to develop subject-matter competence and consistency of action, which may be weakened if the changes in membership are too frequent.

**EXAMPLE**

The sequential rotation of committee members applied in the Ministry of Culture is a good example of ensuring consistency, by guaranteeing the relative objectivity of committee decisions and retaining a level competence.

Evaluation committee members should be appointed based on clear principles. Good criteria include the following:

a) subject-matter competence;

b) independence (regularly checked by the financing entity). Independence is not an appropriate criterion in the case of activity support, where the evaluators are employees of the financing entity, i.e. a public body, who can evaluate how the applications meet the established objectives;

c) in the case of local government evaluation committees, it is advisable to have as many regions represented as possible (e.g. by involving village elders in the evaluation committee).

Another good option, in addition to the committee option above, is to create a competition-based database of independent experts in various fields (used by the National Foundation of Civil Society and the Integration and Migration Association). The financing

\textsuperscript{48} The committee membership, indicating the position of each member, is approved in a ministry by a directive of the minister or secretary general; in a local government, by a council decision and in a foundation by a management board decision.
entity can select for each call a set of experts to evaluate the applications. The advantage of this model is that the experts are selected by competition, which ensures that they are competent and that the evaluation is independent of the structure of the financing entity.

Conflicts of interests are particularly quick to spring up at local government level, where there is a shortage of people, and committee members (who are often also council members) are at the same time applicants for support interested in funding (or associated with applicants).\(^49\) A conflict of interests in granting funds is not permitted and if there is one, the person involved in evaluating and/or deciding over applications must step down in accordance with § 10 of the Administrative Procedure Act and § 25 of the Anti-Corruption Act. Stepping down means complete actual withdrawal from processing applications. It means that the person with the conflict of interests may not even be present when applications are being evaluated or decisions made or have any other contact with the process. In order to prevent a conflict of interests, the financing entity is advised to ask the committee members to sign a commitment to refrain from conflicts of interests. This helps manage risks by making sure that the evaluators are aware of the issue of conflicts of interests and know how to proceed appropriately if they find themselves in a conflict of interests. In order to prevent conflicts of interests, it is recommended that local governments process applications not in a permanent council committee (often the cultural, social or financial committee), but instead in a committee that has been formed specifically to that end of city or municipality government officials and target group members.

**Length of the decision making process**

The length of the decision making process depends on the scale of the evaluation effort, i.e. on the number and nature of applications, volume of projects and other factors. However, the decision making process should not take over three months. The financing entity should estimate the number of expected applications and their level of complexity beforehand in order to then set itself an optimum deadline for processing the applications. This period should be set separately for each type of funding and published in the procedure and conditions for funding.

\(^{49}\) According to § 24 of the Anti-Corruption Act, it is prohibited for an official to conduct, as a representative of the state or a local government, property transactions with a non-profit association or party of which the official is a member (clause (2) 6); it is also prohibited to conduct property transactions with an employer, a company, non-profit association or party whose operations are under the official’s control (clause (2) 7)). § 25 of the same Act defines a conflict of interests as a situation where an official must, as part of employment or service duty, make or participate in making a decision having a significant impact on the economic interest of the official, the official’s close relatives or close relatives by marriage or legal persons, where the legal person is “other legal person in private law whose management or supervisory body has the official or the official’s close relative or close relative by marriage as a member” (clause (1) 6)).
Making the decision and notifying the applicant

The decision to fund or not to fund an application must be made in writing. If the decision is drawn up electronically, the applicant must have agreed to this beforehand and the financing entity must be prepared to give feedback in another way if needed (by post).

In accordance with § 56 of the Administrative Procedure Act, the decision must be justified, i.e. all factual and legal details of the decision must be provided. The reasons for the decision are included either in the decision itself or in a document available to the applicant (e.g. evaluation committee minutes, score sheets) and referred to in the decision. In the latter case, the applicant should be sent a standard letter including all the facts and explanations that formed the basis for the decision.

The arguments presented in the motivated decision to deny funding is an important source of information in terms of possible court cases. In addition, the reasons given in the decision also allow for eliminating deficiencies (e.g. poor budgeting) for future calls. Therefore, well-formulated feedback allows for submitting a stronger and better conceived application in the next call, thus contributing to the development of the association. Reasons are also important when the negative decision was caused by formal deficiencies (i.e. the absence of certain appendices or signatures, an incomplete budget, action plan, etc.).

The financing entity should advise associations whose applications have been rejected on alternative sources of funding.

Contesting decisions

Chapter 5 of the Administrative Procedure Act provides as a general principle the option of extrajudicial contestation of the administrative acts of a public body. Exceptions to this rule are also feasible by law. The option of settling disputes extrajudicially should be considered a positive practice, as contestation proceedings are a simpler, cheaper and faster way for the

NB!

