

DIPD GUIDELINES

1. FRAMEWORK AGREEMENT



2. GRANT ADMINISTRATION



3. DIPD FORMATS

DRAFT VERSION MAY 2021

VALIDITY

These revised guidelines are effective from July 1st, 2021. The guidelines are reviewed regularly and updated to reflect the current regulatory framework for the allocation and management of grant assistance under the Ministry of Foreign Affairs of Denmark.

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For further information about DIPD in general please visit www.dipd.dk.

ABBREVIATIONS

The guidelines make use of a few important abbreviations:

Appraisal Committee	The committee set up by DIPD's board to appraise framework agreements.
Engagement Partner	The Danish party entering the Framework Agreement with DIPD to work in partnership with partners in developing countries.
DIPD	Danish Institute for Parties and Democracy – in Danish "Dansk Institut for Partier og Demokrati".
Danida	The section of the Ministry of Foreign Affairs in Denmark managing development cooperation.
Party	The Danish political party.
Partner	The partner in the engagement – i.e., a political party, an organisation or a think tank in the partner country.
MoFA	Ministry of Foreign Affairs.

FOREWORD



The Danish Institute for Parties and Democracy (DIPD) is what in Denmark is called a "public independent institution". This means that DIPD follows rules and regulations established by and for the public sector. This is also why the guidelines for the Framework Agreement format and administration presented here build on the guidelines of the Danish Ministry of Foreign Affairs, which administers the funding given to DIPD by the Danish parliament.

While this is important for our work, it is equally important to state that DIPD is a fully independent institution. All decisions regarding the use of resources allocated to the institute by the Danish Parliament are taken by a Board of 15 people, representing political parties in Parliament, civil society organizations and academia, among others.

DIPD was established in May 2010 by law of the Danish Parliament. The law provides the institute with a mandate to contribute to the strengthening of the democratic culture, the political parties, and the multiparty system in selected developing countries. In the strategy for 2021-25 the vision and mission are articulated as:

*DIPD's **vision** is to contribute to the development of well-functioning democratic political parties, multi-party systems and other institutions as central stakeholders in the democratic culture of selected developing countries.*

*DIPD's **mission** is to establish partnerships with political parties, multiparty platforms, and other institutions through the active involvement of Danish political parties, Danish stakeholders, and international partners.*

The strategy details the principles of how DIPD builds and develops partnerships, as well as the key objectives and results for the present strategy period. All this builds on the experiences and results from the three previous funding periods.

The purpose of the guidelines is to ensure that all the parties and partners working with DIPD receive the necessary guidance in relation to the Framework Agreement format process and the administrative obligations that rest with them when they receive funding for their engagements.

CONTENTS



INTRODUCTION

VALIDITY	2
CONTACT INFORMATION.....	2
ABBREVIATIONS	2
BASIS FOR THE GUIDELINES	6
1. FRAMEWORK AGREEMENT FORMAT	7
1.1 FRAMEWORK AGREEMENT PROCESS.....	7
1.2 PARTNER SELECTION AND REQUIREMENTS	7
1.3 DIPD'S PARTNERSHIP APPROACH.....	8
1.4 WHICH COUNTRIES WILL DIPD SUPPORT?	8
1.4.1 STRATEGIC GOALS	9
1.5 GUIDELINES DURING ELECTIONS.....	9
1.6 LEVELS OF FUNDING AND SEIZE OF PARTNERSHIPS	9
1.7 FRAMEWORK AGREEMENT PROCESS.....	9
1.8 ASSESSMENT CRITERIA.....	10
1.9 AFTER APPROVAL OF FRAMEWORK AGREEMENT	10
1.9.1 OVERALL GUIDANCE TO DEVELOPING THE BUDGET	11
1.9.2 DIPD SUMMARY BUDGET FORMAT	12
1.9.3 EXPENSES AND BUDGET LINES.....	13
1.10 REPORTING, MONITORING AND REVIEW.....	16
1.10.1 REVIEWS, EVALUATIONS AND LEARNING EXERCISES	16
2. GRANT ADMINISTRATION.....	17
2.1 INTRODUCTION.....	17
2.2 REQUIREMENTS AND RESPONSIBILITIES.....	17
2.3 PRINCIPLES OF ANTI-CORRUPTION	18
2.4 BREACH OF CONDITIONS FOR RECEIVING DIPD FUNDS	18
2.4.1 CONCLUSION OF AGREEMENT ON COOPERATION.....	18
2.4.2 PAYMENT OF FUNDS	19
2.5 ADMINISTRATIVE PROCEDURES.....	19
2.5.1 BANK AGREEMENTS AND SEPARATE BANK ACCOUNT	19
2.5.2 BOOK-KEEPING AND ACCOUNTING FUNCTION.....	20
2.5.3 CURRENCY MANAGEMENT AND SETTLEMENT	21

2.5.4	REGISTRATION OF ACCRUED INTEREST AND EXCHANGE RATE GAINS	21
2.5.5	MANAGING INVESTMENTS	21
2.5.6	NARRATIVE AND FINANCIAL REPORTING	22
2.6	MANAGEMENT OF FUNDS	22
2.6.1	THE APPLIED ACCOUNTING POLICIES	22
2.6.2	REVISIONS OF BUDGETS DURING ENGAGEMENT PARTNERSHIP PERIOD	22
2.6.3	REQUIREMENTS FOR ACCOUNTS	23
2.6.4	REQUIREMENTS FOR AUDIT	23
2.7	REPORTING IRREGULARITIES	24
2.8	COMPLETION OF THE ENGAGEMENT	25
3.	ANNEXES AND FORMATS	26
A1	ENGAGEMENT PARTNER - PARTNER AGREEMENT	26
A2	PARTY-PARTNER - FINANCIAL AGREEMENT	26
A3	PARTY-PARTNER - TRANSFER DOCUMENT	26
A4	DIPD AUDIT INSTRUCTION	26
A5	CHECK LIST FOR THE ACCOUNTS SECTION	26
A6	ENGAGEMENT PARTNER – PARTNER BUDGET FORMAT	26
A7	DIPD MODEL ACCOUNTS - DANISH	26
A7	DIPD MODEL ACCOUNTS - ENGLISH	26

