DMDP DANIDA MARKET DEVELOPMENT PARTNERSHIPS

Administrative Guidelines for Danida Market Development Partnerships

Ministry of Foreign Affairs, Denmark
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In addition to the stipulations of these administrative guidelines and the operational guidelines, partners participating in a DMDP partnership project must abide by local laws as well as by applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organisation Convention. Further, all participating partners must have an approved ethical codex, covering, among others, stipulations against sexual abuse.

These DMDP Administrative Guidelines comply with the Financial Management Guidelines (FMG) for Development Cooperation issued by the Ministry of Foreign Affairs. The FMG take precedence in any cause of doubt when implementing DMDP projects. The latest version of the FMG can be assessed on:

https://amg.um.dk/en/tools/financial-management/accounting-and-auditing/

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Abbreviations

Danida	Danish International Development Cooperation
DKK	Danish Kroner
DMDP	Danida Market Development Partnerships
DMFA	Danish Ministry of Foreign Affairs
FMG	Financial Management Guidelines for Development Cooperation
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
PSEAH	Prevention of Sexual Abuse, Harassment and Exploitation
SDG	Sustainable Development Goals

The term "**Administrative Partner**" is throughout these administrative guidelines used for the non-commercial partner responsible for the partnership project administration.

Annexes

Annex 1: DMDP budget template (full project proposal)

Annex 2: Payment information to the DMFA

Annex 3: Disbursement request for the Partnership Project Preparation Grant

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Annex 12C: Checklist for audit of sub-grantees

Annex 13: Form for reporting on irregularities

Annex 14: DMDP maximum rates for staff hours (updated annually by DMFA)

Annex 15: Own-contribution from DMDP partners

Annexes 1, 5, 9, 10 and 11 are found in three versions applicable to the 2016 window (approved in 2017), the 2017 window (approved in 2018) and the 2018/2019/2020 windows, respectively.

1. Introduction

These administrative guidelines are applicable for organisations receiving funds from the Danish Ministry of Foreign Affairs (DMFA) under the Danida Market Development Partnerships (DMDP) Programme.

DMDP is a business instrument, which falls within the Danish Government's priorities for development cooperation as articulated in the Strategy for Development Cooperation and Humanitarian Action – 'The World 2030'. The promotion of market-driven sustainable growth and employment in developing countries is a key priority for Danish development cooperation. DMDP complements other DMFA business instruments as well as bilateral and multilateral engagements that aim at promoting inclusive economic growth and employment opportunities, among others, through increased trade, investments and business development. Moreover, DMDP contributes towards fulfilling the United Nations Sustainable Development Goals (SDGs)[1].

DMDP is designed to support commercially oriented partnerships for sustainable market development in developing countries that contribute to the achievement of the SDGs with participation from civil society organisations, private business, public institutions etc. Consequently, each partnership project builds on a business case, which addresses a key development challenge and, as such, the business case in each project will be an important foundation for achieving the project's development objective.

The Guidelines for the projects supported under the DMDP describe the requirements to partners seeking support for developing a multi-stakeholder partnership project and provides information on the application procedures specific to each yearly application window. These administrative guidelines should be read in conjunction with the operational guidelines.

The overarching principle of the DMDP is that the DMFA support can only cover activities of non-commercial partners. Commercial partners must cover their own expenses linked to their participation in the DMDP project. Further, a DMDP project should be economically efficient and effective. Consequently, the review of the full project proposal and subsequent reports will include an assessment of the effectiveness of the partnership activities and the efficiency of the project cost.

To ensure that the agreed results are reached, DMDP supports the principles of flexibility and necessary adjustments to the changing context in countries where the partnership projects are implemented. Therefore, the partners should not establish internal agreements tying shares of the grant to specific partners at the outset of the partnership.

[1] Reference is made to the Programme Document for full background and rationale of the programme.

2. The DMDP Secretariat

DMFA has engaged a Management Support Consultant for DMDP for 2020-2024 to set up a fully functioning Secretariat. The DMDP Secretariat will handle the day to day management responsibility of the programme and the project portfolio. This includes the receipt, scrutiny and feedback on all reports and disbursement requests and some of the roles outlined in section 15 of these administrative guidelines. DMFA will be responsible for strategic guidance and oversight in accordance with rules and regulations pertaining to official Danish development assistance.

