MINISTRY OF FOREIGN AFFAIRS OF DENMARK
Danida

GUIDELINES

STRATEGIC PARTNERSHIPS 2022-2025

WITH DANISH CIVIL SOCIETY ORGANISATIONS

March 2022

Content

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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.

The overall purpose of the Strategic Partnerships 2022-2025 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 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 "the organisations") that have qualified for Strategic Partnerships for the period 2022–2025. 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 grant appropriation

Based on the application from the organisation as approved ultimo 2021, the total grant is appropriated in yearly allocations (commitments) covering the four year period (2022–2025), 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 to be funded, 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 should include an updated annexed Executive Summary providing an overview of the adjusted and final partnership engagement.
- Updated 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[1]. 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.
- Updated Theories of Changes (ToC) 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 only expected to be updated when relevant (and requested by the MFA) 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.
- An updated budget for the four-year period, 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.

[1] Strategic partners will be involved in the process regarding the cross-cutting indicators in 2022. Until then summary results frameworks need not reflect cross-cutting indicators.

3. General principles

The organisation will adhere to the following:

- The organisation will ensure that local partners and others that receive part of the granted funds are not included on the UN or EU sanctions lists.
- The organisation will commit to the requirements outlined in the information note.
- The organisation will commit to and apply a human rights-based/leaving no-one behind approach to development and humanitarian interventions.
- The organisation is expected to 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 ensure to have a PSHEA policy in place.
- 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.
- The organisation will assure to have a conflict of interest policy in place.
- The organisation will ensure to have a complaints handling mechanism in place that employees, partners and communities can access.
- The organisation will ensure to have a policy against child labour and an anti-terrorism policy and/or a code of ethics/-conduct for its work and management of funds.
- The organisation will ensure to have a strategy or equivalent for their environmental footprint and work towards greener and more sustainable procurement.
- 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 MFA standard cooperation guidelines and shall therefore:

- 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;
- 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. 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 indication 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 the disclosure of this partnership, or any document related to this partnership, the MFA must in each case assess if such document may be disclosed in whole, or, where there are grounds for confidentiality, disclosed in part.

4. Reporting requirements and strategic dialogue

The annual reporting to the MFA include narrative- and financial reporting as well as financial audit. Formats and requirements for narrative reporting, financial reporting and audit remains the same during the entire partnership period, with minor variations within the narrative reporting requirements.

The purpose of the reporting requirements are to ensure that the partnership and programme is 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 allocation 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 include the following:

- Narrative account for progress, achieved results and major deviations related the summary results framework agreed with the MFA and major deviations in relation to initially agreed annual budget.
- Updated summary results framework illustrating progress overall (on track).
- Examples (cases) illustrating progress/results.
- Update on the organisation’s Local Leadership Strategy including progress and achievements. This includes estimation on level of transfer to local partners.
- Reporting on IPE engagement targets.
- Reporting on Global Entities (if relevant).

- 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. In addition, the organisation will report annually on climate and environment flows during the year based on OECD DAC statistical guidelines system of policy marker's for aid to environment and the four RIO markers.
- Reporting on a joint set of cross-cutting indicators across all strategic partners in supplement to the summary results frameworks of the individual partners to demonstrate results at the level of the entire SPA 2022-2025 portfolio. (TBD)
- Each reporting year, there will be a specific subject, that all partners are expected to reflect upon in depth. Subjects are: restructuring as a consequence of SPA 2022-2025 geographical and thematic requirements (year 1), local leadership (year 2), exit strategy (year 3), learning and overall results (year 4). 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 partners at least six months before the reporting deadline.
- Use of MFA funds towards co-financing, basket funds, joint programmes and for match funding of local partners to enhance scale, influence, and promote harmonization. Reflections on the specific value added of the organisation in contributing to such joint arrangements.
- Status and follow up on recommendations from last review, financial monitoring visits, and latest annual consultation.

One integrated narrative report should be presented by each organisation not exceeding 30 pages excluding annexes unless otherwise agreed with the MFA.

The final reporting to be submitted after the fourth and final year of the partnership, should account for how outputs 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, unspent funds) of the support[2].

4.2 Strategic update

A strategic update on plans and expectations for the coming year should be submitted to the MFA by 1 October, c.f. annual cycle below and include:

- Relevant organisational (including network/alliance) and strategic developments

[2] For terminology, organisations may refer to OECD Glossary of Key Terms.

