

Ministry of Foreign Affairs of Denmark

Administrative Guidelines for grants for  
Civil Society Organisations  
that qualify as Strategic Partners

Revised March 2019

## Indhold

1. Introduction .....	1
2. Basis of grant appropriation.....	2
3. General obligations of the organisation .....	3
4. Annual Cycle .....	5
4.1. Performance reporting for the previous year.....	5
4.2. Annual Consultations .....	7
4.3. Other reporting requirements to the MFA .....	9
5. The Organisation's Internal Administration.....	11
6. Reviews and Financial Monitoring Visits.....	13
6.1. Reviews/Capacity Assessment.....	13
6.2. Financial monitoring visits.....	13
7. Administration of the Budget .....	14
7.1. Administration fee .....	14
7.2. Reallocation and transfer of funds.....	14
7.3. Accounting principles.....	15
7.4. Expenditures related to activity-specific Technical Assistance support.....	15
7.5. Audit costs .....	16
7.6. Interests .....	16
7.7. Remaining funds at the end of the partnership period.....	17
7.8. Global and Thematic Programmes.....	17
7.9. Co-financing .....	17
7.10. Flexible funds - lot HUM .....	17
7.11. Innovation.....	17
7.12. Other activities .....	18
7.13. Unallocated funds – lot CIV and lot LAB .....	18
7.14. Own-financing - lot CIV and lot LAB.....	18
8. Request for Disbursement of MFA Grant.....	19
9. Annexes .....	20

## 1. Introduction

In 2017, the Danish Ministry of Foreign Affairs (MFA) redesigned its support to Danish civil society organisations engaged in international development cooperation and humanitarian action. In lieu of annual appropriations under the Danish Finance Act for a limited number of organisations, all organisations meeting a set of minimum criteria were invited to apply for a Strategic Partnership with the MFA covering the period 2018-2021.

A basic premise for the redesign was that it would not weaken or jeopardize the respect for the independent nature of civil society organisations. As such, the engagements to be funded would spring from existing mandates, strategies and programmes of applicant organisations. While the applicants were measured against the degree to which the proposed development and humanitarian engagements were aligned to the 2017 Danish Strategy for Humanitarian Action and Development Cooperation, the review of applications also included an assessment as to whether the proposed engagement for funding was coherent with the applicant's overall mandate, vision and strategy for international activities. This was found to be the case for all of the applications received from the organisations, including one consortium, selected as strategic partners.

These guidelines describe the administrative requirements for strategic partners (below referred to as “the organisations<sup>1</sup>”) that have qualified for funding for the period 2018 – 2021 from the following three “lots”/Finance Act budget lines:

- Lot CIV: Civil society development (§06.33.01.10);
- Lot HUM: Humanitarian action (§06.39.02.10), and;
- Lot LAB: Labour market and private sector framework conditions (§06.38.02.21).

The administrative guidelines form part of the overall MFA guidelines for Danish bilateral aid - the [Aid Management Guidelines](#) - and should be regarded as a living document that will be revised by the MFA as needed. It is the responsibility of the organisations to keep themselves informed of any changes to the guidelines, which will be published at [amg.um.dk](http://amg.um.dk).

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<sup>1</sup> Also refers to a consortium with more than one civil society organisation.



## 2. Basis of grant appropriation

Based on the application from the organisation as approved in 2017, the grant is appropriated in four annual portions during the period 2018 – 2021, subject to annual Parliamentary approval. The approved framework for the partnership is comprised of the following components:

- A description of the overall **partnership engagement** to be funded, setting out the overall objective(s) based on an overall programmatic approach, and how the partnership engagement aligns with the 2017 Danish Strategy for Development Cooperation and Humanitarian Action and contributes to the Sustainable Development Goals (SDGs)
- A **summary results framework** for the organisation that not only reflects all of the lots financed by the MFA, but ideally also any other strategic priorities, programmes and engagements pursued by the organisation. While preference is for an organisation-wide results framework, it should be possible to establish which indicators are associated, wholly or partly, to the partnership engagement financed by the MFA. The framework should to the extent possible capture strategic/global level results pursued by the organisation – e.g. using crosscutting indicators at outcome level. In some cases it may, however, be more relevant to use programme-specific indicators and in other cases a combination of output- and outcome-level indicators may be warranted. While reference is made to the general guidelines on results frameworks in [Danida's Aid Management Guidelines for Programmes and Projects](#), the organisation should use its own formats adapting the framework to the specific context and lot engagements with reference to the SDGs as relevant.
- **Theories of Changes (ToC) or similar description of programmes** (above DKK 1 million per year) included in the partnership engagement. The organisation is free to decide on the specific format and structure of the individual ToCs/programme documents, but the description should account for the elements listed in [Danida's Aid Management Guidelines for Programmes and Projects](#)
- A **budget** for the four-year period, format available in Annex 1, noting the following:
  - A programme focused on a specific target group or thematic issue **cannot be co-funded** across lots, and may not include financing of projects or programmes funded by other Danida modalities. The use of flexible funding under Lot HUM (please refer to Annex 2) along with extraordinary grants based on a specific call for proposals is exempted from this rule.
  - Activities that cut across the **humanitarian-development nexus** in a specific geographic context should be financed through funds under either lot CIV or lot HUM. However, it is possible to include clearly separate engagements under lot CIV and lot HUM respectively in the same country.



### 3. General obligations of the organisation

As specified in the [Information Note](#), which sets the premises for the partnership, the organisation will ensure a high level of quality in the implementation and documentation of results of its interventions.

- The organisation will have detailed **results frameworks** for each programme. These should only be submitted to the MFA upon request, but should inform the summary results framework.
- The organisation will have **detailed budgets** for each programme financed under the grant. The organisation can use its own format for the detailed budgets. These need not be submitted to the MFA, but should be made available upon request.
- The organisation will ensure that the partnership engagement budget respects the Lot-specific **geographic criteria** for funding specified in the application material (ref. [Information Note](#), p. 9-11.)
- The organisation will at all times ensure that the programmes are **relevant to the lot** under which the programmes are funded (ref. [Information Note](#), p. 6-9 for a description of each lot).
- The organisation will maintain and further develop a satisfactory internal level of **administrative, financial management and technical capacity** for the implementation and quality assurance of interventions, including ensuring a professional preparation, implementation, monitoring and evaluation of lot-relevant activities.
- The organisation will be able at all times to document fulfilment of minimum standards for administrative, financial and programmatic procedures and exercise a systematic approach to **quality assurance and monitoring**.
- The organisation will ensure that local partners and others that receive part of the granted funds are not included on the [UN](#) or [EU](#) sanctions lists.
- The organisation will commit to and apply a **human rights-based/leaving no-one behind approach to development and humanitarian interventions**.
- For lot HUM, the organisation is expected to live up to the commitments enshrined in the **Grand Bargain** from 2016.
- Organisations funded under Lot HUM will demonstrate adherence to the quality criteria in the **Core Humanitarian Standard** through independent verification or certification.
- Organisations funded under Lot CIV and lot LAB engaging in **areas affected by conflict or recurrent natural disaster** are expected to live up to established international standards for interventions in situations where the protection, well-being and dignity of vulnerable and marginalized groups are not ensured by duty-bearers. Subject to a concrete assessment by the MFA, the initiation of a self-assessment or an independent verification or certification against the Core Humanitarian Standard (CHS) may therefore be required as a prerequisite for such engagements.

- The organisation will ensure that necessary measures are in place to protect people, including beneficiaries and staff, from sexual exploitation and abuse and sexual harassment by the organisation's staff and associated personnel e.g. partners, consultants, volunteers etc.. Reference is made to the CHS Alliance Protection from Sexual Exploitation and Abuse (PSEA) index and PSEA Implementation Handbook.
- Organisations will to the extent possible **cooperate and coordinate** with relevant Danish, international and national actors, including where relevant through participation in UN cluster coordination, consolidated appeals (CAPs) and Humanitarian Response Plans, Regional Response Plans or similar humanitarian coordination mechanisms.