Several local governments process support applications in parallel with the budget, i.e. once the applications have been evaluated, the total amount of support is submitted to be included in the draft city/municipal budget. This practice may lead to a situation where support decisions may take 5–6 months. We recommend separating processing applications from processing the budget and including an estimate of the total volume of support in the budget. This allows for moving the call for proposals to a later date and significantly reducing the time it takes to make decisions.
applicant to protect its rights, compared to judicial proceedings.\textsuperscript{54} It is important to be aware that a decision is contested not because it was granted or denied funding, but because there is reason to believe that there was a violation of the principles or procedure of processing applications or of some other right (e.g. right to equal treatment). However, this does not affect a person’s right to lodge a complaint with the court at any stage of the contestation proceedings or within 30 days after the receipt of the contestation decision to solve the issue.\textsuperscript{55} The procedure for funding and the decision to reject the application must include a clear reference to the option and procedure of contesting (in addition to a person’s right to lodge a complaint with the administrative court).

2.3.4. Concluding grant agreements

A grant agreement is the most direct way to establish the rights and obligations of grant providers and recipients. It is based on the procedure for funding and call requirements and the corresponding mutual agreements.

Grants can also be allocated by an administrative act. Just like an agreement, it must include the objective and terms and conditions for using a grant.

\begin{example}
Some Estonian local governments have set a threshold for grants that require concluding grant agreements. For example, Rae rural municipality concludes grant agreements for non-profit operations only if the grants exceed 1,000 euros. Saku rural municipality does not conclude agreements with associations for grants in the amount of up to 100 euros. Both rural municipalities transfer grants to the applicants’ accounts under an order of the municipal government. Another possible criterion is based on the objective of the grant and the actions funded. For example, Rae rural municipality waives the threshold of 1,000 euros in the case of investment support: the municipality concludes grant agreements with all investment support recipients, as this type of support has more requirements both to grant recipients and funded objects.

Grant agreements are concluded based on decisions to grant funding. For the sake of clarity, it is advisable that call requirements set a specific deadline (e.g. one month) for concluding agreements. This helps both parties plan their actions and procedures better.

**Agreements must include the following mandatory components:**\textsuperscript{56}

1. object of the agreement, i.e. actions to be implemented (location, time, standards, etc.) or the project together with its objectives and the common interests of parties;
2. parties to the agreement, their representatives and the right of representation of the representatives of the parties to the agreement;
3. time and place of concluding the agreement;
4. date of entry into force;
5. period of validity of the agreement;

\textsuperscript{55} Ibid.
\textsuperscript{56} Minister of Finance Regulation No 3 of 14.01.2011 “Conditions for concluding agreements on the use of state budget appropriations in 2011”; see also Lember, 2011.
6. criteria for measuring or assessing the effectiveness of actions or the project;
7. support amount;
8. rights, obligations and liability of parties to the agreement, including:
   - procedure and frequency of payments;
   - procedure and frequency of reporting;
   - conditions and procedure for amending the agreement, i.e. issues agreed upon;
   - conditions and procedure for terminating the agreement;
   - the grant recipient’s obligation to keep the accounting of funds received as support from the state budget in accordance with the Accounting Act, or where a person is not required to maintain accounting, the obligation to keep separate cost accounting of funds received as support;
   - the right of the financing entity to check the accuracy of the reports submitted by recipients of allocations, the accuracy of the circumstances forming the basis for receiving allocations and whether allocations are used as intended and effectively;
   - possible sanctions (including the right of the financing entity to recover (partially or completely) grants in case of breaches of agreement; sanctions related to failure to submit required information or submission of misleading information);
   - the grant recipient’s obligation to return any support left over from the eligibility period to the grant provider or to submit an application regarding the further use of funds;
   - a statement that when it comes to long-term contractual obligations, a public sector authority cannot ensure the payments of upcoming years. This means that the state may withdraw from the obligations in question in case of economic difficulties, for example.
9. other details and conditions, if necessary for ensuring the quality of executing the agreement or that the grant is used as intended and for acting in the public interest;
10. public nature of the agreement and permission to publish the agreement on state authority websites;
11. procedure for settling disputes, including conditions for paying compensation;
12. details of the parties to the agreement (postal address, registry code, bank account number).

It is recommended that financing entities publish the standard requirements of agreements on their websites, so that associations can explore the rights and obligations of the parties beforehand. Publishing agreement forms and general agreement requirements allows the associations to get a clearer overview of the future rights and obligations, before submitting their applications.

