



MINISTRY OF FOREIGN AFFAIRS
OF DENMARK
Danida

GUIDELINES

STRATEGIC PARTNERSHIPS 2022-2026

WITH DANISH CIVIL SOCIETY ORGANISATIONS

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1. Introduction

In 2022, the Danish Ministry of Foreign Affairs (MFA) enters a new round of Strategic Partnerships (SPA) with Danish civil society organisations engaged in international development cooperation and humanitarian action. The new partnerships are a continuation of the first Strategic Partnerships covering the period 2018-2021.

In February 2025 it was decided to extend this second round of Strategic Partnerships with one year. The Strategic Partnerships will therefore cover a 5-year grant period 2022-2026. These guidelines have been updated to incorporate the 1-year costed extension. The annual grants are subject to parliamentary approval.

The overall purpose of the Strategic Partnerships 2022-2026 is to implement the strategy for Denmark's Development Cooperation *The World We Share* through dynamic and mutually reinforcing partnerships with independent Danish CSO's through the strategic priorities set out in the strategy, namely democratic values and human rights, fragile contexts and displacement and climate and green solutions. The information note for SPA 2022-2025 (including extension to 2026) outlines overall requirements and framework for the partnerships, and is a background document to these guidelines.

The guidelines describe the administrative and reporting requirements and framework for strategic partners (below referred to as "strategic partners" or "the organisations") that have a Strategic Partnership for the period 2022–2026. The guidelines form part of the overall MFA Aid Management Guidelines (amg.um.dk) for Danish development aid and should be regarded as a living document that will be revised by the MFA as needed. It is the responsibility of the organisations to keep themselves informed of any changes to the guidelines, which will be published at um.dk.

2. Basis of granting appropriation

Based on the application from the organisation as approved ultimo 2021, the total grant is appropriated in yearly allocations (commitments) subject to annual parliamentary approval. The approved framework for the partnership is comprised of the following components:

- The application (the original as approved ultimo 2021) outlining the overall partnership engagement, including the overall objective(s), strategic alignment with the Danish development strategy *The World We Share*, contribution to the



Sustainable Development Goals (SDGs) and the programmatic approach. The application includes an annexed Executive Summary providing an overview of the final partnership engagement.

- A summary results framework for the Strategic Partnership exclusively that reflects strategic priorities, programmes and engagements pursued by the organisation. The summary results framework should reflect outcomes, indicators and targets as well as cross-cutting indicators. Detailed results frameworks should only be submitted to the MFA upon request. While reference is made to the general guidelines on results frameworks in MFA Aid Management Guidelines, the organisation should use its own formats adapting the framework to the specific context and engagements with reference to the SDGs as relevant. The summary results framework should be developed in a way, which makes it possible to follow progress during the partnership period.
- Theories of Change (ToCs) including a joint cover note providing a brief overview of all country engagements with maximum 5-10 lines on each country (type of engagement, purpose, key features and target group). The organisation is free to decide on the specific format and structure of the individual ToCs/programme documents, but the description should account for the elements listed in MFA Aid Management Guidelines and not exceed 5 pages per ToC unless otherwise agreed with the MFA. ToC's are expected to be updated when relevant during the partnership period. Together with the summary results framework they will be used by the MFA to establish an overview of SPA-engagements in countries and settings and to inform strategic dialogue, coordination and collaboration at various levels.
- A budget for the five-year period 2022-2026, format available in Annex 2, noting the that the organisation is expected to have further detailed budgets for each programme activity financed under the grant. The organisation can use its own format for the detailed budgets. The detailed budgets shall not be submitted to the MFA, but should be made available upon request.

The legal basis for the grant consists of the commitment letters (including these guidelines as an annex) as well as the disbursement requests shared between the MFA and the organisation. The annual commitment letters confirm the yearly grant allocations from the MFA and the disbursement requests confirm the organisation's acceptance and commitment to comply with all elements of these guidelines.

2.1 Basis of granting appropriation related to costed extension grant period

Based on the decision in February 2025 to extend the Strategic Partnerships by one year, the basis for granting of appropriation in 2026 comprises the following components, to be submitted by 1 October 2025:



- Updated summary results framework for the extended 5-year Strategic Partnership (2022-2026). The summary results framework should reflect updated outcomes, indicators and targets as well as cross-cutting indicators as well as targets for the IPE activities.
- Updated budget for the five-year period 2022-2026, format available in Annex 2 (cf. updated 5-year version).
- Updated ToCs (where relevant), including expected outcomes, underlying assumptions, sustainability considerations and risk assessment and mitigation (see definition of ToC in section 6.3).
- An updated ToC cover note providing a brief overview of all current country engagements 2022-2026 with maximum 5-10 lines on each country (type of engagement, purpose, key features and target group).

The costed extension grant in 2026 is subject to parliamentary approval. The commitment document, confirming the annual grant, consists of a commitment letter signed by relevant authorities and referring to these guidelines.

3. General principles

The organisation will adhere to the following:

- The organisation will commit to the requirements outlined in the [information note](#).
- The organisation will commit to and apply a human rights-based and leaving no-one behind approach to development and humanitarian interventions.
- The organisation is expected to deliver on the ambitions of its Local Leadership Strategy as well as live up to the commitments enshrined in the Grand Bargain from 2016.
- The organisation is expected to live up to the commitments in the Paris Agreement on climate change.
- The organisation is expected to adhere to the CHS requirements outlined in the information note.
- The organisation will have an anti-terrorism policy and will ensure and document that the organisation and its partners (including contractors, sub-contractors and sub-grantees) will take all reasonable steps to secure that no transaction made in relation to the programme will – directly or indirectly – benefit a person, group or entity subject to restrictive measures (sanctions) by the UN or the EU. The MFA reserves the right to limit or terminate the cooperation with the organisation should the MFA find later adjustments to the anti-terrorism policy unacceptable.
- The organisation will ensure to have an anti-corruption policy in place as well as an anti-corruption code of conduct in line with that of the MFA (see AMG). The MFA



reserves the right to limit or terminate the cooperation with the organisation should the MFA find later adjustments to the anti-corruption policy or anti-corruption code of conduct unacceptable.

- The organisation will ensure to have a policy concerning the prevention of sexual exploitation, abuse and harassment (PSEAH) in place and to take appropriate action to prevent and tackle SEAH. The MFA reserves the right to limit or terminate the cooperation with the organisation should the MFA find later adjustments to the PSEAH policy unacceptable.
- The organisation will ensure to have a policy in place against child labour and against all forms of violence, abuse and exploitation of children.
- The organisation will ensure to have a code of ethics/-conduct for its work and management of funds.
- The organisation will ensure to have a conflict-of-interest policy in place.
- The organisation will ensure to have an independent complaint handling mechanism in place that employees, partners and communities can easily access, maintaining appropriate distance from the organization (operations and management) to ensure objectivity (equivalent to an internal audit function).
- The organisation will ensure to have a strategy or equivalent for limiting their environmental footprint and work towards greener and more environmentally conscious and sustainable procurement.
- The organisation will ensure to have (or develop by end of 2025) a strategy or equivalent for ensuring and strengthening value for money (VfM) in the administration and implementation and including selected indicators for measuring and analysing own progression in strengthening VfM both at the country and HQ level.
- Organisations will to the extent possible cooperate and coordinate with relevant Danish, international and national actors, including where relevant through participation in UN cluster coordination, consolidated appeals (CAPs) and Humanitarian Response Plans, Regional Response Plans or similar humanitarian coordination mechanisms.