## 4. Annual Cycle

### 4.1. Performance reporting for the previous year

Performance reporting should present progress achieved during the previous year. The organisation is free to decide on the specific structure of the report and need not develop a particular report for MFA purposes as long as the following points are addressed:

- A. Organisational and strategic developments including information about major changes in the organisation and its context including changes in the organisation's popular anchorage and outreach in Denmark, engagement in international alliances, networks etc.;
- B. Account for progress, achieved results and major deviations related to the summary results framework agreed with the MFA and in relation to agreed budget (expenditure against budgets). This will include highlighting variations affecting planned outcomes, including brief analysis of possible causes, developments in key risk factors, lessons learned, and how these are reflected in follow-up activities/mitigating actions – and if relevant in the update of the partnership engagement;
- C. Use of MFA funds towards co-financing, basket funds, joint programmes and for match funding of local partners to enhance scale, influence, and promote harmonization. Reflections on the specific value added of the organisation in contributing to such joint arrangements;
- D. Lessons learned and achieved results from use of innovative funds. A summary account on learning and possible initial results from the strategic use of innovative funds. This may include assessed potential for and/or achievements in terms of taking piloted activities to scale in programmes, contributing to development learning beyond the organisation itself, or influencing global, regional or national policy processes etc.
- E. For lot CIV and lot LAB: Major results from use of Project and Programme Related Information (PRI) funds;
- F. For lot HUM: Estimate of proportion of direct and indirect funding to local and national actors<sup>2</sup>;
- G. For lot HUM: A summary account of the use of flexible funds for preparedness and/or humanitarian interventions, including personnel deployment, direct operations and support for partners (max 1 page).

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<sup>2</sup> IASC defines “local actors” as: a) Local and national non-state actors – Organizations engaged in relief who are headquartered and operating in their own aid recipient country and with autonomous governance, financial and operational decision-making; and b) National and sub-national state actors – State authorities of the affected aid recipient country engaged in relief, whether at local or national level.

H. Follow-up to recommendations from reviews, financial monitoring visits, and latest annual strategic consultations.

One integrated performance report should be presented by each organisation ideally not exceeding 30 pages per lot<sup>3</sup>. For the consortium, one joint performance report of max. 45 pages should be submitted.

The performance report should be informed by detailed progress reporting for each of the programmes (co-)funded by the MFA. This detailed reporting should be based on the respective results framework and should be made available to the MFA in parallel to the general performance report, if so requested.

The final reporting to be submitted after the fourth and final year of the partnership, should account for how outputs and outcomes have contributed to the achievement of the overall objectives as defined in the Summary Results Framework. Moreover, it should highlight main lessons learned and the financial status of the support. For terminology, please refer to OECD Glossary of Key Terms.

#### Audited accounts

The accounts for the annual grant from the MFA and the general annual accounts for the organisation must be audited by a chartered accountant. The audited accounts must keep track of the spending of each year's grant separately from other year's spending. Change of auditor must be communicated to the MFA. It is recommended to change auditor every 3-5 year.

As part of the MFA's quality assurance of the management of the partnership grant, the MFA has specific requirements to the audit of the grant. These requirements are presented in the audit instructions in Annex 5. It is the obligation of the organisation to ensure that its auditor at the contracting, in written form confirms to adhere to the audit instructions and that the auditor by giving his/her opinion confirms that the audit has been undertaken in accordance with the same.

An audit carried out locally in the recipient country must be undertaken by a chartered accountant and in accordance with international standards, cf. §1 and §2 in the audit instruction. As part of overall supervision with the audit abroad, the Danish auditor must ensure sufficient quality control of local audits.

The National Audit Office of Denmark (Rigsrevisionen) and the MFA have, as part of audit and financial monitoring, the right to access all documents, reports, evaluations, budget and accounts-

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<sup>3</sup> Organizations with many engagements can request a higher page limit, with the rule of thumb being 1-3 pages per engagement excluding background/context etc.

related documentation etc. relevant to the management of the MFA grant funds. These documents must be safely kept for five years.

