

Administrative Guidelines for Danida Market Development Partnerships

Danida
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Abbreviations

Danida	Danish International Development Cooperation
DMFA	Danish Ministry of Foreign Affairs
TA	Technical Assistance

Annexes

Annex 1: Request for payment

Annex 2: Yearly Budget

Annex 3: Yearly Report

Annex 4: Status Report (payment in August)

Annex 5: Completion Report

Annex 6: Yearly Financial Statement

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1. Introduction

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

Danida Market Development Partnerships is a new business instrument which falls within the government's priorities for the Danish Development Cooperation in 2016. Promotion of market-driven sustainable growth and employment in the developing countries is emphasised among the key priorities for Danish development cooperation. The Partnership Programme thus complements other Danida business instruments as well as bilateral and multilateral engagements that aim at promoting inclusive economic growth and employment opportunities, among others through increased trade, investments and business development. Moreover, outcomes of the individual partnership projects will contribute towards fulfilling the Global Goals for Sustainable Development (SDG).

2. What is Danida Market Development Partnerships?

Danida Market Development Partnerships is a challenge fund providing support to commercially oriented partnerships for sustainable market development that contribute to the achievement of the Global Goals for Sustainable Development.

Each partnership must as a minimum include a private business (or a group of businesses) on one side and a non-commercial partner (or group of partners) such as a civil society organisation, business member organisation, employer association, public authority, other public institutions, trade union, university college/business school, research institution, international organisation etc. on the other side.

The overall objective of the programme is:

To contribute to sustainable economic growth in developing countries within the framework of the Global Goals

The programme is available in Denmark's priority countries and in countries with a GNI per capita below the WB limit of lower middle income countries (at present USD 4,125) with a Danish representation. 5

3. The responsibilities and duties of the organisation administering the grant

The non-commercial partner responsible for project administration is accountable towards DMFA/Danida as regards the planning, implementing, reporting and communication of the funded activity. This includes:

- Ensuring that the necessary professional and administrative capacity to administer the grant in a financially sound and professional manner is in place;
- Ensuring submission of reports and financial accounts to Danida and that the audit reports are made in accordance with the present rules and regulations (see below);
- Serving as contact point with the Danish representation in the country, where the project is carried out. The organisation is requested to contact the Danish representation, before implementation of project activities at country level begins and to maintain a regular dialogue with the representation;
- Ensuring that reference is made to grant support from Danida in communication on project activities and results by the partners, including using Danida's logo on publications etc. And informing Danida about communication activities on a current basis;
- Public announcement of job vacancies and the use of a transparent selection process in connection with job positions with a duration of more than 12 months. An exception to this are positions which are part of the mobility and rotation scheme of the partners. The selection of candidates shall not be discriminated against on the basis of race, gender, handicap or any political or religious affiliation;
- Ensuring that employees, consultants etc. funded by the grant do not receive a more favourable salary, nor better employment conditions or other benefits than those working for DMFA. This includes double salary, as well as ensuring that bonus points from flights are not used for private purposes but used towards lowering the price of other trips arranged by the organisation;
- Informing local partners and participants of the rules and regulations of these guidelines and ensuring they are adhered to. The collaboration with local partners must be documented in writing. When transferring fixed assets to partners – at the latest at the end of the project – it should be based on the inventory list prepared annually and signed indicating the value of each asset to be transferred.;
- Ensuring that Danida, 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.; and

- Ensuring that the grant is administered in accordance with the corruption clause of Danida 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. At the discretion of the Danish Ministry of Foreign Affairs, a further consequence of any such practise can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs”.

4. Administration of grant for Project Proposal development (stage 1)

Development of full project proposals may be supported with a grant from Danida. The Concept Note may thus include an application for support to cover costs of the non-commercial partner(s) related to the development of the full project proposal including studies, partner visits etc. This grant forms part of the total grant for the project applied for by the partner consortium.

Danida may cover up to 75% of preparation costs. The amount that the partners may apply for is maximum DKK 500,000.

The project preparation grant will be provided on a reimbursement basis. As a precondition for reimbursement of costs related to project preparation the non-commercial partner responsible for project administration must document that the project preparation phase has been carried out in accordance with the approval by the Danida.

Please refer to the application form for concept notes – section 4 for further information on eligible costs, budget template and procedure for reimbursement.

5. The budgeting and application of the full Project Grant (stage 2)

Danida will enter into preliminary grant agreement with the successful applicants at the Concept Note stage. Final funding agreement will be subject to approval of the full Project Proposal.