2.3.5. Monitoring grant use
The main instruments for monitoring that the allocated grants are used as intended and in accordance with agreements are the progress and final reports submitted by grant recipients. The aim of monitoring is to make sure that grants are used as agreed: projects are implemented according to action plans and budgets, and activity support successfully contributes to achieving the agreed objectives and results and the expected development of the organisation. Monitoring also allows for identifying any problems regarding the use of grants (e.g. regarding following the action plan, eligibility of costs, accounting, etc.), which is one of the main
arguments for instituting progress reports. The grant recipient is obligated to inform the financing entity of any problems as soon as they arise. Together with the grant recipient, the financing entity makes suggestions as to how to eliminate problems or alleviate their impact, and actions are amended accordingly thereafter. Monitoring is useful for the association as well: the endorsement and feedback received from the financing entity during reporting provide the association assurance that the financing entity considers the progress of the project successful and that the grant funds are used correctly and as intended.

The financing entity must also fulfil its reporting obligations. Its reports must reflect the funds allocated to associations properly and transparently. This is easier to do when complying with the principles of funding (transparency, equal access, honouring the public interest, etc.; see also 1.1. Principles of funding) and when having selected the type of funding appropriate for the objectives.

**Reporting**

The reporting requirements established by the financing entity (information submitted and the frequency of reports) must be proportional to the actions and the support amount. The most adequate balance is worked out gradually and taking into account the funding experiences of the financing entity and feedback from grant recipients.

Depending on the length of the project, the nature of actions, the allocated amount and previous cooperation between the financing entity and an association, it is appropriate to set the frequency of obligatory reporting at once or twice a year, in line with the conditions established in the procedure for funding. It is usually not necessary to submit a progress report if the project lasts for less than six months. If the project lasts for more than six months, a progress report (reports) is usually called for in order to better monitor the progress of actions and the use of the budget. This way, if potential problems are identified, there is enough time to correct the course of actions. However, a final report is always obligatory, regardless of the support period.

The report must be submitted by the deadline established in the agreement. For the sake of flexibility, it is advisable to provide for an option to extend the reporting deadline in justified cases. It must also be possible to amend insufficient reports by a certain deadline. This means that if deficiencies are found, the financing entity sets a deadline (as provided for in the procedure for funding, e.g. 10 working days) for the grant recipient to eliminate the deficiencies. If the grant recipient fails to submit the report or eliminate deficiencies by the set deadline, this could qualify as grounds for recovering the grant.

Reports are divided into expenditure and activity reports, according to their respective objectives. The aim of an **expenditure report** is to provide an overview of the expenditure made and its compliance with eligibility rules and other grant conditions, whereas in an **activity report**, the grant recipient reflects on how the initially planned actions have been carried out and assesses how well the expected results and objectives were achieved.

In order to facilitate evaluating and comparing project results, it is advisable to establish specific reporting templates for project grants. **Activity support** does not require a uniform
reporting template, as the content and volume of reports largely depends on the agreed objectives, results, the nature of cooperation and the level of detail of the agreements. However, there are still requirements to the content and form of reports on using activity support, which may be established in the procedure for funding and the agreement.

The financing entity should allow more flexibility in the expenditure reports of activity support, compared to those of project grants (similarly to public procurement, the main focus is on evaluating results, not expenditure). For example, an activity support recipient may be required to present a free-form written explanation on the use of support, a written confirmation of having used the support as intended or an annual report.

A progress report for both project grants and activity support contains at least the following information:57

1. a list and description of actions carried out;
2. a list and description of planned outputs together with indicators;
3. an assessment of the degree of objectives and expected results achieved;
4. feedback to the financing entity (on the procedure and process of funding). In the case of large-scale projects and long-term activity support, the financing entity must consider involving grant recipients in impact assessment. Therefore, a progress report may additionally include the following:
5. an assessment of the impacts of grant use (impact on the target group and on the capability and sustainability of the project executor);
6. an external assessment from outside the project team on the results and effectiveness of project actions or of the association receiving activity support (e.g. a summary of feedback from the target group members who participated in the project, a summary of expert interviews, etc.).

Expenditure report

All expenditure incurred while carrying out funded actions must be justifiable according to good accounting practices. The Accounting Act provides that legal persons (persons required to maintain accounting) are to maintain the source documents defined in § 7 of the Accounting Act for seven years. The financing entity is guided by law and establishes in the basic funding documents (e.g. procedure for funding) the requirement to comply with the Accounting Act, and similar requirements regarding the documental proof of financially measurable expenses.

In order to be able to audit the use of grants, the financing entity must require that grant recipients keep separate accounts of grant-related transactions (§ 6 of the Accounting Act) and of accounting journals (§ 9 of the Accounting Act). The basic funding documents must also include the requirements to reflect support and self-financing on separate accounts. This means that grant recipients must make a clear distinction in their accounting between the expenses

57 Adapted from Minister of Justice Directive No 37 of 14.02.2007 “State support for crime prevention in 2007”
and corresponding expense and payment receipts related to funded actions and other expenses and related expense and payment receipts. It is easier for the financing entity to audit expenses if it has required that all expenses related to support and self-financing be paid via a bank transfer from the applicant’s bank account.\textsuperscript{58}

Until now, financing entities have often required grant recipients to submit copies of expense receipts together expenditure reports. However, this is not the best solution, as it requires a lot of work and other resources (e.g. copying costs) from both the grant recipient and the financing entity. It is better not to request copies of expense receipts, but instead to make sure that the expenditure report form includes sufficient information on the source documents of expenses. A statement of the project’s account or bank account is added to the report. This helps to confirm the legality and eligibility of the expenses incurred. Where needed, the intended use of support (i.e. expense receipts) is checked on the premises of the grant recipient on the basis of original documents. The grant recipient must have the documents and accounting journals ready in accordance with the Accounting Act. The easiest option is to compare the account statement submitted with the expenditure report to original documents, as the original documents must feature reference numbers assigned to each expense on the account.

