Annex E Case Studies

Table of Contents

Abbreviations

AEC	ASEAN Economic Community
AgriBiz	Enhancing the Role of Kenyan Women and Youth in Agribusiness
AgriFI	Support to Productive, Adapted and Market Integrated Smallholder Agriculture
AICS	Italian Agency for Development Cooperation
AMG	Aid Management Guidelines
ASEAN	Association of Southeast Asian Nations
ASEC	ASEAN Secretariat
BDO	Binder Dijker Otte
BFA	Bilateral Funding Agreement
CA	Contribution Agreement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSOs	Civil Society Organisations
DA	Delegation Agreement
DC	Development Cooperation
DED	Development Engagement Document
DGF	Democratic Governance Facility
DPfF	Danish Partnering for Forests
EU	European Union
EUACI	EU Anti-Corruption Initiative
EUD	EU Delegation
EUNABO	Department of European Neighbourhood
EV	Expenditure Verification
FAO	Food and Agriculture Organisation
FCDO	Foreign, Commonwealth & Development Office
FMU	Facility Management Unit
F4F	Forests for the Future Facility
GC	General Conditions
GGGI	Global Green Growth Institute
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoU	Government of Uganda
HQ	Headquarters
KCIC	Kenya Climate Innovation Centre
KCV	Kenya Climate Venture Ltd
KI	Key Informant
MESPT	Micro Enterprises Support Programme Trust
MFA	(Danish) Ministry of Foreign Affairs
MoU/MoUs	Memorandum of Understanding
PfFU	Partnership for Forests in Uganda
PMU	Programme Management Unit

PwC	PricewaterhouseCoopers
OLAF	European Anti-Fraud Office
ReForEst	Reforestation for Communities' Prosperity in Eastern Uganda
ROM	Result-Oriented Monitoring
SDG	Sustainable Development Goal
SEA-MaP	Southeast Asia Regional Program on Combating Marine Plastics
SEI	Stockholm Environment Institute
SSC	Strategic Sector Cooperation
TA	Transfer Agreement
TCE	Transition to a Regional Circular Economy
TEI	Team Europe Initiative
UK	United Kingdom
U-LEAD	Local Empowerment, Accountability and Development Programme
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime

Case Study: Agri-biz: Enhancing the Role of Kenyan Women and Youth in Agribusiness [1]

1 Programme overview

Background

Enhancing the role of Kenyan women and youth in agribusiness (AgriBiz) was conceived as a European Union (EU) Multi-Donor Action to create sustainable jobs for women and youth in agricultural value chains and to promote inclusive and sustainable rural growth. It has three result areas (Components), each with a different partner. The Embassy component (referred to as "the Programme" in this case study) was the first to start. The Food and Agriculture Organisation (FAO) component (Result Area 2) did not materialise due to a refocusing of the EU Delegation (EUD) portfolio during the COVID-19 pandemic. The African Development Bank was identified for the blended finance component (Result Area 3) in 2020 but only began operating in late 2023, resulting in a financing line for agribusiness with the African Guarantee Fund (in partnership with Kenyan financial institutions). Under a Contribution Agreement (CA) with the EU, signed on 20 December 2019, the Embassy took responsibility for Result Area/Component 1. Programme implementation formally ended on 1 December 2024. As of December 2025, the Embassy was still engaged in an EU expenditure verification review and investigation into the Programme by the European Anti-Fraud Office (OLAF).

Objectives

Result 1, the component entrusted to the Embassy, had the following overall objective: *Sustainable business and employment opportunities in agribusiness for women and youth are identified, promoted and supported through eight Business Incubation Hubs.* The Kenya Climate Innovation Centre (KCIC), the implementing partner, had developed the programme proposal, which was appended to the CA as the Description of the Action. Under Component 6 (access to finance), the Programme included two types of financial instruments for emerging entrepreneurs and Small and Medium-sized Enterprises: (a) "Proof of Concept funding" of up to EUR 20,000, for selected business ideas that needed testing and refining before going to scale, and (b) "Results-Based Financing" for those who could absorb more funding (up to EUR 100,000). In addition to these two types of grants, KCIC proposed interest-bearing three- to five-year loans under a revolving fund scheme. KCIC's programme proposal included only a brief mention of this revolving loan component, despite the fact that this type of activity is subject to strict EU financial controls and is not clearly regulated by the Ministry of Foreign Affairs (MFA) rules.

Implementing Partner

The Embassy's implementing partner was the KCIC, a long-standing Danida partner but without experience of working with the EU nor with Delegated Cooperation (DC).[2] KCIC was set up in 2012 with support from Danida, UKAid, and the World Bank to provide multifaceted services for start-up and small-scale enterprise development in climate-smart agribusiness, energy and water.

[1] This case study draws from document review of relevant project and programme documents, appraisal etc. and interviews with members of the project team, MFA, and EU. The study team has triangulated the data gained against different sources.

[2] The embassy worked with a different partner, the Micro Enterprises Support Programme Trust, in AgriFI, seen as complementary to AgriBiz because of its focus on job creation in 'green' agricultural growth.

Initially created as a project under the auspices of a consortium of four (public- and private-sector) organisations, KCIC registered as a private company limited by guarantee in 2015. KCIC is part of the KCIC Group, which includes:

- KCIC, "incubation centre for climate change solutions in Africa" and the Embassy's contracting partner in Agribiz as well as a parallel (non-Development Cooperation (DC)) Programme, GreenBiz
- KCIC Consulting (a private "sustainable development advisory firm")
- Kenya Climate Venture Ltd. (KCV, an investment company created in 2016 with support from Danida and the Foreign, Commonwealth & Development Office (FCDO) for gender inclusive climate smart enterprises).

KCIC (not KCIC Group) signed the contract with the Embassy. The KCIC programme proposal included only a short paragraph referring to KCIC Consulting as providing *"certain services to the program at subsidized fees"*, and KCV as "*a potential investor to emerging agribusinesses*".[3]

Budget

Result Area 1, governed by the CA between EUD and the Embassy, was funded solely by the European Development Fund and Denmark. As per the EU Action Document for AgriBiz, the EU contribution to this CA was EUR 18.2 million, while Denmark's was EUR 700,000.[4]

2 Programme preparation and approval

Rationale for Delegated Cooperation

As with other Danish DCs from the EU to Denmark (see main report section 4.3. SQ 3a above), key reasons the Embassy staff cited for engaging in this arrangement were: Denmark's commitment to development effectiveness, its track record in the sector, and a long-standing relationship with the national partner. More specifically, Embassy records highlighted the following aspects: The Support to Productive, Adapted and Market Integrated Smallholder Agriculture (AgriFI)[5] programme implementation had successfully kicked off with good early results due to the Embassy's facilitation, which was a key factor encouraging the Embassy to accept the EUD's informal proposal to engage in a new DC project. Furthermore, the Embassy had experience in business incubation and market-oriented capacity building for smallholder actors through its long-standing work with KCIC. KCIC had demonstrated technical and financial management capacity. In addition, under AgriFI, the Embassy and the Micro Enterprises Support Programme Trust (MESPT) had already developed structures and networks at county levels, including AgriFI-related Agricultural Training Centres, that could be leveraged by Agribiz. Finally, KCIC had a track record of supporting the establishment and development of businesses, and its portfolio of clients consisted of at least 40 % agriculture-based enterprises.[6]

For the EUD, a key rationale for inviting the Embassy to engage in DC was access to KCIC. According to interviews, an identification mission commissioned by the EUD had singled out

[3] Kenya Climate Innovation Centre. (2019). *AgriBiz programme proposal*. Kenya Climate Innovation Centre. [Final draft, 19 December 2019]. p. 70.

[4] European Commission. (2019). *Annex 1 to the Commission Decision on the financing of the Annual Action Programme 2019 in favour of the Republic of Kenya: Action Document for "Agri-biz: Decent jobs for Youth and Women in Agricultural Value Chains in Kenya"* (CRIS number: KE/FED/041-644). Section 5.6, Indicative budget. p. 18.

[5] AgriFI, a programme to enhance market access for smallholder farmers (2018-2023) was implemented by embassy partner MESPT with EU support under a Delegation Agreement.

[6] RDE (Royal Danish Embassy, Nairobi). (2025, October 29). *Submission from RDE to OLAF.*

KCIC as one of the most professional business incubators in "Green Growth" (an EU and Danida priority at that time) and, given Denmark's established relationship with KCIC, recommended DC with Denmark as the preferred way forward. Another option would have been direct implementation by KCIC, but that would have required a competitive public procurement process. Also, DC allowed the EUD to engage with the Embassy during the project design phase (as opposed to a tendering process, where all parameters must be defined in advance) and to leverage additional funding for the Action over an extended period.

Negotiation Process

The Embassy used the services of an external consultant on EU DC to support its negotiations with the EUD, securing the maximum (7%) of direct eligible costs to cover the programme's administrative costs ('administration fee'). For the Embassy, this was reportedly the first time it had purposefully negotiated a CA; in previous DCs, the CA document proposed by the EUD had been accepted without any negotiation.