INTRODUCTION



BASIS FOR THE GUIDELINES

DIPD's *Guidelines for Framework Agreement and management of grants* are based on the framework drawn up by the Ministry of Foreign Affairs (UM) regarding "Administrative Guidelines for grants for Civil Society Organisations that qualify as Strategic Partners" of April 2021. It is stated both in the legislative explanatory notes for the Danish Institute for Parties and Democracy (DIPD) and the cooperation agreement between the UM and DIPD that DIPD's assistance must adhere to the same code of practice.

DIPD's guidelines for engagements are moreover drawn up in line with DIPD's strategy for 2021-2025 and contain some considerations on DIPD's mission and results framework, which must be adhered to in order to achieve financial support for democracy partnerships. These partnerships can either be between Danish political parties and political parties, political movements or political institutions in developing countries, or partnerships with multiparty platforms and other stakeholders of the democratic culture in developing countries.

The guidelines consist of three main parts which:

- 1. Describe the Framework Agreement format and the Framework Agreement procedures.**
- 2. Outline the management of funds.**
- 3. Present the technical annexes and formats.**

All DIPD partners are expected to be familiar with the contents of the guidelines, as well as the corresponding annexes and formats before submitting their Framework Agreement format to DIPD. It is also expected that partners shall consult and use the guidelines regularly during the lifecycle of an engagement, up to and including the presentation of the final report and accounts.

1. FRAMEWORK AGREEMENT FORMAT



1.1 FRAMEWORK AGREEMENT PROCESS

Framework Agreement (FA) formats can be submitted to DIPD once a year (twice in 2021), and Engagement Partners (EP) have an opportunity to discuss the draft FA with DIPD's secretariat before they are presented to the Appraisal Committee (AC) for appraisal and subsequently DIPD's Board for approval.

After an FA has been submitted, the AC appraise the FA in accordance with the Appraisal Committee Quality Assurance Checklist (ACQAC).

All decisions regarding the approval of FA's are made by DIPD's Board. Shortly after the Board has made a decision regarding the FA, the EP will receive a message from the secretariat regarding the outcome and the further process. Please see sections 1.8 and 1.9 for an overview of the FA process.

See www.dipd.dk for FA format.

1.2 PARTNER SELECTION AND REQUIREMENTS

As outlined in the strategy 20212-205, DIPD work for democratic, inclusive parties, and sees political parties as key players in a democracy. Through partnerships, DIPD first and foremost collaborates with political parties and cross-party platforms in developing countries, but DIPD also supports third actors that can provide critical support to or advocacy for political parties or multiparty initiatives to perform better.

In assessing countries and partners, DIPD relies on criteria as elaborated in the DIPD Guidelines and FA format:

- All countries on the **OECD-DAC list** (all four country categories) are eligible for DIPD partnerships.
- Opportunities for **synergies** between party partnerships and multiparty partnerships and synergies with other Danish interventions for enhanced results must be sought.
- **Conditions** for supporting democratisation and political parties, and for delivering results in line with DIPD's strategic goals.

Political parties entering FAs with DIPD, are also strongly encouraged to carry out thorough and timely analysis of:

- **The political situation in the partner country**, including the party system and party-party political developments.
- **The relevance of the partnership**, both for the partner organisation and for the fulfilment of DIPD's strategy.

- The **short-term prospects and/or long-term sustainability** of the partnership.
- **Related activities by other stakeholders.**

Please note that the partner may not under normal circumstances be an individual or a private enterprise. Exceptions can be made by the Board.

Organisations registered on the UN or EU list of terrorist organisations are not eligible for funding.

Finally, the Danish party must make sure that the partner has or will be able to develop the administrative capacity necessary to administer the awarded democracy grant in a responsible and adequate manner. See more in part 2 of these guidelines (DIPD Grant Administration).

1.3 DIPD'S PARTNERSHIP APPROACH

DIPD's work is based on partnerships. We therefore carry out most of our work in collaboration with partners in developing countries. We also cooperate with other democracy support organizations because this helps bolster the international work. In DIPD, we insist on equality in the partnerships. All parties contribute to the partnership with knowledge, experience and resources, and the aims and purposes of the partnership, are always formulated in cooperation. DIPD respects the partner organizations, their independence, and the political and social context in which they operate. Contexts are dynamic conditions that often change; this requires flexibility, trust, and openness in the relationship between the partners. DIPD's partnerships are anchored in the active participation by members of political parties. This is why DIPD works to strengthen party members' active participation in the partnerships.

1.4 WHICH COUNTRIES WILL DIPD SUPPORT?

The law, the strategy and the agreement between the MoFA and DIPD indicate that DIPD should strive to work in a limited number of developing countries. In 2021-2025 the **Danish parties** can themselves identify partners in countries where the partnership and country selection as well as the focus of the cooperation is in line with DIPD strategy and results areas.

The Board makes the decisions regarding support.

Today, funding to DIPD from the MoFA is taken from the framework for human rights and democracy. This means that all countries on the OECD-DAC list, which operates with 4 types of country categories, are eligible. The updated list of countries is available at the DAC-homepage:

[DAC List of ODA Recipients - OECD](#)

Further information on the Danida guidelines is available on the website:

www.amg.um.dk

1.4.1 STRATEGIC GOALS

Anchored in the strategy, DIPD will focus on five strategic goals in 2021-2025:

- 1. Political parties formulate and communicate political solutions**
- 2. Political parties are inclusive and engaging organisations**
- 3. Political parties are democratic organisations**
- 4. Political parties take part in cross-party cooperation and dialogue**
- 5. DIPD learns from and documents results**

The strategic goals are elaborated in DIPD strategy (available at <http://dipd.dk/>).

