Administrative Guidelines for Danida Green Business Partnerships

Ministry of Foreign Affairs, Denmark

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Abbreviations

AMG	Aid Management Guidelines
DKK	Danish Kroner
DGBP	Danida Green Business Partnerships
DMDP	Danida Market Development Partnerships
DMFA	Danish Ministry of Foreign Affairs
EU	European Union
FMG	Financial Management Guidelines
GBER	EU General Block Exemption Regulation
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
PSEAH	Prevention of Sexual Exploitation, Abuse and Harassment
RBC	Responsible Business Conduct
SDG	Sustainable Development Goals
SEAH	Sexual Exploitation, Abuse and Harassment

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

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A. GENERAL PROVISIONS

1. Introduction

The Danida Green Business Partnerships (DGBP) programme 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 the collaboration between the commercial and non-commercial partners. Successful partnerships involve a joint understanding of both commercial and development aims. By engaging private sector finance and competencies in combination with the knowledge about development challenges of non-commercial partners, the DGBP aims to contribute to the Sustainable Development Goals (SDG), and in particular climate change, environmental and/or biodiversity degradation, and inclusive growth.

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 utilisation 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.

These administrative guidelines should be read in conjunction with the Application Guidelines[1], which describe the requirements to partners seeking support from DGBP and provide information on the application procedures specific to each application window. These DGBP Administrative Guidelines take precedence over the Application Guidelines for the relevant application round.

These DGBP Administrative Guidelines form part of the overall DMFA Aid Management Guidelines (amg.um.dk) for Danish development aid. The AMG take precedence in any case of doubt when implementing DGBP projects.

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

These administrative guidelines form part of the agreement between DMFA and the partners. It 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 these DGBP Administrative Guidelines can be accessed on https://danida-business-partnerships.dk/resources/.

In addition to the stipulations of these DGBP Administrative Guidelines and the Application Guidelines for the relevant application round, 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 exploitation, abuse and harassment (SEAH).

2. The DGBP Secretariat

DMFA has engaged a Management Support Consultant to set up and operate a Secretariat that handles the day-to-day management responsibilities 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 should consequently be 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, and risk management. The embassy guidance can if necessary be facilitated 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 may, 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 suspected 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, request for compensation 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 DGBP 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 including possible withdrawal of a consortium partner.
- Substantial challenges in the relationship amongst the partners, with the authorities of the recipient country, or other key stakeholders.
- Substantial difficulties in not meeting the agreed budget, including the own contribution of any partner, and/or;
- Any suspicion 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 case of suspicion. As a principle, the DMFA expects the organisation to also report cases of illegal activity to relevant local authorities (Police, Civil courts etc.) and pursue these matters – as a minimum until funds are recovered or all feasible endeavours for retrieving funds are applied.

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 responsible for project administration and the sole recipient of DMFA funds, 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 are 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.
- Undertaking and documenting timely due diligence / financial management capacity assessment of partners (sub-grantees) in the partnership (c.f. annex 20).
- 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 (through the DGBP Secretariat) 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 cash flow requirements to ensure continuous implementation, including the submission of a disbursement request for funds to the DMFA (through the DGBP Secretariat).
- Receiving audit report(s) from and disbursing funds to the commercial partner(s) based on the commercial partner(s) externally audited actual expenditure for prior periods.
- 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 logo on publications and informing DMFA and the Danish

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

- Informing sub-grantees, if any, of the rules and regulations of these administrative guidelines.
- Undertaking and documenting monitoring of project implementation progress and compliance with guidelines, including in relation to other partners and sub-contractors.
- Promptly inform the DMFA and partners of any condition (including changes to any partner's financial viability), which interferes or threatens to interfere with the successful implementation of the project.
- Ensuring that all relevant documents and communication (including due diligence and monitoring or field reports/actions) are properly documented and archived.
- 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.
- 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)[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. In the event that the partners receive reports of allegations of SEAH, the Implementing Partner will take timely and appropriate action to investigate the allegation and, where warranted, take disciplinary measures or civil and/or criminal action.