The time freed up from checking expense receipts might be used for organising on-the-spot checks or for an in-depth audit of a grant recipient. This should target only the projects whose reports raise questions.

Appropriate basic documents for paying salary include, besides a contract for services, a and an authorisation agreement. It is up to the association to decide on the format of the employment relationship, and the financing entity cannot prescribe requirements in this matter.

\textbf{EXAMPLE}

The National Foundation of Civil Society is one of the organisations that does not require that copies of expense receipts be submitted automatically with expenditure reports. The expenditure report is submitted on the form prescribed by the financing entity, where obligatory appendices include either a statement of the association’s accounting journals reflecting the project’s expenses and revenue (by type of expenditure) or a bank account statement as proof of payments.

The rural municipalities of Tapa and Toila also have the same practices in place. In Tapa, a non-governmental organisation that has received activity support must submit a report which also includes financial data: annual budget volume, the percentage of support in the annual budget and other revenue as well as a breakdown of budgetary costs. Copies of expense receipts are not requested, but the financing entity is entitled to conduct inspections, i.e. request from grant recipients copies of expense receipts, explanations and reports, and to witness the funded actions being carried out. The rural municipality of Toila awards non-profit support (activity support) for any activity specified in the articles of association of a non-profit organisation in the amount of up to 800 euros. Grant agreements are concluded with all recipients. While there is a report template for all other grants, activity support

\textsuperscript{58} See also the National Foundation of Civil Society supervisory board decision of 14 April 2011 “Swiss NGO Fund: Requirements for the 2011 call for project proposals on preparatory work of NGO public services development / preparation of business plans for services”. 56
requires submitting a written confirmation that support has been used as intended and in accordance with the description provided in the application.

Sometimes associations include in their projects a stipulation to generate revenue for covering project expenses. For example, training participants are required to pay a fee; this is also a good way to make sure that all who have registered actually show up and take part in the training. This kind of revenue directly associated with the project objective is proof of the capability of the association. By no means should the provider of support subtract this kind of revenue from the support allocated. On the other hand, such revenue can be considered a financial contribution of self-financing within the project.

The grant provider must establish in the basic funding documents and publish the period allotted for processing reports (e.g. 45 working days). Publishing the deadline is important for the transparency and clarity of the process, as the financing entity will not make payments before the reports have been approved. It must be established (in the grant agreement, procedure for funding) that, as part of monitoring, the financing entity is entitled to check data, documents and other materials related to awarding support and to visit the premises and territory of grant recipients.

It is the task of the financing entity to ensure a reporting discipline that allows for inspecting the actual use of funds. In order to avoid problems, it is advisable to tie the final payment to the approval of the final report. This means that the financing entity will not make the final payment before it has approved the grant recipient’s final report. The final payment should not exceed 20% of the support amount so as not to obstruct the implementation of the funded actions. In addition, the terms and procedure for awarding support, call requirements and the grant agreement must stipulate clearly that failure to submit a report may result in recovering support.

2.3.6. Payments
Payments may be made:

- after the project has ended or after a certain project phase, on the basis of expenses incurred;
- as a partial advance payment (where needed, in several instalments);
- entirely as an advance payment.

As Estonian associations often have very limited or do not have any financial reserves, they are not capable of covering project expenses from their own resources, and neither do they qualify for loans. It is therefore recommended to fund projects with advance payments and grant support in instalments. This allows the financing entity to make sure that support is used as intended, economically, prudently and in accordance with all eligibility requirements (primarily in the case of project grants). In the case of activity support, the financing entity mainly makes sure that the quantity and quality of agreed objectives and results meet expectations.
The number of instalments usually depends on the length of the funding period. In the case of short-term projects (lasting up to six months), instalments may be made in two parts: after the agreement is signed (i.e. as an advance payment before expenses are incurred) and as a final payment after the approval of the final report (preferably not exceeding 10–20% of support). In the case of very small-scale project grants and activity support, they entire funding may be paid in advance: many local governments consider this the solution with the lowest administrative cost. In that case, the financing entity should figure out how to monitor that support is used as intended and actions carried out as planned, in order to prevent any problems.

