

GUIDELINES FOR MANAGEMENT OF GRANTS THROUGH DANISH CIVIL SOCIETY ORGANISATIONS

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N.B. This is a direct translation of the [Danish version of the guidelines](#) (*Retningslinjer for Tilskudsforvaltning Gennem Danske Civilsamfundsorganisationer*). The wording of the Danish version takes precedence at all times.

1. INTRODUCTION

These guidelines for grant management through Danish civil society organisations are a point of entry for all Danish organisations receiving individual grants (*enkeltstående bevillinger*) for specific development efforts as well as for humanitarian efforts from the Danish Ministry of Foreign Affairs.

2. RESPONSIBILITIES AND DUTIES OF THE GRANTEE ORGANISATION

The organisation is fully responsible to the Ministry for Foreign Affairs for the planning, implementation and reporting of the supported activity. The organisation must:

- ensure the necessary professional and administrative capacity for the sound and proper management of the grant awarded,
- ensure that reporting and accounting to the Ministry of Foreign Affairs, as well as the organisation of financial audits are carried out in accordance with the relevant rules below and in the relevant annexes,
- ensure that public advertisement and transparent selection procedures are used for filling positions with a duration of more than 12 months in relation to the activity. This does not apply to positions to be filled on a regular rotation basis. There shall be no discrimination in the selection of candidates on grounds of race, sex, disability or political or religious affiliation,
- ensure that the organisation, including members of its management and board, as well as partner organisations and others benefiting from the grant awarded, are not included in any EU or UN sanctions and/or terrorist lists.
- ensure that staff, consultants etc. (both in Denmark, expatriates and local staff) working in connection with the supported activity do not enjoy more favourable salary, employment and other conditions than those applied by the Ministry of Foreign Affairs and do not receive double salaries, as well as ensuring that bonus points from airlines earned on travel are not used privately but are used to pay for or receive discounts on other travel for the organisation,
- inform local partners and cooperation participants of the rules in this guide and ensure that they are complied with. Cooperation with local partners must be based on written agreements. When transferring equipment purchased under the grant to the partner, a transfer document must be drawn up, specifying the items transferred and their value. A list of equipment made available to the partner shall be drawn up and updated as new equipment is acquired, and equipment may be handed over to the partner at the end of the project. The transfer operation concerns all items with a value exceeding the instant write off or scrap value for small purchases,
- ensure that the Ministry of Foreign Affairs, the National Audit Office and the State Auditors are given full access and assistance for project inspection, document review, accounting analysis, inventory control, etc., as required,
- ensure that the necessary measures are in place to protect people, including beneficiaries and staff, from sexual exploitation and abuse and sexual harassment by the organisation's staff and associated personnel, e.g. partners, consultants, volunteers, etc. Please refer to the CHS Alliance Protection from Sexual Exploitation and Abuse (PSEA) index and PSEA Implementation Handbook,

ensure that when entering into agreements and contracts with partners and suppliers, the appropriate Ministry of Foreign Affairs corruption clause is included in the contract document:

“No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, 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 practice 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 practice can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs”.

3. BUDGETING AND USE OF THE GRANT

Grants awarded must be used in accordance with the terms of the grant, i.e. the agreement and/or application and budget approved, as well as other documents on which the grant is based.

The budget for the activity must be drawn up in accordance with the attached budget format in Annex 3 and the budget note in Annex 4.

Travel costs must be budgeted as economically as possible, including limiting the number of travellers. Per diems and mileage allowances may not exceed the rates set by the Ministry of Finance of Denmark, air travel may not exceed the cost of economy class, and accommodation may not exceed the cost of a standard tourist class hotel.

4. MANAGEMENT OF THE BUDGET

Activities must be carried out within the limits of the approved budget. Reallocations must always be made within the overall objectives of the activity. Reallocation between the main budget lines (outputs) of the approved budget may be made without prior submission to the Ministry of Foreign Affairs of up to 30 % of the budget of the smallest of the budget lines (outputs) from or to which the funds are transferred.

Reallocations must subsequently be disclosed and justified in the next progress report (with revised budget) and in the final accounts. Budget overruns due to changes of prices, wages and/or exchange rates cannot be compensated by an increase in the grant awarded.

Any interest rates earned from the grant may be used for the programmed activities and must be accounted for. Negative interest rates must be covered by the grant and must also be shown in the accounts. No administration fee (over head) may be charged on interest expenditure. Efforts should be made to minimise negative interest rates.

The use of the administration fee does not have to be documented, but must follow the guidelines in paragraph 5 below.

