



**Danish-Arab
Partnership Programme**

Fund for Academic Cooperation and Exchange
between Denmark and the Arab World (FACE)

Financial Management Manual

Annex 8

(Revised 11/01/16)

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ABBREVIATIONS

DANIDA	Danish International Development Assistance
DAPP	Danish-Arab Partnership Programme
FFM	Finance and Fund Manager
FS	Fund Secretary
MFA	Ministry of Foreign Affairs of Denmark
PC	Project Controller
PM	Programme Manager

1. BASIC STRUCTURE AND AWARD PROCESS

The total size of the grant scheme is 11 mill DKK, which can be awarded to eligible applicants to support projects, fulfilling the thematic requirements and scope of the FACE-programme (and DAPP overall). Individual grants will be categorized and awarded as follows:

1. Large grants (DKK 50,000 –DKK 2,000,000) awarded based on official calls for proposals,
2. Small grants (< DKK 50,000), awarded on an ongoing basis.

The Grant Committee meets on a regular basis with a view to evaluate and select successful applications for large grants.

Decisions regarding small grants below DKK 50.000 will be made by the Chair of the Grant Committee. To the degree possible the Chair will circulate among the grant committee, taking note of comments before the decision is taken.

In cases in which the Chair has a conflict of interest in the grant application, the Deputy Chair will decide on the application..

Following the Grant Committee decisions on grant awards, the Programme Manager (PM) will forward the list of successful applications to the Finance and Fund Manager (FFM) and the following steps will take place within two weeks of the formal decision:

1. The successful applicants will be contacted with an “award notification” followed by a contract to be signed and formalized between the Grantee and the FACE Secretariat,
2. The successful applicant will be encouraged to forward an advance payment request to the FFM (format in annex 2), which complies with the cash flow projection included with the project application. The advance payment request may not exceed 50% of the total budget amount,
3. Following receipt of the advance payment request, the FACE Secretariat will transfer the first fund proceeds to the lead partner’s grant account within a maximum of 2 weeks from the submission request date,
4. During the first month of implementation, the FFM will contact the Grantee (Accountant/Finance Manager) to discuss and fact-check his/her understanding of the requirements with respect to the financial reporting process going forward.

The Lead Institution is responsible for informing the local partner(s) and participants about the rules set out in these guidelines and ensure that they are complied with.

These guidelines outline key financial aspects associated with grant applications, and comply with the standard financial reporting and Fund management requirements of the Danish MFA.

2. APPLICATION PROCESS: BUDGET AND FINANCIAL ASSESSMENT CRITERIA

Each applicant must prepare and submit **an application form** accompanied by **a project budget** and a **cash flow projection** (for large projects) describing the anticipated flow of funds throughout the project

implementation period. A budget format is attached in Appendix 1 of this manual. The initial budget must include sufficient resources to implement the project, as the availability of supplementary funding cannot be guaranteed during subsequent calls for proposals.

The budget formats to be used when submitting an application are the same, regardless of the size of the grant.

The budget must be stated in DKK and include *all principal items* and the goal of the project. The budget must itemize all project expenditures, which are eligible for support, including but not limited to local administration costs (partner's administrative costs), and, as required, investment costs (such as minor office equipment needed to implement the project, i.e. a printer cum scanner). To the extent possible, all expenses should be budgeted as actual expenses in the budget development phase. It is recommended, that lump sums are only be included to the extent, that actual expenses cannot be reliably determined.

The amount of the total funds transferred to the Partner in the MENA region must be clearly indicated in the budget.

The budget must include *the direct project-related expenditures for implementation and management*, including expenditures in relation to local project management in the field (project office rent, office expenses, travel expenses, accommodation, project vehicles, project equipment, etc.).

Eligible expenses: The Fund will primarily provide *activity-based funding* rather than core funding. However, in principle, all project expenses related to academic cooperation between the partners, which fall within the defined DAPP themes, are eligible for support, including student activities, alumni networks, conferences, study exchanges, expenses associated with project-related travel and meetings etc. The project budget submitted as part of the grant application must specify all expenses clearly.