- Description of overall strategic and programmatic plans at organisational level for the coming year, including brief overview of country engagements (overall budget level, programme focus, key challenges/developments, partners etc.) and strategic priorities to be focussed on.
- Plans at organisational level related to strengthening local leadership; the link between humanitarian, development and peace action; HRBA and leaving no-one behind; gender equality, girls and women's rights; meaningful inclusion of children and young people; greening of engagements; global and local connectedness and coordination; information and public engagement in Denmark;

The strategic update should not exceed 10 pages unless otherwise agreed with the MFA.

4.3 Budget

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

The four–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 approved annual grant committed from the MFA, while noting that this remains subject to annual Parliamentary approval.

The four-year budget must remain relevant and 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),
- 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 commitments) are appropriated by MFA.

The four-year budget should be updated based on the annual *budget monitoring reports*, 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:

<u>Annual budget compliance requirements applicable to the total budget (main SPA grant + additional funding (see 6.4)):</u>

- Funds spent at HQ level (i.e. IPE_HQ, admin, audit cost, direct activities_HQ and programme support_HQ) cannot exceed 20 pct. of total expenses.
- Administration fee for the 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.
- Unallocated flexible funds cannot exceed 33 pct. of programme and project activities (PPA) excluding additional grants.
- Regional activities (i.e. not country allocated PPA) cannot exceed 10pct. of PPA excluding additional grants.
- Total budget for humanitarian assistance shall be at least at the level specified in the individual SPA partner commitment letter(s) (i.e. humanitarian PPA as a share of total PPA, excluding additional grants).
- Total budget for support to fragile contexts shall be at the level (percentage share) specified in the individual approved SPA partner budget (i.e. fragility focus of PPA as a share of total PPA, excluding additional grants).
- Total budget allocated for ‘Africa and specific geographies’ must exceed 50 pct. (i.e. focus on of PPA as a share of total PPA, excluding additional grants and excluding unallocated flexible funds, until allocation takes place).

4.4 Budget monitoring reports

Budget monitoring reports must be submitted to the MFA by 15 April, 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 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).

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 reporting on Danish development assistance (e.g. 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 is 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,
- additional grants (top up of the main SPA commitments) are appropriated by MFA.

The budget monitoring reports are submitted as documentation in case of reallocations and allocations of flexible funds, c.f. thresholds below.

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.

4.5 Audited accounts

Audited accounts 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. It is recommended that the choice of auditor is subject to an open tender process every 3-5 year.

The audit shall consist of a financial audit, including elements of compliance and performance audits.

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. §1 and §2 in the audit instruction. As part of overall supervision with the audit abroad, the Danish auditor must ensure sufficient quality control of local audits.

In 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).

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 strategic partner must keep financial documents safely and accessibly for 10 years (whereas other technical programme documents must be kept for 5 years only). 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 should submit one combined audited account for the whole Strategic Partnership (including main grant(s) and any top up grants). 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.

4.6 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 suspicion of irregularities or other misuse of Danish funds, including suspicion of grossly negligent administration, corruption, 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 on a quarterly basis 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 (for two years) as soon as possible once 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.

The MFA has a policy of zero tolerance towards corruption in all its forms (c.f MFA's anti-corruption code of conduct). 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) related to a possible loss of Danish funds.

In its reporting, the organisation must to the extent possible account for the circumstances 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.

4.7 IATI reporting

The MFA will initiate an evaluation of the International Aid Transparency Initiative (IATI) reporting under the previous strategic partnership period (2018-2021) that will inform the IATI requirements for the new strategic partnership period 2022-2025. All organisations will be invited to participate in the evaluation and findings will be shared with the organisations.

In 2022 IATI reporting will follow the same requirements as under the previous Strategic Partnership (2018-2021), where organisations are expected to acknowledge receipt of funds, and register disbursements with sector and country code.

Where possible, the IATI reporting may substitute part of other reporting requirements. This depend on a proposal from the organisation and will be assessed on a case by case basis.

4.8 Annual consultations

Once a year, the organisations will be invited to annual consultations with the MFA to discuss strategic update of the partnership engagement 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 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.

As part of the annual consultation the organisation is expected to make a presentation on key elements related to reporting, status of the current year and strategic plan for the following year.

4.9 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 partner is engaged with vis-à-vis the MFA and is centered on issues of strategic relevance for both the partner and for MFA.

Strategic dialogue is expected to take place also beyond annual consultations and with more 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.

