Administrative Guidelines for Danida Green Business Partnerships

Ministry of Foreign Affairs, Denmark
23 August 2022

Table of Contents

In addition to the stipulations of these administrative guidelines and the operational guidelines, partners participating in a DGBP 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, harassment, and exploitation.

These DGBP 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 case of doubt when implementing DGBP projects. The FMG should be regarded as a living document that will be revised by the Ministry of Foreign Affairs as needed. It is the responsibility of the organisations to keep themselves informed of any changes. The latest version of the FMG can be accessed on:

https://amg.um.dk/bilateral-cooperation/financial-management

23 August 2022

Abbreviations

DKK	Danish Kroner
DGBP	Danida Green Business Partnerships
DMDP	Danida Market Development Partnerships
DMFA	Danish Ministry of Foreign Affairs
FMG	Financial Management Guidelines for Development Cooperation
GBER	EU General Block Exemption Regulation
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
PSEAH	Prevention of Sexual Abuse, Harassment and Exploitation
RBC	Responsible Business Conduct
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[1]

<u>Common templates for all non-commercial partners</u>

Annex 1: Payment information to the DMFA (to be included)

Annex 2: Disbursement request for the Partnership Project Preparation Grant (to be included)

Annex 3: Disbursement request form (to be included)

Annex 4: Form for reporting on irregularities (to be included)

Annex 5: Own contribution from DMDP partners (to be included)

<u>Maturation Projects</u>

Annex 6: Maturation Project budget

Annex 7: Maturation Project completion report (to be included)

Annex 8: Final Maturation project financial statement (to be included)

Annex 9A: Supporting note for auditing (to be included)

Annex 9B: Template for Terms of Reference for the final audit (to be included)

<u>Full Projects</u>

Annex 10: Full Project budget

Annex 11: Full Project yearly budget (to be included)

Annex 12: Full Project yearly report (to be included)

Annex 13: Full Project status report (to be included)

Annex 14: Full Project completion report (to be included)

Annex 15: Full Project yearly financial report (to be included)

Annex 16: Full Project accumulated financial report (to be included)

Annex 17: Full Project final financial statement (to be included)

Annex 18: DGBP Cost Categories

Annex 19A: Supporting note for auditing (to be included)

Annex 19B: Template for Terms of Reference for the annual audit (to be included)

[1] Annexes with (to be included) are under development. Relevant annexes will be available in time for the project development phase

Annex 19C: Checklist for audit of sub-grantees (to be included)

Commercial Partner(s)

Annex 20: Disbursement request for DMFA grants to commercial partner (to be included)

Annex 21A: Supporting note for auditing (to be included)

Annex 21B: Template for Terms of Reference for the audit (to be included)

A. GENERAL PROVISIONS

1. Introduction

Danida Green Business Partnerships (DGBP) supports partnerships in developing countries and aims at creating new market-based solutions to climate and environmental challenges while contributing to economic growth, job creation and improved livelihoods. The programme is funded by the Ministry of Foreign Affairs of Denmark (DMFA) and administered by an external DGBP Secretariat, hereinafter the Secretariat.

The DGBP funds partnerships between commercial and non-commercial partners based on an innovative business case with an impact in developing countries and works in coherence with Danish strategic priorities in the partner countries. Each partnership contributes to green transition and inclusive growth. The success of the partnerships is dependent on both commercial and non-commercial partners. Good partnerships involve a joint understanding of both commercial and development aims. By engaging private sector finance and competencies in combination with knowledge about development challenges of non-commercial partners, the DGBP aims to contribute to the Sustainable Development Goals, and in particular climate change, environmental and biodiversity degradation, and inclusive growth.

These administrative guidelines should be read in conjunction with the Operational Guidelines[2], which describe the requirements to partners seeking support from the DGBP and provides information on the application procedures specific to each application window.

The overarching principle is that a DGBP project should be economically efficient and effective. Consequently, the Secretariat's review of the concept notes, proposals and subsequent reports 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, DGBP supports the principles of flexibility and necessary adjustments to the changing context in the 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.