Appraisal Process

The programme documentation available to the study team did not include a formal *ex-ante* appraisal of the AgriBiz programme. According to interview data, Embassy staff hesitated to engage in DC on AgriBiz after a challenging expenditure verification process in an earlier DC programme in Kenya, EUSHARE. However, strong political interest in the programme, from both the EUD and the Embassy, reportedly led to the rapid signing of the CA. That occurred despite concerns voiced by the MFA in Copenhagen and without a thorough appraisal of the (mis)alignment between Danish practices and EUD rules and expectations. An example of the latter was that the EUD expected the Embassy to carry out regular spot checks to monitor project expenses and financial systems. In contrast, the Embassy relied on annual external audits commissioned by KCIC. In addition, the Embassy relied on the AgriBiz programme proposal developed by KCIC, rather than co-developing a separate programme document that would have been more in line with EU requirements. Obvious weaknesses in the KCIC proposal (appended to the CA), such as the lack of information on the revolving loan component, suggested that the Embassy placed too much trust in KCIC's capacity. While that was based on its long-standing relationship and positive experience with KCIC, it led the Embassy to accept the proposal as presented rather than conduct a detailed appraisal, which would have been expected to highlight aspects that needed more scrutiny, such as the revolving loan scheme.

3 Implementation arrangements

Programme Management

In December 2019, the MFA created a new position at the Embassy to manage the KCIC partnership, but KCIC's Chief Executive Officer (CEO) remained in charge of day-to-day AgriBiz management, supported by other KCIC managers. As detailed in the Development Engagement Document (DED), part of the Embassy's contract package with KCIC, KCIC established a Programme Steering Committee to oversee AgriBiz. For historical reasons, the Embassy was represented in KCIC's Board of Directors.

Financial Management

The DED with KCIC stated, in section 7, that Danish support would strive for full alignment with the implementing partner's (i.e., KCIC's) financial rules and procedures, with the caveat that accounting must comply with Danida's General Guidelines for Financial Management. Furthermore, section 7 of the DED stated that KCIC would use *"its financial management system and controls to ensure that there is accountability in the utilisation and reporting of the funds received from Danida"*.[7] The EU Action Document, including the General and Special Conditions were annexed to the Embassy's agreement with KCIC. While the General Conditions of the Contribution Agreement between the EUD and the Embassy clearly stated that "*the Organisation [the embassy] shall respect the principles of sound financial management, non-discrimination and visibility of the European Union in the implementation of the Action"*[8] Article 1.3 of the Special Conditions[9] (p.1) stated that *"In the performance of the activities, the Organisation shall:*

- *apply its own accounting, internal control and audit systems, which have been positively assessed in the ex-ante pillar assessment.*
- *apply its own procurement procedures, as assessed in the ex-ante pillar assessment, and its own rules for the award of Grants as assessed in the ex-ante pillar assessment.*

It also states that *"The Organisation is free to use any Regulations and Rules which have not been subject to an ex-ante pillar assessment to the extent that these Regulations and Rules are not in conflict with the provisions of this Agreement."*

Based on these provisions, the Embassy reportedly assumed that the EU pillar assessment had certified the MFA's practices as being equivalent to those of the EU, hence the conditions laid down in the agreement between the Embassy and KCIC reflected Danish rules and procedures (rather than adapting these to reflect the more stringent EU ones).

KCIC submitted annual narrative reports (c. 50-90 pages), brief expenditure statements (1-page spreadsheet), as well as annual institutional audits carried out by an external audit firm, KPMG Kenya. The 2020 audit[10] identified (i) significant deficiencies in Know Your Customer procedures, related parties listing (i.e., identification and disclosure of persons with a significant influence over KCIC)[11], potential impairment of the investment in subsidiaries,[12] lack of clear basis of gratuity, long outstanding payable, as well as (ii) two control deficiencies – incomplete procurement documentation and improper accounting of accruals. The 2021 audit found that all those issues were resolved and identified only one control deficiency regarding leave days approval. As regards the 7% administration fee allocated to the MFA, part of it was used to cover the costs of a staff member responsible for AgriBiz at the Embassy in Kenya.

4 Support from MFA headquarters

As documented in an intensive exchange of e-mails between MFA headquarters (HQ) and the Embassy (November 2019), MFA contracted an external consultant specialised in EU DC who

[7] Royal Danish Embassy, Nairobi / Kenya Climate Innovation Centre. (2020, 6 March). *Engagement with Kenya Climate Innovation Centre (KCIC) regarding EU-DANIDA delegated cooperation agreement on support to "AgriBiz: Decent jobs for youth and women in agricultural value chains in Kenya"* (Annex A to Implementing Partner Agreement with KCIC). P. 4

[8] European Commission (2018) *Annex II: General Conditions for Contribution Agreements*. Brussels: European Commission. P. 4

[9] European Commission / Royal Danish Embassy, Nairobi. (2019, 20 December*). European Union Contribution Agreement FED/2019/413-059: Special Conditions.* Section 1.3

[10] KPMG Kenya. (2020). Kenya Climate Innovation Centre (KCIC Ltd): *Management letter for the year ended 30 June 2020 — financial statements audit.* KPMG Kenya. (November 2020)

[11] The 2020 audit report (management letter) quotes the example of Africa Ltd., a company that shares a director and a CEO with KCIC and that is 55% owned by KCIC Consulting Ltd. and 40% by KCIC Ltd.

[12] The auditors found that KCIC Limited had invested KShs 469m in KCV Ltd as at year end without proper risk assessment. KCV Ltd was in a net liability position of KShs 372 as at year end.

provided detailed advice to the Embassy during contract negotiation. However, Embassy staff admitted they were not fully aware of the CA's General and Special Conditions and their implications for programme management. They firmly believed that the pillar assessment exercise meant that Danish procurement and grant procedures could be applied without any need for additional checks and controls. The same external consultant who had supported contract negotiations was fielded at the midpoint of the five-year programme to advise the Embassy and conduct a one-day training session with KCIC to strengthen reporting to the EU. He also provided written advice on annual budget preparation on an ad hoc basis. During project implementation, the Embassy was confronted with questions regarding the ownership and management of the revolving loan after AgriBiz ended. The Embassy reportedly asked the MFA for advice on its policy regarding revolving funds, but the MFA had only limited expertise on the topic.

5 Achievements

The Embassy secured a sizeable EU grant for KCIC in a project that met Danish and EU priorities – an achievement that initially heightened the Embassy's visibility, for instance, in EU public communication in the early project stage. Also, the expectation to strengthen development effectiveness partially materialised: Embassy interviewees described AgriBiz as highly successful in supporting green innovation across many businesses. According to the KCIC 2020 progress report, the programme received 10.409 applications in 2020, against an annual target of 1.000. By the end of 2021, AgriBiz had 879 clients; supported enterprises reportedly created 3,527 jobs during that year, 56% of which were for women, against a target of 4,000. The result reported for 2022 was 3,966 full-time jobs. By 2023, all eight Business Incubation Hubs were established, providing incubation services to 1,540 clients that year and creating 3,802 new jobs.[13] However, those successes were overshadowed by the management and administrative burden caused by multiple verifications, audits and related follow-up, and the anticipation of a sizeable repayment by the Embassy to the EUD.

6 Challenges

All interviewees confirmed that a key factor in the challenges experienced was the Embassy's and KCIC's lack of understanding of EU requirements, coupled with political pressure to sign the CA at short notice (in late December 2019), which did not allow the Embassy to properly prepare for the DC. That lack of understanding manifested chiefly in (i) rushed implementation, (ii) the inclusion of a loan component that the MFA had not been pillar-assessed for, (iii) weak internal controls identified and tackled late in the implementation process only, and (iv) documentation of spending that did not meet EU standards.

Alternatively, the Embassy could have carried out preparatory work for one additional year immediately after CA signature, in accordance with the so-called N+1 rule.[14] However, the Embassy was not aware of this option.[15] Instead, programme implementation started upon contract signature. Weaknesses in KCIC's governance structure and internal controls were examined and partially addressed only during the programme implementation period. In relation to compliance and control issues, the Embassy commissioned a review of KCIC Group's governance and policies (August 2022) and a review of the 'Access to Finance' Component (November 2022). Both reviews identified multiple issues or risks and recommended several major adjustments in KCIC and the

[13] All data from KCIC progress reports, year 1-4. Implementation was suspended at the end of year 4.
[14] The "N+1 rule" in the EU context is a financial management rule under which funds committed in a given year (year N) must be spent, declared, and accepted by the EC by the end of the following year (N+1). Any amounts not used within this deadline are automatically decommitted (i.e., lost)
[15] Interview data

AgriBiz Programme. In mid-2022, the EUD responded to the Embassy's AgriBiz interim financial report (2021) with requests for clarification and for supporting documents. An EUD-commissioned result-oriented monitoring (ROM) mission in October-November 2023 placed a strong focus on compliance issues, reiterating concerns raised in the two reviews commissioned by the Embassy. However, the report included findings that were later found to be factually incorrect.[16]

Regarding the loan component, interviews suggest that embassies and EUD entered the DC without considering the specific conditions and procedures for revolving loans. As a result, the revolving loan scheme had to be transformed into a grant scheme, altering the original project design. That issue, as well as weak internal controls and deficient documentation of spending, was among the key issues raised in the ROM.

The Embassy suspended the programme in December 2023. An expenditure verification review was conducted in July-August 2024, flagging high risks and serious issues. After a year-long exchange between the auditing firm (Forvis Mazars) and the Embassy, expenses worth DKK 16.5 million were finally found to be ineligible, mainly due to lacking or inadequate documentation.[17] Finally, an investigation by OLAF was launched in October 2025 and is still ongoing as of early 2026.

The chain of events is summarised in Table 1 below. Dealing with challenges in the Agribiz DC has involved considerable investments by the Embassy and caused reputational damage to KCIC, a partner highly dependent on Danish funding.