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

The organisations should submit either a separate audited account for each lot or one joint audited account specifying each lot. For the consortium, one joined audited account for the MFA grant should be submitted by the consortium lead as well as annual audited accounts for the consortium lead organisation.

#### Deadline and submission

As of 2020, the performance report and the audited accounts (a draft version can be accepted if requested by the organisation) covering all engagements should be submitted to the MFA no later than 15 June. Documents do not have to be submitted at the same time.

The documents must be in English and sent by email to [hmc@um.dk](mailto:hmc@um.dk) and the responsible desk officer. For the LOT LAB Consortium, documents must also be sent to [VBE@um.dk](mailto:VBE@um.dk) and the responsible VBE desk officer. In addition to the electronic version, three hardcopies must be submitted to the MFA<sup>4</sup>.

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

#### **4.2. Annual Consultations**

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

In order for the MFA to verify that the organisation is on track to achieve results as indicated in the application to the MFA and as subsequently specified in the documentation listed in chapter 2, the organisation should - in preparation for the annual consultations - submit the following documents to the MFA:

- Audited accounts for the previous year (refer to Annex 3 and 5), both for the MFA grant and for the organisation as a whole (annual accounts) and a Management Letter;

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<sup>4</sup> This is also the case for the documents submitted in October for the annual consultation.



- A strategic update;
- Budget for the upcoming year (using designated format – refer to Annex 1);

These documents should be submitted to the MFA as early as possible as and no later than 15 October. The various documents do not have to be submitted at the same time.

### Strategic update

The update on the partnership engagement should include:

- Update on strategic and organisational changes (max 3 pages);
- Strategic alignment: Update - if warranted compared to the information provided in the application - on the organisation's approach to local partnerships and capacity development; engagement of the private sector and the Danish resource base; global connectedness; coordination and coherence; advocacy; innovation; and HRBA/leaving no-one behind (max 2 page narrative);
- A short note (max 3 pages in total), which briefly summarises the rationale for updates/changes to the submitted theories of change, if warranted. It should briefly outline changes in context, risk and needs assessment, and resulting changes in programmatic focus and activities, as relevant. In addition, updated ToCs should be submitted (in track changes where changes are only minor) as annexes. For programmes in conflict affected<sup>5</sup> and other unstable areas, the ToCs/programme documents should always be updated.
- A description of the expected use of innovative funds, including internal approaches for developing and piloting new approaches, methods, technologies or partnerships and future plans for the use of innovative funds (max 2 pages).
- For lot CIV and lot LAB: Update of the strategic description of planned Project and Programme Related Information (PRI) activities in Denmark (ref. Annex 4) as well as on popular engagement in Denmark. (maximum 2 pages accompanied by an overview of each PRI-activity);
- Lot HUM: A description of the approach on the utilisation of the flexible funds (max 1 page);

The consortium should submit one consolidated document.

### Budget

The budget for the upcoming year should be in DKK and follow the template in Annex 1. Organisations should submit separate budgets for each lot. For the consortium, one budget covering joint activities and individual consortium member activities should be submitted.

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<sup>5</sup> This refers both to countries directly impacted by conflict and to affected neighboring countries (e.g. refugee host countries).

The organisations should base their budgets on the approved annual grant from the MFA, while noting that this remains subject to annual Parliamentary approval.

If unspent MFA partnership grant from a previous year (e.g. 2018) are transferred to the current financial year (e.g. 2019), the current year's approved budget (2019) should be adjusted accordingly, reflecting which budget lines the funds will be allocated to. MFA partnership engagement funds transferred from a previous year to the current budget should correspond to unspent balances as reported in the audited accounts<sup>6</sup> for the previous year. The percentages provided in the "frames for funding and specific activities" in the sheet "Summary" in "Annex 1 – Template for budget plans" also apply when funds are transferred from a previous year to the current year.

Organisations have to register the estimated weighting of policy markers (crosscutting issues; gender, environment, good governance and human rights, HIV/AIDS as well as Reproductive, Maternal, Neonatal and Child Health (RMNCH)) in the MFA partnership budget (ref. Annex 1).