Applicants may apply for a total grant of minimum DKK 5 million and maximum DKK 8 million for the partnership project (including possible grant for project development mentioned above). Danida's support to the partnership project may cover up to 75% of total project costs. The remaining 25% to be covered by the project partners may be provided as in-kind contribution (staff time, travel expenses etc.) or cash contributions. Resources mobilised by the partners from other donors than Danida, including e.g. philanthropic funds and the EU, may be included as part of the partners' own contribution to the project. The organisation responsible for project administration is accountable to Danida for ensuring the required level of own financial contribution from the partners.

The grant must be used in accordance with the conditions of the approved project proposal and budget, including additional documents, which form the basis for the grant.

The project budget must be prepared in Danish crowns (DKK) and it must be presented in the budget form in section 4 of the full Project Proposal. The budget must be sufficiently detailed for Danida to be able to assess the total budget as well as the individual budget lines for each activity planned in the project proposal.

All expenses must be included in the budget, such as local operating costs, personnel costs and eligible investment costs. There will be no financial support for purchases of land and property. The budget must also include the direct cost for implementation and management of the project, e.g. cost related to local project management (staff cost, office rent, travel expenses, transport, equipment etc.) and external consulting services.

It is the responsibility of the partners to insure major equipment, fixed assets as well as the staff. Legitimate reasons must be provided if this is not possible.

Travel expenses must be budgeted as low as possible and the number of travellers limited as much as possible. Subsistence allowance may be paid on a per diem basis to Key Staff away from their permanent place of residence. Allowance must not exceed the ceilings laid down by the Danish Ministry of Finance, flights may only take place in economy class and accommodation cost must not exceed the price of an average tourist-class hotel.

6. Administration of the budget

The activities must be carried out within the framework of the approved budget. Reallocation of up to 10% between the main budget lines within the approved budget can be made without prior approval from Danida.

The budget margin, which equals up to 5% of the overall project costs, can normally be reallocated to other major budget lines without prior approval from Danida in case of unforeseen expenses, such as price increases, exchange rate fluctuations and salary increases.

The budget margin cannot be used to increase the activities of the projects. Funds moved from the budget margin therefore needs to be charged to existing budget lines. Reallocations and the use of the budget margin should always be done within the overall purpose of the project and be related to concrete and specific objectives of the project.

Reallocation and the application of the budget margin for salary costs and other personnel benefits can only be done after prior approval of Danida. To this end, a progress report can be submitted as background documentation for the approval process (see paragraph 9 concerning 'reporting'). When reallocating funds from the budget margin, it is normally recommended that a proportional share is used to ensure that funds are available throughout the duration of the project.

Reallocation and application of the budget margin must be stated and justified in the first progress report (with revised budget) ensuing the revision and be recorded in the final financial statement.

Overspending as a result of price or salary increases, or exchange rate fluctuations will not be covered by an increase in the grant amount. Instead, the budget margin mechanism should be used for such purpose. Conversion of accounts kept in foreign currency should be based on the exchange rate used at the time of the transfers.

Accumulated interest gains cannot be used to increase the budget of the approved activities.

Grants forwarded by the non-commercial partner responsible for administration to other non-commercial partners may follow the procedures normally applied by the non-commercial partner responsible for project administration. These procedures shall be documented in the full project proposal where they will be assessed by the DANIDA as part of the overall assessment of project administration and accountability.

7. Administrative Costs and activity specific TA

Administrative overhead

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

the budget phase the overhead cost is calculated as 7 percent of the total Danida grant to the project (excluding administration). In the accounting phase the overhead cost is calculated as 7 percent of actual expenditure excluding administration¹ of the Danida grant under the partnership agreement. The un-specified overhead costs covers the additional general administrative expenditures for the non-commercial partner responsible for project administration, including the following;

- Costs related to the head office and possible country offices (rent, cleaning, general office costs, transport, electricity and water, support staff and other operational expenditure);
- Expenditures related to staff the head office and possible country offices who undertake administrative related to e.g. reporting, budgeting and accounting; coordination with other members of the partnership consortium;
- Time spent on meetings and general contact with the Danida;
- Involvement of management from the partner organisation in project related cooperation.

Losses and gains from exchange rate fluctuations are regarded as operational expenditures or income and must therefore be added to or subtracted the basis for calculating the unspecified overhead costs. The administrative overhead may be shared among the non-commercial partners.

Activity specific Technical Assistance (TA) support

Expenditures related to activity specific TA support undertaken by permanent staff of the non-commercial partner(s) (in head office or country offices) can be included in the accounts on the basis of registered time. A prerequisite for including these expenditures is that they are budgeted in the activities of the approved partnership project; that the non-commercial partner(s) apply a time-registration system which accounts for actual time spent; that the expenditures subsequently, if queried by the Danida, can be documented in accounts and reporting from the activity. For own and international staff the expenditure must be reported as salary costs. Terms of Reference for activity specific TA support should in each case be developed, indicating what activities the employee of the non-commercial partner(s) will contribute to and what the purpose is.