Table 1: Timeline for AgriBiz Delegated Cooperation

Date	Event	Key issues
2012	Start of embassy support to KCIC	KCIC established with embassy support
2018	EUD-commissioned identification mission on business incubators	Independent consultants singled out KCIC as one of the best and most professional organisations in business incubation, recommending EUD to work with KCIC via DC with Danida
Nov 2019	DK MFA correspondence with the embassy flagging issues on DC	External consultant supported finalising the negotiations with EUD but not all concerns from Copenhagen were heeded
Dec 2019	New embassy posting for AgriBiz	Postholder had no previous experience with EU CAs
10/12/2019	AgriBiz Programme Proposal submitted by KCIC (final draft)	KCIC proposal (which was vague in parts) with limited additions, was presented by the embassy to the EUD
20/12/2019	Signature of CA Special Conditions Danish Embassy-EUD	Rushed negotiation process, Danish Ambassador signed the agreement despite reservations expressed by MFA Copenhagen
06/03/2020	Signature of Danish Embassy-KCIC Agreement and Development Engagement Document (DED)	CA General Conditions (CA GC) part of the annexes to the DED, but no explicit statement in DED that KCIC processes must comply with CA GC
10/06/22	Embassy interim financial report (2021), request for payment	Prompting EUD request for clarifications (08/07), requesting, among others, supporting documents on payments to clients. Embassy detailed response (22/09)

[16] Information provided by MFA
[17] Forvis Mazars. (2025). *Final expenditure verification report of Contribution Agreement FED/2019/413-059: AgriBiz – Enhancing the role of Kenyan women and youth in agribusiness.*

Aug 2022	Review of KCIC Group governance and policies	Commissioned by the embassy. Recommendations mainly on measures to reduce risks of conflicts of interest, control gaps and integrity risks in procurement
Nov 2022	Review of 'Access to Finance' component of Greenbiz and Agribiz Programmes by NCG, report shared with EUD	Commissioned by the embassy, the review recommended (i) stopping lending activities, (ii) changing a loan instrument to repayable grants, (iii) establishing a new KCIC Board of Directors for more independent, knowledgeable oversight
Nov 2022	One-day training on EU compliance for all Programmes	Organised by the embassy; noted in ROM review (see below) as late (month 35/60) and too short for AgriBiz
Feb 2023	DK MFA Mid-Term Review of DK-Kenya Bilateral Programme	"Severe risks" found with KCIC: governance, DC on AgriBiz, and "use of finance instruments", recommending the embassy withdraw from KCIC Board, review KCIC overall procedures
23/10-2/11 2023	Results-Oriented Monitoring (ROM), draft report on 14/11	Scathing review of AgriBiz structures and processes, KCIC capacity, governance and compliance
05/12/2023	Embassy letters to KCIC and EUD respectively to suspend AgriBiz	No approved policy was in place for the recovery of loans
May 2024	Deloitte review of AgriBiz commissioned by the embassy	Procedures Report notes many findings requiring attention (covering 1/1/2020-31/12/2023)
26/07-22/08/2024	Expenditure verification (EV) by Forvis Mazars auditors	EV flagged high risks and serious issues – lengthy process after draft shared with the embassy
Oct-Nov 2025	Final EV report fully signed	Large number of embassy objections to EV report suggesting the auditors did not fully follow due process and misinterpreted key aspects (purpose, activities) of AgriBiz
Oct 2025	Start of OLAF process	Launched as a result of the embassy reporting potential fraud (the embassy must signal anything potentially suspect)
3 Nov 2025	Signature of final Forvis Mazars EV Report	Some DKK 16.5 million found ineligible, mainly due to missing and inadequate documentation (274 findings)

7 Lessons learned

The Agribiz DC experience so far points to the following lessons:

1. In the preparatory phase of CAs, the Embassy needs to have robust knowledge of all implications of the CA, including its annexes, with particular attention to financial management requirements.
2. During the preparation stage, the Embassy must ensure clarity around EUD expectations regarding financial management.
3. As part of preparation, the Embassy needs to ensure a sufficient budgetary contribution from Denmark to cover any potential reimbursement of funds to the EU if they are deemed ineligible (notional approach).
4. Detailed assessments of local partners' organisational capacity to manage EU funds (e.g., by supporting development of internal policies, and training admin/finance staff) should be undertaken as part of preparation.

5. The Embassy needs to revise and adapt the partner's programme proposal to avoid a situation in which a specific component needs to be reviewed after contract signature.
6. In the negotiation process with the EUD, the Embassy should negotiate the full 7% of direct eligible costs and budget for project management costs as direct costs.
7. The Embassy should refrain from signing a CA if time is too tight for proper preparation.
8. In the negotiation with the EUD, the Embassy should seek support from a specialist in EUD management and finance (auditor) to ensure compliance with EU regulations.
9. In the agreement with the (local) implementing partner, it is important to include specific requirements linked to the EU CA with the embassy, noting any differences from standard Danish rules and procedures.
10. The Embassy needs staff experienced with EU DC, possibly with a financial management/audit background, during programme inception and implementation.
11. The Embassy and partner staff need training on EU DC requirements early on in the process.
12. Depending on the results of the partner capacity assessment, capacity development should be ensured, and, depending on the identified risks, spot checks should be performed with appropriate frequency during implementation.

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Case Study: Democratic Governance Facility Phases I and II – Uganda18

1 Programme overview

Background

The Democratic Governance Facility (DGF) was a multi-donor governance support programme established in July 2011. It was created by a group of EU Member States and the European Union (EU) to provide harmonised, coherent, and coordinated funding for democratic governance support in Uganda. The founding development partners were Austria, Denmark, Ireland, the Netherlands, Norway, Sweden, the United Kingdom (UK), and the EU. The DGF operated in multiple phases: Phase I (2011 to 2016), focused on establishing structures and supporting broad governance interventions, contributing to civic empowerment, service delivery monitoring, and legal aid services across many districts in Uganda. Phase I was extended by a Transitional Phase (2016 to 2017), sometimes called DGF I+, which kept the programme active while a new phase was prepared. Phase II (2018 to 2023) expanded on previous work with a similar donor group (though the UK had withdrawn by this time). In early 2021[19], President Yoweri Museveni directed the Minister of Finance to suspend DGF operations, accusing it of operating without adequate government oversight and of funding subversive activities that could undermine the government. It was suspended between February 2021 and 22 June 2022. It was formally closed in May 2023.

Objectives

The overall objective of DGF I was "*to promote equitable growth, poverty reduction, rule of law, and long-term stability in Uganda*" with an intermediate objective of: "*strengthening democratisation, protecting human rights, enhancing access to justice, promoting peaceful coexistence, and improving accountability.*"[20] DGF II maintained these priorities under the vision: *"A Uganda where citizens are empowered to engage in democratic governance and where the state upholds citizens' rights."*[21]

The DGF I and II served as a basket funding mechanism; it received contributions from donors and then awarded grants to partners in Uganda.

Implementing Partners

Denmark led both DGF phases, which were jointly funded by several EU Member States: Austria, Ireland, the Netherlands, Denmark, Sweden, Norway, and the EU. The UK only funded DGF I.

With regard to DC arrangements, although Denmark was the lead donor, the EU did not sign a Delegation Agreement (DA) with the Embassy for DGF I and no funding was received directly by Denmark from the EU for this phase. According to interviewees from the Danish and Irish embassies and the EU, the EU funding of DKK 90 million for Phase I was channelled through Austria. The EU therefore signed the DA with Austria, after which the funding was transferred to

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18 This case study draws from document review of relevant project and programme documents, appraisal etc. and interviews with members of the project team, MFA, and EU. The study team has triangulated the data gained against different sources.

19 Democratic Governance Facility. (2023). *DGFII end of programme report 2018–2022*. Democratic Governance Facility, Kampala. p. 64. See also: Nile Post. (n.d.). Government writes to officially confirm suspension of DGF activities in Uganda. Nile Post. https://www.nilepost.co.ug/news/97992/government-writes-to-officially-confirm-suspension-of-dgf-activities-in-uganda

20 Democratic Governance Facility. (2011). *DGF I programme document*. Democratic Governance Facility, Kampala. (May 2011), Annex 1 p. 2.

21 Tana Copenhagen (2021) *Mid-term review of the Democratic Governance Facility, Phase II (DGF II)*. Final report, 22 February 2021. Prepared for the Danish Embassy in Kampala, Uganda. p. 5.

the Danish Embassy.[22] Despite the DA with Austria, Denmark held lead status and ultimate legal responsibility as stated in the MoU between the DGF I development partners: *"ultimate legal responsibility rests with the Embassy of Denmark."*[23]

Budget

Tabel 1 Budget for DGF I and DGF II from Denmark, the EU and other Member States (MS) DKK million

Phase	Total	Denmark	EU	Other MSs
DGF I	981	175	90	716
DGF II	557,7	139	89.6	329,1
Total	**1.538,7**	**314**	**179.6**	**1.045,1**

Source: See Annex B.

2 Programme preparation and approval

Rationale for Delegated Cooperation

According to interviewees, by pooling resources in a single facility, donors aimed to increase impact, reduce duplication of effort, and support both state and non-state actors in governance reforms. The contributing parties agreed that Denmark was best suited to lead the DGF I implementation due to Denmark's long-term engagement in Uganda in the governance, human rights and judiciary sectors. The EU Member States had cooperated through joint funding during the previous Deepening Democracy Programme, with a basket fund led by Denmark; thus, it was deemed logical to continue this arrangement for DGF I (and later DGF II).

Negotiation Process

The negotiation process for DGF I did not entail major complications as the EU DGF I contribution came through Austria, and the arrangement with the other Member States followed the Nordic+ arrangements, which had operated under the previous Deepening Democracy Programme. This included a lead partner (Denmark) and contributions from the Member States that jointly financed the programme. At the same time, Denmark covered administrative costs at the Embassy and at the MFA, in line with the rules of the Nordic+ arrangement. According to interviewees, for DGF II, the negotiation process was positive, with a good dialogue and some degree of flexibility in the preparation and budgeting of the DA. This continued during implementation of DGF II.