In the case of more long-term projects, payments are usually made in three instalments: the first instalment after the signing of the agreement (ca 40–50%), the second instalment after the approval of the progress report (ca 40%) and the final instalment (preferably up to 20%) when the final report of the association has been approved. This motivates associations to report on their actions on time. It is also recommended to inform associations that in addition to self-financing, they should have own resources in the amount of up to 20% of support, as the final support instalment is transferred only after the approval of the project’s final report.

Some financing entities and programmes compensate the expenses of project grant recipients only after the expenses have been made and after the final report has been submitted. Estonian non-governmental organisations do not yet have sufficient financial capability or liquid assets for this. Not receiving an advance payment may foster double funding: the funds received for another project/action are used for launching a new project. Then, the association will try to cover this up in the reports or will request so-called co-financing support from the local government, although the initial financing entity will award the support in full by the end of the project. Making only one, final payment is justified only with certain types of projects, e.g. construction or investment projects.

### 2.3.7. Recovering support

It is possible to recover support partially or in full in the cases provided for in the procedure for funding, grant agreement or other legislation. The basis for recovering support is a corresponding recovery decision, which stipulates the amount that the grant recipient must return to the financing entity by a corresponding date.

**Support may be recovered in the following cases:**

1. the grant recipient has not made intended use of support;
2. the grant recipient has knowingly submitted false data or has hidden data when applying for support;
3. the grant recipient has not honoured the terms and conditions of the agreement (actions included in the action plan are partially or totally incomplete; the grant recipient has failed to submit the progress or final report by the deadline established in the agreement);
4. the association has terminated its activities before the end of the project.

Support is recovered proportionally to the portion of support that was not used as intended or,
if activities have been terminated, as of the date of termination.

The support recovery decision constitutes an administrative act of the financing entity, which the grant recipient may contest, similarly to contesting the decision to deny funding (see also “Contesting decisions”).

2.4. **ASSESSMENT OF THE EFFECTIVENESS OF FUNDING**

**In summary:**

- In the planning phase, set the objectives and their target levels.
- Assess the effectiveness of funding according to the established indicators.
- Take the assessment results into account when awarding support in the future.

Assessing the effectiveness of funding means more for the financing entity than just inspecting that grant recipients have fulfilled the initially agreed obligations and action plans of each project grant, activity support award or contract for the delegation of public services. In order for the financing entity to be able to assess results, the results of single units of support should be grouped together by calls for proposals, competitions and programmes. This way, the financing entity will learn whether and to what extent the funding of associations helped achieve the established objectives.

Assessing the effectiveness of funding is still not a widespread practice. Often the excuse is that there is not enough know-how or time for analysis. However, this guidance document recommends launching a systematic assessment of the effectiveness of funding, as with each time and each year that it is conducted, the financing entity will gain better-quality basic information for making decisions. For example, assessment may provide answers to the following questions:

1) Is the total volume of the funding of associations sufficient and how are different types/measures of funding divided: are the actual needs greater or could funding be reduced in some cases? Is it possible or necessary to increase the volume of activity support at the expense of project grant resources? Should additional resources be found for concluding a contract for the delegation of public services with an association?

2) Are the funding objective and focus of a specific call appropriate? How efficiently did the applicant manage to use the support amount for achieving the objectives of the financing entity? Should the objectives or focus be changed to a different sector and to solving different problems?

3) How successful were the funding process and organisation of work? Is it necessary or possible to adjust the procedure, conditions and process of funding so that the funding of associations would better serve strategic objectives? How to reduce administrative costs and maintain them in a relative balance with the distributed support amount?
In general terms, conducting assessments in local governments, ministries and funds provides important information on the state of funding non-governmental organisations all over Estonia and on whether additional development efforts, funding measures, etc. should be planned at state level (e.g. in the civil society development plan). In terms of non-governmental organisations, the assessment efforts made by the financing entities also contribute to the spreading of a result- and change-oriented mentality and practices in civil society, and, by extension, to increased operational capability among associations.

2.4.1. Assessment depends on the established objectives
Assessing the effectiveness of funding begins already in the phase of setting funding objectives, as assessment requires that the financing entity set clear short- and long-term objectives. **Objectives** describe the situation that the financing entity wishes to achieve (e.g. in terms of solving a specific problem in a sector or more generally in the development of non-governmental organisations and/or communities, etc.). The more exactly the financing entity has formulated the expectations of grant recipients, resulting from the defined objectives, the easier it will be to assess the effectiveness of funding.

The financing entity can explain its objectives and the resulting expectations of the results of specific funding measures in the procedure for funding or call requirements. Based on the objectives, the association suggests the results it is able and wishes to achieve with its actions. If the objectives of the financing entity are too general or unclear, it is difficult to compare and assess the results of associations already in the application and reporting phase, not to mention in the later assessment phase.