These administrative guidelines are issued by DMFA and should be read and understood in this context. The operational liaison will however take place through the DMDP Secretariat no matter DMFA being referred to in these guidelines.

All communication regarding the compliance with these administrative guidelines, including the submission of any reports, disbursement requests, project and budget revisions etc. should consequently be submitted to the DMDP Secretariat using the mail address dmdp@dmdp.dk.

3. The Responsibilities of the Organisation Administrating the Partnership Project Grant

The non-commercial partner responsible for project administration, herein after referred to as the "**Administrative Partner**" is accountable towards DMFA as regards the planning, implementation, monitoring, reporting and communication of the funded partnership project.

The administrative responsibilities of the Administrative Partner are as follows:

- Ensuring that the necessary professional and administrative capacity to administer the grant in a financially sound and professional manner is in place;
- Ensuring that the required level of own-contribution from the partners is included in the applicable reports;
- Ensuring submission of progress reports, financial reports, and audited financial accounts to DMFA and that the audit reports comply with the applicable rules and regulations. Please refer to section 14 and annex 12A for further information;
- Managing the overall project cash flow requirements to ensure continuous implementation, including the submission of a disbursement request for funds to DMFA on an annual basis;
- Ensuring that the partnership maintains a regular, coordinated dialogue with the Danish Representation in the country where the project is implemented;
- Ensuring that reference is made to the support from DMFA in communication on partnership activities and results by the partnership partners, including using the DMFA and DMDP logos on publications and informing DMFA and the Danish Representation

about communication activities on a continuous basis and as a minimum through yearly communication plans;

- Ensuring that bonus points from flights are not used for private purposes but used towards lowering the price of other trips arranged by the organisation;
- Informing all grant-receiving partners of the rules and regulations of these administrative guidelines;
- Ensuring that DMFA, The Office of the Auditor General in Denmark and the Public Accounts Committee in Denmark, upon request, get full access and assistance to the inspection of the project, document review, financial analyses and inventory control, etc.;
- Ensuring that the grant is administered in accordance with the corruption clause of DMFA and that the same clause is included in agreements and contracts with partners and suppliers as follows:

  "No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practise, shall be made, promised, sought or accepted - neither directly nor indirectly - as an inducement or reward in relation to activities funded under this agreement, incl. tendering, award or execution of contracts. Any such practise will be grounds for the immediate cancellation of this agreement/contract and for such additional action, civil and/or criminal, as may be appropriate."; and

- Ensuring that all agreements with partners receiving parts of the grant include the following clause regarding the Prevention of Sexual Abuse, Harassment and Exploitation:

  "The parties agree to actively prevent sexual exploitation, abuse and harassment (PSEAH)[2], and to ensure, in the best possible way, that the intervention is carried out in an environment free of all kinds of exploitation, abuse and harassment, sexually or otherwise, especially in the case of particularly vulnerable groups."

4. The Partnership Project Preparation Grant

DMFA will enter into a preliminary grant agreement with the respective successful applicants at the Concept Note stage[3]. Final funding agreement will be subject to approval of a full project proposal.

DMFA may support the development of the full project proposal with up to Danish Kroner (DKK) 500,000 for the preparation phase. The support can only cover costs of the non-commercial partner(s), including e.g. visits to partner country and technical studies. DMFA may

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[2] **Sexual harassment** is understood as any kind of unwanted verbal, non-verbal or physical behaviour of a sexual nature with the aim or impact that a person's dignity is violated, especially if it happens in a threatening, hostile, degrading, humiliating or offensive environment. **Sexual exploitation** is understood as attempts or actual abuse of position of power to exploit a person's vulnerability for sexual gain. This also applies to relationships where economic, social or political advantage is gained from another person on the basis of sexual exploitation. **Sexual abuse** can consist of either a threat of or actual physical abuse of a sexual nature.

[3] Please refer to the DMDP operational guidelines for requirements, details, process and formats.

cover up to 75% of the total preparation costs, i.e. 25% own-contribution is required also for the project preparation phase.

The concept note template outlines principles and fee rates, which apply uniquely to the preparation phase. The rates are all-inclusive rates and must cover all expenses during the preparation phase e.g. all workshop costs, all local and international transport costs, accommodation, allowances etc. If partners wish to apply for support for the development of the full project proposal, this must be included in the Concept Note.