These administrative guidelines should be regarded as a living document that will be revised by the DMFA as needed. It is the responsibility of the partnership organisations to keep themselves informed of any changes. The latest version of the guidelines can be accessed on https://danida-business-partnerships.dk/

[2] https://danida-business-partnerships.dk/

2. The DGBP Secretariat

DMFA has engaged a Management Support Consultant to set up and operate a fully functioning Secretariat. The Secretariat handles the day-to-day management responsibility of the programme and the project portfolio. This includes the receipt, scrutiny, and feedback on all reports, including audit reports, and disbursement requests. DMFA is responsible for strategic guidance and oversight in accordance with rules and regulations pertaining to official Danish development assistance.

These administrative guidelines are issued by the DMFA and should be read and understood in this context. The operational liaison will however take place through the 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 DGBP Secretariat using the e-mail address dgbp@dgbp.dk

3. Support and monitoring by the DMFA and the DGBP Secretariat

DMFA, including the Danish Embassies and Representations in partners countries, will, where it has relevant knowledge and resources, provide guidance to partners during the development and implementation of the partnership project. Such guidance may include advice on development related issues, country level issues, design of results and monitoring systems, risk management etc. The guidance will be coordinated by the DGBP Secretariat.

DMFA's monitoring primarily takes place through assessment of the submitted yearly progress reports, annual meetings, status reports, if applicable, and financial statements of accounts, including audit reports. In addition, the monitoring can, in coordination with the Administrative Partner, include the following initiatives:

- Progress monitoring visits to discuss challenges and opportunities in project implementation either by visits from the DMFA in Copenhagen, the DGBP Secretariat or through an arrangement with a Danish Representation,
- Ad hoc conversations with the executive management of the partners and/or the auditor of the project,
- Visits to the partnership organisation(s) with a view to inspect how the financial and project management operates, as well as reviewing the administrative procedures and organisational relations, and
- Capacity review of one or more 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, 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 organisations, through the Administrative Partner, are responsible to immediately refund all unused funds to the DMFA and to compensate the DMFA for any financial loss.

4. Critical incidences

Any partner in the partnership must **immediately** report to the Secretariat in case the following occur:

- Changes in context and/or material delays or hinderances that challenge the partnership project in implementing the agreed project proposal and/or delivering the expected results,
- Any matter that may affect the viability and sustainability of the approved partnership activities,
- Substantial challenges in the relationship amongst the partners, with the authorities of the recipient country or other stakeholders,
- Substantial difficulties in not meeting the agreed budget, including the own contribution of any partner, 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 of how the partnership project, through the Administrative Partner, plans to address and follow up on the reported difficulties/irregularities.

The notification of any 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 4). The initiation of an extraordinary or special audit shall always be reported using the same format. The Administrative Partner must systematically monitor and follow-up on any reports.

The 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.

5. Contractual status of the DMFA

The DMFA is not a contractual party to any agreement within or 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 and the 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 the DMFA because of a suspension of disbursements to the partnership and/or withdrawal of support to the partnership.

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

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

6. 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, the 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. Unresolved 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 fourteen (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.

B. THE NON-COMMERCIAL PARTNER(S)

7. The responsibilities of the organisation administrating the DMFA Grant

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

The responsibilities of the Administrative Partner include the following, but is not limited to:

- 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 in these administrative guidelines, the country of project implementation, and/or any other rules and regulations applicable,
- Managing the overall projects cash flow requirements except support to the commercial partners, to ensure continuous implementation, including the submission of a disbursement request for funds to the DMFA through the DGBP Secretariat,
- Ensuring that the partnership maintains a dialogue with the Danish Representation in the country where the project is implemented,
- Ensuring that reference is made to the support from the DMFA in communication on partnership activities and results by the partnership partners, including using the DMFA and the DGBP 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 work-related trips arranged by the organisation,
- Informing sub-grantees, if any, of the rules and regulations of these administrative guidelines,
- Ensuring that the 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 the 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.,"

- Ensuring that all agreements with partners receiving parts of the DMFA 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)[3], 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," and

- Ensuring that suppliers and partners receiving parts of the DMFA grant are not included on the UN or EU sanctions lists and that all sub-grant agreements include the following clause regarding anti-terrorism and restrictive measures:

  "Consistent with United Nations (UN) Security Council Resolutions relating to terrorism, including UNSC Resolution 1373 (2001), 1267 (1999), 2462 (2019), the European Union's (EU) Consolidated list of persons, groups and entities subject to EU financial sanctions and other related resolutions the Parties are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism.