The clearer the objectives of the financing entity, the less there is a need to prescribe the nature of eligible actions to the associations. In the case of project grants, this leaves much more space for the creative solutions devised by the associations themselves, and in the case of activity support, this provides independence for the associations in setting their developmental and operational objectives and planning major actions, as long as they achieve the results they have planned and agreed upon with the financing entity.

The results of funding are measured with the help of **indicators** that describe and explain the objectives. It is recommended to conceive indicators for each objective when preparing the procedure for funding and formulate them either in the procedure for funding or a separate assessment guide.

2.4.2. How to measure results?
The indicators for measuring the effectiveness of funding must be determined in the **planning phase** of funding. Only this way is it later possible to form objective opinions on the information gathered for the assessment of effectiveness (e.g. whether the achieved results can be considered weak or strong). As the indicators for measuring the effectiveness of funding arise from the general objectives of the financing entity, it may become evident while preparing a specific funding measure that the financing entity must clarify its strategic objectives if the funding indicators are to be feasible.

Table 5. Examples of clarifying the objectives of the financing entity with the help of indicators
<table>
<thead>
<tr>
<th>General objective of the financing entity</th>
<th>Clarifying the objective using an indicator</th>
<th>The financing entity’s expectation of the impact of grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased active citizenship among young people.</td>
<td>a) Percentage increase in voter turnout among young people aged 18–26 at local government elections, compared to the previous elections</td>
<td>a) Voter turnout among young people increases 6 % in the region.</td>
</tr>
<tr>
<td></td>
<td>b) Percentage increase in young people aged 18–26 running in local government elections, compared to the previous elections</td>
<td>b) The percentage of young people running in elections increases 9 % in the region.</td>
</tr>
<tr>
<td>The financing entity must decide what it considers the most important aspects of active citizenship. Let us suppose that its objectives are primarily related to increased participation in democratic decision making processes. As local government elections are near, it may decide to focus on indicators reflecting voter turnout.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Families have less difficulties coping.</td>
<td>a) Reduction in the number of currently registered children in need of assistance</td>
<td>a) Next year, the number of currently registered children in need of assistance will reduce by 17.</td>
</tr>
<tr>
<td>Let us suppose that the main aim of the financing entity is to reduce the workload of the local government’s social department by supporting citizens’ initiative. It therefore decides to fund the various activities of associations (e.g. support person programmes for at-risk families and providing material assistance to families by gathering donations), which are assessed based on the following indicators.</td>
<td>b) Stabilisation in the number of newly registered children in need of assistance</td>
<td>b) Next year, the number of newly registered children in need of assistance will be between 30 and 40.</td>
</tr>
</tbody>
</table>
| Increased operational capability of associations.                                                         | a) Increased share of membership fees and donations in the income of partner organisations participating in the call | a) Compared to the previous financial year, the share of membership fees and donations in the income of associations participating in the call will increase 15 %.
| Here as well, the financing entity has numerous alternatives for clarifying its objective. Let us suppose that it focusses on supporting activities that increase the financial capability of associations. | b) Increased turnover and positive income for the region’s associations compared to the previous financial year | b) The turnover of funded associations will increase in the next financial year an average of 10 % and positive income 2.5 %. |
Initially, it may seem difficult to furnish the objectives with indicators that specific. If this is the case, it is worth analysing the following two questions:

- Maybe the initial topic was defined too generally? For example, promoting civic education or environmental awareness may include actions with very different objectives. Providing some funding for all of them within one support measure may produce insignificant impact on the sector’s development. It also makes it difficult for the applicant to formulate and measure its own results. The financing entity is invited to clarify in which domains of civic education or environmental awareness it wishes to see changes occur.

- Maybe the target group and geographical area were defined too broadly? This applies more to local governments and smaller financing entities. All Estonian children or all associations involving volunteers are too broad as target groups for practical actions. However, one financing entity can indeed have an impact on all the children of the town of Põlva or on volunteer involvement in Võru County by supporting associations.

Each indicator must contain:

- the base level (current situation);
- the target level (desired situation);
- the time period (the target period set by the financing entity for getting from the current situation to the desired situation).

In order to define the base level, one must be familiar with the problem to be solved by funding and with the situation to be maintained or changed by funding. This should not be complicated when being guided by the general strategic objectives and needs of the financing entity (in local governments, by the local development strategy; in ministries and funds, by a sectoral development plan or a recent major study). If the financing entity has not had any experience with assessment, the base and target levels need not initially have numerical values. As more information is collected from expenditure reports and as more conclusion are drawn, the greater the exactitude of base and target levels in the future. For example, if the initial target is “increase”, it can be specified as “a 50-% increase” after a while.

The model presented in Table 6 helps to assess the results of funding at three levels.