1.5 GUIDELINES DURING ELECTIONS

The Danish partner must always adhere to national rules and guidelines set by the Election Commission or other national institutions, and the general rule set by DIPD is that neither the Danish political parties nor the institute's staff must participate in election campaigns, and DIPD funds **cannot** be utilised to support election campaigns or other election-related activities.

Support to political parties in connection with an upcoming election must under normal circumstances be suspended – and should in all cases adhere to rules and guidelines set by the national Election Commission.

Exceptions can be made in situations where the activities are unrelated to the election process and are acceptable under national rules.

The Danish party can consult with the DIPD secretariat on whether and when to suspend activities during an election year and moreover read the DIPD guidelines on DIPD conduct during elections prepared for the Board deliberations in March 2015 (available at <http://dipd.dk/>).

1.6 LEVELS OF FUNDING AND SEIZE OF PARTNERSHIPS

Funding for engagement partnerships is reserved for the Danish political parties represented in the Danish Parliament. Parties are allocated funds according to a particular formula. Funds can only be released by the secretariat when the Board has approved a FA.

Within the framework of the funding allocated, it will be possible for the party to use the total annual amount on one or several engagements.

1.7 FRAMEWORK AGREEMENT PROCESS

The formulation and approval of FAs can be separated into four different phases:

STEP 1 - DRAFT FRAMEWORK AGREEMENT FORMAT BY DANISH PARTY

The Danish party prepares a draft FA covering all preparatory activities and/or partnerships for the AC.

STEP 2 - FEEDBACK AND QUALITY CONTROL

The AC reviews whether formal requirements are adhered to and whether the FA format is in line with the DIPD strategy and principles – and provides feedback based on the ACQAC.

STEP 3 – FINAL FRAMEWORK AGREEMENT FORMAT

The party submits the final FA format to the AC, which prepares a list of observations and recommendations and forwards the FA format to the DIPD Board.

FA formats are reviewed in accordance with the ACQAC (section 1.9).

STEP 4 – RESPONSE TO ENGAGEMENT PARTNER

A reply to the EP from the DIPD secretariat can be expected shortly after a DIPD Board meeting. If the FA is approved, the secretariat will forward a letter of approval. For more information on transfer and use of funds, see section 2 about **Grant Administration**.

1.8 ASSESSMENT CRITERIA

The decision regarding support is based on an overall assessment of the FA, with a point of departure in the principles that are the foundation for initiatives financed by DIPD. The overarching parameters will be an evaluation of:

- The degree to which the Danish party has completed the FA template and met its technical specifications and those specifications listed in DIPD's guidelines.
- The degree to which the Danish party describes how its collective efforts contribute to the fulfilment of DIPD's strategy, including how the Danish party intends to work towards selected strategic goals.
- The degree to which the Danish party has presented clear and coherent plans for its efforts in the strategy period and/or plans for appraising new opportunities together with other actors in DIPD.
- The degree to which the Danish party has described how it intends to make itself available for multiparty collaborations in DIPD.
- The degree to which the Danish party presents a logical, coherent, and transparent plan for implementing its program, including how the proposed activities are anchored in the party, the staff resources allocated to the program and the amount and cost of administrative support needed to ensure effective grant administration.
- The degree to which the Danish party presents how it will analyse and manage risks in its partnerships.

1.9 AFTER APPROVAL OF FRAMEWORK AGREEMENT

If the Board has comments to the FA, which calls for adjustments of the FA itself, these must be undertaken in consultation with the secretariat before any funds can be transferred.

1.9.1 OVERALL GUIDANCE TO DEVELOPING THE BUDGET

Outcome-based budgeting can be defined as the practice of developing budgets based on the relationship between funding and expected results. It increases visibility into how DIPD policies translate into spending and focuses on the outcomes of a funded activity.

Any FA must feed into and contribute to DIPD's five strategic goals:

1. Political parties formulate and communicate political solutions.
2. Political parties are inclusive and engaging organisations.
3. Political parties are democratic organisations.
4. Political parties engage in cross-political cooperation and dialogue.
5. DIPD documents and learns from results.

Consequently, an engagement results framework should be outlined in the FA.

EP has the discretion to reallocate between outputs within the budget. Changes exceeding 30 % must be presented to and approved by the DIPD Board.

It is important to take note of the regulations for salary levels for the Danish personnel, larger investments and international travel costs. Management of funds in the engagement should always be handled with due economic considerations.

It is the responsibility of the Danish organisation to keep substantial engagement equipment and inventory, as well as engagement personnel, insured to the extent that it is relevant and possible.

If salaries or remuneration costs are included in the budget for Danish staff, the EP must have appropriate registration with the Danish Customs & Tax Authorities.

All budgets must be prepared in Danish Kroner (DKK).

1.9.2 DIPD SUMMARY BUDGET FORMAT

#	Budget line	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Total DKK
1	Salary						
2	Administrative costs						
3	Total salary and administrative costs (1+2)						
4	Investments						
5	Activities in Denmark						
6	Travel						
7	Engagement and knowledge sharing						
8	Total cost in Denmark (1-7)						
9	Transfers to partners						
10	Budget margin						
11	Audit						
12	Total						

Budget allocations per output.

1.1	Political parties formulate and communicate political solutions.	
1.2	Political parties are inclusive and engaging organisations.	
1.3	Political parties are democratic organisations.	
1.4	Political parties engage in cross-political cooperation and dialogue.	
1.5	DIPD documents and learns from results.	
	Engagement cost total	

1.9.3 EXPENSES AND BUDGET LINES

Below is a detailed description of the types of expenses that can be budgeted under each budget item, how these are handled, and which general rules apply.