[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.

Any violation of this clause will be ground for the immediate termination of the cooperation between the MFA and the organisation," 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:

  "The partners are firmly committed to ensure that any activity under this Agreement is in full compliance with United Nations (UN) Security Council Sanctions and European Union (EU) Restrictive Measures. Moreover, consistent with UN Security Council Resolutions relating to terrorism, including but not limited to, UNSC Resolution 1373 (2001), 1267 (1999), 2462 (2019), and EU autonomous measures to combat terrorism, the partners are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism.

  Accordingly, the partners agree that they and/or their subsidiary implementing partners (including contractors, sub-contractors and sub-grantees) will take all reasonable steps to secure that no funds in relation to the Project will – directly or indirectly – benefit persons, groups or entities associated with terrorism or subject to UN Sanctions or EU restrictive measures.

  If, during the course of implementation of this Project, the partners discover that any funds in relation to the Project have been made available to, or for the benefit of, persons, groups or entities associated with terrorism or subject to UN Sanctions or EU Restrictive Measures, they must inform the DMFA immediately. The partners and the DMFA shall promptly consult each other with a view to jointly determining remedial measures in accordance with their respective applicable legal framework. Such measures may include, but shall not be limited to, the reallocation of the remaining DMFA funds under the Agreement.

  Any violation of this clause is ground for immediate termination of the cooperation returning to the DMFA all funds advanced to the partners under it."

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[3]. 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 external consultancy expenses for technical studies. DMFA may cover up to

[3] Please refer to the DGBP Application Guidelines of the relevant application round for requirements, details, process, and formats.

75% of the total preparation costs, i.e., an own contribution of minimum 25% must be made by the commercial partner(s).

The Disbursement Request for the Partnership Preparation Grant (annex 2) outlines the principles and fee rates, which apply to the development/preparation phase for both project types (Full and Maturation) and to the implementation phase for Maturation Projects. The rates are "all-inclusive rates"[4] and must cover all expenses during the development/preparation phase e.g., all workshop costs, all local and international transport costs, accommodation, and allowances.

The development/preparation phase is not subject to any 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 grant forms an integrated part of the first external audit and is reflected in the financial statements (annex 9 and annex 15 for maturation and full projects respectively), which should be aligned with the reimbursed amounts from the submitted annex 2.

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 accounting and 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

[4] It is the responsibility of the Administrative Partner to demonstrate that the "all-inclusive rates" are proportional to the cost levels in the partnership country. The Secretariat will request a detailed budget should this not be the case.

[5] Please refer to the Application Guidelines for a full list. Some, especially equipment, could be eligible for support under the EU State Aid Rules applied. Equipment for the target group may also be supported if they are for demonstration purposes.

minor equipment for demonstration purposes, and project support costs. Please refer to annex 17 regarding the respective cost categories.

Travel expenses must be budgeted as economically as possible and overseas travelling should be limited as much as possible.

Daily/overnight subsistence allowance may be paid through either actual expense claims or on a per diem basis to key staff away from their permanent place of residence. The Administrative Partner is responsible for ensuring that all per diem and travel rates applied by non-commercial partners are reasonable and not excessively high. As part of this responsibility, the Administrative Partner must review the travel and per diem / travel expense claim guidelines of all non-commercial partners, ensure their compliance with relevant standards, and keep them on file. These guidelines must be made available to the DGBP Secretariat upon request. The Administrative Partner must also ensure that the appropriated funds are used in accordance with the purpose of the Partnership, in compliance with relevant regulations, and in an efficient and cost-effective manner. DMFA funded air travel related to activities should be on economy class only and taking the most cost-efficient and feasible route possible, taking into account airline safety. Airline mileage points earned on trips in relation to the activities funded by the DMFA are not to be used for private purposes by the organisation's staff members, but to ensure cheaper business trips.