The broader the formulation, target group and geographical scope of an objective, the more likely it is that the financing entity’s resources will disperse and it will be impossible to assess the results and impact. Clarifying objectives does not mean restricting them. Objectives that are too narrow (e.g. only concentrating on “tangible” results, such as publications or buildings) may not bring about the wider changes in the community or society, as desired by the financing entity.
<table>
<thead>
<tr>
<th>Level of assessing the results of funding</th>
<th>What does it mean? How to assess it?</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Outputs</td>
<td>Outputs are achieved by directly carrying out the funded actions. They are assessed by analysing whether the planned actions were carried out in the volume expected.</td>
<td>A training on innovative methods is organised, with 40 experts participating (source of information: list of participants together with their signatures).</td>
</tr>
<tr>
<td>2. Results</td>
<td>The results of actions are achieved through the outputs. Some results may require several outputs to be achieved. In simplified terms, a result is a new situation which the financing entity wishes to achieve with the help of its support.</td>
<td>a) Of the 40 training participants, 35 (88 %) will later receive a certificate of having mastered the innovative methods taught at the training (source: a list of experts who passed the test and received the certificate). b) 95 % of the certified experts assure in their feedback to the project that they are willing to put the acquired skills into practice immediately (source of information: an extract of the summary of the immediate or electronic feedback to the project/training).</td>
</tr>
<tr>
<td>3. Impact</td>
<td>Impact is a more long-term aim for the project or association. The wider the scope of impact envisaged by the financing entity, the more likely it is that achieving this requires the combined effect of several projects or grants.</td>
<td>In three years’ time, 40 % of the target group are free of the current problems, as they have been helped by the experts who are familiar with innovative methods (source of information: e.g. an extract of the social statistics database of the local government).</td>
</tr>
</tbody>
</table>

Until now, the most common practice has been to assess the results of the funding of associations at the most basic level – that of outputs. Grant reports describe the outputs of actions and the financing entity compares the volume of actual outputs with the expected volumes that were declared when applying for support (e.g. whether an event had the expected 150 participants or only 100). If only some of the initially planned outputs are achieved, the support might have been used inefficiently or even maliciously. The financing entity may then decide to not pay a part of the initially allocated support amount or to recover an advance payment. However, before making these decisions, we should always look at the nature of the changes. It may sometimes be the case that a funded association achieved the planned result with much fewer or different outputs than
had initially been planned. If the applicant has managed to achieve the initial final objectives, the financing entity probably does not have to resort to sanctions.

It is recommended that the grant recipient inform the financing entity as soon as possible of any problems that may arise and explain the changes in the planned actions and volumes in its progress report. There might have been a force majeure, i.e. events beyond the control of the grant recipient (including extreme natural events, accidents, strikes) that disrupted the actions significantly. There are also other objective reasons: for example, an outdoor event may have less participants than expected because of rain, or a change of ruling party may undermine the results of an association’s previous advocacy efforts. If the financing entity agrees that the obstacles were unforeseen and that the association took a justified risk, it is recommended not to recover the support amount. Both the association and financing entity gain a lesson that can be used the next time they prepare an application or clarify call requirements.

Every action has some kind of measurable outputs. It is, however, more complicated to determine the results of a project or grant that reflect the changes in the situation of the target group or in their environment. Changes may take place at the level of the individual or the community or society. Changes at the level of the individual include changes in the knowledge, skills, attitudes, behaviour or living conditions of project participants (beneficiaries) (e.g. a project improves the participants’ awareness of fire safety). A broader change, at the level of the community or society means that the participants actually succeed in providing better fire safety at home or at the workplace (e.g. the number of fire accidents in the community decreases). The financing entity does not usually achieve broader changes in society or the community only by supporting one project, but by combining several projects over a longer period. It is because of this that the results of different grants should be combined when assessing the effectiveness of funding, and the financing entity itself should assess the results achieved with a specific call or during a specific period.

The financing entity may target the objective of broader change at either a funding measure or a programme. A measure may be divided into several calls over several years. To achieve the desired impact, the financing entity must plan appropriate calls for proposals over a longer period and not confine the impact to a single call. This way, feedback from a first call may help make corrections for following calls, e.g. to clarify objectives or the list of eligible costs.

**The level of impact** is the most indirect level of assessing effectiveness: the financing entity does this by combining the results of several calls from several years. It is appropriate to tie impact assessment to the preparation or updating of the development plan that forms its basis. It is not necessary or appropriate to assess the impact of single projects, as taken separately, projects usually lack the potential to achieve considerable impact in terms of the general objective. Impacts may be assessed or forecast more often, but this should not be viewed as an assessment, but rather as a thinking exercise as to whether the planned actions are the best way to reach the desired goal in the long term.

Annex 14 features a sample list of outputs and results that the financing entity can assess in line with its objectives both in project grants and activity support. It should be kept in mind that both project grants and activity support allow for effecting sectoral change (e.g. improved awareness of
the target group) as well as improving the capability of the funded associations themselves (e.g. the capability to include volunteers).