More specifically, the organisation is responsible for implementation according to the MFA Aid Management Guidelines and shall therefore e.g.:

- Have the overall responsibility for the planning, implementation, reporting and monitoring of the programme activities;
- Abide by applicable national laws and international instruments;
- Provide the financial and other resources required in addition to the grant;
- Ensure that the grant is used in accordance with approved work plans and budgets;
- Ensure that funds under this partnership are properly accounted for in accordance with the minimum requirements, and that the grant is reflected in relevant plans and budgets;



- Ensure proper and documented due diligence processes (capacity assessment and screening) related to awarding of contracts and granting of appropriation;
- Ensure that any weaknesses identified during due diligence processes are addressed with the organisation and where relevant translated into targeted capacity building initiatives and incorporated in the budgets and work plans related to the partnership, in consultation with the organisation;
- Ensure that funds under this partnership are properly and regularly monitored according to an updated, risk based and multi-year monitoring visit plan including but not limited to financial monitoring;
- Take all necessary measures to prevent or end any conflict of interest in all matters related to the programme;
- Promptly inform the MFA of any condition, which interferes or threatens to interfere with the successful implementation of the programme.
- Take full responsibility for any damage caused or sustained during or as a consequence of the implementation of this programme. The MFA may not be held liable for any damage caused or sustained by the organisation, including any damage caused to third parties as a consequence of or during the implementation of the activities under this partnership. The MFA cannot provide insurance covering the loss and damage for the organisation including for staff injuries. The organisation is expected to undertake risk assessment of loss and damage and acquire proper insurance coverage including for work related injuries to staff abroad.

Furthermore, the MFA and the organisation shall:

- Communicate and cooperate fully with the aim to ensure that the objectives and outcomes are successfully achieved and use their best endeavours to optimise the use of programme resources
- Use their best endeavours to co-ordinate their efforts under this partnership with other development partners, be they states, international organisations or non-governmental organisations
- Cooperate on preventing corruption within and through the programme, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption. The MFA and the organisation shall immediately inform each other of any substantiated suspicion of corruption or misuse of resources related to the programme. The MFA and the organisation will, if and when it is deemed appropriate, take action against suspects, including immediate interdiction or suspension of such persons from work, to avoid their interference into the investigations.
- Collaborate fully to ensure that the purposes of this partnership be accomplished. To this end, the MFA and the organisation shall exchange views with regard to matters relating to the partnership and provide each other with all available data,

documentation and information; and provide appropriate mutual assistance required in the discharging of the MFA and organisation's duties; and provide all necessary support, in particular in regard of administrative issues, to facilitate the due implementation of the support.

- Work together to assure full transparency. To this end, the MFA and the organisation shall have the right to publish any documents or other informational data relating to the programme on its internet site (the MFA's website for such purposes is currently www.um.dk) and other relevant media. The organisation is aware that the MFA is subject to, inter alia, the Danish Access to Public Administration Files Act. Upon request for access to any document related to this partnership, the MFA must in each case assess if the relevant documents may be disclosed in whole, or, where there are grounds for confidentiality, disclosed in part.

3.1 Anti-corruption, PSEAH, Child Protection and Restrictive Measures (sanctions) and Anti-Terrorism provisions

The following provisions regarding anti-corruption, PSEAH, child protection and restrictive measures (sanctions) and anti-terrorism are mandatory and they are applicable to the cooperation between the MFA and the organisation (also referred to as 'Implementing Partner' in these paragraphs).

The framework set out in the below provision concerning restrictive measures and anti-terrorism states that activities need to be in full compliance with United Nations (UN) Security Council Sanctions and European Union (EU) Restrictive Measures. Should there be applicable humanitarian and/or general exemptions/exceptions in the restrictive measures then these will also apply to the provision as laid out below unless otherwise stated in the provision.

In case the Danish Contribution or part of the Contribution is forwarded by the organisation to a third party (e.g. sub-partners, local partners, sub-contractors), the organisation is obliged to ensure that any existing agreements and/or contracts with third parties will contain the necessary provisions concerning anti-corruption, PSEAH, Child Protection and Restrictive Measures (sanctions) and anti-terrorism etc. consistent with the terms of the cooperation between the organisation and the MFA.

The provisions on anti-corruption should be applied as follows:

"No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made - neither directly nor indirectly - as an inducement or reward in relation to tendering, award of the contract, or execution of the contract. Any such practice will be grounds for the immediate cancellation of this 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 practice can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs.”

The provision on PSEAH should be applied as follows:

“The Danish MoFA has a zero tolerance for inaction approach to tackling sexual exploitation, abuse and harassment (SEAH) as defined in UNSG Bulletin ST/SGB/2003/13 and the definition of sexual harassment in UNGA Resolution A/RES/73/148. The Implementing Partner, and its sub-grantees, will take appropriate measures to protect people, including beneficiaries and staff, from SEAH conducted by its employees and associated personnel including any sub-grantee staff and take timely and appropriate action when reports of SEAH arise. In the event that the Implementing Partner receives 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.

Any violation of this clause will be ground for the immediate termination of the cooperation between the MFA and the organisation.”

The provision on child protection should be applied as follows:

“The Implementing Partner shall abide by applicable national laws as well as applicable international instruments, including the UN Convention on the Rights of the Child and ILO Convention No. 138 on Minimum Age and Convention No. 182 on the Worst Forms of Child Labour.

Any violation will be ground for immediate termination of the cooperation between the MFA and the organisation.”

The provision on restrictive Measures (sanctions) and Anti-Terrorism should be applied as follows:

“Denmark/The Parties 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 Parties are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism.

Accordingly, the Implementing Partner agrees that it and/or its implementing partners (including contractors, sub-contractors and sub-grantees) will take all reasonable steps to secure that no funds in relation to the Project/Programme 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/Programme, the Implementing Partner discovers that any funds in relation to the Project/Programme 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, it must inform the Danish MoFA immediately. The Implementing Partner and the MoFA 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 MoFA funds under the Agreement.

Any violation of this clause is ground for immediate termination of the cooperation returning to the Danish MoFA all funds advanced to the Implementing Partner under it.”

4. Reporting requirements and strategic dialogue

The annual reporting to the MFA includes narrative- and financial reporting as well as financial audit.

As part of the narrative reporting, organisations must provide three case studies and report on two cross-cutting indicators annually, starting from the 2022 annual reporting (due in 2023), by the reporting deadline specified below (section 4.10).

The organisation will also report annually, based on OECD DAC statistical guidelines system of policy markers, on the following:

- Climate and environment flows, including the four RIO markers (Annex 8).
- Inclusion of persons with disabilities (reporting format to be shared with the organisation).
- Gender equality (reporting format to be shared with the organisation).

The purpose of the reporting requirements is to ensure that the partnership and programme are on track and results/progress is achieved according to agreed objectives and outcomes and ensure ongoing follow-up, learning and relevant adjustments related to contextual, strategic and organisational developments. It is furthermore to ensure proper administration and monitoring of funds and to allow for timely fund reallocation and adjustment of project/programme activities and resources when necessary.

All aspects are part of an annual cycle and will be addressed and discussed in annual consultations and in the ongoing strategic dialogue.

4.1 Narrative reporting

The narrative reporting should be submitted as a results report to the MFA by 30 June, c.f. annual cycle below. The organisation is free to decide on the specific format of the narrative

results report. It is however important, that the report specifically covers the Strategic Partnership and includes the following:

- Executive Summary
- Narrative account of progress, achieved results and major deviations related to the objectives and outcomes of the Strategic Partnership including main developments, adaptations, challenges and learning.
- Major deviations and reallocations in relation to initially agreed annual budget including noting any changes agreed with the MFA.
- Update on the organisation's Local Leadership Strategy including progress and achievements. This includes level of funds transferred to local partners.
- Reporting on key features of the organisation's global and local connectedness and coordination.
- Reporting on progress in the greening of engagements including mainstreaming and integration of climate, nature and biodiversity concerns across programmes and projects (including environmental footprint), the key results achieved in this area and the lessons learned.
- Reporting on IPE engagement targets, methods, and lessons learned (see section 9).
- Reporting on relevance, progress and achievements of the Global Entities (if relevant).
- Reporting briefly on each top-up received during the partnership period (2022-2026) e.g. a brief account of period of implementation, purpose, whether the top-up has been used as planned (and challenges), which local partners were involved in implementation, reasons for under expenditure (where relevant) and with what result achieved (approx. 5-20 lines for each top-up). If preferred an annex to the narrative report may be submitted for this purpose.
- Each reporting year (except year 3, 2024), there will be a specific subject that organisations are expected to reflect upon more in depth. Subjects are: restructuring as a consequence of SPA geographical and thematic requirements (year 1), local leadership (year 2), exit strategy (year 4), learning and overall results for the entire Strategic Partnership period (year 5). These subjects will not require additional data-gathering but will be guided by a number of questions related to the specific subject shared with the organisations at least six months before the reporting deadline.
- Reporting on the use of MFA funds towards co-financing, basket funds, joint programmes and for match funding used for mobilization of funding from other institutional donors to enhance scale, influence, and promote harmonization, including reflections on the specific value added of the organisation in contributing

to such joint arrangements (maximum ½-1 page). The co-financing arrangements, involving other donors or international alliance, initiated during the Strategic Partnership period must be listed in a table (c.f. Annex 3E).