Appraisal Process

Interviews with present and former Embassy staff revealed that both phases of DGF were subject to external MFA programme preparation procedures, with the preparation of a programme document, an external appraisal of the programme (appraisal document), the incorporation of recommendations, and approval by the MFA Programme Committee and the Danish Minister for

[22] It was not possible to locate interviewees from the EU or Austria with precise knowledge on the background for agreement between the Austrian Representation and the EU and information on repayment was partly confidential.

[23] Development Partners of the Democratic Governance Facility (2011) *Memorandum of Understanding between Development Partners supporting the Democratic Governance Facility in Uganda*. Signed May–June 2011.Para. 2

Development. For Phase II, EU procedures were added for the development of the DA between the EU and the Embassy. Other development partners accepted the Danish programme document, per se, for both phases. Thus, the preparation and appraisal of DGF II included some double work for the Embassy, as both Aid Management Guidelines (AMG), the MFA formats and EU formats were applied before the final DA followed the EU formats. Meanwhile, the Member State partners accepted and signed the Memorandum of Understanding (MoU) following the AMG formats.

3 Implementation arrangements

Programme Management

Both DGF I and II were managed through a multi-tiered governance structure comprising a high-level Board with representatives from the funding partners, the Government of Uganda (GoU) (primarily in phase I)[24] and the Project Management Unit (PMU)/Facility Management Unit (FMU)[25], a Technical Committee with participating embassies, the EU, and relevant Ugandan Ministries (although the latter were inactive in Phase II), and a PMU/ FMU under the Embassy. The Embassy was the legal entity but did not have any human resource functions in relation to local FMU staff, who were instead managed by the FMU leadership.

During the first year(s) of DGF I, an external PMU was established technically under the Embassy for the implementation and administration of the grants to GoU organisations, Civil Society Organisations, and professional bodies. The PMU worked independently, with its head leading the project, while the Embassy served as its legal body. Due to changing MFA policies, the PMU changed to an FMU during DGF II. The unit maintained the same functions. The international advisors in the FMU were contracted by the Embassy, which also handled financial management and some reporting. Procedures for grants were developed gradually during the first years of DGF I and refined during DGF II as the financial procedures followed the signed DA with the EU was understood gradually.

Financial Management

All Member States and the EU agreed to follow Danish financial management standards as outlined in the textbox below. EU funding through Austria and then to the Embassy during DGF I implied some delays in the transfers, but worked for the Embassy in general, according to the Audit Report from July 2016 to June 2018[26] and interviews with Danish and Irish project staff. For the second phase, it was clear that EU funding should comply with the conditions set out in the signed DA between the Embassy and the EU. Upon closure (30 June 2023), a third MoU was signed by all Member States and the EU, authorising the Embassy to assume responsibility for any court cases filed by DGF relating to grantees, for the recovery of any DGF assets, and for the remaining administration funds/costs.[27]

Tabel 2 Total Budget DGF II

Activity	Euro

[24] Interviews with project staff in the Danish and Irish Embassy

[25] Called Facility Management Unit in phase two.

[26] KPMG (2019) *Democratic Governance Facility (DGF): fund accountability statement and management letter for the period 1 July 2016 to 30 June 2018.* February 2019.

[27] Development Partners of the Democratic Governance Facility (2023) *Addendum to the Memorandum of Understanding between Development Partners supporting the second phase of the 'Democratic Governance Facility' in Uganda.* Signed June 2023.

Direct support to DGF II in accordance with the approved work plan and budget	11,292,155
Communication and visibility	50,000
Administrative costs – 5,8%	657,845
Total	**12,000,000**

Source: European Commission / Danish Ministry of Foreign Affairs. (2018). *Annex III – Budget: Delegation Agreement FED/2018/401-464 (European Union Support to the second phase of the Democratic Governance Facility, Uganda).*

As regards the administration fee, none was allocated to the Embassy during Phase I, in line with the Nordic+ arrangement. For Phase II, the administrative fee payable by the EU to the Embassy was set at 5.8% of the total direct costs. In contrast to standard Nordic+ arrangements, an administration fee of 0.8% was also set for each contributing partner during Phase II. The reason for this exception was reportedly the heavy administrative workload the DGF imposed on the Embassy.

4 Support from MFA headquarters

Interviewees report that the preparation and negotiation of the DA with the EU for DGF II had to be completed with limited support from the MFA. The Embassy mainly followed the guidance and templates provided by the European Union Delegation (EUD).

5 Achievements

The documentation (Mid-Term Reviews and final reports) indicates that the DC had the expected results in terms of leverage, dialogue and outreach. The transaction costs were also reduced because DGF I and II operated as one large programme rather than several smaller ones, as confirmed by the Embassy, Member States, and the EUD.

Denmark only provided 18% and 25% of the budget for DGF I and II, respectively, but as the lead donor, the Embassy's influence on human rights issues, which it had supported for years in Uganda, was greatly increased.

Member State partners were active and unified in the dialogue with the Government of Uganda (GoU). According to interviewees, the Member States (ambassadors/deputies) were active in the DGF Board and in the dialogue with the GoU. The Board and ambassadors met with the GoU at least semi-annually during Phase I (and more during critical times), and spoke with one voice, with either the EUD or Denmark in the lead. According to some interviewees, the EU sometimes took the lead in the dialogue with the GoU, especially during the programme's suspension from February 2021 to 22 June 2022. However, the GoU's participation in the Board and Technical Committee waned over the years and was less frequent during DGF II.

Mid-term reviews and final reports acknowledged good results from the DGF I and II and its broad reach. The number of implementing partners (grantees) expanded gradually over time, from 82 partners by the end of DGF I (Mid-Term Review, Appendix II) to 95 partners by the conclusion of DGF II (DGF II Final Report).

6 Challenges

A main challenge was some misalignment between the terms of the DA and the MOUs. The EUD signed the MoUs for both phases, accepting the application of the Danish AMG and rules for financial management as outlined below.

Textbox 1. Extract from the MoU for DGF II on the FMU

4. The Embassy of Denmark delegates authority to the DGF FMU as described in the Operational Plan for the DGF. The DGF FMU cannot take any action that is against Danish law and rules, as well as against this MoU and its implementation arrangements. The DPs have examined and accepted the Danish rules for financial management, procurement, reporting etc. described in Danida's Aid Management Guidelines (www.amg.um.dk).

Source. Development Partners of the Democratic Governance Facility. (2011). *Memorandum of Understanding between Development Partners supporting the Democratic Governance Facility in Uganda*. Signed May–June 2011.p. 1

Consequently, financial management followed Danish rules, for example, as explained in the DGF I Annual Report 2018, with no indication that EU financial management had different requirements from those of the Embassy. However, when the EUD carried out expenditure verifications during DGF I, irregularities were observed. Apparently[28], some of these dealt with the ineligibility of costs due to a lack of financial information for disbursements from the grantees, against the EU financial regulations, while partly acceptable with Danish regulations. Although this was negotiated, in the end, Austria reportedly had to reimburse some costs regarding a grant to one partner.[29] According to interviews with Danish and Irish project officers, Austria did not understand why some costs were ineligible, as the EU had signed the MoU with Denmark, which stated that Danish rules and procedures would be followed. The final repayment to the EU from DGF 1 became a disincentive for Austria to continue with the arrangement.

In the case of the annual audits carried out by Binder Dijker Otte (BDO) and KPMG during DGF I and II, the audit findings and recommendations, which although they highlighted irregularities, did not anticipate the seriousness of issues subsequently identified in PWC's forensic audits of some grantees. These forensic audits revealed corruption and fraud involving seven to eight grantees, with serious mismanagement of funds. These were dealt with in cooperation with the EUD and the other partners. As a result, these contracts were closed, and recuperation processes started in the legal system. When DGF II closed, interviewees reported that the EUD stated it would not be requesting any repayment of funds for DGF II and would have no further comments on the ineligibility of costs following the third MoU in 2023. The Embassy and the Member States were asked to resolve the remaining cases on their own. Some court cases were still open in 2025, as the judicial system is very slow and irregular in Uganda.

Negotiation of the administrative fee with the EUD was complicated. According to interviews with embassy staff, the EUD informed them that the EU could not provide a higher percentage than other development partners, even though a maximum of 7% was set.

7 Lessons Learned

1. It is possible to negotiate with the EUD, e.g., regarding the size of the administrative fee and to cooperate and avoid that expenditures are ineligible.
2. There can be a duplication of effort in the preparation of DA with the EU, as project preparation follows the MFA's AMG procedures, which are to some extent then repeated when the DA/CA is prepared with the EU.

[28] It was not possible to locate interviewees from the EU or Austria with precise knowledge on the reason and the amount of the repayment: The text presents what other interviewees with indirect knowledge presented.
[29] It has not been possible for the ST to meet interviewees with full knowledge of the arrangements with the Austrian Representation and the EUD.

3. Working in DC with the EUD was a learning-by-doing experience for the Embassy without much MFA support during DGF I and II.
4. The quality of local audit reports needs to be assured to pre-empt issues arising with EU expenditure verifications and audits.