Expenditures related to activity-specific technical assistance (TA) must be specified in the budget and must, from 2020 onwards, be broken down into both salary costs and estimated average overhead separately in both actual amounts and in percentage using Annex 1.

Linked to the budget, the organisations will enclose a brief budgetary note outlining e.g. significant changes in the allocation as compared to the most recently approved budget and plans for the fulfilment of the own-financing requirements (for lot CIV and lot LAB). This may also include a presentation of Global or thematic programmes not covered by a ToC/programme document (i.e. under 1 million DKK).

### **4.3. Other reporting requirements to the MFA**

#### **Digital Transparency**

Full transparency and accountability to the MFA and the Danish public as well as to local partners and beneficiaries on results are required. The organisation is expected to gradually achieve full adherence to the digital standards set by the International Aid Transparency Initiative (IATI): Achieving the objectives of increased transparency and traceability, based on an international, standardised open-data format.

#### **Reporting irregularities**

Immediate reporting to the MFA must be ensured if serious problems related to the implementation of the MFA grant occurs, if significant difficulties in the relations to authorities

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<sup>6</sup> Please refer to Annex 3, the folder "resume" and the account line "Udisponeret tilsagn primo"

in the partner country develop or if there are major changes in budgeting or activities in the approved programmes.

The MFA is required to inform the National Audit Office of Denmark in case of suspicion of irregularities in the management of MFA grant funds. The organisation is therefore required to inform the MFA (using the template in Annex 6) if the organisation in connection with the management of grant funds provided by the Danish state should have substantiated suspicion of irregularities or other misuse of Danish funds, including suspicion of grossly negligent administration, corruption, bribery or fraud. The organisations have a maximum of 14 days to report any irregularities or suspicion of irregularities to the MFA.

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

In its reporting, the organisation must to the extent possible account for the circumstances and for the reasons why the organisation's supervision and control mechanisms failed to prevent the incident. The MFA will subsequently notify the National Audit Office of Denmark and make the notification public on [um.dk](http://um.dk).

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

## 5. The Organisation's Internal Administration

The organisation can utilize funds in accordance with its own policies and procedures. The organisation is required to ensure transparent job advertisements and selection procedures when hiring staff for activities funded by the MFA. Exempt from this are job appointments as part of rotation or hiring under short-term contracts (up to a maximum of 12 months) and in situations that require swift deployment of personnel. Discrimination based on race, nationality, possible handicaps, gender, sexual orientation, age or political or religious persuasion may under no circumstances be applied.

The organisation is furthermore expected to ensure that:

- Air travel related to activities funded by the MFA partnership should be on economy class and taking the most cost-efficient and feasible route possible, taking into account airline safety.
- Airline mileage points that are earned on business trips in relation to the activities funded by the MFA are not to be used for private purposes by the organisation's staff members, but to ensure cheaper business trips.
- [The current government circular](#) from the Agency for Modernisation, Ministry of Finance regarding allowances for duty travels, including reimbursement of mileage, daily allowances and reimbursements as per country should be seen as a maximum in connection with expenditures for hotels, payments of daily allowances etc. (most recent "Satsregulering for tjenesterejser").

Further, the organisation undertakes, and is accountable for, all procurement activities according to own regulations and procedures and in line with international good practice

The organisation must maintain necessary insurance for all staff and insure project related equipment to a reasonable degree. The organisation's *duty of care* for all staff is underlined, not least with respect to staff serving in duty stations characterised by significant security risks.

When entering into written agreements and contracts with local partners, suppliers, etc., the organisation should reflect the MFA's anti-corruption clause: *"No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practise, shall be made - neither directly nor indirectly - as an inducement or reward in relation to tendering, award of the contract, or execution of the contract. Any such practise will be grounds for the immediate cancellation of this contract and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Danish Ministry of Foreign Affairs, a further consequence of any such practise can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs"*.

In case the organisation has a similar and fully adequate clause, this could alternatively be used.

When transferring assets to local partners in a recipient country the transfer process must ensure that the local partner provides a receipt/handover note (ref. Annex 7) for the transferred assets and their value. The transferring process must at the latest take place at the end of activities and include all items with a value above tax-related level for immediate depreciation of minor purchases (ref. the Danish act on depreciations (“afskrivningsloven”). Unspent funds, including unspent interests, must be repaid by the local partner to the organisation.