The Partnership Project Preparation Grant forms part of the total grant for the project applied for by the partner consortium. Thereby, it forms part of the overall DMFA ceiling for the project. The preparation phase is considered completed once the Administrative Partner with its counter signature accepts the conditions in the project appropriation letter from the DMFA.

The Partnership Project Preparation Grant is disbursed on a reimbursement basis against the submission of a disbursement request (annex 3) together with information about personnel authorised to handle disbursements (annex 2). The disbursement request will only be considered after the full project proposal has been approved.

The Administrative Partner should include the accounts related to this phase as a separate activity in the financial statements. Besides, the grant forms an integrated part of the first external audit.

5. The full Partnership Project Grant

The DMFA grant must be used in accordance with the conditions of the approved Full Project Proposal and budget.

The financial year of the DMDP follows the financial year of the DMFA, which is the calendar year i.e. January to December. Any project budget must comply with this no matter this may be less than twelve calendar months.

DMFA's grant to the project may cover up to 75% of the total project costs. The remaining part must be financed by the project partners and may be provided as in-kind contribution (staff hours, travel expenses etc.) or cash contributions. Resources mobilised by the partners from other donors and/or philanthropic funds may be included as part of the partners' own-contribution.

Other funding from the DMFA can under no circumstances be considered as own-contribution.

All expenditure directly linked to partnership activities and management must be included in the budget and any future revisions hereof. The DMFA can only cover costs related to activities performed by the non-commercial partners. There will be no financial support for purchases of e.g. larger infrastructures and equipment, land and property[4]. The budget must include the costs

[4] Please refer to the Operational Guidelines for a full list.

related to project activities including staff hours (activities and management), travel expenses and minor equipment for demonstration purposes.

Travel expenses must be budgeted as economically as possible and overseas travelling should be limited as much as possible. Flights may only take place in economy class and accommodation cost must not exceed the price of an average tourist-class hotel.

Daily/overnight subsistence allowance may be paid on a per diem basis to key staff away from their permanent place of residence. The Administrative Partner must submit to DMFA the travel and per diem rules of the non-commercials partners for non-objection. The per diem rates may under no circumstances exceed the ceilings laid down by the Danish Ministry of Finance.

The project audit costs should be budgeted separately and covered outside the administration costs. Any organisational audit costs of partners cannot be covered by the DMFA grant.

6. Own-contributions

The agreement between the Administrative Partner and the other project partner(s) should state how the own-contribution from the partners will be provided (either as in-kind, monetary contribution or investments) e.g. through a statement from the partner(s). The information in the statement should be broken down to output level. The staff hours provided as in-kind contribution by the commercial as well as by the non-commercial partner(s) are included at cost price. Any equipment, machinery or construction included in the budget as own-contribution should also be at cost price.

Annex 15 provides an outline for the standard requirements for inclusion and reporting of own-contributions from the project partner(s). The statement should be signed by two authorised officers and should only be used for documentation of the own-contribution.

7. Disbursement of the Grant

The Administrative Partner is responsible for opening a **dedicated project account** in the name of the partnership project in order to distinguish the funds from the other funds of the Administrative Partner. Evidence of the dedicated partnership project account and personnel authorised to handle disbursements (annex 2) must be forwarded to DMFA at, preferably, the time of final approval of the Full Project Proposal together with a confirmation from the bank in the form of e.g. a financial statement bearing the name of the account. This information is a precondition for any disbursement.

Annex 2 must be updated if the signatories to the project account change in the course of implementation.

Grant funds used for partnership activities by others than the Administrative Partner should be documented as transferred from the separate project account.

The first instalment will be disbursed based on the approval of the Full Project Proposal by the DMFA. The Administrative Partner is encouraged to combine the request for the Partnership Project Preparation Grant (annex 3) with the first instalment (annex 4).

Subsequent instalments are as point of departure disbursed once annually, in March/April based on the yearly reporting (section 12). It is the responsibility of the Administrative Partner to ensure that authorised personnel handles the request.

The disbursement request is prepared on the basis of the work plan and budget for the year with a reduction corresponding to the unused funds end of the previous year. This serves to ensure that there is no accumulation of DMFA funds beyond what is deemed necessary for project implementation. A copy of the latest bank statement must always be enclosed to verify the bank balance.