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Case Study: EU Anti-Corruption Initiative I, II, III, Ukraine[30]

1 Programme overview

Background

The EU Anti-Corruption Initiative (EUACI) was launched by the European Union (EU), with Denmark as the implementing partner, in 2017. It was established in response to widespread public demand and political recognition that corruption was one of Ukraine's most persistent and serious obstacles to economic development, democratic reform and closer ties with Europe. Corruption was seen by Ukrainian citizens and reformers alike as undermining trust in institutions, deterring investment, and weakening the rule of law. The EU viewed these issues as key barriers to Ukraine's stability and as conditions for deepening cooperation under the EU-Ukraine Association Agreement. Denmark was invited to implement the programme because of its strong track record in transparency and anti-corruption and its political commitment to supporting Ukraine's reform agenda. EUACI phases I and II ran from 2017 to 2024. It is now in its third phase (2024 to 2027).

Objectives

The EUACI aims to support the implementation of sustainable anti-corruption reforms, enhance transparency and accountability at both national and local levels, and promote fair and effective public administration and public finance management. It also seeks to empower civil society, independent media, and citizens to monitor corruption, participate in reform processes and hold public authorities accountable. In addition, it aims to ensure that anti-corruption principles are embedded in Ukraine's EU integration path and, more recently, in recovery and reconstruction efforts.

Implementing Partners

The programme works to strengthen key national anti-corruption institutions such as the National Anti-Corruption Bureau of Ukraine, the Specialised Anti-Corruption Prosecutor's Office, the National Agency on Corruption Prevention, the Asset Recovery and Management Agency, the State Financial Monitoring Service, the High Anti-Corruption Court, and the parliamentary committee on anti-corruption policy, to build capacity and strengthen operational performance. The programme also partners with local authorities through its five integrity cities (component 2) to improve governance practices at the municipal level, and collaborates with civil society organisations, investigative media, and other non-governmental actors to support public oversight, transparency and anti-corruption monitoring.

Budget

The EUACI budget is presented in the table below. As can be seen, the share of Danish funding has increased from 8.5% of the total budget in Phase I and about 50% in Phases II and III.

[30] This case study draws from document review of relevant project and programme documents, appraisal etc. and interviews with members of the project team, MFA, and EU. The study team has triangulated the data gained against different sources.

Table 1 Budget EU Anti-Corruption Initiative Phase I, II and III (DKK Million)

EUACI	Total	EU	Denmark	Danish funding as % of the total budget
Phase 1 2017-2019	118.2	108.2	10.0	8.5%
Phase II 2020-2024	241.2	108.2	133.0	55,1%
Phase III 2024-2027	140.6	70.9	69.7	49,6%
Total	**500,0**	**287,3**	**212,7**	**42.5,**

Source: See Annex B.

2 Programme preparation and approval

Rationale for Delegated Cooperation

Denmark and the EU Delegation (EUD) had already cooperated on the Local Empowerment Accountability and Development Programme (U-LEAD), and it was discussed to establish an anti-corruption programme among the EU, Denmark, and other Member States. The EUD suggested that Denmark could lead this operation, drawing on its experience in Ukraine and its reputation for low corruption, and the MFA's Department of European Neighbourhood (EUNABO) agreed.

Danish involvement was intended to lend additional legitimacy, expertise and oversight to the initiative and help coordinate international support for anti-corruption reforms in Ukraine. According to the Inception Report for Phase I, "*The EU decided to award the implementation of the EUR 15 million "EU Anti-Corruption Initiative in Ukraine (EUACI)" 2017-2019 to Denmark using the indirect implementation modality"*.[31] The rationale underpinning the decision was Denmark's strong tradition of zero tolerance for corruption in the administration of public funds, and its experiences with programmes to combat corruption in other countries with many complexities. In addition, there was interest from the MFA in implementing an anti-corruption programme in Ukraine, based on experiences from other countries where anti-corruption agencies have been supported. Finally, there were also options for synergies with the U-LEAD programme implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) with Denmark as the delegator to the EU.

Negotiation Process

The programme was already designed by the EU when it was delegated to Denmark, although EUNABO was consulted during the 2016 design phase. As both parties were keen on the arrangement, the negotiation process was relatively straightforward. However, the EUNABO, the Embassy and the EUD were not prepared for the complexities of Delegated Cooperation (DC) as expressed in the appraisal report: "*The process has been atypical in the sense of having started in the EU system and only having been handed over to Danida after the general design was done and formally approved in Brussels. The Danida phase of the preparation process therefore to a large extent consisted in finding practical solutions to the challenges posed by the EU design and intentions, with the various involved EU units showing*

[31] It has not been possible for the ST to identify an informant with substantial knowledge of the decision and some specific issues at that time.

difficulty to let go the further process in spite of the formal agreement that Danida would take the preparation process forward under its own management and in accordance with its own procedures. The resulting relationship with the EU has been (and is likely to remain) challenging, not least in view of the fact that various parts of the EU system, e.g. the EU Delegation in Kyiv and the Support Group for Ukraine (SGUA) in Bruxelles, are involved who seem to partly have different (and changing) points of view."[32]

Appraisal process

According to the documentation and interviews, the Danish Aid Management Guidelines (AMG) appraisal procedures were followed for Phase I and an appraisal report was produced based on the EU documents in the Contribution Agreement (CA) (description of the action, budget, general conditions, etc.). However, given that the agreement with the European Commission had already been made and the programme designed, there was limited scope for Denmark to change anything; i.e., Denmark took over responsibility for implementing a programme that had been fully designed by the EU, although after consultations with EUNABO. The appraisal report assessed the action and its activities as highly relevant, but highlighted that the implementation arrangements needed to be developed and understood during the inception phase, as there were many bureaucratic obstacles to establishing the EUACI, including reaching agreements with the many national agencies under component I. For Phase II, a Danish programme document was produced, appraised, and subsequently incorporated into a Delegation Agreement (DA), together with the relevant annexes.

3 Implementation arrangements

Programme Management

During Phase I, an external decentralised project management unit (PMU) was established with its own management (and financial) systems. The PMU included local and international staff, and the number of staff gradually increased to about 10 during the first year. For Phase II, the setup changed due to revised MFA procedures in response to guidance from the Danish Auditor General. The EUACI II became a pilot for integrating decentralised units. Hereinafter, the management unit was fully integrated into MFA structures under EUNABO management. Regarding contracting local staff and formally hosting Danish diplomats in leadership positions within the unit, the embassies managed the contracts. According to interviews with MFA staff, at that time, the shift in management set-up was not well received by the EUD, which found it restrictive and bureaucratic compared to the previous management structure. The regulation of external cooperation in Ukraine posed some complications, so from Phase II onwards, the EUACI office was established as a partner to the Embassy to align with Ukrainian procedures, as EUACI is registered as a technical unit (like GIZ).

Financial Management

Financial management shifted from Phase I to Phase II. For Phase I, EUACI established a PMU with its own financial and accounting system using local software. For EUACI II, the management was integrated into the MFA's EUNABO, and the MFA's financial management systems were applied. A Chief Financial Officer (CFO) from the MFA was seconded to the EUACI office in Kyiv. As regards the administration fee, for EUACI Phase II, the maximum 7% of direct costs is

[32] Danish Ministry of Foreign Affairs of Denmark. (2016). *Draft Desk Appraisal Report: Indirect Management of the EU Anti-Corruption Initiative for Ukraine (2017–2019) Implemented by Denmark*. File no. 2016-14893. p. 9

managed by the MFA, according to interviews. It covers, among others, the costs of a position in the EUNABO office (Team Leader), a full-time position in MFA's Department for Financial Management, Oversight, and Support in relation to Grants (TILSKUD), and a part-time position in the Department of Finance (ØKO) in the MFA, and the costs of a part-time local staff at the Embassy to assist the program. The Head of Programme, the CFO, and other staff in the EUACI office in Kyiv are financed directly from the programme's budget.[33] Following advice from the MFA and EUACI, in its second phase, it worked to integrate expenditures as direct costs by including them in the budget, a practice that was enforced in the third phase.

4 Support from MFA headquarters

For EUACI I, the experience was new to everyone involved and has entailed a learning process for EUNABO in hiring international staff and setting up the PMU. Learning by doing has improved the set-up for Phases II and III in EUNABO and the EUACI office. However, during interviews, EUACI staff expressed the need for clear and standardised guidelines for the management of EU DC funds, including a dedicated focal point within the MFA with up-to-date knowledge to support and advise on DC with the EU.

5 Achievements

It has been an achievement to establish a broad anti-corruption initiative in Ukraine with many partners, amid a complex political environment. Leveraging funds from the EU and an increasing Danish contribution for Phase II have created a large programme with many actors and stakeholders at the national and local levels. According to the mid-term review (2022), EUACI I and II have supported many Ukrainian partners, including anti-corruption agencies, major regional cities, and the media and Civil Society Organisations, through capacity building, legal advice, media events, and other activities. It should be noted that the mid-term review for Phase II, managed by the EUD, found that the programme had a better interaction with national stakeholders under EUACI I than under EUACI II. During EUACI II, the programme was staffed by MFA diplomats, who were perceived as more removed from national partners.

6 Challenges

Working with grantees has presented challenges. Programme management in Phase I and in the early part of Phase II was not prepared for the implications of providing grants to national partners in the framework of an EU CA. The EU modality, which is based on a contract and subject to EU audit procedures and expenditure verification, was a new experience for all.

Audit processes have also proven complex. The EUACI I and II are currently undergoing an EU audit (Residual Error Rate), which has been very time-consuming and challenging, according to interviews in MFA. So far, only one is completed, but it will take time before the results are known.

According to interviewees, the audits might result in some repayment requests, mostly for Phase I. The complications are substantial, as Phase I was managed by the EUACI PMU using local software, and this unit has been closed since 2020. Furthermore, the proportion of Danish funding was only 8.5%, so the scope for applying the notional approach is limited. Auditors in Ukraine are also unfamiliar with Danish practices. For example, in the case of Phase II, salaries to international staff are paid through the central payroll system in line with the pillar-assessed Danish procedures.