Eligible expenses include:

- Local partners' costs related to the specific project activities in question, such as materials and equipment,
- Salaries for a Project Coordinator in the lead organisation,
- Activity specific, short-term consultancy services, notably for facilitation and training activities,
- Travel costs, including Per Diem, notably expenses for trips abroad and fieldwork related to the project,
- Costs to implement workshops, seminars etc. such as costs to produce presentations/training materials, food, transport and lodging expenses for eligible participants,
- Minor costs for equipment or other investments necessary for training activities,
- Costs related to awareness raising activities (publication, communication, dissemination),
- Costs associated with interpretation and translation,
- Auditing costs,
- Budget margin (max. 5%)
- Overhead (max. 30% of direct project costs)

Travel expenses must be budgeted as economically as possible. Daily allowances (per diem) must not exceed the rates set by the Danish MFA, air travel must not exceed economy class prices, and accommodation must not exceed the rates of an ordinary tourist class hotel.

Terms of Reference should be drawn up for short term consultancy services covering activity-specific facilitation and training detailing what the consultant is expected to contribute with, in what ways and for

what purpose. In the case that internal staff are proposed as consultants, maximum rates are calculated on the basis of time registration and according to real salaries. Salaries/fees must be included in the budget. Maximum fee rates apply according to the MFAs rates as elaborated in 'Administrative retningslinjer for tilskudsforvaltning gennem private danske organisationer'¹.

Non-eligible expenses:

- Salaries for other personnel than Project Coordination and short term consultancy as outlined above,
- Scholarships (masters and PhD's) for individuals,
- Activities with the partial or full objective of favouring one company's/stakeholder's narrow interest or spreading a party-political or religious message, or interventions providing one-sided support for a political party,
- Establishment of primarily Danish networks,
- The development of inappropriate parallel structures, e.g. organizations, institutions that exist already or are under establishment,
- Activities aimed solely at capacity building within the Lead Institution,
- Running costs within the applicants' organizations – all costs must be related to the particular project (overhead % may be charged),
- Land and buildings

It is important to note, that no other salary costs than those specified under "eligible expenses" may be budgeted.

Audit expenses must be budgeted separately. Audit of the general annual accounts of the grantee organization are not covered by the grant. See detailed audit regulations in section 5.

Overhead: Applicants may include up to **30% of the direct project costs** to cover overhead. Overhead is defined as costs not directly incurred from the specific project activity. The maximum 30% overhead provision will contribute towards covering the general administrative costs incurred by the project of the Lead Institution's head office in Denmark and – if and when relevant – the Danish Lead Institution's field office(s) in the country/countries, where the project is implemented. The applicant is not required to document these expenses in the course of the financial reporting and audit process.

Specifically, overhead is calculated as maximum 30% of total direct project costs, excluding provisions for local/DAPP partner administrative costs, and then included in the total project budget. For the sake of transparency, all applicants must clearly state the calculation of overhead in the total project budget.² It should be noted, that direct costs included in the overhead calculation may include audit costs, which are directly related to the project. However, the budget margin (5%) should not be included in the baseline for calculating overhead, as it is a contingency and will not necessarily become a direct project cost.

The utilization of funds covering overhead need not be specified nor documented, neither in the budget nor in the auditing phase.

¹Rater for aktivitetsspecifik konsulentbistand, <http://um.dk/da/danida/samarb/civ-org/adm-ret/tilskudsforvaltning/enkeltprojekter/>

²Note that the overhead for Danish institutions differ from rate set by the Ministry of Finance's budget guidelines

All applicants are encouraged to contact the Finance and Fund Manager (FFM) and/or the FACE Help Desk with questions and/or the need for clarification pertaining to eligible expenses/budget items eligible for FACE support. The relevant contact details are listed in section 8 of these guidelines.

Co-funding: The budget may include co-funding from participating public and/or private-sector partners in Denmark and abroad, either in the form of monetary contributions or as payment 'in kind', *i.e.* by making equipment, staff, etc. available. While co-funding from various sources is encouraged, co-funding from Danish Government research institutions should preferably not exceed 10 per cent of the total activity budget for the project (not measured against the individual budget items). Co-funding contributions must be described and specified clearly in both the project application and budget.

Evaluation of the budget: All budget items presented as part of a project grant application will be evaluated carefully by the Grant Committee. The evaluation will look at each category of expenses, the appropriateness of the level of expenses and meaningfulness within the context of the overall project framework. As an example, the budgeted expenses must reflect that „Air miles“ earned on flights in connection with project activities are not redeemed for personal use by organization staff but used to reduce the cost of other official journeys within the duration of the grant funded project implementation. When evaluating the budget as part of the overall grant application, an assessment of the project's cost effectiveness will be undertaken. Essentially, this means an evaluation of:

- The costs of local administration and travel and how they suit the needs and characteristics of the project,
- The relation between the outputs of the project, the scale of activities, the number of participants or members of the target group, and the total budget,
- A realistic cost level in view of the context of the project, not least if local partner organizations are to cover future expenses themselves in part or in full

Applicants may not be disqualified based on budgets only. However, in cases where the Grant Committee finds the budget unrealistic, the applicant will be asked to submit a revised budget based on the comments received. The revised budget will be the basis of the grant and included in the Award agreement.