2.4.3. Assessing the effectiveness of funding
The main aim of the assessment is to find out whether the established objectives have been achieved. The following assessment questions should be asked:

- Are the financing entity’s general and measure-specific objectives clear, measurable and furnished with indicators?

- Is the type of funding (e.g. project grant) in line with the objectives for which the associations receive funding? Does the chosen type of funding allow for achieving the general objectives?

- How many applicants were there altogether? How many applicants complied with the formal/technical requirements? How many complied with content requirements? (output indicator)

- How well did the funded actions contribute to achieving the objective and correspond to the needs of the target group?

- How many of the funded associations achieve the expected outputs and results? (output indicator)

- How have the combined outputs and results of all applicants contributed to effecting the financing entity’s desired change in the target group / community / society? (result indicator)

- To what extent did the funding of associations help achieve the strategic objectives of the financing entity? Considering the general objectives established in the sectoral, regional or local development plan, how did the funding of associations contribute to making changes?

It is also advisable for the financing entity to assess the process of funding associations in order to draw conclusions on the efficiency and effectiveness of its own work. It is recommended to complement the self-assessment with feedback from applicants and to compare the two evaluations. This kind of assessment helps to adjust future calls for proposals or activity support allocations.

EXAMPLE

The National Foundation for Civil Society requested in the first years feedback and suggestions from grant recipients in the final reports of each call for proposals. The results were gathered together and were used for amending the procedure for funding, requirements, forms and work processes.

Possible questions regarding the process:
• Is funding-related information (e.g. call requirements or notice of funding) clearly structured and formulated as simply as possible?

• Are applicants required to submit only essential information? Do applicants understand the requirements and forms?

• How quickly are the questions and concerns of each applicant (and later funded association) responded to? What is the underlying attitude of the answers? To what extent do the answers offer specific and positive solutions?

• How thorough is the feedback given to the associations that were refused funding?

• What is the process of evaluating applications and making funding decisions like? How competent are the evaluators? How transparent are the funding decisions in the eyes of the public?

The financing entity must analyse in the preparatory phase of funding the role of funded associations in the assessment of effectiveness. If input from associations is required for the assessment, this should be reflected in the funding requirements, application form, agreement clauses and activity report form. When planning support, the financing entity must keep in mind that assessment also requires resources from associations. It is therefore good practice to provide each project grant and activity support with resources for assessing results and impact and for communication. The higher the expectations of the financing entity regarding an evidence-based and accurate assessment by the association, the greater should be the amount of funds budgeted for this purpose, the longer should the funding period be (so that the results and impact may take shape) and the more specific should the requirements in the application form or action plan be regarding the planning of assessment of results. In practice, it is usually possible to assess results without expensive studies. The resources spent on assessment should be proportional to the future application of assessment results. For example, it is appropriate to carry out a project target group feedback survey only if provisions have been made for actually correcting the actions based on feedback.

The entity who carries out the assessment of the effectiveness of funding depends on the preferences, competence and resources of the financing entity. Each association has ideally included at least a minimum assessment of its own results and impact in its operations. In reality, issues may arise regarding reliability (an association itself is not neutral) and competence (assessment may require knowing complicated assessment methods). The financing entity itself may also lack sufficient know-how and resources for in-depth assessments, but it is certain that all financing entities are capable of performing at least random checks of the outputs and results of grant recipients. Assessment may also be commissioned externally (e.g. from a research institution or consulting company). This ensures neutrality and usually also sufficient competence, but may be expensive. It may also be very time-consuming and complicated for external parties to gain an understanding of the nature of a specific sector. In summary: the financing entity must weigh the potential pros and cons and then decide on who will conduct the assessment.

One of the most recent manuals on adopting and practicing the mind-set necessary for assessing effectiveness is a manual on assessing the social impact of citizens’ associations.
(http://www.heategu.ee/Uhiskondliku_moju_hindamise_kasiraamat.pdf), published by the Good Deed Foundation. Although targeted at associations, it also helps financing entities in deciding whether and to what extent it is possible for them to achieve their objectives by funding non-governmental organisations.
Annexes (available only in Estonian)

Annex 1 for a sample procedure for funding for project grants.
Annex 2 for a sample procedure for funding for activity support.
Annex 3 for a sample project proposal form. The financing entity may request less or more information, according to the call objectives.
Annex 4 for a sample budget form of a project proposal.
Annex 5 for a sample volunteer work log.
Annex 6 for a sample score sheet.
Annex 7 for sample minutes of an evaluation committee meeting.
Annex 8 for sample minutes of activity support negotiations.
Annex 9a for a sample decision granting funding.
Annex 9b for a sample decision denying funding.
Annex 10 for a sample standard project grant agreement.
Annex 11 for a sample standard activity support agreement.
Annex 12 for a sample project grant progress report, which can be used as a basis for both progress and final reports.
Annex 13 for a sample expenditure report.
Annex 14 for sample indicators of the effectiveness of funding

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