[33] The application of the administration fee under phase I could not be clarified by interviews. Most likely it covered management in the embassy.

In contrast, the auditors are requesting signed receipts or similar documents from the staff, but none exist.

The expenditure verification initiated by the EUD Kyiv resulted in a request for the repayment of EUR 156,866.86, which was spent on the preparation of phase III of the programme, using funds that had not been budgeted for in Phase II, including EUR 30,279.76 in VAT. Additional (minor) third-party project costs were also deemed ineligible, and an adjustment to the administrative fee (7%) of EUR 7,118.23 was also made, as final direct costs were lower than budgeted. The observation from the audit report regarding the preparation of phase III is presented below.

Audit findings from expenditure verification of contract 2020: ineligibility in the preparation of EUACI phase 3 and observations on VAT.

Finding No. 3
Compliance issue: 10. Other financial findings
Description of the finding: During our verification, we noted that transactions No. 157 and 158, amounting to EUR 35,195.07, and EUR 121,671.79 respectively, were reported under cost category "10. Review and audits." Upon review of the supporting documentation, we observed that these expenditures related to activities carried out under the third phase of the EU Anti-Corruption Initiative in Ukraine. As the Contribution Agreement under verification corresponded to "EU Anti-Corruption Initiative in Ukraine – Phase II", costs relating to subsequent phases fall outside the eligible scope of the Action. Furthermore, it was observed that for reference No. 158. Ineligible VAT amounting DKK 225,775.00 (EUR 30,279.76) was reported. Accordingly, the total reported amount of EUR 156,866.86 was considered ineligible.
Relevant article of contribution agreement: Article 18.1. a) of the General conditions (Annex II) for Contribution Agreements: Direct costs are eligible for EU financing if they meet all the following criteria: a) "they are necessary for carrying out the Action, directly attributable to it, arising as a direct consequence of its implementation and charged in proportion to the actual use" Article 18.4. c) of the General conditions (Annex II) for Contribution Agreements: The following costs are ineligible for EU financing: c) duties, taxes and charges, including VAT that are recoverable/deductible by the Organisation.
Amount (EUR): 156,866.86

Source: MAF Auditores, S.L.P. (2025, October 7). *Final report: Expenditure verification of contract 2020/416-085*. MAF Auditores, S.L.P.

Discussions around the amount to be reimbursed were ongoing in December 2025. The EUACI Office argued that the notional approach was applicable to all expenditures deemed ineligible, a position accepted by the EUD in January 2026, so no funds need to be reimbursed to the EU. This was accepted by the EUD. The EUACI office has engaged a consultant to understand EU rules and ongoing audits better.

As discussed during interviews, there is some duplication in the preparation of programmes that need to follow Danish AMG and EU procedures – most noticeable for the preparation of EUACI II, an MFA programme document was prepared, appraised, and then "translated" into the EU formats (description of the action, budget formats, conditions, etc.). According to interviews with MFA senior staff, it would be easier to apply the EU formats directly.

7 Lessons learned

1. It is important to prepare MFA, EUACI and grantees for EU Expenditure Verification Review

and audits. Those (grantees) deemed to have weak systems need to be closely monitored.

2. The MFA needs to hire someone with specific expertise in EU DC. This in-house expert should be able to provide the same level of support as the expert currently contracted by the MFA, i.e., be fully familiar with all DC procedures, including budget format, level of detail, etc.

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Case Study: Partnership for Forests in Uganda (2025 -2028)[34]

1 Programme overview

Background

Responsibility for the implementation of the Danish Partnering for Forests (DPfF) project in Uganda was delegated to the European Union (EU) in the framework of the EU's "Partnership for Forests in Uganda" (PfFU) Initiative. This broader partnership was initiated by a Memorandum of Understanding (MoU) signed by the Government of Uganda (GoU) and the EU on 8 November 2022 at the United Nations' Framework Convention on Climate Change, COP27. The partnership was operationalised in June 2023 through a political roadmap co-signed by Uganda's Prime Minister and EU representatives, to guide implementation at the strategic and technical levels. Communication about a potential Danish contribution started in late 2023, and the resulting Transfer Agreement (TA) was signed by the Embassy and EU Delegation (EUD) on 19 November 2024 and 12 December 2024, respectively.

Objectives

The overall objective of the DPfF programme is *to enhance the sustainable contribution of Uganda's forest resources to inclusive economic growth, to global efforts to address climate change and loss of biodiversity and to promote women's economic empowerment*. The specific objective is *to increase inclusive investments and decent job opportunities for women and men in sustainable forestry and forest-based value chains*.

The three stated outcomes are 1) Sustainable supply of legal wood raw material from planted forests ensured; 2) Processing capacity and market demand for wood products enhanced; and 3) Availability of, and access to, affordable finance improved.

Implementing Partners

As of December 2025, the overall PfFU was implemented by three partners: 1) the Food and Agriculture Organisation (FAO): Sustainable Wood-Based Value Chains in Uganda, 2) the United Nations Office on Drugs and Crime (UNODC): Combating Deforestation and Forest Degradation in Uganda through the Criminal Justice System, and 3) The Italian Agency for Development Cooperation (AICS): Reforestation for Communities' Prosperity in Eastern Uganda (ReForEst).

As the Danish contribution was agreed upon after the PfFU was up and running, it was decided that it would be channelled through a separate implementing partner rather than topping up the existing agreements cited above. According to the EUD and the Embassy, a contract for the Danish contribution was expected to be signed with the Global Green Growth Institute (GGGI) in December 2025.

[34] This case study draws from document review of relevant project and programme documents, appraisal etc. and interviews with members of the project team, MFA, and EU. The study team has triangulated the data gained against different sources.

Budget

The EU and Denmark are the only contributors to the PfFU. The total budget is DKK 360 million, of which Denmark contributes DKK 60 million. The annual disbursements from the Embassy to the EUD will be based on the work plan and the corresponding budget.

Table 1. Budget for Partnership for Forests (DKK Million)

Programme	Total	Denmark	EU	Other MSs
Partnership for Forests	360	60	300	0

Source: See Annex B.

According to the TA between the Embassy and the EUD, Denmark's contribution is DKK 60 million, with DKK 2.7 million set aside to cover EUD administrative costs. It is provided as a general contribution to the PfFU.

2 Programme preparation and approval

Rationale for Delegated Cooperation

According to interviews with Embassy staff, Denmark was interested in becoming more involved in Uganda's forestry sector, with a focus on environmental aspects and value chains. Denmark is a long-term partner to the GoU in the environment sector, with several bilateral programmes over the last 30 years; for example, Denmark led the donor group working with the Ministry of Water and Environment. Acknowledging that Denmark could play a stronger role as part of a wider EU programme rather than implementing a project alone, discussions began with the EUD and Ugandan counterparts. The EU was considered the right partner for the Embassy, as the GoU and the EU have a long-standing collaboration on natural resource management (forestry, water, climate change), and the EU's Forests for the Future Facility (F4F) represented an opportunity for global cooperation within the forestry sector. Another incentive for the Embassy was the MFA's encouragement of embassies to adopt the Team Europe approach, including by providing funds for EU programmes.

Negotiation Process

Communication about a potential Danish contribution began in late 2023, after the MoU between the GoU and the EU was signed and the allocation of EU funds to the three implementing partners was underway. According to interviews with the EUD and the Embassy, the EU Action Document for PfFU had already been prepared and budgeted, which complicated the inclusion of Denmark as a donor and limited the scope for adjustments. It was therefore agreed that the Danish contribution would be incorporated into the programme by selecting an additional implementing partner to carry out complementary activities. The selection of the implementing partner for the Danish contribution was ongoing during 2025 between the EUD, the Embassy, and the GoU. The GGGI was selected to carry out activities addressing various aspects of the wood value chain. According to the EUD, this process took time and had to include the other implementing partners to avoid overlaps and ensure added value.

Appraisal Process

A draft programme document[35] for PfFU was prepared by the MFA and appraised in accordance with the standard steps outlined in the MFA Aid Management Guidelines (AMG). The appraisal document[36] notes that the EU's PfFU is fully financed, "*so there are presently no precise plans regarding how additional Danish funding could be used to strengthen the programme*"[37]. The appraisal also identified the EU as an appropriate partner for Delegated Cooperation (DC) in Uganda's forestry sector and the F4F as an opportunity for global cooperation on the issue. The Description of the Action with the Danish contribution is attached as Annex 5 to the TA. The TA and the MFA programme documents refer to Danish funding as a general contribution to the PfFU, thereby permitting the EUD to select an appropriate partner to implement the Danish contribution. At the appraisal stage, the GGGI had not been selected.

3 Implementation arrangements

Programme Management

In the overall PfFU, the management structure includes a political working group, chaired by the Office of the Prime Minister, other ministries, including the Ministry of Water and Environment, and the Danish ambassador. It also includes a technical working group at the ministerial level, with the option of embassy representation, as well as a technical working group for each implementing partner, without embassy representation.

The Danish ambassador is active in the political working group, and the Embassy has two officials in the technical working group under b). Embassy officials participate in joint monitoring missions for the entire PfFU, not only for the Danish financing of GGGI.

Financial Management

Denmark is the only Member State providing funds to the programme. The procedure is that Danish funding is provided annually as outlined in the TA. Once the funds are transferred, the EUD is in full control. The funding will be channelled through GGGI once the contract has been signed. Regarding the EUD's administrative fee, an amount of DKK 2.7 million, i.e., 4.5% of total direct costs, has been set aside and financed from the Danish contribution.