Underspending of funds may be transferred to the next financial year within the programme period.

5. ADMINISTRATIVE EXPENDITURE

The grant will normally be accompanied by an administration fee.

Calculation and use of the administration fee

During the budget phase, the administrative fee will be calculated at a maximum of 7% of the total budget. In the accounting phase, the fee will be a maximum of 7 % of *actual expenditure (direct costs)*, excluding administration.

6. DISBURSEMENT OF GRANTS

The first instalment of the grant is disbursed in connection with the commitment letter, and subsequently instalments are disbursed twice every year (January and July) on the basis of disbursement requests from the organisation.

The organisation requests disbursements of grants in accordance with the standard disbursement form in annex 7 and the guidance in annex 8. The request should be based on the anticipated spending in order to

prevent accumulation of more liquidity than needed. It is incumbent upon the organisation to ensure, that requests for disbursements are signed and submitted by authorised personnel.

Allocated grants must be placed in a separate bank account in Denmark, separated from the organisation's own funds. Alternatively, separation can be made through the organisation's financial system. It is the responsibility of the organisation to enter into a written agreement with the bank, which states that the unused grant funds held in the account at any time belong to the Ministry of Foreign Affairs, and that the bank is not entitled to offset any debt owed by the organisation to the bank against the deposit or to make outlays from the same.

Government grant funds used for activities abroad must be documented as having been transferred from the organisation's account in Denmark. However, the organisation's own holdings of funds in local currency may be included in the financing, if these have been transferred to the recipient country as part of the organisation's own development activities.

7. REPORTING

All correspondence to the Ministry of Foreign Affairs must be done electronically and should be sent to the relevant office in the Ministry of Foreign Affairs with the relevant case officer in copy.

The organisation's obligation to report on the progress of the activity includes the following:

- For all activities with a duration of more than 18 months, **a narrative progress report, financial progress report and audited financial statements of the organisation (see also section 8) are submitted by July 1st each year**, unless a different reporting date is specified in the Information Note for call for proposals or the agreement with the Ministry of Foreign Affairs. The report must follow the format of the progress report (Annex 1) and the financial progress report (Annex 5) respectively, and must cover activities carried out during the previous calendar year.
- For activities with a duration of less than 18 months, final reporting is sufficient.
- For all activities, **a final report and final audited accounts** shall be submitted within six months after the end of the activity. The reporting shall follow the format of the final report (Annex 2) and the final audited accounts (Annex 6) respectively.
- If the report contains information that requires a specific deliberation by the Ministry of Foreign Affairs, this should be stated in the cover letter.

It is also the responsibility of the organisation to report immediately to the Ministry of Foreign Affairs in the following cases:

- if significant difficulties arise in the implementation of the activities, including in relation to complying with the agreed budget,
- if significant problems arise in the organisation's relations with the authorities of the beneficiary country, partner organisations or expatriate staff,
- if theft, fraud, corruption, abuse, support for terrorist activities or other similar irregularities in the management of the activity are reasonably suspected or detected.

Such reporting shall be made promptly, in writing, and shall indicate how the organisation plans to follow up and resolve the reported issues or suspected irregularities, including for the purposes of the Ministry of Foreign Affairs' reporting obligation to the National Audit Office. The notification to the Ministry of Foreign Affairs must be made in the "Form for reporting cases of suspected irregular handling of grant funds, misuse, fraud or corruption" which can be found in Annex 10.

8. PRESENTATION OF ACCOUNTS

It is the responsibility of the organisation to maintain safe and reliable accounts. It shall be ensured that the financial procedures are sound and with proper internal controls. It is assumed that the organisation's accounting records are regularly updated and documented, and that they are otherwise kept in accordance with good accounting practices. The organisation must keep the accounting for 10 years after the end of the activity.

For grants awarded, the organisation must submit its audited **annual accounts** for the previous financial year to the Ministry of Foreign Affairs by July 1st each year, together with an annual report and an audit report, including an audit protocol (management letter). The annual accounts for the organisation shall show, e.g. in a note, the specifications of each grant received from the Ministry of Foreign Affairs so that current expenditure can be audited as part of the audit of the organisation's overall annual accounts. The statement of expenditure, signed by the responsible controller and his/her manager, with at least the same level of detail (budget line level) as in the budget, shall be attached to the annual accounts, as in Annex 5. Any administrative contribution to the appropriations shall be entered in the revenue and expenditure account. The annual accounts shall be sent electronically as a PDF file with the relevant signatures scanned in. It should be sent to the relevant office in the Ministry of Foreign Affairs with the relevant case officer in copy. In addition, the project to which it relates must be specified in the email.