The narrative results report should include the following in annexes:

- Updated summary results framework illustrating progress overall (on track).
- 3 case studies (please refer to section 4.10 and Annex 9, 9A and 9B).
- Reporting on two cross-cutting indicators (please refer to section 4.10 and Annex 9C and 9D).
- Status and follow up on recommendations from last review, financial monitoring visits, and latest annual consultation.

One narrative report should be presented by each organisation of expectedly 20 pages (but not exceeding 30 pages) excluding annexes unless otherwise agreed with the MFA.

The MFA should be informed of any changes to the initially approved results framework (targets, indicators and baselines) with a view to potential re-approval.

The final reporting to be submitted after the fifth and final year of the partnership, should account for how programme activities and outcomes have contributed to the achievement of the overall objectives as defined in the Strategic Partnership application and summary results framework. Moreover, the final reporting should highlight main lessons learned and briefly include the financial status/result (i.e. key financial figures, including total grant amount(s) received, total expenses, significant reallocations as compared to the originally agreed budget, unspent grant funds, unspent interest earned) of the support¹.

4.2 Budget

An updated five-year budget must be submitted to the MFA by 1 October, c.f. annual cycle below. The five-year budget must be presented in DKK and follow the template in Annex 2.

The five-year budget provides the qualified estimate of annual expenses throughout the partnership period. The annual budget expenses may vary from year to year. The organisations should base their budgets on the expected grant amount, implemented through annual commitments from the MFA, while noting that these remains subject to annual Parliamentary approval.

The five-year budget must remain relevant and accurate including necessary revision when significant changes occur. For instance, if:

- unallocated flexible funds are allocated,

¹ For terminology, organisations may refer to [OECD Glossary of Key Terms](#).

- additional programme countries are added,
- unspent funds are carried forward to following year(s),
- underlying assumptions for the cost allocation mechanism changes,
- annual budgets are revised or reconciled against actual expenditure according to financial accounts,
- additional grants (top-up of the main SPA grant) are appropriated by MFA.

The five-year budget (Annex 2) should be updated based on the annual *budget monitoring reports* (Annex 3), see below.

The organisation must ensure that the initial as well as the revised budget at all times meet the key criteria and thresholds for expense allocation and geographic- as well as programmatic priority areas and compliance requirements:

Annual budget compliance requirements applicable to the total budget (main SPA grant + top-ups (see 6.4)):

- Funds spent at HQ level (i.e. IPE_HQ, admin, audit cost, direct activities_HQ and programme support_HQ) cannot exceed 20,0 pct. of total expenses (on average over the 4-year period 2023-2026).
- Administration fee for the organisation (strategic partner) itself cannot exceed 7 pct. of total expenses excluding the administration fee (i.e. pct. of direct expenses).

Annual budget compliance requirements applicable to the main SPA grant:

- Cost of information and public engagement (IPE) cannot exceed 2 pct. of main SPA grant, annually.
- Expenditures for a global entity cannot exceed the initially agreed budget (over the 5-year period 2022-2026).
- Unallocated flexible funds cannot exceed 33 pct. of programme and project activities (PPA) excluding top-up grants.
- Regional activities (i.e. not country allocated PPA) cannot exceed 10pct. of PPA excluding top-up grants.
- Total budget for humanitarian assistance shall be at least at the level specified in the individual SPA commitment letter(s) (i.e. humanitarian PPA as a share of total PPA, excluding top-up grants).
- Total budget for support to fragile contexts shall be at the level (percentage share) specified in the individual approved SPA organisation budget (i.e. fragility focus of PPA as a share of total PPA, excluding top-up grants).
- Total budget allocated for 'Africa and specific geographies' must exceed 50 pct. (i.e. Africa-focus of PPA as a share of total PPA, excluding top-up grants and excluding unallocated flexible funds, until allocation takes place).

4.3 Budget monitoring reports

Budget monitoring reports for the current accounting period (calendar year) in question must be submitted to the MFA by 1 October (current year), and by 15 April (covering the previous calendar year), c.f. annual cycle below. The budget monitoring reports are interim unaudited financial statements comparing actual expenditures to the initial approved and revised budget for the accounting period (calendar year) in question. The budget monitoring report (Annex 3) must be drawn up to the same level of detail as the detailed outcome-based budget (Annex 2) including any additional countries/countries added during the project period.

The purpose of the budget monitoring reports is dual; to keep track of budget reallocations and also to monitor and report on actual progress against agreed plan and budget for a specific period of time. As such, the budget monitoring reports are an important tool to keep track of the changing geographic and thematic resource allocations and general financial progress during any financial year of the partnership period.

The budget monitoring report follows a template similar to annual audited accounts (Annex 3) and hence provides the basis for timely budget adjustments and is instrumental for the MFA when monitoring grants and for reporting on Danish development assistance (e.g. for OECD DAC and for OpenAid, in regards to geographic distributions, humanitarian assistance or thematic focus areas).

The budget monitoring report includes the initial annual budget (beginning of year), the main budget reallocations during the year and the continuously revised budget and hence it must remain relevant and reasonably accurate including necessary revision when significant changes occur. For instance, if:

- unallocated flexible funds are allocated,
- additional programme countries are added,
- unspent funds are carried forward to following year(s),
- activities in fragile countries and contexts are initiated,
- underlying assumptions for the cost allocation mechanism changes,
- annual budgets are revised or reconciled against actual expenditure according to financial accounts,
- balance between Humanitarian (HUM) and long-term engagements (DEV) changes;
- top-ups of the main SPA commitments are appropriated by MFA (top-up grants must be recorded as income in the budget year when the commitment letter is received/dated).

The budget monitoring reports may be submitted as additional documentation in case of reallocations and allocations of flexible funds, c.f. thresholds below (not a requirement).

The final draft of the annual budget monitoring report covering the whole previous calendar year and including actual expenses (i.e. the draft audited financial accounts) is submitted annually in April c.f. annual cycle.

4.4 Audited accounts

Audited accounts (and management letter/audit protocol/long form audit) must be submitted to the MFA by 30 June, c.f. annual cycle below. The accounts for the annual grant from the MFA (Annex 3) and the general annual accounts for the organisation must be audited by an independent, certified audit company. The audited accounts must keep track of the spending of each year's grant separately from other year's spending.

Change of auditor must be communicated to the MFA. The rotation of main auditors (HQ level) must follow European Union (EU) regulation on mandatory rotation of auditors (Regulation 537/2014). The regulation establishes a maximum duration of the audit engagement of an auditor or audit firm in a particular audited company/organisation at 10 years (including specific limitations and options for extension). The MFA recommends that the choice of HQ and local auditors is subject to a more frequent open tender process, e.g. every 5-6 years, considering price, quality and independence.

The audit shall consist of a financial audit, including elements of compliance and performance audit at all levels of the partnership (including sub-grantees).

The purpose of *financial audits* is to provide reasonable assurance that the financial statements are presented fairly, in all material aspects, and in accordance with the financial reporting framework. Based on the audit evidence obtained, it is the objective of the auditor to express an opinion on whether the financial information, presented in the financial statement covering the funds granted from the MFA, is free from material misstatement.

The purpose of a *performance audit* is to make an assessment to obtain reasonable assurance that the systems, processes and transactions examined support the exercise of sound financial management in the administration of the funds granted through the MFA. Sound financial management includes adhering to principles of economy, efficiency and effectiveness in the management of available resources. Thus, performance audits examine the economy, efficiency or effectiveness of the audited activities.