4 Support from MFA headquarters

The Embassy prepared the TA and annexes in negotiation with the EUD. Support from the MFA headquarters has been limited, but there have been some exchanges with other embassies about how to proceed with the EU.

5 Achievements

The active role of the Embassy in the communication with the GoU and EUD facilitated that Danish finance came into the overall PfFU programme at a late stage, rather than funding a separate Danish project in parallel. This will, according to the Embassy, allow Denmark to participate in a high-level strategic intervention with the EU, a well-regarded partner of the GoU.

[35] Danish Ministry of Foreign Affairs. (2024). *Project document: Partnering for Forests in Uganda (2025–2028)* (Draft, April 2024)
[36] Danish Ministry of Foreign Affairs. (2024, July 9). *Danish Tropical Forest Initiative: Strategic Framework and Four Projects Appraisal Report* (Final).
[37] Ibid, p.31.

6 Challenges

Denmark's late engagement in the programme limited Denmark's scope for influence. Denmark could have had more influence if the Embassy had become involved in the programme earlier in the process. By the time Denmark joined, it had been designed, and agreements with three implementing partners had been signed. According to the TA, the use of Danish funding is flexible, but to avoid the contractual/administrative implications of adding this funding to existing contracts, the EUD proposed allocating Danish funds to an additional partner. This partner would then complement the work carried out by the other partners, limiting Denmark's input into the broader programme.

Delayed entry into programmes also causes administrative and contractual difficulties. There were many delays during the preparation phase, including technical issues related to the assessment of the implementing partners proposed by the EUD. This was further complicated by the need to avoid competing with other programmes such as the Italian Agency for Development Cooperation (AICS). If Denmark had been on board earlier in the process, i.e. during design, these challenges could have been avoided.

There is some confusion about the level of responsibility/accountability vis-à-vis the Danish contribution. As the TA relates to the whole PfFU, the initial understanding was that Denmark would be (jointly) responsible for the results of the full programme and not just for those delivered by the GGGI. However, there is some uncertainty about this, as some interviewees stated that the Embassy should be responsible only for monitoring the work of the GGGI, i.e., the Danish contribution of DKK 60 million, and that the upcoming Danish Mid-Term Review should address only the DPfF. Others, including the Ambassador and the EUD, argue that the Mid-Term Review should cover the whole PfFU as the Danish contribution is general.

7 Lessons learned

1. Funding an EU programme already under implementation should be avoided, as the potential for influence is severely limited and the administrative complexity is high.
2. Funding delegated to an EU programme by Denmark should be treated as general, not directed to a specific activity, implying that it supports the full programme (not just a specific component).
3. There is a certain level of duplication, as the MFA AMG requires that a Danish programme document be prepared and undergo an appraisal process. At the same time, a similar EU process is ongoing with the preparation of the TA.

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Case Study: Transition to a Regional Circular Economy European Union Contribution Agreement NDICI Asia/2022/ 439-1491[38]

1 Programme overview

Background

The Transition to a Regional Circular Economy (TCE) project is part of the European Union (EU)'s Green Team Europe Initiative in Partnership with the Association of Southeast Asian Nations (ASEAN)/South-East Asia. The TCE project aims at "*Promoting a coherent regional transition towards a circular, climate-neutral and resource efficient economy*"[39], i.e. Outcome 2 of the Team Europe Initiative (TEI). The agreement was originally signed in 2022 but was later reconsidered due to significant risks associated with delegated partnerships and the Embassy's limited capacity.[40] At the end of 2023, a decision was made to continue the project in combination with a Danish financial contribution and a strengthening of the Embassy's capacity (see below for more details). Against this background, work was resumed, and the original document from 2022 was revised "*to reflect the current context and ensure a more realistic implementation*".[41] The amended project runs until 2027.

Objectives

The overall objective of the TCE project is "*Promoting a coherent regional transition towards a circular, climate-neutral and resource efficient economy*"[42]. Originally, the project had three expected Outcomes: 1) Circular Economy Dialogue / Roadmap: Regional policy dialogue on the circular economy within the Association of Southeast Asian Nations (ASEAN) is strengthened, notably with regard to the identification of focus areas, milestones and recommendations for an ASEAN Circular Economy Action Plan or Roadmap; 2) Transboundary Waste Terminology and Data: ASEAN and its member states governments (including administrations at both national and city/municipal levels) are equipped with common waste terminology and tools for enabling data collection e.g., regionally coherent guidelines for waste terminology and waste data management and analysis, including related tools, to support the circular economy transition in collaboration with the private sector and civil society organisations (CSOs); and 3) Knowledge-sharing for ASEAN Member States and cities: Networking and knowledge-sharing of circular economy solutions with governments, cities, the private sector, and CSOs in ASEAN are enhanced, including sharing of regional policy recommendations and guidelines, tools for waste data and harmonisation of standards, and sharing of innovative pilots and demonstrations.

However, due to the late withdrawal of the third implementing partner, it was decided to integrate Outcome 3, which focused on networking and knowledge sharing, into Outcomes 1 and 2. The outcomes were further adjusted to take into account the procedures and processes associated with

[38] This case study draws from document review of relevant project and programme documents, appraisal etc. and interviews with members of the project team, MFA, and EU. The study team has triangulated the data gained against different sources.
[39] Danish Ministry of Foreign Affairs. (2022, October). "*Danish Support to the Green Team Europe Initiative in Partnership with ASEAN/South-East Asia (Circular Economy Component)*" Appraisal Report (draft), Annexes, section 2.1, p. A-2.
[40] Danish Ministry of Foreign Affairs. (2025, March 11). *Presentation note to the deputy director for development policy: ASEAN-EU Green Team Europe Initiative*. Ministry of Foreign Affairs of Denmark.
[41] Ibid., p. 3.
[42] Danish Ministry of Foreign Affairs. (2022, October). "*Danish Support to the Green Team Europe Initiative in Partnership with ASEAN/South-East Asia (Circular Economy Component)*" Appraisal Report (draft), Annexes, section 2.1, p. A-2.

cooperation with ASEAN. The original outcomes were assessed as overly optimistic relative to what could realistically be achieved within the project framework and time period.[43] The two revised outcomes are: 1) The motivation and capacity of ASEAN Member States policymakers to drive the CE transition are strengthened for the implementation of the ASEAN Circular Economy Framework, through facilitated regional policy dialogues and knowledge exchange initiatives; and 2) ASEAN Member States in collaboration with private sector facilitate sustainable waste management for the CE transition by promoting coherent tools and guidelines for enabling the collection of reliable and regionally coherent data on waste composition and volumes.[44]

Implementing Partners

The selected implementing partners are the Stockholm Environment Institute (SEI) and the Global Green Growth Institute (GGGI). Very detailed "Financial Management and Institutional Capacity Assessments of implementing partners under the ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy" were carried out in September/October 2024 by the Dutch International Institute for Capacity Building.

The overall objective of these assessments was "*to assess the entity's financial management capacity in delivering results under its engagement with the Danish Embassy to Indonesia, Timor Leste, Papua New Guinea and ASEAN*"[45]. They included assessment of the adherence to guidelines from the Danish Ministry of Foreign Affairs (MFA) and the EU eligibility criteria in accordance with the EU general conditions and the general requirements for the sound administration of grant funds, as part of the MFA's oversight obligation with regard to the following pillars: 1) Internal control system; 2) Accounting system; 3) Independent external audit; 4) Grants; 5) Procurement; 6) Exclusion from access to funding and 7) Protection of personal data. Detailed findings and recommendations for each pillar are set out in the assessment reports.

Budget

The EU contribution was set at EUR 5 million (approximately DKK 37.30 million) out of a total budget of EUR 5.16 million (approximately DKK 38.40 million), implying a Danish contribution of approximately EUR 160,000.[46] However, one of the modifications introduced further to the redesign of the project was the addition of a Danish Government contribution of DKK 10 million to enable coverage of a possible reimbursement claim from the EU in the event of any costs being deemed ineligible for EU funding. This possibility is specifically referred to in the approved project budget: "*The EU provides a contribution to the total eligible costs of (5,000,000 / 1,07=) 4,672,897.20 (the "EU Contribution"). Costs not eligible for EU contribution are covered by Denmark through the use of the notional approach*." The total budget for the project is therefore approximately DKK 48.40 million.

The funds were originally allocated for the financial year 2024 but were carried over to 2025 due to delays. The MFA's Department of Evaluation, Learning, and Quality (LEARNING) assessed that,

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[43] Danish Ministry of Foreign Affairs. (2025, March 11). *Presentation note to the deputy director for development policy: ASEAN-EU Green Team Europe Initiative.* Ministry of Foreign Affairs of Denmark

[44] European External Action Service (EEAS). (2025, 15 September). *ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.* EEAS. https://www.eeas.europa.eu/delegations/association-southeast-asian-nations-asean/asean-eu-green-team-europe-initiative-transition-regional-circular-economy_en

[45] Royal Danish Embassy, Jakarta. (2024, September 12). *Financial management and institutional capacity assessment: Global Green Growth Institute (GGGI) under the ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.*

[46] European Commission. (2022, December 20). *European Union Contribution Agreement NDICI ASIA/2022/439-149 (including annexes).* p. 8 (Article 3.1–3.2, Special Conditions).

since the amount did not significantly exceed the DKK 43 million threshold for appraisals, there was no basis for further appraisal.[47]

2 Programme preparation and approval

Rationale for Delegated Cooperation

The preparatory process for this project began in December 2021, when the Embassy accepted the EU Delegation (EUD) offer/request to implement the Circular Economy component of the Green TEI with ASEAN/South-East Asia. Between May and October 2022, a consultant was contracted to facilitate the formulation of the project document and the corresponding annexes. According to the "*Godkendelse af Jakartas delegerede partnerskab om cirkulær økonomi med EU*" of 04/11/2022, the justification for entering this arrangement was that it would support the Danish Government's policies regarding the green transition and climate action by promoting circular economy practices (Sustainable Development Goals (SDG) 12) that ensure strengthened action within waste prevention, climate mitigation and environmental pollution mitigation, thus also taking action on SDG 9, 11, 13, 14 and 15. It was furthermore seen that the TEI would supplement the existing Danish engagement in Indonesia in: 1) the Strategic Sector Cooperation (SSC) programme on Circular Economy and Waste Management, 2) the grant to United Nations Development Programme (UNDP) programme supporting the Indonesian Ministry of Development and Planning on developing an action plan for Circular Economy (ending 2022), and 3) the World Bank Southeast Asia Regional Program on Combating Marine Plastics (SEA-MaP) supporting the ASEAN action plan on marine debris, as well as supplementing the coming sector cooperation (SSC) on Circular Economy and Waste Management in Thailand.