Within six months of the end of the activity, an **audited final financial statement** shall be submitted for the grant, as in Annex 6 (see also section 7). If, during or at the end of the activity, equipment, furniture, etc. is transferred to partners or authorities in the beneficiary country, the final accounts must show that a signed transfer document is available from the organisation. The transfer document must include equipment, furniture, etc. with a value exceeding the instant write off or scrap value for small purchases. Unused grant funds must be repaid to the Ministry of Foreign Affairs together with the submission of the final financial statement.

The annual accounts of the organisational and final financial statements of the project must be signed by the organisation's management and certified by the auditor, as specified below.

9. AUDIT

The final financial statements of the project and the annual accounts of the organisation must be audited by an auditor who is registered or authorised in Denmark and who, together with the organisation, has overall responsibility for the audit of activities abroad. The audit shall be carried out in accordance with the principles of good public auditing practice, and always by the organisation's auditor in accordance with the audit instruction. It is the responsibility of the organisation to ensure that the organisation's auditor confirms in writing that he/she will carry out his/her audit in accordance with the provisions of the audit instruction, as in Annex 9.

10. MINISTRY OF FOREIGN AFFAIRS' SUPERVISION

The Ministry of Foreign Affairs' supervision (monitoring) of the organisations' management of the grant funds is carried out primarily through the assessment of the organisations' reporting and accounting. In addition, the Ministry of Foreign Affairs may, in agreement with the organisation, take a number of other measures to ensure insight into and follow-up on the organisations' management of grant funds.

These actions may include the following:

- annual consultations with the organisation,
- visits to the organisation to inspect the functioning of the finance function and project management, as well as the organisation's business processes, operating procedures and organisational conditions,
- ad hoc discussions with the organisation's management and its auditor (by agreement with the organisation),

- random inspection of the organisation's activities, either by visits from the Ministry of Foreign Affairs in Copenhagen or by embassies,
- Conduction of capacity surveys of the organisation and/or of project-related appraisals before project start, reviews during the project, as well as final assessments and evaluations.

In the event of non-compliance related to grant funding, the Ministry of Foreign Affairs is entitled to take appropriate measures aimed at mitigating the consequences of non-compliance. These may consist of a written warning, the launching of investigations by consultants or auditors of the organisation's management, the suspension and/or termination of further payments, the phasing out or closure of the ongoing activity, or the complete termination of the cooperation. In the latter case, the organisation shall be obliged to repay immediately to the Ministry of Foreign Affairs all unused grant funds and to compensate the Ministry of Foreign Affairs for any financial loss.

11. TERMINATION OF AGREEMENTS AND ARBITRATION CLAUSES

An agreement may be terminated in writing by either party upon three months' notice. However, in the event of material breach, the Ministry of Foreign Affairs shall be entitled to terminate the agreement immediately. Before termination, both parties undertake to seek a negotiated settlement of any disputes. Any dispute between the Parties concerning the Agreement or its proper understanding and/or performance shall be finally settled by arbitration and shall not be subject to judicial proceedings.

The Party wishing to have a matter settled by arbitration shall appoint an arbitrator and invite the other Party by registered letter to appoint its arbitrator within 14 days. If the other party has not appointed an arbitrator within the time limit, the arbitrator shall be appointed by the President of the Maritime and Commercial Court in Copenhagen. The two arbitrators shall jointly appoint an umpire. In the absence of agreement, the appointed arbitrators shall jointly request the President of the Maritime and Commercial Court in Copenhagen to appoint the President of the arbitral tribunal. The arbitral tribunal shall itself determine the rules governing its consideration of the case submitted in accordance with the Arbitration Act and the general principles of the Code of Judicial Procedure¹. The arbitral tribunal shall decide how the costs of conducting the arbitration are to be apportioned.

12. OVERVIEW OF ANNEXES

Annex 1 - Status Report format

Annex 2 - Partners Final Results Report format

Annex 3 - Budget format

Annex 4 - Note for filling in the budget

Annex 5 - Financial progress report example

Annex 6 - Final audited accounts example

Annex 7 - Disbursement form

Annex 8 - Instructions for disbursements

¹ The rules of the Danish Arbitration Institute can be found here: https://voldgiftsinstitutet.dk/wp-content/uploads/2014/12/dk_voldgiftsbrochure.pdf

Annex 9 - Audit instruction

Annex 10 - Form for reporting irregularities