## **6. Reviews and Financial Monitoring Visits**

The MFA will carry out reviews of the organisation and conduct financial monitoring visits when deemed relevant.

### **6.1. Reviews/Capacity Assessment**

In order for the MFA to verify that the organisation is on track to achieve results as indicated in the application to the MFA and as subsequently specified in the documentation listed in chapter 2, the organisation will undergo a review/capacity assessment during the four-year cycle of the partnership. The purpose is to assess the organisation's overall capacity for and performance in delivering results as agreed in the partnership engagement and stipulated in the ToC or similar. This may include e.g. a general assessment of the organisation's current financial and organisational capacity to implement activities as well as an assessment of the organisation's ability to develop equal and innovative partnerships, work towards fulfilling the SDGs, engage the private sector, promote and scale up innovative practices, stimulate learning, validate results, engage the Danish public, analyse and strengthen approach to Value for Money as well as ensure engagement with and accountability to communities affected by crises etc. The organisation's performance in increasing delivery of multi-year planning and programming approaches and aligning humanitarian and development planning tools and interventions while respecting the principles of both may, where relevant, also be part of this assessment.

The MFA is entitled to carry out thematic or geographic reviews across the partnership portfolio during the duration of the engagement. The MFA will notify the organisation at least six weeks in advance of a review and the organisation will be consulted on the terms of reference.

### **6.2. Financial monitoring visits**

The MFA's oversight concerning the organisation's adherence to overall requirements in the management of the grant funds is undertaken through an assessment of the organisation's reporting and audited accounts in connection with the annual consultations as well as in connection with financial monitoring visits (ref. Annex 9).

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

## **7. Administration of the Budget**

The organisation must ensure sound administration and exercise Value for Money in the administration of grant funds.

### **7.1. Administration fee**

In the interest of ensuring that the Danish grant is spent for development purposes in the Global South, the organisation can allocate maximum 7 pct. of the total budget as an administration fee (calculated on the basis of the full budget except the administration fee and own financing). The use of the administration fee of 7 pct. will not have to be specified or documented by the organisation, neither in the budget phase nor in the accounting phase. In the accounting phase the administration fee is calculated as 7 pct. of actual expenditure of funds under the partnership engagement, excluding the administration fee and own financing but including losses and gains from exchange rate fluctuations and interest (as such are regarded as operational income).

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

### **7.2. Reallocation and transfer of funds**

Reallocations between the specific budget lines can be undertaken as follows:

- Reallocations between country/regional and thematic areas are permissible up to a limit of 30 pct. of the debited or credited main budget lines (for lot CIV and LAB, the 50 pct. allocation to Danish priority countries must be maintained (ref. [Information Note](#), p. 9-11).
- The organisation must in connection with reallocation between countries and thematic areas always consider whether the budgetary changes lead to substantial changes in the planned activities and outcomes and, if so, revise detailed programme documentation and corresponding results frameworks.
- It is not possible without prior approval to reallocate funds to ‘other activities’ or ‘global/thematic programmes’.
- For lot HUM: It is not possible to reallocate funds from other budget lines to flexible funds.
- For lot CIV and lot LAB: It is not possible to reallocate funds to ‘unallocated funds’.

The MFA must approve specific or accumulated reallocations exceeding 30 pct. of the debited or credited main budget lines. In such cases, the organisation must account for the impact of the budgetary change on expected results.

A disbursement is defined as a transfer of funds from the MFA to the organisation.

Transfer of funds to the following year: Unspent funds corresponding to a maximum of 15 pct. of the total grant of the partnership engagement budget for a given year can be carried forward to the following year without prior approval.

Within the stipulations outlined above, transfers to following years do not require prior approval. However, when the audited accounts covering the previous year are ready, a revised budget needs to be submitted to the MFA. Expenditures will subsequently be charged against transferred funds and only thereafter from the allocation for the year.