4.10 Annual cycle

The organisation will follow this annual reporting cycle[3]:

- 15. April: Budget monitoring report (i.e. draft financial account for previous year)
- 30. June: Results report and audited accounts
- 1. October: Strategic update and revised four-year budget for entire partnership period
- October – December: Period for annual consultations

In the first year 2022 the requirements are slightly different:

- 15. February: Updated budget (if needed)
- 30. June: Revised programme documents (Updated Executive Summary, summary results framework and updated ToCs)[4]
- 1. October: Strategic update and revised four-year budget for entire partnership period
- October – December: Period for annual consultations

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 hce@um.dk and the responsible desk officer. In addition to the electronic version, three hardcopies must be submitted to the MFA[5].

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 offentlighed 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 an opportunity for mutual learning and discussion. For reviews, at least one review will be undertaken during the four-year cycle of the partnership. Thematic reviews across the portfolio of all Strategic Partnerships are expected in order to stimulate learning and adaption.

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[3] Following the outcome of the evaluation, requirements and deadlines related to IATI will be part of the annual cycle as well.
[4] For strategic partners with Strategic Partnerships 2018-2021 Results Reports are also submitted in June. Please refer to guidelines and deadlines related to SPA 2018-2021.
[5] Revised programme documents and budget monitoring reports should only be sent electronically.

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 four-year cycle of the partnership. The purpose of the review is to stimulate learning, support relevant organisational development and analyse and strengthen cost effectiveness within the Strategic Partners.

The overall objective of 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 e.g. 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 carry out thematic reviews across the portfolio of all Strategic Partnerships – or as part of the individual reviews - in order to stimulate learning and adaption. 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.

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 head quarters 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 four year budget shall be specified according to the 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 is expected to have a clear and transparent description note of the applied cost allocation mechanism for 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.

6.1 Administration fee

In the interest of ensuring that the Danish grant is spent for development purposes in the Global South, 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.

The MFA can, in specific cases, decide to lower the maximum administration fee in relation to contributions to international organisations, appeals or other specific arrangements, where the organisation is expected to have only limited expenses related to administration, monitoring and reporting. The MFA will notify the organisation in such cases.

In addition to the administration fee for the organisation, the budgets for local implementing partners may also include an unspecified administrative fee. This shall be included in the separate detailed partner budgets and stipulated in the agreements with local partners. It shall be kept at a minimum (it cannot exceed 7 pct. of the budget excluding administration as specified in Annex 2E) and it must be justified based on the organisation’s knowledge and assessment of the local partner’s capacity. The usual requirements for annual financial audit including performance 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 about

- specific or accumulated reallocations exceeding 30 pct. of the debited or credited main budget lines annually (country and total outcome level) and
- allocations to new countries (that have not previously been included in the budget)

In such cases, the organisation must account for the impact of the budgetary change on expected results and send an updated budget monitoring report for the current year where the reallocations are visible (Annex 3).

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 four-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. However, such overspending is 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 four-year budget should be revised accordingly. Reallocated balances between years should correspond with the balances as reported in the audited accounts.

When the audited accounts covering the previous year are ready (submission deadline is 30 June), a revised four-year budget (including actual audited expenses for previous years) must to 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 partner level beyond spending needs for approximately 6 months.

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 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 are exceeding DKK 500.000.

In such cases, the organisation must send an updated budget monitoring report for the current year where the reallocations are visible (Annex 3), as well as a brief description of the activities (including timing, purpose, country and target group). Once a reallocation has been effectuated the amount of unallocated flexible funds are lowered by an equivalent amount.

If part of the unallocated flexible funds remain 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.

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 receiving or 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 the relevant 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, expected number of allocation and focus for the funds will be indicated. It is here clarified, how and on the basis of which criteria the funds will be allocated. The relevant partners are then invited to send a short application in the form of a concept note and budget for the proposed project/activities. The allocation of funds will be based on the MFAs assessment of the concept notes and existing knowledge of the partners' capacity and ability to deliver results. This may involve the MFA's general assessment of the partners' thematic knowledge, geographic presence, local partner capacity and access to target groups.

The approved applications will be granted as top-ups to the existing Strategic Partnership and partners will receive an additional commitment. 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 immediately 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.

The top-up funds must be used within the timeframe of the Strategic Partnership (end date 31. December 2025).

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. Of these, an amount corresponding to minimum 5 pct. of the budget must be raised in Denmark by the organisation. The remaining 15 pct. co-financing may comprise of funding from other donors, including the strategic partner's international alliance.

The own–financing activities are not to be reported on nor included in the budget or in the audited financial statement. Only upon request from the MFA the organisation should be able to provide 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 global South and implementation of activities by local partners, there is a maximum ceiling for expenditure at headquarter level in Denmark of 20 pct. This should be adhered to each year, no later than 1. January 2023 and onwards.