The requested amount may include a buffer to facilitate uninterrupted implementation in the first quarter of the subsequent year and until the yearly report is submitted and approved. The provision of such buffer is at the discretion of DMFA and will, among others, consider the previous traction in implementation.

The DMFA may in some circumstances deem it desirable to disburse the amount in semi-annual tranches or accept a supplementary disbursement during the year. The Administrative Partner will in such circumstances be required to submit a Status Report (section 12).

8. Administration of the DMFA Grant

The partnership activities must be carried out within the framework of the approved budget. The project's starting date is the date where the Administrative Partner with its counter-signature accepts the conditions in the project appropriation letter from the DMFA

The DMFA grant may under no circumstances be used towards financing activities of the commercial partner(s) or activities closely tied to the commercial partner(s)'s business case. Where possible, it should be endeavoured to reclaim any VAT paid.

Reallocation of up to 10% between outputs in the annual budget or in the overall project budget can be made without prior approval from DMFA. It is a precondition, that such reallocation does not involve change of output targets. The 10% ceiling applies to all financing sources, including own contribution, as any major changes may impact the implementation logic.

Revisions involving an increase in the budget towards local administration must always be approved by DMFA whereas reductions to the local administration can be made without prior approval, including reductions above 10%.

	Danida contribution (max 75%) APPROVED annual budget	Danida contribution (max 75%) Revised annual budget	Danida contribution (max 75%) Changes to APPROVED annual budget	Danida contribution (max 75%) Changes to APPROVED annual budget	Danida contribution (max 75%) Changes in percentage
Output 1					Budget can be revised without prior approval from MFA due to it being lower than 10% of the output's overall budget
Project Activities	1,000	1,040	40	4.0%	
Investments	40	20	-20	-50.0%	
	1,040	**1,060**	**20**	**1.9%**	**ACCEPTED**
Output 2					Budget can be revised without prior approval from MFA due to it being lower than 10% of the output's overall budget
Project Activities	1,150	1,260	110	9.6%	
Investments	-	-	-	0.0%	
Total Output 2	**1,150**	**1,260**	**110**	**9.6%**	**ACCEPTED**
Output 3					Budget revision needs prior approval from MFA due to it being higher than 10% of the output's overall budget
Project Activities	1,050	920	-130	-12.4%	
Investments	-	-	-	0.0%	
Total Output 3	**1,050**	**920**	**-130**	**-12.4%**	**NOT ACCEPTED**
TOTAL	**3,240**	**3,240**	**0**	**0.0%**	**NO EXTRA FUNDS REQUIRED**

Any reallocation between outputs above 10% requires the prior explicit approval from DMFA. The limit must not be exceeded through multiple smaller annual reallocations exceeding 10% in total. DMFA approves the reallocations below 10% based on the Yearly Report (section 12) together with a revised project budget, including changes to the DMFA financed staff input.

The budget margin of maximum 5% is a contingency to cover increased expenses related to e.g. price increases and exchange rate fluctuations of planned activities or un-expected events e.g. COVID-19. The budget margin can be allocated to specific outputs without prior approval from DMFA, but requires DMFA consent when used to cover un-expected events. The budget margin cannot under any circumstances be used to fund new outputs.

Reallocation between outputs and the application of the budget margin must be stated and justified in the first-coming progress report, including a revised DMDP budget (annex 1) to ensure that the revision is recorded in the final financial statement.

The DMFA grant is finite whereby any overspending because of e.g. price increases or exchange rate fluctuations must be covered by the budget margin.

9. Staff hours

DMDP provides an overhead on up to 20% of the DMFA funded staff hours provided to the project. The overhead covers, among others, general and local administration as well as personnel emoluments above the maximum DMDP rates for staff hours (annex 14).

The staff covered by the project should appear as key staff in Section 3 in the Full Project Proposal. The project can cover inputs from other staff than key staff where deemed more effective. Such input and/or charges must be reflected in the Yearly Report.

A prerequisite for DMFA funded staff hours is that it is budgeted and that the non-commercial partner(s):

1) Documents the provided and charged staff hours through time sheets for each staff contributing to the project;
2) Documents the basis for the calculation of the hourly staff rates for all international and local staff (personnel emoluments / number of hours for full time equivalent staff per year);
3) Ensures that the hourly rates for international staff is based on the actual rate and does not exceed the seniority based maximum hourly rates regulated by the DMFA on an annual basis (annex 14);
4) Ensures that the hourly rates for local staff do not exceed the average level for similar categories of staff in similar organisations in the country of the project implementation; and
5) Ensures that a description/Terms of Reference is in place showing the contribution and expected result of the input.