Compliance audits examine whether the activities are compliant with applicable rules, policies, and regulations. The overall objective of a compliance audit is to obtain reasonable assurance that transactions covered by the financial statements comply with the appropriations granted, statutes, other regulations, agreements, and usual practice. This includes compliance with terms stated in the organisation's own procedure manuals and in these guidelines.

As part of the MFA's quality assurance of the management of the partnership grant, the MFA has specific requirements to the audit of the grant. These requirements are presented in the audit instructions in Annex 4. It is the obligation of the organisation to ensure that its auditor at the contracting, in written form confirms to adhere to the audit instructions and that the auditor by giving his/her opinion confirms that the audit has been undertaken in accordance with the same.

The auditor is also required to issue a management letter. The management letter communicates observations and findings identified during the audit. These observations can pertain to deficiencies in internal controls, non-compliance with legislation, specific issues discussed with management, etc. The observations and findings included may be immaterial for the financial statements as a whole, but relevant for management or relevant stakeholders, including the MFA. 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.

An audit carried out locally in the recipient country must also be undertaken by an independent, certified audit company and in accordance with international standards, cf. the audit instruction, i.e. including elements of compliance and performance audit. As part of overall supervision with the audit abroad, the Danish auditor must ensure sufficient quality control of local audits (c.f. ISA600). The Danish auditor may provide guidance for the local auditors to ensure quality and compliance in audit strategy and audit procedures performed.

The expenditures for the particular local partner will be ineligible until the pending audited financial statements have been received. The unaudited expenses can be included in the audited financial statement (Annex 3), but the auditor of the organisation (the Danish strategic partner) will have to modify the opinion for these expenditures in the consolidated audit report for the strategic partnership. In the succeeding audit report, the auditor must follow up on the list of unaudited expenses/projects and consider if the costs have been audited and can be considered eligible.

To avoid a modified opinion and ineligible expenses in the final year of reporting, the organisation must ensure to plan the auditing process and receive local audit reports in due time for final financial audit and completion.

In exceptional cases where local audits are not a feasible option (e.g. due to security risk), the MFA may grant approval for alternative measures (e.g. transferring vouchers and related documentation to the Danish organisation for centralised audit). However, also in such cases, the Danish organisation must monitor implementation and assure adherence to principles of economy, efficiency and effectiveness in the management of all transferred

grant resources (i.e. include considerations of performance and compliance at the local partner level).

Especially in the case of local partners that are new to the Danish organisation or if the due diligence identifies weaknesses, an annual audit with quarterly or half yearly interim audits shall be considered as an option/supplement to the financial monitoring by the organisation. Each quarterly or half yearly interim audit must include a financial statement and a management letter, and form part of the annual audit. It can be an effective early warning system and an effective tool to capacity build an organisation. It also gives the organisation the opportunity to follow-up on and address observations before the final annual audit.

The National Audit Office of Denmark (Rigsrevisionen) and the MFA have, as part of audit and financial monitoring, the right to access all documents, reports, evaluations, budget and accounts-related documentation etc. relevant to the management of the MFA grant funds. The organisation must keep financial documents safely and accessibly for 10 years (whereas other technical programme documents must be kept for 5 years). From January 2023 all supporting documents for financial accounting must be stored digitally (local partners may receive a temporary and justified exemption from this requirement).

In accordance with the MFA's guidelines, the MFA or any individual authorised by the MFA has the right to have full insight in all aspects related to the use and management of the grant and to undertake evaluations. The organisation and involved international and local partners must assist with providing necessary information and documentation.

The organisations must submit one combined audited account for the whole Strategic Partnership (including the main grant and any top-up grants) annually. The financial reporting shall also include the organisations audited annual report/accounts. For the consortium, one combined audited account for the MFA grant should be submitted by the consortium lead with audited accounts from each individual organisation in appendix, as well as annual audited accounts for the consortium lead organisation.

4.5 Reporting irregularities

Immediate reporting to the MFA must be ensured if serious problems related to the implementation of the MFA grant occurs, if significant difficulties in the relations to authorities in the partner country develop or if there are major changes in budgeting or activities in the approved programmes.

The MFA is required to inform the National Audit Office of Denmark (Rigsrevisionen) in case of suspicion of irregularities in the management of MFA grant funds. The organisation is therefore required to inform the MFA (using the template in Annex 5) if the organisation in connection with the management of grant funds provided by the Danish state should have

substantiated suspicion of irregularities or other misuse of Danish funds, including suspicion of grossly negligent administration, corruption, breach of contract, support to terror-related activities, bribery or fraud. The organisations have a maximum of 14 days to report any irregularities or suspicion of irregularities to the MFA. The MFA reserves the right to claim full reimbursement of expenditure regarded ineligible.

Reports from organisations will upon publication be informed to the National Audit Office of Denmark through report letters. The report letters for the National Audit Office of Denmark are published on the MFA website as soon as the matter of the case and proposed follow up actions have been established. Most cases will require several follow up reports from the organisation and report letters to the National Audit Office of Denmark before the case is closed. Moreover, the National Audit Office also receives a yearly report summarizing data from all reports of the particular year.

The MFA has a policy of zero tolerance towards corruption in all its forms (c.f. MFA's anti-corruption policy). As a principle, the MFA expect the organisation to 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. In rare cases and under special circumstances as well as in agreement with the MFA, the organisation or preferably its local partner may close a case by covering programme funds lost as a result of irregularities.

As a principle, in cases where irregularities entail a loss of Danish funds, the organisation bears the responsibility. Whether a possible loss can be covered by the grant will depend on an overall and individual assessment.

As a general rule, it is not necessary to inform the MFA in case of for example robbery or simple theft committed by a third party (i.e. not staff members employed by the programme or partners), minor cash differences, cases of bankruptcy, lacking documentation for minor amounts, temporary delays in book keeping etc. as well as temporary delays in administrative procedures that are not caused by grossly negligent management. Incidents caused by traffic accidents, fire, natural disasters, etc. do not need to be reported unless there is suspicion of deliberate action. The MFA must always be informed in cases where an external investigation is initiated (e.g. extended audit, special audit or other investigative steps, including by an affiliated partner/alliance) related to a possible loss of Danish funds.

In its reporting, the organisation must, to the extent possible, account for the circumstances for the preventive and due diligence measures applied and for the reasons why the organisation's supervision and control mechanisms failed to prevent the incident. The MFA will subsequently notify the National Audit Office of Denmark and make the notification public on um.dk.

Under special circumstances notifications can be held confidential, e.g. if the notification entails sensitive personal information, protection of whistle-blowers, information of potential damage for Danish foreign interests, or information that could compromise an investigation.

4.6 IATI – and FTS reporting

Timely publication of flow of funds is necessary for coordination of humanitarian assistance and transparency and accountability, as stipulated in the Busan partnership for effective development co-operation (Busan High Level Forum 2011)

The MFA has conducted an evaluation of the International Aid Transparency Initiative (IATI) reporting under the previous Strategic Partnership period (2018-2021) that has informed the IATI requirements for the new SPA 2022-2026. The requirements have been identified and discussed with the strategic partners in a consultative process during the evaluation process in 2022.

In 2025, MFA's previous reporting of humanitarian grants via EC to UN OCHA's Financial Tracking Service (FTS) ceased to exist, creating a need to establish new reporting procedures for humanitarian flows, ensuring international coordination in times of crisis and joint humanitarian action. Organisations with humanitarian activities are obliged to report humanitarian flows to FTS².

The IATI reporting for SPA 2022-2026 requires organisations to comply with the IATI standard and acknowledge receipt of funds and register disbursements with sector and country code. Acknowledgement of receipt of funds as well as registration of disbursements/transfers to entities abroad should be reported in IATI within 10 working days.

4.7 Annual consultations

Once a year, the organisations will be invited to annual consultations with the MFA to discuss the partnership and reporting for the previous year. The purpose of the consultation is to verify that the organisation is on track to achieve results, as indicated in the application, and approve plans and budget for the upcoming year.