In this context, expenditure is defined as including all payments for goods and services, public fees as well as contractually agreed transfers from the organisation to a partner along with other legitimate costs. Organisations should at all times ensure that funds do not accumulate at partner level beyond spending needs for approximately 6 months.

### **7.3. Accounting principles**

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

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

- 1) The amount reported as expenditure in the annual audited accounts from the local partner to the organisation;
- 2) The total amount transferred from the organisation to the local partner during the financial year.

When the second reporting method is chosen, the organisation must be able to account for amount transferred, amount expensed and remaining balance at local partner level in order to secure that all funds transferred to partners are accounted for through audited accounts.

### **7.4. Expenditures related to activity-specific Technical Assistance support**

Activity-specific Technical Assistance (TA) can be undertaken by permanent staff of the organisation (in head office or country offices). Annex 10 contains examples on activities, which can be registered as TA. It is necessary to issue Terms of Reference for TA, indicating what areas the employee of the organisation must contribute to and what the purpose is.

A prerequisite for including these expenditures is that they are budgeted in the activities under the partnership engagement; that the organisation applies a time-registration system, which accounts for actual time spent, and that they are accounted for in the corresponding audited accounts. The expenditure must, from 2020, be budgeted, and from 2018 be accounted for specifying salary costs and overhead separately in both actual figures and in percentages (using annex 1 and 3).

The TA rates should be calculated as follows:

- **Staff based in Denmark:** a) actual salary cost calculated by deducting holiday etc. from the norm specified by *Statens Administration* ([currently 1924 hours/ year](#)) and up to a maximum of the seniority based maximum rates in Annex 11 and b) 80 percent of a) in overhead.
- **Staff deployed to country offices or similar:** a) actual salary costs of the individual staff members, up to a maximum of the indicated seniority-based maximum levels in Annex 11, b) 80 percent of a) in overhead and c) additional costs (not related to salary) related to deployment in accordance with the MFA guidelines for advisors on long-term assignments.
- **Local staff at country offices or similar:** a) actual salary costs related to employment and b) 80 percent of a) in overhead costs. The level for hourly rates under a) may not exceed the average level of salaries for similar organisations in the country.

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

### **7.5. Audit costs**

Audit costs are covered by the activity budget. Audit costs in Denmark and in country offices are budgeted separately.

### **7.6. Interests**

Accrued interests can be used for the financing of activities under the partnership engagement budget. Accrued interest, both positive and negative, is seen as part of the MFA grant and has to be shown as income. It is thus necessary to account for the use of accrued interests similarly to

other funds. Furthermore, the payment of negative interests should be limited as much as possible.

### **7.7. Remaining funds at the end of the partnership period**

In the event of no agreement between the organisation and the MFA on the disposition of remaining funds if any at the end of the partnership period (December 31, 2021), the organisation should return any remaining partnership engagement funds to the MFA.

### **7.8. Global and Thematic Programmes**

The partnership engagement budget may contain funds for global/thematic programmes such as advocacy initiatives, cluster and external coordination support, research and dissemination of expertise and learning to local partners or to the broader aid environment etc. Funding for global/thematic programmes should as a rule reach beyond internal capacity building of own staff within the organisation and alliance as well as show relevance beyond the organisation itself. The global/thematic programmes should constitute a proportionate and well-balanced part of the total budget.

### **7.9. Co-financing**

Organisations will be given flexibility to allocate funds towards co-financing and mobilisation of funding from other institutional donors, provided that the engagement reasonably falls within the overall objectives of the relevant lot and that the organisation can demonstrate a value-added beyond the transfer of funds. This includes the possibility to use Danida funds strategically towards co-financing, basket funds, joint programmes and to match funding of local partners to enhance scale and ensure influence - as long as this does not imply a breach in the organisations overall obligations listed in chapter 3. Funds for co-financing can be taken from 'Unallocated funds' (for Lot CIV and Lot LAB) or budgeted under country/crisis/regional budget lines.

### **7.10. Flexible funds - lot HUM**

Flexible funds under lot HUM may amount to a maximum of one-third of the lot HUM partnership engagement budget, depending on the underlying strategy for usage, including a possible personnel deployment in support of international partners. For further details on the use of flexible funds, ref. Annex 2.