As stipulated in the law and as decided by DIPD's board, a minimum of 50 % of DIPD's total grant for the strategy period must be spent on multiparty partnerships. It is the shared responsibility of DIPD's board, DIPD's secretariat and the political parties to ensure that this obligation is honoured.

As DIPD carries out its transition to a new grant system, the political parties' responsibility for financing the multiparty partnerships increases gradually. In 2021, 2022 and 2023-2025 respectively all political parties must spend the following percentages on multiparty partnerships as defined by DIPD's board.

	2021	2022	2023-2025
Partnership pool – % of funds for multiparty partnerships	20 %	35 %	50 %

However, as per May 2021 DIPD's board is yet to define the principles of DIPD's future multiparty partnerships. This definition is expected no later than December 2021. All political parties entering FA's with DIPD before December 2021 must therefore set aside 20 % of their total grant for 2021 and make them available for multiparty partnerships from January 2022.

ITEM 1: SALARY

The budget line covers all salary expenses, salary related expenses and fees paid to employees in the political parties in Denmark as well as consultants paid for implementing or administering the engagement. Staff members of the applicant's organisation can be paid to carry out project work under this budget line. All hours must be recorded in a time recording system, so that an activity-specific application of hours can be documented.

The following work areas can be included in the budget item "salary":

- Coordination of project activities with external participants.
- Development of engagement-specific policies, strategies, and guidelines.
- Professional advice, support, and capacity building of partner.
- Professional support for the partner's management and accounting.
- Recruitment of staff, including consultants for a specific activity.
- Monitoring of project activities.
- Information activities.
- Financial management of the engagement.
- Administrative support of the engagement.

Fixed rules are made for how large a proportion of a grant that can be allocated to salaries or remuneration for consultants and administration (see point 3 below).

ITEM 2: ADMINISTRATIVE COST

This item covers the EP's expenses in Denmark towards administering the engagement activities included in the application. The amount should cover operating costs such as rent, IT- and telephone expenses, office supplies etc. No salaries should be included under this budget line.

ITEM 3: TOTAL SALARY AND ADMINISTRATIVE COST

An expenditure ceiling on salary and administrative costs has been decided by the Board. The ceiling is 30% of the total engagement actual costs.

The ceilings should be met for the whole engagement period and not necessarily each calendar year.

ITEM 4: INVESTMENTS

This budget line covers purchases of equipment (investments) to support the general implementation of the engagement.

The funds cannot as a general rule be used for the purchase of vehicles, investments in buildings, other equipment or large machines. DIPD has imposed an upper limit of DKK 20.000 per single investment in assets. If special circumstances apply, the limit may be waived after the applicant has received special permission from DIPD.

ITEM 5: ACTIVITIES IN DENMARK

This item covers activities that are taking place in Denmark and that are directly related to the engagement. The item also covers cost related to visits from partners to Denmark, e.g., visits in connection with elections or visits to democratic institutions in Denmark.

ITEM 6: TRAVEL

Under this budget line, the EP shall budget all international travel, which is to be held as part of the engagement. This applies to both journeys involving consultants, own staff, and volunteers, as well as travel related to monitoring and general progress of the engagement, but also reviews.

The total travel expenses for an international trip includes the following: airline tickets, other transport, daily allowances (per diem), accommodation, insurance and costs associated with vaccination and necessary medication.

In a Danish context, the *Ministry of Finance's circular for business trips* (updated once a year) applies for the determination of hourly and daily allowances for travelling. The maximum amount for allowances is specified in the circular. The calculation method referred to in the circular is used, which means that paid meals are deducted. If meals are included in connection with a seminar, conference or meeting etc., (lunch, dinner) or breakfast e.g., at the hotel, then the daily allowance rate must be deducted with 15% for breakfast and 30% for lunch and dinner respectively. The remaining 25% is for other small necessities, e.g., a newspaper or a cup of coffee.

In accordance with the regulations from the Ministry of Foreign Affairs middle class hotels should be used. However, there may be special circumstances in some cities, e.g., where security issues may deem it necessary to use hotels of a better standard

than middle class. In these cases, a note explaining the special circumstances should be made.

The same principle applies to travel form, where travellers should use economy class or "cheapest form of travel" unless in the case of special circumstances such as sickness, special needs, disability, etc. A note should also be made here. Local transport associated with an international trip (both departure and return) can also be included in the total travel expense. Expenses for travel insurance and vaccinations can also be included in the total travel costs.

ITEM 7: ENGAGEMENT AND KNOWLEDGE SHARING

Under this budget line, the EP shall budget all costs related to engagement and knowledge sharing. The item covers cost related to documentation, learning, monitoring, evaluations, and experience gathering. Expenses related to outcome harvesting and outcome mapping should be included here. Activities related to national and international knowledge sharing including making results available for research in democratisation and the role of political parties, should also be included here.

ITEM 8: TOTAL COST IN DENMARK

Item 8 is the total of item 1 – 7.

ITEM 9: TRANSFERS TO PARTNERS

Under this budget line all transfers to partners should be budgeted. DIPD's board has a clear objective of ensuring that a considerable percentage of DIPD's grant is spent through and with the partner organisations, while also ensuring the necessary organisational, administrative, and programmatic capacities in Denmark. The Board has consequently decided that minimum 50% of each EP's total engagement should be transferred to partners within the engagement period.

The transfers to partners should be used for implementing the engagement activities at the partner.

ITEM 10: BUDGET MARGIN (3-5 % OF ITEMS 1-9)

A margin in the budget of a minimum of 3 % and a maximum of 5 % of the total costs of items 1 to 9 should be made in the budget format.