The annual consultations are usually divided into two parts. First, a *management consultation* with focus on overall progress and strategic dialogue, followed by a *technical consultation* with focus on administration of the grant, follow up on reviews, and more technical aspects of the reporting.

² www.fts.unocha.org/content/what-financial-tracking-service-fts-and-how-use-it

As part of the annual management consultation the organisation is expected to make a brief presentation based on guiding questions from MFA related to the organisation's strategic relevance and direction, main current priorities, and cooperation with the MFA. These questions will be included in the proposed agenda for the annual management consultation.

4.8 Strategic dialogue

The Strategic Partnerships will involve a continuous and close strategic dialogue with the MFA. This dialogue is based on the type of partnership that the organisation is engaged with vis-à-vis the MFA and is centred on issues of strategic relevance for both the organisation and for MFA.

Strategic dialogue is expected to take place also beyond annual consultations and with more strategic partners involved. The dialogue may focus on programmatic issues as well as strategic priorities, thematic areas, geographies and partners.

The strategic dialogue will vary depending on type of partnerships, focus areas, core competencies and country presence and will have different entry points. It is expected, that part of the strategic dialogue will take place at country level involving strategic partners present as well as local partners. In order to strengthen the dialogue between relevant actors in the organisations, MFA and embassies, there will be a continuous focus and follow up on this. The MFA and the organisations shall cooperate to keep embassies informed on relevant issues, including major changes in context or risks that the organisation becomes aware of. The MFA will inform the embassies of the allocation of flexible funds and top-up grants.

4.9 Partner assessment

Organisations are expected to conduct at least one partner assessment during the SPA period. The purpose is to have the SPA partner assessed/evaluated by its local partners. The format and scope are decided by the SPA partner itself and can build on existing formats used by the organisation. The main points from the partner assessment are to be shared with the MFA as part of the annual reporting on Local Leadership (year 2) or separately if conducted later in the partnership period (latest by 1 October 2025).

4.10 Annual cycle

The organisation will follow this annual reporting cycle³:

- 15 April: Budget monitoring report (i.e. draft financial account for previous year)
- 15 April: Rio marker reporting (see section 10)
- 15 April: Gender marker reporting (see section 10)
- 15 April: Disability marker reporting (see section 10)
- 30 June: Results report and audited financial accounts for SPA-programme and for the organisation incl. management letter(s)
- 1 October: Updated budget monitoring report (annex 3, current year) and revised five-year budget for entire partnership period (annex 2)
- October – December: Annual consultations (tentative timeline)

The requirements for the various documents are described in section 2, 4 and 9.

The documents must be in English and sent by email to humciv@um.dk and the responsible desk officer. In addition to the electronic version, three hardcopies must be submitted to the MFA⁴.

It is noted, that documents submitted to the MFA are encompassed by regulations of right of access to information as per Danish law, on public information in administration ("lov om offentliggørelse af oplysninger i forvaltningen" - law no. 606 of 12 June 2013).

5. Reviews and Financial Monitoring Visits

The MFA will carry out reviews of the organisation and conduct financial monitoring visits when deemed relevant. In the spirit of the partnership the reviews and financial monitoring visits provide – beyond oversight and compliance purposes - an opportunity for mutual learning and discussion. For reviews, at least one organisational review of each strategic partner will be undertaken during the five-year cycle of the partnership.

5.1 Reviews

In order for the MFA to verify that the organisation is on track to achieve results as indicated in the application to the MFA and as subsequently specified in the documentation listed in chapter 2, the organisation will undergo a review during the five-year cycle of the partnership. The purpose of the review is to stimulate learning, support relevant

³ Following the outcome of the evaluation, requirements and deadlines related to IATI will be part of the annual cycle as well.

⁴ Revised programme documents and budget monitoring reports should only be sent electronically.

organisational development and analyse and strengthen cost effectiveness within the strategic partners.

The overall objective is to assess the capacity and performance of the strategic partner in delivering results under its engagement with the MFA. The review will assess the organisation's overall performance in delivering results as agreed in the partnership engagement and stipulated in the ToC, results framework or similar. This may include a general assessment of the organisation's current financial and organisational capacity to implement activities as well as an assessment of the organisation's ability to support relevant organisational development, validate results, and analyse and strengthen value for money. It should be noted that Terms of Reference should reflect the complexity and size of the strategic partner and focus on identified important areas within which the review wants to focus. The MFA will attempt to notify the organisation at least six weeks in advance of a review and the organisation will be consulted on the Terms of Reference.

The MFA will furthermore carry out a mid-term review of the SPA 2022-2026 modality – in supplement the individual reviews - in order to stimulate learning and adaption.

5.2 Financial monitoring visits

The MFA's oversight concerning the organisation's adherence to overall requirements in the management of the grant funds is undertaken through an assessment of the organisation's reporting and audited accounts in connection with the annual consultations as well as in connection with reviews and potentially ad hoc financial monitoring visits to the organisation's headquarters or local projects.

Financial monitoring can also include spot checks of the organisation's internal control environment, administrative practices, and other relevant areas in partner countries, whether through visits from the MFA or by a Danish embassy as well as ad-hoc dialogue with the organisation's management and auditor. The MFA will attempt to notify the organisation at least six weeks in advance of a financial monitoring visit.

For consortia each individual organisation may be subject to individual financial monitoring visits.

6. Administration of the budget

The organisation must ensure that the appropriated funds are used in accordance with the purpose of the Strategic Partnership, in compliance with relevant regulations, and in an efficient and cost-effective manner.

The five-year budget shall be specified according to Annex 2 and shall follow the principles of Annex 2E 'Cost categories', including well-documented, fair, transparent and reasonable cost allocation mechanisms.

The annual budget shall be managed in the budget monitoring report Annex 3, which also provides the basis for the financial accounts.

The organisation must have a clear and transparent description note of the applied cost allocation mechanism for ('fair share') apportionment of common cost functions to different donors, countries, projects and outcomes. The description note should outline the actual procedure for calculating and applying the allocation keys and explain how the mechanism ensures a fair and reasonable distribution of costs. The cost allocation must respect the principles of Annex 2E and back testing must be conducted at least annually (see 6.9 and 6.10).

6.1 Administration fee

In the interest of ensuring that the Danish grant is spent for development purposes in the partner countries, the organisation can allocate maximum 7 pct. of the direct costs as an administration fee. The use of the administration fee of 7 pct. will not have to be specified or documented by the organisation, neither in the budget phase nor in the accounting phase. In the accounting phase the administration fee is calculated as 7 pct. of actual expenditure of funds under the partnership engagement, excluding the administration fee.

In addition to the administration fee for the organisation, the budgets for direct local partners may also include an unspecified administrative fee. This shall be included in the separate detailed local implementing partner budgets and stipulated in the agreements with the local implementing partners. The organisation can allocate maximum 7 pct. of the direct costs as unspecified administrative fee in the local implementing partner budget.

The use of the administration fee of 7 pct. will not have to be specified or documented by the local implementing partner, neither in the budget phase nor in the accounting phase. In the accounting phase the administration fee is calculated as 7 pct. of actual expenditure of funds under the partnership engagement, excluding the administration fee. The allocation must be supported by a financial management capacity assessment of the local implementing partner and ensuring that the fee is specified as income in the local implementing partner's consolidated accounts.

The organisation can decide to lower the administrative fee rate, where for example the local implementing partner is expected to have only limited expenses related to administration in

proportion to the budget. The usual requirements for annual financial audit including performance and compliance audit applies.

6.2 Reallocation and transfer of funds

Reallocations between the specific budget lines can be undertaken without prior approval. The organisation must in connection with reallocation between countries and outcomes always consider whether the budgetary changes lead to substantial changes in the planned activities and outcomes and, if so, revise detailed programme documentation and corresponding results frameworks.

The MFA must be informed (as soon as possible) about

- specific or accumulated reallocations exceeding 10 pct. of the debited or credited main budget lines annually (country and total outcome level) and
- reallocations to new countries (that have not previously been included in the budget). In such cases where the reallocation to a new country (accumulated) exceeds DKK 1 million, a ToC for the relevant country engagement should also be forwarded to the MFA (see 6.3).