Annex 2E provides an overview of cost categories to determine cost allocations.

The MFA will during the partnership period conduct a mid-term review on how the modality for use of funds at headquarter level in Denmark is being 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. expenditure ceiling. Funding for a global entity must have been approved by the MFA in the application process and expenses must not exceed the specifically approved budget. Funding for a global entity cannot be used for project and programme support under the Strategic Partnership.

The expenditures for a global entity cannot exceed the initially agreed budget.

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 an audit is received).
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 as part of the unspent/unallocated balance).

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), and
- 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 an effective number of working hours for full-time employees equal to 1.924 annually.

6.11 Audit costs

Audit costs are covered by the activity budget. Audit costs in Denmark and in country offices are budgeted separately. Local audit of local partners should be included in individual partner budgets.

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.

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 December 31, 2025. 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 (December 31, 2025), 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 SPA partner budget (i.e. fragility focus of PPA as a share of total PPA, excluding additional grants). This requirement should be implemented by the organisation no later than 1 January 2023.

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-added 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, greater 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.

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[6] (January and July) submit requests for payments according to the guidance provided in Annex 7. The request for payment should be accompanied by the 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 sub partners[7].

If there are changes to the original budget during the first six months of the year, this should be reflected as a correction in the subsequent request to 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.

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. New disbursements cannot be made, unless previous disbursements are registered as received.

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 set off any possible debt that the organisation may have to the bank or other entities against the funds or to seize these. All MFA funds utilised for implementation of partnership activities abroad must be documented as having been transferred abroad.

[6] For improved management of liquidity and to avoid negative interests the organisations can decide to submit disbursement requests on a quarterly basis.

[7] As a point of departure the disbursement should cover 6 months, however, room for flexibility exists.

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, possible handicaps, gender, sexual orientation, age or political or religious persuasion 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.
- 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.
- The current government circular 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 2021").
- 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 entering into written agreements and contracts with local partners, suppliers, etc., the organisation should reflect the MFA's anti-corruption clause: "*No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practise, 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 practise 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 practise can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs". In case the organisation has a similar and fully adequate clause, this could alternatively be used.

- 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. 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")). Unspent funds, including unspent interests, must be repaid by the local partner to the organisation.

8.1 International fund transfers to local partners

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

With a few exceptions, organisations should transfer funds through the formal banking systems only.

The use of informal money transfer systems involves an increased risk of irregularities, lack of transparency and is generally a challenge for financial management. The MFA's general assessment is therefore that these informal systems lie outside normal practice for financial management.

However, there may be reasons to make use of these informal systems, in exceptional circumstances where the formal banking system cannot be used, other formal alternatives are not possible and where there are compelling reasons to engage, despite risks and possibly increased transaction costs.

It will always be up to the organisation to assess whether it is appropriate or necessary, despite risks, to make use of an informal system. The use of informal systems does not require an approval from MFA. The MFA has the following expectations for the organisation's management:

- The decision to use an informal monetary system must be made centrally at management and HQ level.

- The organisation must identify which, if any, measures and strengthened supervisory mechanisms that can contribute to mitigating risks through the use of informal systems, including in the choice of informal financial partner.
- The use of informal systems should be limited as much as possible, both in terms of amount, number of transactions and period. The decision to use an informal system must thus be continuously reconsidered.
- The decision must be documented in writing, including background, scope, mitigating measures and expiration.

In cases where irregularities occur in connection with the use of informal systems, the organisation bears the responsibility itself. Whether a possible loss can be covered over the grant will depend on case by case assessment, in the same way as in ordinary cases of irregularities.

9. Information and Public Engagement funds (IPE)

The organisation will in collaboration with the MFA define and agree on a set of engagement targets (hard and soft) to prioritise and focus on during the partnership period. Targets are based on the organisations' key strengths and capabilities. Up to two per cent of the Strategic Partnership budget can be allocated towards information and public engagement (IPE) activities aimed at reaching these targets. IPE funds are tied to the Strategic Partnership and cannot be used for general fund raising or communication about projects not supported under the partnership.

Organisations are furthermore expected to play an active role in a collective impact project with the other strategic partners. The MFA Engagement team will initiate dialogue with the organisations about the collective impact project in 2022. Part of the IPE can be reserved for this purpose.

10. Greening and reporting on Rio Markers

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 marker's for aid to environment and the four Rio markers. This is described in separate guidelines in Annex 8.

The guidelines will be presented at a meeting with all organisations in spring 2022.

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 and 3D)

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