The maximum amount granted by DMFA is 75% of the total project budget, hence a 25% 'own contribution' by the commercial partner(s) is required (in cash or in kind). Resources mobilised from the non-commercial partners and/or other donors and/or philanthropic funds are welcome contributions but are 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 implementation phase is maximum 18 months and considered as one reporting, accounting, and audit period despite it may cover more calendar years. Projects that are extended, with a duration above 18 months, shall provide an interim audited financial statement.

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].

As a principle the Maturation Project applies the "all-inclusive rates,"[7] which must cover all expenses e.g., staff hours, all workshop costs, all local and international transport costs, accommodation, and allowances. The project may, however, include expenses at cost price or use the format for Full Projects should the expenses be considered to substantially deviate from the "all-inclusive rates." These will be assessed by the DGBP Secretariat during the development/preparation phase. When approved, these expenses may under no circumstances be exceeded during implementation without prior approval from the DGBP Secretariat.

The maximum amount granted by DMFA is 75% of the total project budget, hence a 25% 'own contribution' by the commercial partner(s) is required (in cash or in kind).. Resources mobilised by the non-commercial partners and/or from other donors and/or philanthropic funds are welcome contributions but are 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 on 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 project (i.e. DMFA funds, see 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** to distinguish the funds from other funds. Evidence of the dedicated partnership project account

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[6] Some, especially equipment, could be eligible for support under the EU State Aid Rules applied. Equipment for the target group may also be supported if they are for demonstration purposes.

[7] It is the responsibility of the Administrative Partner to demonstrate that the "all-inclusive rates" are proportional to the cost levels in the partnership country. The Secretariat will request a detailed budget should this not be the case.

and personnel authorised to handle disbursements (annex 1) must be forwarded to the DGBP Secretariat 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.

The DGBP Secretariat may, upon request, approve the use of e.g., the Administrative Partners own organisational account given it is possible to electronically establish a designated ledger account to separate the DGBP funds from other funds in such a way that the individual transactions arising from the DMFA grant can be clearly linked to the DGBP.

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

The Administrative Partner must ensure that the economically most efficient means are used when receiving funds from the DMFA and when transferring funds to other non-commercial partners, if applicable. Reasonable bank charges may be included in the budget as a separate line under "Local Administration".

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 DMFA budget for the implementation phase together with the development/preparation grant. The remaining funds (second tranche) 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 non-commercial partner(s) 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 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. For projects with a designated bank account, a copy of the latest bank statement or signed bank reconciliation must always be enclosed to verify the 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, be subject to the 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 more tranches or accept a supplementary disbursement during the year. The Administrative Partner will in such circumstances be required to submit a Status Report (annex 12 and relevant financial annexes) prior to any additional yearly disbursement (section 18).

The Administrative Partner requests DMFA funds in support of the commercial partner(s) as an integrated part of the final disbursement request for **Maturation Projects** and from the second year for **Full Projects** as per section 23. The funds will be disbursed based on the Administrative Partner's receipt of the commercial partner(s) externally audited actual expenditure for prior period(s) as per annex 19. To facilitate this, the Administrative Partners may include a small fee in the budget line for "Local Administration".

13. Administration of the DMFA Grant

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

The DMFA grant utilised by the non-commercial partner(s) may <u>under no circumstances</u> be used towards financing operational activities of the commercial partner(s).

Where possible, all partners should endeavour to reclaim any VAT paid.

Reallocation of up to 10% (of the budget of any output involved) between outputs in the annual budget or in the overall project budget can be made without prior approval from the DGBP Secretariat. 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 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 DGBP Secretariat whereas reductions to the local administration, salaries and staff costs can be made without prior approval, including reductions above 10%.

The DGBP Secretariat 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 and adaptability reserve to cover increased expenses related to e.g., price increases and exchange rate fluctuations of planned activities or for adapting the project to unforeseen contextual changes e.g. new certification procedures or for unexpected events e.g. COVID-19 or special purpose audits. The budget margin may be used to increase/improve results and sustainability but may only be used for activities supporting the approved project objective and only with the explicit approval of the DGBP Secretariat.