Local staff is staff employed in the country of implementation.

The calculations of the hourly staff rates form an integrated part of the audit.

The maximum number of hours is 8 hours per day and 40 hours per week. In addition, international travel time may be included in the budget with a maximum of 8 hours per day.

The following rules apply to the staff hours charged to the DMFA grant:

- A maximum of 80% overhead may be charged on top of the hourly rates, but capped by the maximum rates informed by the DMFA (annex 14);
- The overhead can be applied to up to 20% of the total number of DMFA funded hours i.e. a minimum of 80% of the hours shall be without an overhead; and
- The nominal value of the overhead charged must not exceed 20% of the staff expenditure before overhead at the end of the project period.

The application of the three rules can be illustrated by the table below based on the yearly budget format (annex 5).

Non-commercial Partner	Name of staff (NN if not assigned)	Position on the Team	Local / international staff	Years of Experience	Number of hours	Number of hours with overhead	Overhead Percentage (Max 80%)	Hourly rate before overhead in DKK	Overhead per hour in DKK	Overhead on staff input	Total staff input before overhead	Total staff input in DKK
A	B	C	D	E	F	G	H	I	J=(H*I)	K=(G*J)	L=(F*I)	M=(K+L)
NAME OF NON-COMMER-CIAL PARTNER	Project proposal section 3	Project Manager	Local	4	15	15	60%	300	180	2,700	4,500	7,200
	Project proposal section 3	Value chain specialist	Local	4	40	-	0%	250	-	-	10,000	10,000
	Project proposal section 3	XX	Local	4	40	-	0%	200	-	-	8,000	8,000
	NN	XX	International	9	5	5	80%	340	272	1,360	1,700	3,060
					-	-	0%	-	-	-	-	-
					-	-	0%	-	-	-	-	-
					-	-	0%	-	-	-	-	-
					100	20				4,060	24,200	28,260
					Hours with an overhead in % of total hours	20.0%			Overhead in % of staff input without overhead	16.8%		

Maximum 20%

The yearly financial reporting formats (annexes 9 and 10) are designed to assist in the monitoring of the rules above.

The percentages may fluctuate across the implementation years as illustrated in the table below based on the accumulated financial report (annex 10).

Accumulation of staff expenditure from the beginning of the project (excluding the preparation phase)	Total number of staff hours	Number of hours with overhead	Total staff input before overhead	Overhead on staff input	Hours with an overhead in % of total hours	Overhead in % of staff input without overhead
	(Hours)	(Hours)	(DKK 1,000)	(DKK 1,000)	(Percentage)	(Percentage)
Danida funded staff reported in the yearly report for Year 1	100	20	24,200	4,060	**20.0%**	**16.8%**
Danida funded staff reported in the yearly report for Year 2	105	25	26,231	5,467	**23.8%**	**20.8%**
Danida funded staff reported in the yearly report for Year 3	95	15	22,346	3,280	**15.8%**	**14.7%**
Danida funded staff reported in the yearly report for Year 4	110	30	32,613	6,830	**27.3%**	**20.9%**
Danida funded staff reported in the yearly report for Year 5	90	10	21,346	2,120	**11.1%**	**9.9%**
TOTALS	**500**	**100**	**126,735**	**21,757**	**20.0%**	**17.2%**
					Maximum 20% over full project period	

The final audit will confirm compliance at the end of the project period.

DMFA considers expenditure in excess of 20% of the hours or above 20% of the staff expenditure before overhead, at the end of the implementation report, ineligible. The consequent ineligible amount must be refunded to DMFA.

10. Administrative overhead

An administrative overhead of 7% is included in the grant. The overhead costs will not have to be specified or documented neither in the budget phase nor in the accounting phase.

In the initial budget, the administrative overhead is calculated as 7% of the total DMFA grant (excluding administration). In the accounting phase, the overhead cost is calculated as *7% of actual expenditure excluding administration*. The 7% administrative overhead covers the general administrative costs for project administration, including the following:

- Management of consortia partner relations;
- Contact and meetings related to the collaboration with DMFA;
- Administration and financial management, overall budget and accounting tasks, and reporting to DMFA;
- General project management, monitoring and oversight; and
- Management participation in the overall governance of the partnership (management defined as e.g. Secretary General, Directors and members of the Board, or similar).