  It is the policy of Denmark to seek to ensure that none of its funds are made available to, or for the benefit of, third parties - whether entities, individuals or groups of individuals - designated by the EU as subject to restrictive measures in the lists provided at www.sanctionsmap.eu or individuals, groups of individuals or entities associated with terrorism or designated by the UN Security Council and its committees.

  The Implementing Partner undertakes to ensure that the activities funded under the Agreement at all times comply with all applicable rules and regulations including relevant UN and EU restrictive measures.

  The Implementing Partner will inform the Danish MoFA immediately if, during the course of its activities, the Implementing Partner determines that funding provided to the Implementing Partner pursuant to this Grant agreement has been used or provided as described in this clause."

---

[3] **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.

The Implementing Partner shall provide the Danish MoFA with an account of all the known facts and shall continuously thereafter consult with the Danish MoFA on the further handling of the matter to jointly determine remedial measures in accordance with their respective applicable legal frameworks.

Any violation of this clause is ground for immediate termination of the Agreement.

8. The Partnership Project Preparation Grant

The DMFA will enter into a preliminary grant agreement with the respective successful applicants at the Concept Note stage[4]. The final funding agreement is subject to approval of the project document.

The DMFA may support the development/preparation of the project document with up to Danish Kroner (DKK) 500,000 for a **Full Project** and up to DKK 100,000 for a **Maturation Project**. The support covers costs of the non-commercial partner(s), including e.g., visits to the partner country and technical studies. DMFA may cover up to 75% of the total preparation costs, i.e., an own contribution of minimum 25% must be made by the commercial partner(s).

The Concept Note template outlines the principles and fee rates, which apply to the development/preparation phase for both project types and to the implementation phase for Maturation Projects. The rates are "all-inclusive rates" and must cover all expenses during the development/preparation phase e.g., all workshop costs, all local and international transport costs, accommodation, allowances etc. If partners wish to apply for this support, a budget for the preparation phase must be included in the Concept Note.

The development/preparation phase is not subject to a 7% administrative overhead.

The Preparation Grant forms part of the total grant and thereby also the overall DMFA ceiling for the partnership project. The development/preparation phase is considered completed once the Administrative Partner accepts the conditions in the project appropriation letter from the DMFA.

The Preparation Grant is disbursed against a disbursement request (annex 2) together with information about personnel authorised to handle disbursements (annex 1). The disbursement request will only be considered after the DGBP project document has been approved.

The Administrative Partner should include the expenditure and grant accounts related to the development/preparations phase as a separate activity in the financial statements. Besides, the grant forms an integrated part of the first external audit and is reflected by the inclusion of annex 2 in the audited financial statements.

---

[4] Please refer to the DGBP Operational Guidelines for requirements, details, process, and formats.

9. The Full Partnership Project Grant

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

The fiscal year of the project as well as of the DGBP follows the fiscal year of the DMFA, which is the calendar year i.e., **January to December**. Any project budget must comply with this, no matter the resulting audit period being less than twelve calendar months.

All expenditure linked to partnership activities and management must be included in the budget and any future revisions hereof. There will not be any financial support for the purchase of e.g., larger infrastructures and equipment, land, and property[5]. The budget must include the costs related to project activities including staff time (activities and management), travel expenses and minor equipment for demonstration purposes, and project support costs. Please refer to annex 18 regarding the respective cost categories.

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 for all non-commercial partners for a non-objection as part of the development/preparation process.

The DMFA's grant may cover up to 75% of the budget attributed to the DMFA and the commercial partner(s). The commercial partners may provide funds in the form of in-kind contributions (staff hours, travel expenses etc.) or cash contributions/investments. Resources mobilised from other donors and/or philanthropic funds are a welcome contribution but is not part of the 25% own contribution.

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.

10. The Maturation Project Grant

The DMFA grant must be used in accordance with the conditions of the approved **Maturation Project** document and budget.

The Maturation Project is considered as one reporting, accounting, and audit period despite it may be covering more calendar years.

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

All expenditures linked to partnership activities and management must be included in the budget and any future revisions hereof. There will be no financial support for purchases of e.g., larger infrastructures and equipment, land, and property[6].