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 key responsible project management, -monitoring and -finance 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 Completion Report (annex 8).

A prerequisite for DMFA funded staff hours is that they are budgeted and that the partners:

a) Document the provided and charged staff hours through time sheets for each staff contributing to the project,
b) Ensure 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) Ensure that a job 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"[8] 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 (annex 6B).

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 activity. It includes organisational project and grant

[8] It is the responsibility of the Administrative Partner to demonstrate that the "all-inclusive rates" are proportional to the cost levels in the partnership country. The Secretariat will request a detailed budget should this not be the case.

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 yearly budgets (annex 11) as well as yearly financial reports (annex 15).

The DGBP will during the development/preparation of the project document assess that the DGBP partnership project does not contribute excessively relative to its size i.e., it contributes a fair share. The appropriate application of a transparent cost allocation mechanism for allocating shared costs (e.g. programme support cost) to the project form an integrated part of the audit (annex 6B).

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 and funds disbursed to the commercial partner(s).* 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),
- Fundraising 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 (i.e., 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 annual and 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 partners are 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 partners 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, must **file and keep all the accounting documentation for ten (10) years** after the end of the project in accordance with Danish legislation.

Exchange rates should be handled according to the rules setup in each partner's electronic financial accounting/management system. Exchange rates and conversion of currency should be handled consistently throughout the whole project period. If such rules do not exist, the conversion of accounts kept in foreign currencies should be based on an 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 actual exchange rates 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 competition and value for money. The Secretariat reserves the right to review the procurement policies and process e.g. if the project involves substantial procurements.

All recipients of the DMFA contribution must allow accounting verifications to be conducted by the DMFA, the Secretariat 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 Secretariat. **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, 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 Secretariat. If a Maturation Project implementation period is extended beyond 18 months a progress status update and interim audited financial reporting will be required.

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 and (b) a yearly financial report (annex 15). 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 (RBC) action plan, a Yearly Work plan, a Communication Plan, and a Risk Management Framework, should be submitted with the Yearly Report.

The Administrative Partner is expected to duly consider the partnership's need for funds for the year to come when submitting the Yearly Report. A Status Report may, however, be submitted by the Administrative Partner at any time during the year if the partnership needs to request for additional DMFA funds. The report consists of a narrative report (annex 12) and an updated financial report using the format for the yearly financial report (annex 15). Besides, an updated/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 the **15 May** 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[9] and the management letter. The annual statement of accounts (annex 15) should include an overview of income and expenditure and show the annual budget as comparison.

19. External Audit

An independent, certified auditor must conduct the audit of the non-commercial partner(s) annual statement of accounts as well as the final statement of accounts. The partnership project is audited as a stand-alone/special purpose audit. The auditor for the Administrative Partner is selected and contracted by the Administrative Partner. Each sub-grantee and/or the commercial partner(s) may select their respective auditor or utilise the services of the auditor of the Administrative Partner. The audit engagement may be for the entire duration of the project. It is the responsibility of the Administrative Partner to ensure that the audit of all non-commercial partner(s) is carried out in accordance with the DMFA supporting note for the audit (annex 6A) and covers all the elements in the template for the Terms of References (annex 6B).

The commercial partner(s) are audited as per the instructions in annex 19. The audit report for DMFA support to commercial partners (annex 19) must be included in the overall audit report in the year where the disbursement has been made by the Administrative Partner.

The **Maturation Projects** are audited once for the entire project period[10]. 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 and the audit report must be submitted no later than the 15 May each year covering the previous calendar year. The first annual 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 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 (and preparation period).

The DGBP Secretariat 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.

[9] The audited annual financial statements consist of annex 15 for each year together with annex 14 for the final reporting period.

[10] If a Maturation Project implementation period is extended beyond 18 months an interim progress and audited financial reporting will be required.