The administrative overhead may be shared among the non-commercial partners.

The administrative overhead can never exceed 7% of actual expenditure excluding administration. The final audit most confirm compliance.

11. Accounting

The accounting setup of the partner should ensure the recording of cost in such a way that, where Danish funds are used, the individual transaction can be clearly linked to the DMDP.

The Administrative Partner is required to maintain accurate records of all financial transactions and fully account for the resources provided for operations using appropriate accounting and double-entry bookkeeping systems. Partners are required to establish and maintain accounting records and documents on all activities funded by the DMFA. Records must be systematic, easily traceable, identifiable and verifiable. The Administrative Partner must ensure safe and up-to-date back-up systems to eliminate the risk of losing accounting data.

Any partnership organisation receiving funds from the DMFA grant, must file and keep all the accounting documentation for ten years after the end of the project in accordance with Danish legislation.

The conversion of accounts kept in foreign currencies should be based on an average exchange rate calculated on the exchange rates applicable at the time of funds transfers from DMFA and, subsequently, from the Administrative Partners to other non-commercial partners, where applicable. Information about this must be included in the audited financial statements.

Any interest earned must be reflected in the audited financial statements. The interest cannot be used for the financing of activities under the partnership budget. Any negative interest in a year has to be reflected as a bank charge. It cannot be used to reduce the interest earned in previous years. The accumulated interest earned during the project period must be returned to the DMFA at the end of the project.

DMFA grant funds forwarded by the Administrative Partner to other non-commercial partners may follow the procedures applied by the non-commercial partner as long as these are not in conflict with the stipulations in these administrative guidelines. Information about this must be included in the audited financial statements.

Expenditures for assets exceeding a value of DKK 3,500, such as computers, mobile phones, satellites/GPS devices must be included in the asset list and included in reporting. Other transferrable items should also be included in the asset list and included in reporting. The list forms an integrated part of the audited financial statements.

The partner shall allow accounting verifications to be carried out by the DMFA and external audit companies and for them to conduct any verifications, review or other exercise deemed necessary by the DMFA.

12. Progress and Financial Reporting

The DMDP budget, implementation and reporting year follows the calendar year and is always January-December. The end of a reporting and financial period is, with the exception of the last project year, always the 31 December no matter the implementation period being less than twelve calendar months. It is the duty of the Administrative Partner to consolidate all partnership activities in one joint report to DMFA. The report including annexes must be submitted to the DMDP Secretariat by email to dmdp@dmdp.dk in one single PDF file supported by separate annexes in excel format for all financial aspects of the report.

If a report contains information that requires specific attention by DMFA, it should be stated in the cover letter as well as in the progress report.

A Yearly Report must be submitted by the 28 February each year consisting of: (a) a narrative report (annex 6) including mandatory annexes, (b) yearly financial statements (annex 9), and (c) the accumulated financial statements (annex 10). A yearly budget (annex 5) must be annexed to the report together with an updated project budget (annex 1), which includes the revised budget duly considering already made or upcoming reallocations and/or use of the budget margin.

A Status Report must be submitted by the 31 August any given year if the partnership wants to request for additional funds. The report consists of a narrative report (annex 7), an updated financial report utilising the format for the yearly financial statements (annex 9). A revised yearly budget (annex 5) must be annexed to the report together with an updated project budget (annex 1), which includes the revised budget duly considering already made or upcoming reallocations and/or use of the budget margin.

Audited annual financial statements including all resources no later than the 1 July each year covering the previous calendar year. The own-contribution (annex 15) should be indicated in the financial statements to make it possible to verify compliance with the 25% minimum own-contribution. This may be done through separate columns for the financial figures for the DMFA grant and the own-contribution, respectively. The submission should include the auditor's report, the financial statements[5] and the management letter. The annual statement of accounts should include an overview of income and expenditure and show the annual budget as comparison.

A Completion Report should be submitted no later than six months after the finalisation of the partnership activities. It contains: (a) a narrative report (annex 8) including mandatory annexes, (b) final financial statements (annex 11), and (c) the accumulated financial statements (annex 10).