The following activities are considered part of the activity specific TA support;

- Technical advice, assistance and capacity building of local partners

¹ In this case actual expenditure can either be registered as accrued expenses or disbursements, depending on the applied accounting principles of the partnership organisation.

- Technical support to the administration and financial accounting reports of partners
- Monitoring of the project, including monitoring travels
- Reviews of project activities
- Recruitment of project staff
- Information activities financed by the grant
- Development of project policies, strategies and guidelines
- Coordination of project activities with external actors

In connection with the presentation of accounts for the partnership project, the Danida can demand specific information on how recorded income has affected the partnership organisation's total administrative expenditure and in case of TA services offered by staff from a country office or similar, a specification of the total costs of the office as well as specification of the amounts included in the accounts for the partnership project.

The total expenditure which can be charged to the grant at headquarters consists of actual costs for salaries for individual staff members up to a maximum of the seniority- based maximum rates in annex 10.

For staff deployed to country offices or similar the total expenditures that can be charged the grant consist of a) actual salary costs of the individual staff members, observing the indicated seniority-based maximum levels in annex 10, and b) the relative share of actual expenditures (not related to salary) as per the Danida Guidelines for Posted Long-Term Advisors (e.g. vaccination costs, insurance and travel to the given destination) <http://um.dk/da/om-os/stillinger/raadgiverstillinger-finansieret-af-danida/bilaterale-raadgivere>.

For local staff at country offices or similar the total costs that can be charged the grant comprise actual costs related to employment. The level for hourly rates which can be charged to the grant may not exceed the average level of salaries for similar organisations in the country.

Expenditure directly linked to project implementation and management can be included in the budget, including expenditures in relation to local programme management (programme staff and their office rent, general office expenses, travel costs, housing, transportation, equipment, etc.) as well as external consultant services.

It should be noted that in the overall review of the project proposal, an assessment of the efficiency of the project cost will be conducted, including expenses related to project consultancy services.

Audit costs

Audit costs should be budgeted separately and covered outside administration costs. Audits of the total annual accounts of the non-commercial administrative partner are not covered by the grant.

8. Disbursement of the grant

The first instalment of the full project grant is disbursed based on a commitment letter to fund the project and subsequently annually (February or August) based on payment requests from the partner organisation. For the payments to be paid out, the partner organisation must have spent at least 70% of the previous instalment in accordance with the approved application.

The partner organisation requests the payment of instalments by emailing um@um.dk with a copy of the email to the Department for Growth and Employment (VBE@um.dk). This request must include the initial reporting form as shown in annex 1 as well as annex 6 which provide documentation for the use of the previous instalments. The payment request is prepared on the basis of expected expenditure (as stated in the financial plans of the project), in order to avoid accumulation of liquidity of government funds than deemed necessary for the project implementation. A copy of latest bank statement should be enclosed in order to verify bank balance.

The payment request must be submitted to the Danida no later than 20 January for payment in February and 15 August for payment in August. It is the responsibility of the organisation to ensure that the request is handled by authorised personnel.

Prior to the payment request in January, the organisation must submit a yearly report of the implementation of the project (annex 3). The organisation must also submit a status report if the annual instalment is paid out in August (annex 4). In both cases, the report must be accompanied by a yearly budget (annex 2).

Concerning all activities:

An approved grant must be deposited in a separate bank account in order to distinguish the project funds from the own funds of the partner organisation.

When the separate bank account is created, the partner organisation is responsible for entering a written agreement with the bank, stating that existing unused funds on the account belong to Danida and that the bank is not entitled to deduct any possible debt that is owed to it by the partner organisation nor seize any funds from this account.

Accumulated interests must be recorded separately and credited to Danida. This amount cannot be used for project activities and should be returned to Danida.

Grant funds, used for activities abroad, should be documented as transferred from a separate bank account belonging to the organisation.

9. Reporting

All correspondence to Danida should be made electronically and sent to um@um.dk with a copy to the Department for Growth and Employment (VBE@um.dk) as well as to the responsible Desk Officer.

It is the duty of the partner organisation to report on whether the progress of the activities encompasses the following;

- A yearly report must be submitted by 15th of January each year and prior to the new payment request. A yearly budget must be annexed to the report (annex 2). If the report contains information that requires specific attention by Danida, it should be stated in the cover letter as well as in the progress report. The report should cover project activities implemented during the previous calendar year and follow the format presented in annex 3;
- For all project activities, a completion report should be submitted no later than six months after the finalisation of the project activity. The report should follow the format presented in annex 5.

Moreover, the partner responsible for project administration should also immediately report to Danida in case the following should occur;

- Substantial difficulties arise to implement the project, such as not meeting the agreed budget;
- Any matter that may affect the condition on which support has been granted and of any matter that may affect the viability and sustainability of the approved partnership activities;
- Substantial problems arise in the relationship amongst the partners, with the authorities of the recipient country or other stakeholders;
- Reasonable suspicion arise related to 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 shall be reported.