Budget margin can be used in case of unforeseen expenses in relation to other budget items. This would typically be because of currency fluctuations, which increase the cost of the engagement budget, and if other conditions mean that expenses will increase more than anticipated at the time of budgeting.

Transfers from the budget margin do not need to be approved by DIPD, but a request must be submitted to DIPD in cases where:

→ *Funds need to be used from the budget margin to extend or amend the activities:*

Redistribution and use of the budget margin should always be carried out within the overall objective of the engagement.

ITEM 11: AUDIT

All EP's that receive grants from DIPD are subject to an external audit performed by an approved auditor. The audit must be carried out yearly – though the accounting period can in certain cases be extended up to a maximum of 18 months.

The audit can be undertaken by the EP's usual external auditor or another external auditor with whom a specific agreement has been made regarding audit of the engagement. The costs associated with this audit should be budgeted under this budget line.

The grant must be included in the EP's overall audited annual accounts.

1.10 REPORTING, MONITORING AND REVIEW

The on-going monitoring and reporting of engagements is the joint responsibility of the EP and their partners.

DIPD encourages EP to be as honest and open in the M&E and reporting as possible, and to be clear about lessons-learned and how the party, the partner or DIPD can act on lessons learned.

The EP must deliver the annual reports and audited annual accounts in accordance with the following reporting plan:

Reporting period	Reporting deadline	Reports
01.07.2021-31.12.2022	31.03.2023	Narrative report Audited annual accounts
01.01.2023-31.12.2023	31.03.2024	Narrative report Audited annual accounts
01.01.2024-31.12.2024	31.03.2025	Narrative report Audited annual accounts
01.07.2021-31.12.2025	31.03.2026	Final narrative report Final audited accounts

1.10.1 REVIEWS, EVALUATIONS AND LEARNING EXERCISES

Learning exercises, evaluations or reviews can be internal or external and are used to take stock at a point in time of how an engagement is progressing. Learning exercises, evaluations or reviews aim to strengthen the continuous learning and method development within DIPD's strategic goal and effort areas in the political parties, partners and DIPD.

The political party entering a FA is obliged to participate in any learning exercise, evaluation, or review, which DIPD or the Danish Ministry of Foreign Affairs initiates during the engagement period.

2. GRANT ADMINISTRATION



2.1 INTRODUCTION

When an EP receives a grant from DIPD, it becomes obliged to comply with a number of conditions and requirements the way the funds are managed.

This part of the guidelines contains information on many different aspects of the administration, which the EP must be acquainted with. In addition, the chapter contains a reference to various formats to be used concerning the practical management of the grant.

Accounts shall be kept in accordance with internationally accepted accounting principles, must follow the basic four-eye principles for all payments and secure proper and solid segregation of duties. The accounts shall be drawn up to the same level of detail as is done in the budget. The total grant cannot be exceeded and shall be used for the agreed purpose only.

The grant shall be kept and accounted for separately from other funds as well as other sources.

2.2 REQUIREMENTS AND RESPONSIBILITIES

The EP has the full responsibility for administering the funds in accordance with the basis on which they are granted, including:

- that the funds will be used for the purpose that is described in the FA, which DIPD's board has approved;
- that all engagement costs must be held within the approved grant period, unless otherwise agreed between DIPD and the EP;
- that the EP helps to prevent corruption and misuse of the funds;
- that the financial processes are adequate, including sound internal control; that bookkeeping and accounting are in accordance with generally accepted bookkeeping and accounting practices, and that engagement funds shall be subject to external audit;
- that the EP of the funds, or organizations which have a share in the funds, are not included in the UN or the EU's terror lists (see www.um.dk);
- that the EP reports significant problems or irregularities in the engagement to DIPD's secretariat as soon as possible;
- that the EP carries out regular and appropriate monitoring of the engagement implementation, management and the partner's management of the funds, including the partner's capacity for this;
- that the EP submits reports and audited accounts within the given deadlines.

2.3 PRINCIPLES OF ANTI-CORRUPTION

All EP's management of funds from DIPD must comply with the principles of anti-corruption of the Ministry of Foreign Affairs. The EP must also be prepared to sign an anti-corruption clause included in the cooperation agreement with the following text:

"No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted – neither directly nor indirectly – as an inducement or reward in relation to activities funded under this agreement, incl. tendering, award or execution of contracts. Any such practice will be grounds for the immediate cancellation of this agreement/contract and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Danish Ministry of Foreign Affairs, a further consequence of any such practice can be the definite exclusion from any tendering for engagements, funded by the Danish Ministry of Foreign Affairs".

It is the Danish party's responsibility to ensure the abovementioned. At the same time, the Danish party shall ensure that its partner in the South has the necessary administrative capacity to carry out a sound and adequate management of the allocated grant.

DIPD's policy on anti-corruption will be developed in the second half of 2021 and added to the DIPD guidelines.

2.4 BREACH OF CONDITIONS FOR RECEIVING DIPD FUNDS

If the funds are not managed correctly, or if there is evidence of irregularities in the accounts, DIPD may finalize the engagement and request for repayment of the funds granted. The conditions for receiving the funds have been breached, if the engagement does not live up to the given prerequisites of the grant, e.g.:

- *delays in the implementation of more than 6 months, which has not been approved by DIPD;*
- *lack of or inadequate financial reporting from the engagement;*
- *important but not approved changes to the engagement in relation to the basis of the grant;*
- *Other irresponsible forms of management of the grant, including breach of these guidelines.*

In case of documented breaches, DIPD shall be entitled to take appropriate measures to limit the consequences. This can be a written complaint with request for a remedy of the situation, implementation of a review of the EP's management, cessation of additional payments, phasing-out or the closing of the activities. In the latter case, all unspent funds shall be refunded, and funds already paid may have to be repaid to DIPD and compensation may have to be paid in the event of financial losses.