All expenditure is covered through "all-inclusive rates," which must cover all expenses e.g., staff hours, all workshop costs, all local and international transport costs, accommodation, allowances etc. The project may, however, include expenses at cost price should these be considered too substantial to be covered by the "all-inclusive rates." These will be scrutinised by the DGBP Secretariat during the development/preparation case. If approved, these may under no circumstances be exceeded without prior approval during implementation.

The DMFA's grant may cover up to 75% of the budget attributed to the DMFA and the commercial partner(s). The commercial partners may provide funds in the form of in-kind contributions staff hours and external consultancies at the same "all-inclusive rates" as applies to the non-commercial partners or cash contributions/investments. Resources mobilised from other donors and/or philanthropic funds are a welcome contribution but is not part of the 25% own contribution.

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

11. Own contributions

The agreement between the Administrative Partner and the project partner(s) should state how the own contribution from the partners will be provided (either as in-kind, cash contribution or investments) e.g. through a signed 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 for **Full Projects** and at an "all-inclusive" basis for **Maturation Projects**. Any equipment, machinery or construction included in the budget as own contribution should also be at cost price less any support provided through DGBP funds (section 22).

Annex 5 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.

12. Disbursement of the grant to the Administrative Partner

The Administrative Partner is responsible for opening a **dedicated project account** in the name of the partnership project to distinguish the funds from other funds. Evidence of the dedicated partnership project account and personnel authorised to handle disbursements (annex 1) must

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

be forwarded to the DMFA 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 1 must be updated if the signatories to the project account change during the implementation period.

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

DMFA grants in support of a **Maturation Project** is disbursed in two tranches following the approval of the project document by the DMFA. The first disbursement can be requested as 75% of the budget for the implementation phase together with the development/preparation grant. The remaining funds can be requested and disbursed following the project closure and is documented by the audit report. The disbursement request for the Partnership Preparation Grant (annex 2) must be submitted together with the first disbursement request (annex 3).

The first instalment in support of a **Full Project** can be requested following the approval of the project document by the DMFA. It covers the expected spending for the remaining part of the first calendar year together with the development/preparation grant and will be disbursed based on the approval of the project document by the DMFA. The Disbursement request for the Partnership Preparation Grant (annex 2) must be submitted together with the first disbursement request (annex 3).

Subsequent instalments in support of **Full Projects** are typically disbursed once annually, in March/April based on the approval of the yearly reporting (section 18) in its totality. It is the responsibility of the Administrative Partner to ensure that authorised personnel only sign the request.

The annual disbursement request for a **Full Project** is prepared based on 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 account details and balance end of the previous year.

The requested amount may include up to a 25% "buffer" of the yearly budget 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 and the previous submission and approval of an audit report.

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 prior to any additional yearly disbursement (section 18).

13. Administration of the DMFA Grant

The partnership activities must be conducted within the framework of the approved budget.

The DMFA grant disbursed to the Administrative Partner 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 the DMFA. It is a precondition, that such reallocations do not involve a change of the output targets. The 10% ceiling applies to all financing sources, including own contribution, as any major changes may impact the implementation logic. The limit must not be exceeded through multiple smaller annual reallocations exceeding 10% in total and is included in the reporting as per section 18.

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

The DMFA approves **Full Project** reallocations below 10% based on the Yearly Report (section 18), which includes a revised total project budget, including changes to the DMFA financed staff input. The approval of **Maturation Project** reallocations below 10% is formally endorsed through the completion report (section 20).

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 unexpected events e.g. COVID-19. The budget margin may only be used for activities already included in the approved budget and with the explicit approval of the DMFA. The budget margin cannot under any circumstances be used to fund new outputs.

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.

14. Staff inputs/hours

The staff covered by the project should appear as key staff in the project document. The project can cover inputs from other staff than key staff, if deemed more effective. Such input and/or changes must for **Full Projects** be reflected in the Yearly Report (annex 12) and for **Maturation Projects** in the final financial statement (annex 8).

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

a) Documents the provided and charged staff hours through time sheets for each staff contributing to the project,
b) Ensures that the hourly rates for all staff do not exceed the rates for comparable categories of staff in similar organisations in the same country, and
c) Ensures that a description/Terms of Reference is in place showing the contribution and expected result of the input.