A written report of such incidences must be submitted immediately with an explanation on how the organisation plans to solve and follow up on the reported difficulties/irregularities, as Danida is under the obligation to report such cases to the office of the Auditor General in Denmark. The notification to Danida must be written in the 'form for reporting cases of suspected irregularities regarding the management of grants, misuse, fraud or corruption' (annex 9 on website of DMFA).

10. Presentation of Financial Accounts

It is the responsibility of the partner organisation to ensure reliable and credible accountancy. Financial management must be reliable and subject to internal controls. It is a prerequisite that the bookkeeping is brought up to date on a regular basis and is documented with relevant supporting documentation and carried out in accordance with good bookkeeping and accounting practices. The partner organisation must file and keep all the accounting documentation for 5 years after the end of the project in accordance with the Danish legislation.

In connection with the grant, the partner organisation must submit an audited annual statement of accounts to Danida no later than 1st July covering the previous calendar year. This submission should also include annual reports, audit protocol and management letter. The annual statement of accounts should include an overview of income and expenditure. Overheads from grants is recorded as expense in the project account and credited as income in the annual statement of accounts for the non-commercial organisation. Contribution from commercial partner should be indicated in the audit so it is possible to verify the 25% contribution. In case it will not be possible for the partner organisation to submit the audited annual statement of accounts before 1st July because another date is being used, Danida must be informed.

The final audited statement of accounts should be submitted no later than six months after finalising the project activity (see annex 7). If, at the end of the project, equipment, fixed assets etc. are handed over to partners or authorities of the recipient country, the transfer should be recorded in the final statement of accounts with signed hand-over documents with the organisation attached. The hand-over documents must state the equipment, fixed assets etc. Unused grant funds, including accumulated interest gains, must be paid back to Danida along with the submission of the final audited financial statement of accounts.

The annual audited financial statement of accounts must be signed by the Executive Management of the organisation and certified by an auditor, see below.

11. Audit

Final statement of accounts, as well as the annual audited statement of accounts must be carried out by an internationally recognized auditor. The audit must follow the principles of good public audit practices and be completed by the auditor of the partnership organisation in accordance with the general audit instructions. The auditor of the partnership organisation also has the overall supervision responsibility towards locally undertaken audit of expenditures abroad. It is the responsibility of the organisation to ensure that the auditor of the organisation agrees, in writing, that his/her work will be carried out in accordance with the audit instructions (see annex 8). Audit expenditures are budgeted separately and are not included in the administrative overhead.

The auditor's endorsement shall appear on the accounts, accompanied by the comments in the auditor's records, if any.

Danida may at any time at its own expense appoint an independent auditor to examine all relevant documents at the partners' premises.

12. Support and monitoring by the Ministry of Foreign Affairs

Support

Danida will be available to provide guidance to partner consortia during project proposal development and project implementation, where it has relevant knowledge and resources. Such support may include advice on development related issues, country level issues, design of results and monitoring systems, risk management etc.

Monitoring

The monitoring by Danida of the grant management takes primarily place through assessment of the reports and financial statements of accounts submitted. In addition, the monitoring can, in coordination with the organisation responsible for project administration, include following initiatives:

- Visits to the organisation with a view to inspect how the financial and project management operate, as well as reviewing the administrative procedures and organisational relations;
- Ad hoc conversations with the executive management of the partners and the auditor of the partnership project (in coordination with the organisation responsible for project administration);

- Spot-check inspection of the organisational activities, either by visits from the DMFA in Copenhagen or through an arrangement with an Embassy;
- Capacity review of the organisation and/or other partners, performance audit (value for money), as well as final assessments (appraisals), reviews, and evaluations of the partnership activities.
- In case of mismanagement of grant funds, Danida is entitled to take relevant action aimed at reducing the consequences thereof. Such actions can consist of a written reprimand, examination by a consultant or an auditor of the management practices of the organisation, discontinuation of additional payments, phasing out or closure of current activities or a complete termination of the partnership. In case of the latter, the organisation is responsible to immediately refund all unused funds to Danida and to compensate Danida for any financial loss.

Status of Danida

Danida is not a contractual party to any agreement between the partnership consortium and other parties. Danida 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 Danida as liable to the project.

Danida 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 Danida because of a suspension of payments to the partnership and/or withdrawal of support to the partnership.

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

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

13. Termination of agreements and arbitrary clauses

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

The party who wants an issue to be solved through means of arbitration must itself select an arbitrator and encourage the other party to do the same within 14 days. If the other party fails to meet this deadline, their arbitrator will be selected by the Maritime and Commercial Court in Copenhagen. 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 chairman 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.