2.4.1 CONCLUSION OF AGREEMENT ON COOPERATION

The EP shall, as a part of the grant procedure, conclude a legally binding agreement on cooperation with its partner. The conclusion of such a binding contract is designed

to ensure that the grant the DIPD board has approved will be managed properly. The agreement refers to all administrative procedures linked to the payment of funds, proper submission of reports and requirements for the management of the funds.

The agreement on cooperation is a formalisation of the specific engagement and the activities, which the parties have agreed jointly. The agreement also reflects the reciprocity in the partnership and describes responsibilities and obligations as well as rights of all parties. It should be designed in a way that enables it to be used in the engagement implementation, if/when replacement of staff and ambiguities, discrepancies or direct conflicts should occur.

It is important that the EP early in the process of preparing the engagement document with the partner introduces the format of the agreement on cooperation, and very closely reviews all items in the agreement with the partner. This is partly to ensure that the partner agrees to the requirements for the administration and the accounts, but also to find out whether anything should be added to DIPD's format. You may contact DIPD's secretariat, if you want guidance on how to draw up a definitive agreement on cooperation.

The agreement cannot be completed before *Engagement Partner-Partner – Financial Agreement* are filled in (Annex 2). The agreement shall be concluded before the grant can be paid.

2.4.2 PAYMENT OF FUNDS

The payments shall be made in two instalments per year as agreed, in accordance with the approved FA and associated budget, as well as partnership agreement, annexes, and formats. The payments will basically be divided into a number of equal semi-annual amounts based on the timespan of the engagement. If an engagement of DKK 9 mill. has a timespan of 4½ years the maximum half-yearly payment will be DKK 1 mill.

The funds shall be made available upon request. The first instalments shall be paid after the signature of the partner agreement. When the first engagement period of 18 month has ended the fifth and the subsequent instalments will be paid after the approval of the audited accounts. DIPD transfers the funds to the Danish EP, who are responsible for the transfers of funds to the partner.

The EP sends a payment request to DIPD's secretariat (a fixed format is not used), which makes the transfer on this basis. The EP must confirm receipt of the funds transferred to its bank account with email.

2.5 ADMINISTRATIVE PROCEDURES

There are a number of administrative tasks linked to receiving a grant. They are important and therefore described in detail in the following sections.

2.5.1 BANK AGREEMENTS AND SEPARATE BANK ACCOUNT

The EP as well as its partners must create a separate bank account only to be used for the granted funds. When DIPD has received the relevant documents, the transfer can be started.

2.5.2 BOOK-KEEPING AND ACCOUNTING FUNCTION

The EP must maintain or create a secure and reliable accounting system, including having an accounting function in place to carry out engagement accounting and transfer of funds. The accounting system should be tailor-made to the outcome-based accounting and shall be presented in the same way as the budget.

The EP must ensure that financial processes are reliable, both in the EP's organisation and in the partner organisation(s), and the EP must ensure that there is an adequate internal control with proper separation of bookkeeping, payments, and control. The EP and the partner's bookkeeping shall be updated on a regular basis, documented with supporting documents and be in accordance with good bookkeeping and accounting principles.

To ensure the above a chart of accounts/accounting system may be established as follows:

- *Establishment of operating accounts, which follow the budget as granted by the DIPD Board.*
- *Setting up the balance sheets accounts under assets: one for the DIPD bank account and one for transfer of funds to the partner.*
- *Setting up the balance sheets under liabilities; one for the engagement grant/rest for settlement with DIPD (reimbursement of unused funds).*

By setting up these accounts, a clear description of the engagement's economic status is ensured, and the layout may be used for status and final reporting.

The EP must keep the accounting data for the engagement in accordance with the requirements of the Danish Bookkeeping Act and for 5 years after the completion of the engagement.

The EP has the responsibility to ensure that the partner organisations also comply with the above.

The EP can take advantage of Humentum's Health Check (<http://www.humentum.org.uk/Guide/HealthCheck>) in relation to assessing the local partner's capacity to deal with the financial management of the engagement – and try the test on their own organization.

DISTRIBUTION OF EXPENDITURES

For the grant period 2021-25, the activities of the engagements and thus budgets are divided into five strategic goals:

- 1. Political parties formulate and communicate political solutions.**
- 2. Political parties are inclusive and engaging organisations.**
- 3. Political parties are democratic organisations.**
- 4. Political parties engage in cross-political cooperation and dialogue.**
- 5. DIPD documents and learns from results.**

The accounting breakdown of expenses must follow the same model as the budget, which means that all expenses generated in the engagements must be posted in the strategic goal areas the engagement is contributing to. Many expenses can be directly attributed to specific areas of action as they are directly related to the efforts. However, many expense items will be of a more general nature and therefore cannot be meaningfully posted in a specific area of action. The following describes how to handle expenses that are not related to a specific area:

When an engagement works within two or more strategic goal areas, general expenses that cannot be attributed specifically to an area of activity should be allocated according to a distribution key, which is based on the percentage distribution of activities in each strategic goal.

Expenditure items such as salaries, rent etc., general travel and subsistence expenses are allocated according to the above model. For example, if an engagement is working in two strategic goals where the cost of activities accounts for 60% for one strategic goal and 40% for another strategic goal, general expenses are allocated according to the key 60/40 and are booked in a similar manner. An Engagement Partner – Partner budget format is available in annex 6 for voluntary use.

2.5.3 CURRENCY MANAGEMENT AND SETTLEMENT

Local partner accounts shall be presented in the currency in which the adopted budget is prepared (the local currency). As the funds are transferred in a currency other than the one the spending is made in, the auditing of the local accounts shall include calculations and verification of the exchange rate used, and hence also a statement of any exchanges rate profit/loss. An example of this is if the funds are transferred in DKK, received in US Dollars, and spent in TSH (Tanzania Schillings).