In such cases, the organisation must account for the impact of the budgetary change on expected results and may send an updated budget monitoring report for the current year where the reallocations are visible (Annex 3). If the (re)allocation relates to an allocation of unallocated flexible funds it is sufficient that this is informed to MFA through annex 1.

6.2.1 Reallocation of funds to the following year

Unspent funds of the partnership engagement budget for a given year can be carried forward to the following year within the five-year programme period without prior approval. Likewise, any overspending in a given year can be carried forward to the following budget year of the partnership period (while still respecting the annual budget and expense thresholds and ceilings). However, such overspending is at own risk to be covered by the organisation until the following year when the annual commitment is made (tentatively in January, and subject to annual Parliamentary approval). The five-year budget should be revised accordingly. Reallocated balances between years should correspond with the balances as reported in the audited financial accounts.

After the audited financial accounts covering the previous year are ready (submission deadline is 30 June), a revised five-year budget (including actual audited expenses for previous years) must be submitted to the MFA (submission deadline is 1 October).

In this context, expenditure is defined as including all payments for goods and services, public fees as well as contractually agreed transfers from the organisation to a partner along

with other legitimate costs (excluding ineligible costs, cf. Annex 2E). Organisations should carefully manage liquidity needs and at all times ensure that funds do not accumulate at organisation or at local partner level beyond spending needs for approximately 6 months (or less, depending on contextual risk).

6.3 Unallocated flexible funds

The Strategic Partnerships will include unallocated flexible funds to enable the strategic partners to react rapidly and in a flexible manner to an immediate crisis, and beyond crises to respond to new or changing needs, or seize opportunities and follow new and innovative ways of working. The unallocated flexible funds may amount to one-third of the annual budget for programme and project activities and can be programmed (allocated) throughout each year.

The MFA must be informed immediately about allocations of unallocated flexible funds when the allocations are either

- targeted to new countries which are not previously supported as part of the partnership or
- where single allocations exceed DKK 100.000.

In such cases, the organisation must share a brief description of the activities, including timing, purpose, country and target group (Annex 1) including a ToC when engaging in new countries with budgets exceeding DKK 1 million.

The ToC should include the link from a sufficiently comprehensive analysis of context, needs and stakeholders to the definition and outline of objectives, expected outcomes for the concerned programmes, the underlying assumptions, sustainability considerations, and risk assessment and mitigation (including scenario planning in view of rapidly changing contexts). It should include a description of planned partners. An updated regional TOC is accepted if the funds are allocated to new country which is fully integrated in an existing regional programme. This definition of the ToC reflects the requirements applied through the Strategic Partnership application process (2021).

Once a reallocation has been effectuated the amount of unallocated flexible funds are lowered by an equivalent amount, keeping the budget monitoring report (Annex 3) updated.

If part of the unallocated flexible funds remains unallocated throughout the year, these can be transferred to the following year(s) like other unspent funds. The organisation must still ensure that unallocated flexible funds appearing in the budget in any given year does not exceed 33 pct. of programme and project activities, excluding additional grants. The organisation is expected to have a transparent and documented procedure for decisions related to allocation of unallocated flexible funds. Once the flexible funds are allocated, they

are covered by similar narrative and financial reporting requirements as other programme funds.

The strategic partner shall keep track of all allocations of flexible funds during any given year (c.f. Annex 3F).

Refer to Annex 1 for a detailed description of the procedure incl. guidance for orientation.

6.4 Additional funding

The strategic partners will have access to applying for potential additional funding as part of their Strategic Partnership with the MFA. There are two modalities for additional funding which have differing application and reporting requirements.

6.4.1 Top-up funds

The MFA can allocate additional funding as a top-up of existing annual commitment to relevant strategic partners in order to ensure swift and flexible response to new and changing needs. This modality can be used to respond to a broad range of crises (humanitarian crises, democracy- and human rights crises as well as climate- and nature crises) or changing needs, where strategic partners are well placed to act.

The MFA will inform strategic partners of options for top-up funds and share a short concept description, where the size of the pool, budget frame to apply within and focus for the funds will be indicated. The relevant strategic partners are then invited to send a short application in the form of a concept note and budget for the proposed project/activities. The decision for allocation of funds will be based on the MFAs assessment of the concept notes and existing knowledge of the organisations' capacity and ability to deliver results in the given geographic/thematic context. The model for calculating the relative distribution of top-up grants between strategic partners may be based on one or a combination of the following approaches: i) equal distribution across eligible strategic partners, ii) SPA-capacity (based on main grant size), iii) local capacity (size of existing country engagement). This may also involve the MFA's general assessment of the strategic partners' thematic knowledge, local partner capacity and access to target groups.

The approved applications will be granted as top-ups to the existing Strategic Partnership and strategic partners will receive an additional commitment letter. In principle, the top-up funds are included and managed as unallocated flexible funds. However, it is expected that an approved top-up grant will be reflected in a revised budget (budget monitoring report) where it is visible how the top-up grant has been instrumental in allocating funds towards the country/region where the proposed and approved activities are located. Top-up funds are managed according to these guidelines like any other grant funds under the Strategic Partnership.

Reporting on top-up grants are included in the general reporting requirements of the main grant, since they are considered as extensions to the main grant and are included in the general budget and financial statement of the Strategic Partnership. The top-up grants are visible in the accounts but funds are fully pooled with other grants under the Strategic Partnership. Brief reporting on each top-up grant received is expected as part of the annual narrative reporting, c.f. section 4.1 on narrative reporting requirements.

The top-up funds must be used within the timeframe of the Strategic Partnership (end date 31. December 2026).

6.4.2 Thematic call for proposals

The MFA can launch thematic call for proposals in line with specific development priorities, where the strategic partners can apply. The thematic calls will generally be used for new and more specifically defined initiatives.

The MFA will share an information note describing the overall objective of the call, including criteria for application and assessment. The allocation of funding will be based on an assessment and scoring of applications.

Grants received through thematic calls must be administered as new and separate grants and in accordance with the guidelines specific to the call for proposal. This includes separate reporting, budgets and financial audit.

The MFA can launch thematic calls only for strategic partners, or if relevant, the calls may be open for other actors as well depending on theme and context.

6.5 Own-Financing activities

The organisation has committed (as part of the application for a Strategic Partnership) to ensure own-financing activities similar to those funded by the MFA through other sources of funding, corresponding to at least 20 pct. of the Strategic Partnership budget (main grant). Of these, an amount corresponding to minimum 5 pct. of the budget must be raised in Denmark by the organisation (e.g. through membership fees, collections and private donations).

The remaining 15 pct. co-financing may comprise of funding from other donors (e.g. basket funding), including from the strategic partner's international alliance. These co-financing arrangements must be listed in Annex 3E (i.e. excluding the own-financing raised by the organisation through e.g. membership fees and collections).

Otherwise, the own-financing activities are not to be reported on in detail nor included in the budget or in the audited financial statement. Only upon request from the MFA should the organisation be able to provide detailed information and documentation of own-financing activities.

6.6 Use of funds at headquarter level in Denmark

In order to strengthen local leadership and flow of funds to the partner countries and implementation of activities by local partners, there is a maximum ceiling for expenditure at headquarter level (i.e. in Denmark) of 20 pct. of total expenses (on average over the 4-year period 2023-2026).

Annex 2E provides an overview of cost categories to determine cost allocations. It is important to note, that HQ staff hours spent on international travel, i.e. the corresponding salary and salary elements included in the calculated hourly price (e.g. pension funds and social security) can be included as a non-HQ cost (A.1.b. or A.3.b), cf. Annex 2E. However, equally important, it shall not be accepted to include any share of the Danish head office's common costs as a non-HQ cost (as this is not considered a part of the salary and is strictly considered an HQ expense).