Negotiation Process

Initially, negotiations with the EUD were relatively straightforward, as it was an EU-designed project that had been positively appraised according to the AMG and was driven by the Danish Ambassador at the time. However, a number of questions regarding the Embassy's capacity to implement the project and the approval process were raised after a visit by the MFA's Control Unit at the beginning of 2023. Following discussions led by the Deputy Secretary of State for Development Policy, involving the MFA Development Departments, the MFA Asia Department and the Embassy, it was decided to stop the project. However, according to interviews, after strong pressure from the EU Commission and the EUD in Jakarta, as well as the Danish Ministry of Environment, the decision was taken to proceed. A Contribution Agreement (CA) was subsequently signed with certain changes made to the original design e.g. the additional Danish contribution of DKK 10 million and the sub-contracting of implementing partners. Negotiations with ASEAN (through the ASEAN Secretariat – ASEC) were, however, complex and are still ongoing. The first draft of the proposal was shared in October 2022, and since then, Denmark and ASEC have held multiple rounds of consultations.

According to initial feedback from ASEC, its earlier inputs were not fully reflected in Denmark's revised proposal, and the scope of the latest proposal included elements more closely related to the ASEAN Economic Community (AEC) than to the Environment sector. Furthermore, deliverables were focused on waste management and not aligned with the Focus Group for Circular Economy's priorities under AEC, and clarification would be required from Denmark on flexibility

[47] Danish Ministry of Foreign Affairs. (2025). *Forelæggelsesnotits til vicedirektør for udviklingspolitik: Indstilling til godkendelse vedr. ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.*

for alignment with the Circular Economy Framework for AEC. Finally, ASEC considered that the project could strengthen ASEAN leadership in Circular Economy via the ASEAN Committee on Sustainable Development (which has a clear mandate to support ASEAN Member States and the region in achieving sustainability; host of the ASEAN Circular Economy Stakeholder Platform and organising the annual ASEAN Circular Economy Forum), as the current SEI/GGGI arrangement lacks ASEAN ownership.

A further revised design was presented in the first quarter of 2024, with feedback only received in late 2025. The most recent feedback is that they will not process the project as is. Either the project needs to be broken down into two sub-projects to align with the two ASEAN pillars, or it needs to be reformulated to align with just one pillar.

Appraisal Process

The appraisal of the original project was carried out between 10 and 25 October 2022 in accordance with *Danida's Aid Management Guidelines* (AMG), in particular the Guidelines for Country Strategic Frameworks, Programmes and Projects. It was done by a senior circular economy specialist working in close cooperation with the Embassy in Jakarta. The appraisal was desk-based. According to the Appraisal Report, "*Overall, the appraised files were sufficiently sound and compliant with the EU and MFA guidance to recommend the proposed project for approval with only minor adjustments taking the recommendations of this report into consideration*"[48].

Although the appraisal is very detailed, it does not at any point assess the level of alignment between the proposed project and the structure of the proposed counterpart (ASEAN) and it fails to note that the project falls under the mandate of two (siloed) pillars within ASEAN - the proposed policy work falls under ASEAN's economic pillar, while the work on waste/waste data falls under the social/cultural/community pillar. This misalignment is still causing issues (see section 2.3. below). In addition to the lack of focus on ASEAN, the appraisal also fails to assess the operational implications of delegated cooperation. This is confirmed in interviews with key informants, who commented that "*most of the discussion was on the strategic importance of the project with very little focus on the operational side of how it would be set up and implemented*". Interviewees also indicated that political motivations overrode the serious concerns that embassy and MFA staff raised about the practical details of the arrangement.

3 Implementation arrangements

Programme Management

Originally, the proposal was to embed a (small) Programme Management Unit (PMU) within ASEAN,[49] but due to a series of negative experiences with independent management units and a general reluctance towards this type of arrangement, the MFA decided to change this to a model where implementation takes place via implementing partners, with oversight provided by the Embassy. A project manager was recruited by the Embassy in April 2024 to oversee the work of the implementing partners and ensure effective implementation. Before her arrival, a Copenhagen-based desk officer was responsible for managing it.

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[48] Danish Ministry of Foreign Affairs. (2022, October). "*Danish Support to the Green Team Europe Initiative in Partnership with ASEAN/South-East Asia (Circular Economy Component)*" Appraisal Report (draft), Annexes, p. vi

[49] As GIZ has done.

It is worth noting that both the Embassy and the EUD were in favour of seconding a Danish expert to either ASEC or the EUD; however, despite advertising the position several times, it proved impossible to identify a suitable candidate. The MFA and the Embassy therefore decided to inform the EUD that Denmark would be unable to present a candidate.

Financial Management

There have been no issues to date regarding the financial management of the contract. As regards the administration fee, according to the approved budget, "*the remuneration by the EU shall be 7% of the final amount of the EU contribution to the eligible direct costs and up to a maximum of (5,000,000 / 107 * 7=) EUR 327,102.80.*"[50]

4 Support from MFA headquarters

According to MFA interviewees, "*as there were limits to posted staff, there was a lot of back and forth with MFA HQ on how a PMU might work. In addition, it was difficult to get support from MFA in terms of rules and procedures to be followed*". There was no centralisation of information; i.e., one person could provide advice on financial matters, but the Embassy would then have to talk to a different person about staffing, etc. There was no focal point able to provide all the necessary information. The project manager appointed in April 2024 had no experience with EU Development Cooperation (DC), nor did she receive any training. She has, however, received support from the MFA-recommended consultant who carried out the capacity assessment of the implementing partners referred to above.

5 Achievements

The project has only recently entered the operational phase, so no achievements can yet be reported.

6 Challenges

According to interviews with Embassy and MFA HQ staff, the decision to enter into this CA was challenged by both Embassy and MFA, and there was strong reluctance to take it on. According to interviewees, although it was a good political opportunity for Denmark, the MFA lacked experience in managing this type of programme, and there were many differing opinions on how it should be done. According to some interviewees, the decision to engage in this DC was unjustified and should not have been made in the first place.

The operational aspects of the programme were not clarified in the design documents nor addressed by the appraisal process. The lack of clarity on this key issue meant a lot of time was wasted trying to find solutions, which have only recently been resolved (though not to everyone's satisfaction) through the selection of two implementing partners and the appointment of a project manager at the Embassy in Jakarta. Denmark also had no experience of working with ASEAN and completely underestimated the challenge. This was not helped by the fact that, according to interviewees, there was not much alignment between ASEAN and the EU which added an additional layer of complexity to this already complex programme. As the Embassy writes "*The formal endorsement by ASEAN is a prerequisite for active and formal engagement by ASEAN and ASEAN member states in the ASEAN frame thereby ensuring a higher impact*"[51] and the EUD confirmed that "*The*

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[50] European Commission / Danish Ministry of Foreign Affairs. (2022). *Annex III – Budget for the action: ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.* European Commission. (Draft template, 9 November 2022).

[51] Royal Danish Embassy, Jakarta. (2025, February 19*). Exchange of letters on clarification on ASEAN endorsement process: ASEAN-EU Green Team Europe*

formal endorsement from ASEAN is not part of the contribution agreement signed between EU and Denmark, therefore I confirm it is not a prerequisite for the start of implementation. The Delegation nevertheless encourages the Danish Embassy to pursue the endorsement process to build ownership from ASEAN and facilitate future engagement with the Secretariat and ASEAN member states."[52] At the time of the study, endorsement by ASEAN had not yet been received, and it cannot be excluded that the outcome of the endorsement process will require further adjustments to the programme.

7 Lessons learned

1. The TCE case illustrates that projects not designed by Denmark and involving counterparts with whom Denmark has little or no experience may prove more challenging for DC than Danish-designed or co-designed ones.
2. The TCE example demonstrates that when staff raise concerns about a possible DC arrangement, these should be taken into account before decisions to proceed are made.
3. Appraisal missions should not just focus on the technical aspects of a project but should also assess the legal, operational, and financial implications. They should therefore not just be entrusted to thematic or sector experts.
4. Both sides (the EU and the MFA) should look beyond the thematic aspects of DC. One of the main justifications for DC with Denmark was its expertise in the circular economy, which "*made it the obvious choice*". Now that it has been subcontracted to two implementing partners, it is not clear where Danish added value comes in.
5. Having detailed capacity assessments, as was the case in TCE (in particular, financial management capacities), of implementing partners and corresponding capacity development plans is essential to avoid issues arising with the EUD further down the line.

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