In the reporting from the local partner, both the current spending and the yearly audited accounts shall be drawn up so that the budget lines can be read directly.

At the time of reporting/audited accounts, the spending should be recorded in the EP's total accounts with a weighted average price (average of the exchange rates at the transfer of funds).

Upon receipt of audited accounts from the partner, the spending should be recorded in the total accounts as a so-called "*weighted average* exchange rate", which is the average of the exchange rates of the transfers.

Any exchange rate losses can be covered from budget line 10 (budget margin). The budget margin can be used to cover the kind of unforeseen expenses (including extraordinary price changes and changes in exchange rates, which causes salary increases, etc.).

2.5.4 REGISTRATION OF ACCRUED INTEREST AND EXCHANGE RATE GAINS

Interests accrued from bank holdings should be recorded as income and may be used for activities supporting the objective of this development engagement or returned to DIPD at the end of the engagement. Negative interests are to be accounted for as expenditures and may be covered by the grant.

2.5.5 MANAGING INVESTMENTS

DIPD recommends that EP do not use engagement funds for investments (procurement of assets of a value of more than DKK 20,000, which is not directly related to the engagement implementation).

There is no depreciation on investment in engagement accounting financed with Danish aid resources. However, the partner's audited accounts must contain an "inventory list", which summarizes all purchases of equipment and investments.

If there is to be a transfer of investments in connection with the completion (both on time and before time) of an engagement, this should be done using a so-called "Transfer Document" (Annex 3).

This document shall be completed so that a written agreement is entered into by the EP and the partner, which describes the conditions for a formal transfer of the investments made in the life of the engagement (e.g., computers). The EP makes it a condition that the partner does not resell the investment to earn money and the partner undertakes to maintain the investment etc. The EP may alternatively require that the partner sells investments, in case of reimbursement of funds; or fraud and fraudulent misrepresentation, where the engagement is completed, and funds shall be paid back.

2.5.6 NARRATIVE AND FINANCIAL REPORTING

There should be periodic and final reporting to DIPD from the EP in accordance with the deadlines spelled out in the FA.

An audited account should be prepared yearly of both the EP's and the partner's accounts. An accounting period up to 18 months, which is the maximum, can be accepted when starting up as well as when ending an engagement.

It is a requirement to the EP that exact dates for the submission of audited accounts must be agreed in the FA as well as dates for payments of funds in continuation of submitted accounts. Payment of the instalments is subject to timely submission of audited accounts. Audited accounts must be submitted to DIPD no later than three months after year end (end of March) or six months after the end of an engagement.

2.6 MANAGEMENT OF FUNDS

The following section deals with the requirements that apply to accounts, budget, and audit of the DIPD funds.

2.6.1 THE APPLIED ACCOUNTING POLICIES

The accounts must be presented in accordance with guidelines from the Danish Ministry of Foreign Affairs as well as in accordance with DIPD Guidelines.

The EP and the partner should keep accounts for grants received in accordance with sound bookkeeping and accounting principles. The EP should prepare internal guidelines to ensure that the funds are administered adequately and used in accordance with the objectives of the grant. The EP shall keep accounting records in accordance with these guidelines. The records shall be kept for five years after completion of the engagement eligible for support. Accounting records shall be available for control by DIPD, by the Danish Ministry of Foreign Affairs, or by the Danish Auditor General. Grants received shall be deposited into a separate bank account.

2.6.2 REVISIONS OF BUDGETS DURING ENGAGEMENT PARTNERSHIP PERIOD

The EP has the discretion to reallocate between outputs within the budget. Changes exceeding 30 % must be presented to and approved by the DIPD Board.

2.6.3 REQUIREMENTS FOR ACCOUNTS

The layout of the audited yearly accounts must be well structured and in accordance with the DIPD Guidelines. They shall include any information necessary for their comprehension. In the accounts, the EP shall substantiate that the grant has been used in accordance with the objectives of the authorized grant approved by the DIPD Board.

The yearly audited accounts shall contain the following:

- *Identification*
- *The management's endorsement*
- *Accounting report*
- *Audit report*
- *Accounting principles applied*
- *Statement of income, expenses, assets and liabilities*
- *List of assets*
- *A summary of exchange rate calculations, and a calculation of the weighted average exchange rate (see previous section)*
- *Specification of any remaining unspent funds*
- *Statement of repayment of interests accrued on bank accounts*
- *Statement of discrepancies, if any, between actual disbursements and those considered in the grant budget*
- *Notes*
- *Appendices, if relevant*

Identification of the accounts shall clearly state the name of the EP, the name of the engagement, and the accounting period. The EP management who by way of their signatures, vouch for their contents shall endorse the overall final accounts.

NB: The partner's accounts must be incorporated into the EP status and accounts, and the report shall include an assessment of the quality of the partner's financial report and accounting capacity. See section 2.6 (above) regarding requirements for bookkeeping and accounting function. Model accounts that fulfil above requirements are available in annex 7 (Danish) and annex 8 (English).

2.6.4 REQUIREMENTS FOR AUDIT

It is recommended that before the start-up of the engagement, an agreement should be made between the EP and an auditor. The auditor can provide the engagement staff with advice and guidance to accounts, procedures, etc. Subsequently the auditor should audit the yearly engagement accounts.

The financial statement may be prepared as an "Appendix statement", i.e., the financial statements cover the financial situation of the entire organisation, but a detailed income and expenditure information pertaining to particular grants or engagements is specified in a separate section, notes or appendices to the general financial statement.

The accounts shall bear an endorsement, which indicates that the audit is carried out in accordance with international standards (*ISSAI 100 – Fundamental Principles of Public Sector Auditing and ISSAI 200 – Fundamental Principles of Financial Auditing*). It is expected that the auditor examines whether internal controls are functioning.