The organisation must inform the MFA of any risk of non-compliance, as soon as the suspicion or risk arises, and of the reason for non-compliance. The organisation may be required to submit for the MFA's approval a detailed plan for how to re-establish compliance and offset the overspending through reductions in spending in Denmark in the following year(s) of the Strategic Partnership. In case of non-compliance with the 20 pct. ceiling by the end of the partnership period, as a general rule, the overspending in Denmark shall be covered by the organisation itself and the MFA will request a refund of the overspending.

The MFA will closely monitor and report on this compliance indicator during the partnership period evaluating how the modality for use of funds at headquarter level in Denmark is implemented by the strategic partners.

6.7 Global Entities

Under exceptional circumstances, global entities in Denmark may be funded through the Strategic Partnership above the 20 pct. HQ expenditure ceiling. Funding for a global entity must have been approved by the MFA in the application process and total expenses for a global entity cannot exceed the initially agreed budget (over the 5-year period 2022-2026). The global entity shall be isolated financially from other (PPA) activities under the Strategic Partnership (with designated ledger account and time registration). Expenses attributed to the global entity budget cannot under any circumstances include project- and programme support or other expenditures related to management or administration of the overall

Strategic Partnership. Unspent funding for a global entity can be reallocated to separate budget lines (programme and project activities outside the global entity budget) under the Strategic Partnership and treated as unallocated flexible funds.

6.8 Reporting on humanitarian funds

The organization must consider if any parts of activities in a given country are considered acute aid or humanitarian assistance rather than development activities. The relative HUM/DEV ratio must be self-reported for each country budget line in the financial reporting templates (Annex 2 and 3). Some organisations must meet certain thresholds for their HUM/DEV ratio. Such requirements will be clear from the commitment letter.

6.9 Accounting principles

Both cash basis and accrual basis of accounting is accepted as long as it is a reflection of the organisation's general principle of accounting.

Transfers from the organisation to a local partner can be reported in the organisation's annual audited accounts to MFA as expenditure in two ways:

- 1) The total amount transferred to the local partner during the financial year (this is a relevant way of reporting only until a certified financial statement or an audit is received). Unaudited expenses shall be included in the annex 3 but will be considered ineligible in the annual audit report, requiring a note listing the unaudited amounts and a modified opinion by the Danish auditor.
- 2) The amount actual spent and verified according to the annual audited accounts of the local partner.

When the first reporting method is chosen, the organisation must be able to account for amount transferred, amount expensed (i.e. verified by audited financial statement) and remaining balance at local partner level for any given local partner in order to secure that all funds transferred to partners are accounted for through audited accounts (and that unspent funds are returned to the organisation and to the MFA (as relevant) as part of the unspent/unallocated balance).

The organisation must conduct and document back testing, at least annually, ensuring that any ex-ante estimated fair share of common (pooled) programme support cost functions (expenses) allocated to the strategic partnership accounting is recalculated to reflect the actual fair share cost only.

6.10 Expenditures related to personnel

Personnel costs shall include actual salary cost as well as related expenditures e.g. pension, compensation for lawful leave days and social security. Salary levels shall be kept in

accordance with (not exceeding) the publicly recognized salary level(s) for salaries paid with public funds for comparable work and responsibilities as presented by Ministry of Finance (including 'Den fællesakademisk lønskala' via Medarbejder og Kompetencestyrelsen, www.medst.dk).

The organisation is expected to

- have a descriptive note explaining the internal salary structure, which ensures reasonable salary levels for different staff levels, functions or responsibilities compared to the publicly recognized salary level(s),
- apply time registration through a detailed time registration system. (Local partners may be exempt from this requirement),
- have a note explaining the underlying calculations and assumptions for establishing the hourly rate of the employees (hours) included in the accounting for the Strategic Partnership based on the time registration system. The starting point shall be a man year for full-time employees equal to 1.924 hours annually,
- follow (from 2026 onwards) the guideline from Økonomistyrelsen (2024)⁵ which specifies the number of effective working hours as 1.649 hours applied when calculating the hourly rate for Denmark-based employees working less than full time on the Strategic Partnership projects. This shall be applied when calculating staff input cost. Divergence from this guideline requires documented justification which shall be presented to the auditors during the audit process. Divergence from the fixed norm is also allowed for local staff whereby effective working hours are defined according to the local context) or in case of co-financing where co-donors apply different rates (e.g. EU may suggest 1.720 as effective working hours per year), and
- conduct back testing, at least annually, ensuring that estimated personnel expenses allocated to the strategic partnership accounting is reflecting the actual cost only (considering time registration and personnel cost) at the time of reporting and where relevant follows the description note of the applied cost allocation mechanism for ('fair share') apportionment of common cost functions (see section 6 above).

6.11 Audit costs

Audit costs in Denmark and in country offices are budgeted separately. Audit costs related to local auditing are covered by the activity budget. Cost of local audit of local partners should be included in individual local partner budgets, if the local partner is responsible for the procurement of the audit.

⁵ Vejledning for effektiv tilskudsforvaltning (Økonomistyrelsen, 2024)

6.12 Interests

Accrued interests can be used for the financing of activities under the partnership engagement budget. Accrued interest, both positive and negative, is seen as part of the MFA grant and has to be shown as income (or negative income). It is thus necessary to account for the use of accrued interests similarly to other funds. Furthermore, the payment of negative interests should be limited as much as possible. Unspent interest must be returned to the MFA at the end of the strategic partnership period along with other unspent funds.

6.13 Remaining funds at the end of the partnership period

Organisations must plan for implementation and timely closure of all activities within the programme eligibility period, ending on 31 December 2026. In the event of no agreement between the organisation and the MFA on the disposition of remaining funds if any at the end of the partnership period (31 December 2026), the organisation should return any remaining partnership engagement funds to the MFA.

6.14 Geographic requirements

The organisation will ensure that the total budget for support to fragile contexts shall be at the level (percentage share) specified in the individual approved strategic partner budget (i.e. fragility focus of PPA as a share of total PPA, excluding additional grants). This requirement takes effect by 1 January 2023 and is effective for the remaining partnership period 2023-2026.

6.15 Thematic, Regional and Global Programmes

The partnership engagement budget may contain funds for global/thematic programmes such as advocacy initiatives, cluster and external coordination support, research and dissemination of expertise and learning to local partners or to the broader aid environment etc. Funding for global/thematic programmes should as a rule reach beyond internal capacity building of own staff within the organisation and alliance as well as show relevance beyond the organisation itself. Thematic, regional and global programmes that are not geographically specified at country level must not exceed 10 pct. in the budget for programme and project activities, excluding additional grants.

6.16 Co-financing

Organisations will be given flexibility to allocate funds towards co-financing and mobilisation of funding from other institutional donors, provided that the engagement reasonably falls within the overall objectives of the partnership and that the organisation can demonstrate a value-add beyond the transfer of funds. This includes the possibility to use MFA funds strategically towards co-financing, basket funds, joint programmes and to match funding of local partners to enhance scale, influence/effects as well as contribute to quality and

evidence - as long as this does not imply a breach in the organisations overall obligations listed in chapter 2. Co-financing arrangements are listed in Annex 3E, including brief examples of results and added value.

The Strategic Partnership funds used for co-financing arrangements shall be included in the accounting, reporting and auditing as other strategic partnership grant funds and shall adhere to the same guidelines and deadlines. It is possible to co-finance projects which are continuing beyond the Strategic Partnership end date (31-12-2026), but the financing of activities with the co-funding must end on 31-12-2026. Expenses beyond 31-12-2026 are ineligible. Auditing will have to be completed in due time and according to the guidelines.

The co-financing arrangements shall be listed in the table provided (Annex 3).

7. Request for Disbursement of MFA Grant

A disbursement is defined as a transfer of funds from the MFA to the organisation. Organisations should every six months (January and July) submit requests for payments according to the guidance provided in Annex 7. The request for payment should be accompanied by the duly completed template. The request for payment should be based on the budget for the following six months for the period in question as well as the expected disbursement to local partners⁶. Supplementary requests for payment shall be submitted in case of additional (top-up) grants during any year.

The organization shall avoid an accumulation of funds beyond what is needed for the implementation of planned activities, neither at the level of the organisation in Denmark, at the country office(s) or at the local partner.