### **7.11. Innovation**

Organisations can set aside up to 10 pct. of the engagement budget for innovation in order for them to experience and catalyse efforts to seek improved outcomes, based on flexible and high-risk investments and new partnerships. The innovation funds should be used to develop new

approaches, methodologies, technologies and knowledge products to seek improved outcomes, including in relation to high-risk investments. This includes the development and piloting of new strategies and operational approaches aiming at supporting programmes with a tested menu of tools and methodologies that the organisation can draw upon and take to scale across programmes and contexts, and bringing in special expertise as required for such purposes.

### **7.12. Other activities**

Up to 5 pct. of the partnership engagement budget can be allocated for other activities including preliminary/pilot/feasibility studies, organisation specific or cross-cutting reviews (including expenses for internal technical assistance), external evaluations (in accordance with DAC's evaluation criteria and with emphasis on learning), independent CHS verification/certification (documented expenses directly linked to HQAI CHS verification/certification of the strategic partner itself), specific initiatives benefiting a broader group of stakeholders or specific initiatives proposed by the MFA.

### **7.13. Unallocated funds – lot CIV and lot LAB**

For lot CIV and lot LAB, the budget can include unallocated funds up to 10 pct. of the lot CIV/LAB partnership engagement budget. Unallocated funds should be used to seize new opportunities or react to new situations, acute demands or challenges within the relevant lot objectives (ref. [Information Note](#) p. 6-9). The MFA should be notified about decisions to allocate “unallocated funds”.

### **7.14. Own-financing - lot CIV and lot LAB**

Organisations receiving funds under lot CIV and lot LAB are expected to document own-financing of activities similar to those funded by Danida through other sources of funding, corresponding to at least 20 pct. of the MFA contribution to the partnership budget for programme and project activities. Of these, an amount corresponding to minimum 5 pct. of the MFA contribution to the partnership budget for programme- and project activities should be raised in Denmark by the organisation in the form of cash contributions or similar (collections, donations) in order to ensure a strong public engagement. These funds should be spent within the proposed partnership engagement budget. The remaining own- financing may comprise of funding from other donors, including the organisation's international alliance, for activities in DAC countries (including related global/thematic programmes) relevant to any of the two lots (in-kind contributions are not valid).

## 8. Request for Disbursement of MFA Grant

Organisations should every six months (January and July) submit requests for payments according to the guidance provided in Annex 12. The request for payment should be accompanied by the completed template in Annex 13. The request for payment should as a general rule be based on the budget for the following 6 months for the period in question as well as the expected disbursement to sub partners<sup>7</sup>. Note that the initial request for payments normally covers the budgeted expenditure for the first 6 months as a general rule. If there are changes to the original budget during the first six months of the year, this should be reflected as a correction in the subsequent request to avoid an accumulation of funds beyond what is needed for the implementation of planned activities, neither at the level of the organisation in Denmark, at the country office(s) or at the local partner.

Requests for payments must be submitted to the MFA at least three weeks prior to the desired transaction date. It is the responsibility of the organisation to ensure that the request for payment is signed by a duly authorized individual.

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

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<sup>7</sup> As a point of departure the disbursement should cover 6 months, however, room for flexibility exists.

## **9. Annexes**

Annex 1: Template for budget plans

Annex 2: Flexible funds (lot HUM)

Annex 3: Template for audited accounts (in Danish)

Annex 4: Program Related Information (PRI) (lot CIV and LAB)

Annex 5: Audit instruction

Annex 6: Form for reporting suspicion of irregularities

Annex 7: Transfer of Assets

Annex 9: Terms of Reference for financial monitoring visits, including administrative checklists

Annex 10: Checklist regarding technical and activity-specific consultancy service

Annex 11: Rates for Expenditures related to activity specific TA support 2019

Annex 12: Guidance for disbursements (in Danish)

Annex 13: Form for disbursements requests (in Danish)

Annex 14: Standard Reporting Form for release of contribution from the humanitarian flexible funds (lot HUM)