The formulation of the auditor's conclusion and statement shall be unambiguous, clear and comprehensive. Where the auditor makes a qualification, it shall be done

so clearly. When preparing the conclusion and statement the auditor shall take into consideration the comments and statements made in the accounts of the EP.

The partner and its auditors should be informed about the requirements for the audit. The partner's audited report must be included as basis for the Danish auditor's audit of the overall accounts.

In the audit it is examined whether the engagement accounts are true and fair and whether the transactions covered by the report are in accordance with the grants issued, the agreements entered into, contracts entered into, as well as acts and other regulations governing the grant administration.

The auditor should examine whether the management of funds in the engagements have taken due economic considerations. The audit should be tailor made to each engagement in accordance with the engagement activities, but the following check should be made: Whether economic sense has been used in relation to procurement of e.g., computers, airline tickets (economy class), hotel rooms, car hire etc.

For detailed Audit Guidelines see annex 4.

DIPD and The Royal Danish Auditor must for the entire engagement period, as well as the retention period of 5 years for accounts have access to carry out investigations of the material, which is the basis of the accounts.

DIPD (as well as the Office of Auditor General of Denmark, the Public Accounts Committee and the Ministry of Foreign Affairs) have the right to request all relevant information from the engagement. Engagement personnel must provide support and allow full access to engagement reviews, document reviews, financial analysis, inventory control, account status, distribution of funds in relation to the approved budget, etc.

In connection to the EP's visit, it may be relevant to hold a meeting with the partner's auditor to ensure that the requirements for auditing are adhered to. In connection to DIPD's monitoring of the use of the funds, there may be a need for invoking quality assurance mechanisms.

2.7 REPORTING IRREGULARITIES

It is the duty of DIPD to inform the MoFA of matters in relation to cases of fraud, corruption or financial mismanagement as described below.

Any **probable cause** to suspect fraud, corruption or financial mismanagement relating to the administration of the DIPD funds must be reported.

The obligation to notify DIPD includes all substantial cases of the irregularities. This implies that, as a rule, notification will not be relevant in cases of e.g., burglary or simple theft committed by third parties (not employees of EP or partner), unintentional minor cash differences, liquidation/bankruptcy, lack of documentation for small amounts, temporary delays in bookkeeping and other similar, temporary delays in administrative procedures that are not considered to reflect irresponsible administration.

Incidents caused by traffic accidents, fire, and natural disasters or similar shall not be reported unless there is suspicion of deliberate and ill intentions behind the inci-

dent. Relevant incidents must be attended to without unnecessary delay and reported to DIPD no later than one week after the irregularities have come to the attention of the EP. In cases of doubt whether to report or not, DIPD must be consulted.

A report regarding the case must be submitted by the EP via e-mail to DIPD. The EP is requested to estimate the suspected amount of the potential loss of funds involved in the incident. The report should explain the matter in a clear and precise way, as well as explain any actions taken to investigate and/or rectify the matter. The report will be forwarded to the Ministry of Foreign Affairs.

By default, the letter sent to the Ministry of Foreign Affairs will be published on the Ministry of Foreign Affairs website.

There are two ways of following up:

- To **submit a report to DIPD**. This option is chosen when there is a development in the case with new events or information.
- To create a **follow up note to DIPD**. This option is chosen if there has been no substantial development in the case since last report sent to DIPD. The follow-up note contains information on actions taken and events happened regarding the case since last report or follow-up note.

It is the responsibility of EP to document and to submit a report continually and at least every six months until the case is closed. The report(s) and the follow-up note(s), serve as documentation.

2.8 COMPLETION OF THE ENGAGEMENT

As part of the formal finalization process, **unspent funds** including accrued interest and any exchange gains must be returned to DIPD in continuation of the final accounting.

In the case of **equipment and investment** a "transfer document" must be prepared with the partner, in which it is agreed how this is transferred. DIPD must receive a copy of such a document.

The **deadline for submission** of the final report is 6 months after the end of the engagement according to the engagement document.

3. ANNEXES AND FORMATS



DIPD has drawn up a series of annexes and formats accompanying these guidelines. They are all available on the DIPD website, and all in English only.

Annex 1	ENGAGEMENT PARTNER-PARTNER AGREEMENT This document makes up the legally binding agreement regarding the provisions for the funding between the 2 partners in the engagement (The Danish political party and its partner). It contains formulations about the guiding principles concerning management of the funds.
Annex 2	ENGAGEMENT PARTNER-PARTNER - FINANCIAL AGREEMENT This format shall be used to formulate an exact agreement about the total funds and the rates to be transferred incl. agreement on dates for transfer and amounts to transfer. It must also contain information about
Annex 3	ENGAGEMENT PARTNER-PARTNER - TRANSFER DOCUMENT This format shall be used only when an engagement funding period comes to an end. It is a legally binding document about the equipment to be transferred to the Partner. The funder agrees that the Partner can keep engagement equipment.
Annex 4	DIPD AUDIT INSTRUCTIONS The DIPD Audit Instruction should be shared with and be known by the EP's bookkeeper, accountant, financial manager as well as auditor.
Annex 5	DIPD CHECK LIST FOR THE ACCOUNTS SECTION This check list should be shared with relevant stakeholders internally and externally by the partner of the Danish political party or a DIPD partner. This would be the bookkeeper, the accountant and the auditor.
Annex 6	ENGAGEMENT PARTNER - PARTNER BUDGET FORMAT This format can be used as an activity budget for the partner.
Annex 7	DIPD MODEL ACCOUNT - DANISH The model account can be used by the EP and secures that the account fulfils all requirements.
Annex 8	DIPD MODEL ACCOUNT - ENGLISH The model account can be used by the Partner and secures that the account fulfils all requirements.