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

The staff inputs/hours in **Maturation Projects** are at "all-inclusive rates" whereas staff inputs/hours in **Full Projects** are included at cost price (personnel emoluments / number of hours for full time equivalent staff per year). The calculations of the hourly staff rates form an integrated part of the audit.

15. Project Support Costs (Full Projects only)

The DGBP includes a provision for costs required to support the delivery of a **Full Project**, but which cannot be linked to a specific output. It includes organisational project and grant management, quality control functions, human resources and security, compliance, finance, procurement, payroll, information technology and administration.

These are applicable to Full Projects only and must be documented by either (a) a cost allocation model that ensures each project contributes a fair share of the costs or (b) individual budget lines. The costs will be budgeted separately and specified in the overall project budget (annex 10), subsequent annal budgets (annex 11) as well as yearly financial reports (annex 15).

The DGBP will during the development/preparation of the project document assess the cost allocation model or whether the suggested individual budget lines indicate that the DGBP partnership project does not contribute excessively relative to its size i.e., it contributes a fair share.

16. Administrative overhead (Full Projects only)

All administrative costs for **Maturation Projects** are covered by the "all-inclusive rates" whereas **Full Projects** may include an administrative overhead of *7% of actual expenditure excluding administration.* The administrative overhead covers the general administrative costs for project administration, including the following:

- Management of consortia partner relations,

- Administration and accounting of the non-commercial partner(s) itself/themselves (i.e., not related to project activities),
- Fund raising for project related co-funding,
- General compliance and administrative and legislative reporting tasks in relation to the non-commercial partner(s) (e.g., VAT, audit, legal), and
- Involvement of the leadership in the general governance and cooperation (by leadership is to be understood the general secretary/director and members of the board/executive committee not involved in activity specific tasks).

The administrative overhead costs will not have to be specified or documented neither in the budget phase nor in the implementation phase.

The administrative overhead can never exceed 7% of the actual expenditure. The final audit must confirm compliance.

The administrative overhead may be shared among the non-commercial partners as per their internal agreements, which is irrelevant to the Secretariat and does not need to be documented.

17. Accounting

The accounting setup should ensure the recording of cost in such a way that the individual transactions arising from the DMFA grant can be clearly linked to the DGBP.

The Administrative Partner is required to maintain accurate records of all financial transactions and 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 organisations receiving funds from the DMFA grant, must **file and keep all the accounting documentation for ten (10) 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 using the exchange rates applicable at the time of funds transfers from DMFA and, subsequently, from the Administrative Partners to sub-grantees, if 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 may be included as a local administrative cost with the specification including the amount in the currency of the project bank account. It cannot be used to reduce the interest earned in previous years. The accumulated interest earned during the project period as well as unspent funds must be returned to the DMFA at the end of the project. These must be specified and transferred separately. Please refer to section 20 regarding the reporting in connection with project completion.

DMFA grant funds forwarded by the Administrative Partner to **sub-grantees**, if any, may follow the procedures applied by the Administrative Partner or sub-grantee provided 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 individual **assets** exceeding a value of DKK 3,500, such as computers, or capital items with a multi-year use 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 Administrative Partner should ensure that any **procurement** adheres to international best practice and applicable regulations, and that it is transparent, fair, and open. The procurement process must be designed to achieve value for money. The Secretariat reserves the right to review the procurement policies and process if the project involves substantial procurements.

All recipients of the DMFA contribution must allow accounting verifications to be conducted by the DMFA and external audit companies and for them to conduct any verifications, review or other exercise deemed necessary by the DMFA.

18. Yearly progress and financial reporting

It is the duty of the Administrative Partner to consolidate all partnership activities in one joint report to the DMFA. The report including annexes must be submitted to the DGBP Secretariat by email to dgbp@dgbp.dk in one single PDF file supported by each financial annex in Microsoft Excel format.

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

The **Maturation Projects** submit a completion report only (section 20) but may be requested to participate in status meetings with the DMFA and/or the Secretariat.

The **Full Projects** must submit A Yearly Report by the 28 February consisting of the following annexes in these administrative guidelines: (a) a narrative report (annex 12) including mandatory annexes, (b) yearly financial statements (annex 15), and (c) the accumulated financial statements (annex 16). A yearly budget (annex 11) must be annexed to the report together with an updated project budget (annex 10), which includes the revised budget duly considering already made or upcoming reallocations and/or use of the budget margin. Besides, other mandatory annexes, which are not related to the financial management of the projects, e.g. output level results reporting, a Responsible Business Conduct action plan, a Yearly Work plan, a Communication Plan, and a Risk Management Framework, should be submitted with the Yearly Report.