The external audit of the non-commercial partner(s) 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 of the non-commercial partner(s) 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. 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(s) of the non-commercial sub-grantee(s), if any, agrees, in writing, that the audit work will be conducted in accordance with DMFA's requirements (annex 6C). 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. The auditor will confirm that the audit report(s) from the commercial partner(s) is(are) compliant with the guidelines in annex 19.

The maximum total amount to be used for the external audits of the non-commercial partner(s) is DKK 50,000 per year and DKK 75,000 for the final audit covering all non-commercial partners' accounts. In addition, limited expenses for audit (verification) of commercial partners' eligible expenses will be accepted (relevant for disbursing DMFA support to commercial partners, c.f. section 23).

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 Draft Completion Report no later than two (2) months after the finalisation of the partnership activities. It contains the following annexes from these administrative guidelines: (a) a narrative report (annex 8) including mandatory annexes and (b) the final financial statements (annex 9). The Final Completion Report incl. audited financial statements must be submitted no later than four (4) months after the project end date.

All **Full Projects** must submit a Draft Completion Report no later than three (3) months after the finalisation of the partnership activities. It contains the following annexes from these administrative guidelines: (a) a completion report (annex 14) including mandatory annexes, and (b) a final financial statement covering the final reporting period (annex 16). The Final Completion Report incl. audited financial statements must be submitted no later than five (5) months after the project end date. 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. Besides, it includes an overview of income and expenditure and show the overall DGBP budget as comparison (annex 9 and annex 16). The DGBP Secretariat may upon request from the Administrative Partner and on a case-by-case basis endorse that the Completion Report replaces the Yearly Report. Besides, other mandatory annexes, which are not related to the financial management of the projects, may also be requested.

The payment of the external auditor is the only allowable expenditure after project completion. Unused DMFA grant funds, 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 DGBP project partners. An important element when considering the handover of assets is the partner's capacity to maintain and operate them. Furthermore, it is relevant to consider whether the partner would still have actual use of the asset as part of its operations, also beyond the engagement, and whether this usage would be within the initial objective of the grant. Where there is no basis for handing over assets, these must be liquidated, and the income is to be returned to the DMFA along other unspent funds.

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.

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[11] that are an integrated part of the project: E.g., market studies and technical studies.[12]	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	25.a) Subsidy of feasibility studies as defined below[13]	Costs of feasibility studies provided by external consultants and undertaken in the partner country.	50%
	25.b) Subsidy experimental development as defined below[14]	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 and subsequently request for reimbursement of 50% of eligible expenses.	50%

[11] 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.

[12] The services concerned shall not be a continuous or periodic activity nor relate to the undertaking's usual operating costs, such as routine tax consultancy services, regular legal services or advertising.

[13] 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.

[14] 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.

23. Disbursement of the DMFA grant to commercial partners

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.

The financial statement for DMFA support to commercial partners under the DGBP follows a dedicated format (annex 18).

The disbursement of funds is based on the externally audited expenditure for prior period(s) to ensure that any disbursement from the DMFA is compliant with the EU State Aid Rules/GBER. This implies that disbursements are made as follows:

- **Maturation Projects**: When the partnership project has been completed and the final audit submitted.
- **Full Projects**: Annually in connection with the yearly report as per section 18, which implies that the commercial partner's external audit proceedings most be completed in time to be included in the yearly financial report. The final payment is made in connection with the final audit as per the same principle as for Maturation Projects.

The disbursement is based upon an external audit, which the commercial partner is responsible for commissioning. The external auditor's undertakings and the format for the audit report in annex 19 cannot be diverted from. The external auditor must confirm that all (100%) transactions are in accordance with the approved budget, that the transactions are fully supported and in compliance with the GBER rules, and the consequent amount correctly calculated.

The Administrative Partner will disburse the funds to the commercial partner(s) against the audit report, including the Disbursement Request for DMFA Support to Commercial Partners, which is integrated in annex 19. It provides information about the amount and bank to which the amount should be transferred by the Administrative Partner. The audit report must be affixed the disbursement request.