The request for disbursement of the top-up grants must be submitted by the organisation in the same year as the top-up grant is committed to the organisation and must cover the full top-up grant.

Requests for payments must be submitted to the MFA at least three weeks prior to the desired transaction date. It is the responsibility of the organisation to ensure that the request for payment is signed by duly authorized individuals and includes an updated disbursement plan for the full partnership period. New disbursements cannot be made, unless previous disbursements are registered as received in IATI.

⁶ As a point of departure the disbursement should cover 6-7 months.

The released funds should be deposited at a dedicated account in Denmark. It must be possible to separate these funds from the organisation's other funds through either a separate account or the organisation's accounting system. It is the responsibility of the organisation to enter into a written agreement with the bank ensuring that the at any time unspent deposited funds on the account, belong to the MFA and confirming that the bank is not authorised to offset any possible debt that the organisation may have to the bank or other entities against the funds or to seize them. All MFA funds utilised for implementation of partnership activities abroad must be documented as having been transferred abroad and be registered in IATI.

By submitting a disbursement request the strategic partner accepts and confirms to comply with all elements of these guidelines.

8. The Organisation's Internal Administration

The organisation will maintain and further develop a satisfactory internal level of administrative, financial management and technical capacity for the implementation and quality assurance of interventions, including ensuring a professional preparation, implementation, monitoring and evaluation of activities. The organisation will be able at all times to document fulfilment of minimum standards for administrative, financial and programmatic procedures and exercise a systematic approach to quality assurance and monitoring.

The organisation can utilize funds in accordance with its own policies and procedures. Further, the organisation undertakes, and is accountable for, all procurement activities according to own regulations and procedures and in line with international good practice

The organisation must furthermore ensure that:

- Job advertisements and selection procedures are transparent when hiring staff for activities funded by the MFA. Exempt from this are job appointments as part of rotation or hiring under short-term contracts (up to a maximum of 12 months) and in situations that require swift deployment of personnel.
- Discrimination based on race, nationality, disabilities, gender identity, sexual orientation, age or political or religious beliefs or any other basis may under no circumstances be applied
- Air travel related to activities is on economy class and taking the most cost-efficient and feasible route possible, taking into account airline safety and environmental footprint.
- Airline mileage points earned on trips in relation to the activities funded by the MFA are not to be used for private purposes by the organisation's staff members, but to ensure cheaper business trips.

- 'Cirkulære om satsregulering for tjenesterejser' from Medarbejder og Kompetencestyrelsen, (www.medst.dk) regarding allowances for duty travels, including reimbursement of mileage, daily allowances and reimbursements as per country should be seen as a maximum in connection with expenditures for hotels, payments of daily allowances etc. (most recent "Satsregulering for tjenesterejser").
- The organisation maintains necessary insurance for all staff and insure project related equipment to a reasonable degree. The organisation's *duty of care* for all staff is underlined, not least with respect to staff serving in duty stations characterised by significant security risks.
- When transferring assets to local partners in a recipient country the transfer process must ensure that the local partner provides a receipt/handover note (ref. Annex 6) for the transferred assets and their value including two authorized signatures. The transferring process must at the latest take place at the end of activities and include all items with a value above tax-related level for immediate depreciation of minor purchases (ref. the Danish act on depreciations ("afskrivningsloven")). An important element when considering the handover of assets is the local partner's capacity to maintain and operate them. Furthermore, it is relevant to consider whether the local 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 MFA along other unspent funds. Unspent funds, including unspent interest, must be repaid by the local partner to the organisation.

8.1 International fund transfers to local offices and partners

The organisation should carefully manage liquidity needs and always ensure that funds do not accumulate at organisation or at local partner level beyond spending needs for approximately 6 months.

Where at all possible, the organisation and its implementing partners should transfer funds through the formal banking systems and in line with existing legal requirements. All fund transfers should be adequately documented in terms of actual funds flow and internal procedures followed, also at local partner level.

8.2 Agreements with local partners (sub-grantees)

The organisation is expected to support and promote local leadership, joint needs assessment and programming together with local partners as well as provide targeted capacity building of local implementing partners on a needs basis to strengthen organizational capacity and sustainability. This can (based on documented individual partner capacity assessments) include offering local partners similar advantages and flexibilities as enjoyed by the strategic partners, e.g. admin fee (c.f. section 6.1). Specifically, the organisation must, where feasible, prioritize long-term sub-partner agreements to

facilitate continuous implementation and long-term planning, also providing grants beyond the calendar year (e.g. 16-month grant for ensuring a 4-month buffer), to avoid insecurity, high staff turnover, unnecessary pauses in implementation or liquidity issues e.g. due to delays in parliamentary approval.

9. Information and Public Engagement funds (IPE)

Information and public engagement have always been part of the foundation for Denmark's international development cooperation and humanitarian response. Therefore, up to two per cent of the main Strategic Partnership grant can be allocated towards information and public engagement (IPE) activities. The current information and engagement strategy of the MFA focuses on increasing outreach and impact via a strengthened partnership approach and strategic target group orientation towards the neutral segment.

The organisation will define a set of information and engagement targets (qualitative and quantitative) to prioritise and focus on during the partnership period. Targets are based on the organisation's key strengths and capabilities. Innovation and risk-taking in terms of methods and target groups are encouraged.

IPE funds are tied to the Strategic Partnership and cannot be used for branding campaigns, general communication about the organisation or specific projects or issues not supported under the partnership. Nor can they be used for strategic fundraising purposes or political campaigns.

However, the IPE funds can be used for communication and engagement activities aimed at raising awareness and understanding of the results and importance of international development cooperation – as long as they relate to the Strategic Partnership agreement thematically and geographically. IPE-funded activities should be open to everyone, which means that the activities cannot be behind a paywall or be exclusive offers for a select few.

Organisations are expected to share lessons learned and best practices with the other strategic partners and the sector in general i.e. at the yearly event for communication and engagement professionals organised by CISU and Roskilde Festival as well as MFA organized events.

10. Reporting on OECD-DAC Policy Markers

10.1 Rio Marker

The organisations shall as part of the annual narrative reporting requirements, report on progress in mainstreaming and integration of climate, nature and biodiversity concerns

across programmes and projects, the key results achieved in this area and the lessons learned.

The strategic partners are also required to report annually on climate and environment flows during the year based on OECD DAC statistical guidelines system of policy markers for aid to environment and the four Rio markers. This is described in separate guidelines in Annex 8.

The reporting on the Rio markers should be submitted to the MFA by 15 April, c.f. annual cycle.

The submitted reporting will be subject to a quality assurance process carried out by external consultants for the MFA. In case the quality assurance identifies a need for adjustment of the reporting, the organisation is requested to submit an updated version to the MFA.

10.2 Disability Marker

The strategic partners are required to report annually on whether programs include and empower persons with disabilities as a strategic objective. This will be based on OECD DAC statistical guidelines system of policy markers.

10.3 Gender Marker

The strategic partners are required to report annually on whether programs target gender equality as a strategic objective. This will be based on OECD DAC statistical guidelines system of policy markers.

11. Annexes

Annex 1: Template for orientation of allocation of unallocated flexible funds

Annex 2: Budget Summary (including Annex 2A, 2B, 2C and 2D)

Annex 2E: Cost categories

Annex 3: Budget monitoring and audited accounts template (including Annex 3A, 3B, 3C, 3D, 3E and 3F)

Annex 4: Audit instruction

Annex 5: Form for reporting suspicion of irregularities

Annex 6: Transfer of Assets

Annex 7: Disbursement requests



Annex 8: Guidance on Rio markers and environment reporting

Annex 8A: Rio marker and Environment reporting template

Annex 8B: Sources and tools to aid environment and Rio marking

Annex 9: Guidelines SPA portfolio-level results system (SPRS)

Annex 9A: Case study template

Annex 9B: Guidance for case studies

Annex 9C: Guidance for counting reach

Annex 9D: Guidance for counting partners

Annex 10: IATI publication

Annex 11: VfM Guidance note