[5] The audited annual financial statements consist of annexes 9 and 10.

The DMFA may upon request from the Administrative Partner and on a case-by-case basis endorse that the Completion Report replaces the Yearly Report.

The final audited statement of accounts should be submitted no later than six months after finalising the partnership activities. The submission should include the auditor's report and the financial statements[6]. Besides, it should include an overview of income and expenditure and show the overall DMDP budget as comparison.

Unused DMFA grant funds and ineligible staff expenditure, if any, must be returned to the DMFA along with the submission of the final audited financial statement of accounts.

Where the project requires a transfer of equipment or other assets funded through the DMFA grant, the Administrative Partner is required to prepare a list of the items concerned indicating current value and acquisition prices. This list shall be included in a handover note for transfer of assets as part of the final reporting. The handover note must have two authorized signatures. The DMFA insists on full transparency regarding the handover of assets both in the local community and within the DMDP project partners.

13. Other reporting

The Administrative Partner should **immediately** report to DMFA in case the following should occur:

- Substantial difficulties arise to implement the project, such as not meeting the agreed budget, including the own-contribution of any partner;
- Any matter that may affect the condition on which support has been granted and of any matter that may affect the viability and sustainability of the approved partnership activities;
- Substantial problems arise in the relationship amongst the partners, with the authorities of the recipient country or other stakeholders; and/or
- Suspicion arises related to possible individual cases of fraud, misappropriation, loss or theft of money or other valuables, incidents of bribery, major breach of contracts or legal disputes with financial implications.

A written report of such incidences must be submitted with an explanation how the Administrative Partner and/or the affected organisation(s) plan to solve and follow up on the reported difficulties/irregularities.

The notification of any possible suspicion related to financial irregularities must be written in the '**Form for reporting cases of suspected irregularities regarding the management of grants, misuse, fraud or corruption**' (annex 13). The initiation of an extraordinary or special audit shall

[6] The audited final financial statements consist of annexes 10 and 11.

always be reported using the same format. The Administrative Partner must systematically monitor and follow-up on any reports.

DMFA is obliged to immediately report such cases to the office of the Auditor General in Denmark and publish it simultaneously on the DMFA website. DMFA will closely monitor and report on the development in such cases.

The DMFA may in some circumstances and at any time further require the Administrative Partner to submit a Status Report.

14. External Audit

The DMDP project is audited on an annual basis as a stand-alone/special purpose audit.

DMFA must be informed in good time should it not be possible for the Administrative Partner to submit the audited annual statement of accounts before the 1 July because of extraordinary circumstances outside the control of the Administrative Partner.

The first audit takes place after the end of the first calendar year. The DMFA may, after individual assessment, approve to combine the first months of implementation with the audit for the subsequent year. In such circumstances, the first audit will encompass the first period ending on the 31 December no matter this is more than twelve (12) months. The first audit must always include the Project Preparation Grant.

The audit includes both the financial audit as well as the compliance and performance audit. The financial audit is intended to provide reasonable assurance that the financial statements are presented fairly, in all material respects, in accordance with the financial reporting framework. Performance audits examine the economy, efficiency and effectiveness of the audited activities whereas compliance audits examine whether the activities are compliant with applicable rules, policies, and regulations.

The DMFA requires the financial audit to be performed according to International Standards on Auditing (ISAs) issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board, whereas the performance and compliance aspects should be performed according to public sector auditing standards based on the International Standards of Supreme Audit Institutions (ISSAIs), and the standards on public auditing.

The auditor is also required to issue a management letter. The management letter communicates observations and findings identified during the audit. These observations can pertain to deficiencies in internal controls, non-compliance with legislation, specific issues discussed with management, etc. The observations and findings included may be immaterial for the financial statements as a whole, but relevant for management or relevant stakeholders, including the DMFA. For each observation or finding, the auditor must provide a description of the related risk, the auditor's recommendation as well as management's response to the observation or findings. Further, the management letter should include a description of how compliance audit and performance audit tasks have been performed in relation to the relevant ISSAI standards. Compliance- and performance audits can also be addressed in a separate management letter.