A Status Report must be submitted by the 31 August if the partnership wants to request for additional funds. The report consists of the following annexes in these administrative guidelines: (a) a narrative report (annex 13) and (b) an updated financial report using the format for the yearly financial statements (annex 15). A revised yearly budget (annex 11) must be annexed to the report together with an updated project budget (annex 10), 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 must be submitted no later than 1 July each year covering the previous calendar year. The own contribution (annex 5) should be included in the financial statements The submission should include the auditor's report, the financial statements[7] and the management letter. The annual statement of accounts should include an overview of income and expenditure and show the annual budget as comparison.

19. External Audit

An internationally recognised auditor must conduct 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. This may be for the entire duration of the project. 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 9A for **Maturation Projects** and annex 19A for **Full Projects**) and covers all the elements in the template for the Terms of References for the annual audit (annex 9B for **Maturation Projects** and annex 19B for **Full Projects**).

The **Maturation Projects** are audited as a stand-alone/special purpose audit for the entire project period. The audit must be submitted and finalised no later than four months after the end date of the project. The audit must always include the Project Preparation Grant.

The **Full Projects** are audited on an annual basis as a stand-alone/special purpose audit. The end of year date is always the 31 December, except the final year.

DMFA must be informed should it not be possible for the Administrative Partner to timely submit the audited statement of accounts because of extraordinary circumstances outside the control of the Administrative Partner.

The first annual **Full Project** audit takes place after the end of the first calendar year. The DMFA may, after an 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

[7] The audited annual financial statements consist of annexes 15 and 16.

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 external audit includes both a financial audit as well as a 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 performance and compliance audits may be performed interchangeably i.e. with one of them every other year.

The auditor is 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, 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 may also be addressed in a separate management letter.

The auditor also has the overall supervision responsibility towards locally undertaken audits of expenditures with other non-commercial recipients of the DMFA grant. It is the responsibility of the Administrative Partner to ensure that the auditor of sub-grantees, if any, agrees, in writing, that the audit work will be conducted in accordance with DMFA's requirements (annex 19C). The approach and findings should be included in the audit report.

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 from the Administrative Partner.

20. Completion reporting

All **Maturation Projects** must submit a Completion Report no later than four months after the finalisation of the partnership activities. It contains the following annexes from these administrative guidelines: (a) a narrative report (annex 7) including mandatory annexes and (b) the final financial statements (annex 8).

All **Full Projects** must submit a Completion Report no later than six months after the finalisation of the partnership activities. It contains the following annexes from these administrative guidelines: (a) a narrative report (annex 14) including mandatory annexes, (b) final financial statements (annex 17), and (c) the accumulated financial statements (annex 16).

Besides, other mandatory annexes, which are not related to the financial management of the projects, may also be requested.

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 by the **Maturation Projects** no later than four months after the completion of the partnership activities. The **Full Projects** must submit it no later than six months after finalising the partnership activities. The final audited financial statement must include all payments, including the final audit fee. The submission should include the auditor's report and the financial statements[8]. 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, as per the fund balance in the final audited financial statements must be returned to the DMFA.

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 authorised signatures. The DMFA insists on transparency regarding the handover of assets both in the local community and within the DMDP project partners.

[8] The audited final financial statements consist of annex 8 for Maturation Projects and annexes 16 and 17 for Full Projects.

C. The COMMERCIAL PARTNER(S)

21. The responsibilities of the commercial partner(s)

The commercial partner(s) are project co-owners and essential for the implementation and progress of the project. Consequently, the key commercial partner must sign the Yearly Report and the Completion Report, respectively, together with the Administrative Partner.