An internationally recognised auditor must carry out the audit of the annual audited statement of accounts as well as the final statement of accounts. The auditor is selected and contracted by the Administrative Partner. It is the responsibility of the Administrative Partner to ensure that the audit is carried out in accordance with the DMFA supporting note for the audit (annex 12A) and covers all the elements in the template for the Terms of References for the annual audit (annex 12B).

The auditor also has the overall supervision responsibility towards locally undertaken audits of expenditures abroad. It is the responsibility of the Administrative Partner to ensure that the auditor of the other applicable partnership organisation(s), also referred to as sub-grantees, agrees, in writing, that the audit work will be carried out in accordance with DMFA's requirements (annex 12C). The approach and findings should be included in the audit report.

The audit should include the staff hours at the same level as in the accumulated financial report (annex 10).

The auditor is not expected to audit the own-contribution and may include a comment in the audit endorsement about the reach of the audit.

DMFA may at any time, and at its own expense, appoint an independent auditor to examine all relevant documents at any recipient partners' premises no matter the resources being transferred form the Administrative Partner.

15. Support and Monitoring by the DMFA and the DMDP Secretariat

DMFA, including the Danish Representations, will, where it has relevant knowledge and resources, provide guidance to partners during the development of the full project proposal and during implementation of the partnership project. Such support may include advice on development related issues, country level issues, design of results and monitoring systems, risk management etc. This support will be coordinated by the DMDP Secretariat, cf. section 2.

DMFA's monitoring of the grant management primarily takes place through assessment of the submitted reports and financial statements of accounts. In addition, the monitoring can, in coordination with the Administrative Partner, include the following initiatives:

- Visits to the partnership organisation(s) with a view to inspect how the financial and project management operate, as well as reviewing the administrative procedures and organisational relations;

- Ad hoc conversations with the executive management of the partners and the auditor of the project (in coordination with the Administrative Partner);
- Progress monitoring visits to discuss challenges and opportunities in project implementation either by visits from the DMFA in Copenhagen/DMDP Secretariat or through an arrangement with a Danish Representation; and
- Capacity review of the organisation and/or other partners, performance audit (value for money), as well as final assessments (appraisals), reviews, and evaluations of the partnership activities.

In case of mismanagement and/or misappropriation of grant funds, DMFA is entitled to take relevant action aimed at reducing the consequences thereof. Such actions can consist of a written reprimand, examination by a consultant or an auditor of the management practices of the organisation, discontinuation of project payments, and discontinuation of additional disbursements, phasing out or closure of current activities or a complete termination of the partnership project. In case of the latter, the organisation is responsible to immediately refund all unused funds to DMFA and to compensate DMFA for any financial loss.

16. Contractual status of DMFA

DMFA is not a contractual party to any agreement between the partnership consortium and other parties. DMFA shall not be liable to the partners for the acts of any authorities, banks or external consultants who may be involved in the activities of the partnership. The partners shall ensure that their contracting counterparts do not consider DMFA as liable to the project.

DMFA shall not be held liable for any consequential loss, and loss of profits or other indirect losses.

No claims of any kind can be raised against DMFA because of a suspension of disbursements to the partnership and/or withdrawal of support to the partnership.

DMFA does not assume any liability whatsoever on behalf of the partners in the cooperation to any third party, even though DMFA may have facilitated financing for the said third party.

Should any dispute arise between any or all of the partners, DMFA reserves its position and DMFA has no obligations to the partners or any third party to intervene in any such dispute.

17. Termination of agreements and arbitrary clauses

The DMFA as well as the Administrative Partner can terminate the agreement in writing with three months' notice. However, in case of a substantial violation, DMFA is entitled to immediately withdraw from the agreement. Prior to a possible termination of the agreement, both parties are obliged to seek potential solutions through negotiations. Unsolved conflicts cannot be addressed by a court of law, but must instead be solved by means of arbitration.

The party who wants an issue to be solved through means of arbitration must itself select an arbitrator and encourage the other party to do the same within 14 days. If the other party fails to meet this deadline, the Maritime and Commercial Court in Copenhagen, Denmark will select their arbitrator. The two arbitrators together select the umpire. In case an agreement cannot be reached, the Maritime and Commercial Law will select the umpire who will then act as the chairperson of the arbitration. The arbitration defines the set of rules for handling the case in accordance with existing laws on arbitration as well as in accordance with the Administration of Justice Act.

The arbitration decides how the expenses related to the implementation of the arbitrary are divided between the parties involved.