All commercial partners may receive DMFA funding for project activities in accordance with the EU state aid rules and the General Block Exemption Regulation (GBER) and is in that connection accountable towards the DMFA as regards compliance with these administrative guidelines and the GBER. The responsibility includes but is not limited to:

- Ensuring that the necessary professional and administrative capacity to satisfactorily document and apply for the support is in place,
- Ensuring that procurements and acquisitions of any action to be supported takes place in a competitive manner ensuring value for money,
- Ensuring submission of documents to the selected or assigned external auditor for external audit and subsequently remedy any audit options accordingly,
- Ensuring the presence of supported equipment throughout the project period and for the intention specified,
- Provide timely and accurate financial information to the Administrative Partner for inclusion in budgets and reports,
- 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 the DGBP logos on publications and informing DMFA and the Danish Representation about communication activities on a continuous basis, and
- 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.

22. DMFA Contribution to the commercial partner(s)

The commercial partner(s) should observe that state aid is not used for export-related activities, for example aid linked to the establishment and operation of a distribution network. Funding can furthermore only be received for the specific activities indicated in the table below:

	Explanation	Eligible costs	Aid intensities
Aid for consultancy in favour of SMEs GBER Article 18	Subsidy of consultancies in favour of the SME[9] that are an integrated part of the project: E.g., market studies and technical studies.	Costs of consultancy services provided by external consultants and undertaken in the partner country.	50% Only available to SMEs
Aid for research and development GBER Article 25	Subsidy of feasibility studies as defined below[10]	Costs of feasibility studies provided by external consultants and undertaken in the partner country.	50%
	Subsidy experimental development as defined below[11]	1) Personnel costs: researchers, technicians and other supporting staff for the time involved in relation to the activity, 2) Costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible.	25%
Training aid GBER Article 31	Subsidy to expenses in relation to training activities that are an integrated part of the overall project. Aid shall not be granted for training carried out for commercial partners to comply with national mandatory standards.	1) trainer's personnel cost for the hours which the trainer participates in the training, 2) trainers' and trainees' operating costs directly relating to the training project such as travel expenses, accommodation costs, materials and supplies directly related to the project, depreciation of tools and equipment, to the extent that they are used exclusively for the training project, 3) costs of advisory services linked to the training project. If the commercial partner participates in training undertaken by a non-commercial partner and funded by the project, the commercial partner should cover own costs	50%

[9] According to the EU definition of SMEs: The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

[10] Feasibility study' means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities, and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.

[11] Experimental development means acquiring, combining, shaping, and using existing scientific, technological, business, and other relevant knowledge and skills with the aim of developing new or improved products, processes, or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes, or services. Experimental development may comprise prototyping, demonstrating, piloting, testing, and validation of new or improved products, processes, or services in environments representative of real-life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product, and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services, and other operations.

	Explanation	Eligible costs	Aid intensities
		and subsequently request for reimbursement of 50% of eligible expenses.	

23. Disbursement of the DMFA grant

The DMFA grant forms an integrated part of the overall DGBP project budget and must be used in accordance with the conditions of the approved project document and budget. In respect of **Full Projects**, it must be included in the yearly budgets (annex 11).

It is the commercial partner(s)'s sole responsibility that any received DMFA funds as per the EU state aid rules and the GBER is reported in accordance with the rules at any time given.

The general thresholds for financial support under the DGBP are:

- Maximum 50% or DKK 500,000 (whatever is lowest) of the DMFA grant for **Maturation Projects** can be allocated for financial support to commercial partners.
- Maximum 10% of the total DMFA grant for **Full Projects** can be allocated for financial support to commercial partners, and

The DMFA grant can be disbursed once in the lifetime of **Maturation Projects** or once annually for **Full Projects**. It is disbursed directly to the applicable commercial partner on a reimbursement basis. The DMFA can under no circumstances disburse an advance.

The disbursement is based on an audit report, which the commercial partner is responsible for submitting and liaising with either an external auditor recommended by the Secretariat or an auditor, which the Secretariat has pre-approved. It is an explicit condition that the external auditor must have previous experience with the EU state aid rules and the GBER.

The audited statement follows the same format as the overall DGBP budget i.e. annex 6 for **Maturation Projects** and annex 10 for **Full Projects**. The audit takes place in accordance with the supporting note (annex 21A) and the advised Terms of Reference (annex 21B).

The disbursement will be made against the submission of the Disbursement request for DMFA grants to commercial partners (annex 20), which provides information about the amount and bank to which the amount should be transferred. This may be to any account advised by the respective commercial partners. The audit report must be affixed for disbursement to take place.