3. DISBURSEMENT OF FUNDS

As specified in the core Danish MFA grant funding guidelines, the disbursement of funds will largely follow the standard for similar grant fund mechanisms as outlined below. A general condition for the transfer of funds is that previously paid instalments have been spent in accordance with the agreement, that satisfactory financial reporting on previous periods has been submitted, and that no other accounts remain unsettled. Documentation to this effect may also be required if disbursement is being requested ahead of the date specified in the agreement.

Small grants below DKK 50,000: The entire grant will be disbursed in one instalment at the commencement of the project for small grants no matter the duration of the project.

Large grants above DKK 50,000: The first instalment will be disbursed at the commencement of the project. Subsequent instalments will be subject to the approval of bi-annual narrative and financial reports,

or as according to the reporting schedule in the award agreement. Grants below DKK 250,000 will be transferred in one instalment.³

The disbursements will take place on the basis of disbursement requests from the lead institution (ref to the cash flow projection prepared as part of the project application).

Funds received must be deposited in a designated account separate from the organization's own funds. The same applies to grant funds that are to be transferred to partners. When the activity is co-financed with other donors, however, the grant funds can be deposited in a joint account.

On setting up the designated bank account in Denmark, the Lead Institution is required to enter into a written agreement with the bank to the effect that unused grant funds will at all times belong to the MFA, and that the bank is not entitled to offset any debts owed to the bank by the organization against, or to levy execution on, funds deposited in the account.

Accrued interest and net currency exchange gains must be booked separately and credited to the MFA. Such sums may not, as stated, be used for project activities.

Documentation is required to prove that all state-funded grant funds used for activities abroad have been transferred from the Lead Institution designated account in Denmark. The Lead Institution is, however, permitted to use any holdings it may have in local currency to finance activities provided that such funds are transferred to the recipient country as part of the organizations own development activities.

Unused grants shall be repaid to the MFA or, after prior agreement with the same, be credited against subsequent grants that may be authorized under any future extension of the same agreement.

Disbursement of additional funds: The FACE-programme is not committed to reimburse the Grantee for the expenditure of amounts in excess of the total committed grant. Additional funds up to the total grant category ceiling may only be committed by the FACE-programme subject to the availability of funds, satisfactory progress of the grant, and continued relevance to the FACE-programme.

The Grantee will be given written notice by the FACE-programme if additional funds will be added.

4. FINANCIAL REPORTING BY GRANTEES

The letter of award to the Grantee together with the contract will describe, how and when to submit audited budgets, regular and final reporting requirements on the project's result and evidence according to performance indicators. The Danish Lead Institution will take responsibility and thereby commit itself to comply with the technical and financial management and reporting requirements as stated in the contract.

Grant type	Large grants	Small grants
Financial reporting	Bi-annual financial statements	Final financial statements
External audit	By the Grantee	By the FACE-programme

³ Note that this deviates from 'Administrative retningslinjer for tilskudsforvaltning gennem private organisationer', MFA, June 2014

However, according to the requirements of the specific project, funds may be needed in different instalments, which will be outlined in the cash flow projection as presented and described in the successful Grantee application (adjustments to the standard disbursement schedule will be agreed with the Fund Secretariat upon award of contract).

Grantees must forward financial statements, including scanned, supporting documents pertaining to the expenses incurred. The financial statement format is included in Appendix 3 of the Financial Manual. It must be e-mailed to the FFM together with the scanned supporting documents for the incurred expenses for the period in question. The financial statement will be sent **no later than the 7th of the first month following the financial reporting period in question.**

The financial statement will be formally approved by the FACE FFM and PM within a maximum of 2 weeks from the date of submission. Subsequent disbursement of funds (following request for payment from the Grantee) are subject to approval of financial reports.

Awarded grants must be used in conformity with the preconditions stipulated, i.e. the approved project application and budget together with other documents on which the awarded grant is based. Furthermore, all grant funds proceeds must be spent and the corresponding expenses reported and audited within the timeframe of this phase of the FACE programme, i.e. by mid-2017.

Audits: It is the responsibility of the Danish Lead Institution to ensure that adequate accounts are kept of the awarded funds. The Lead Institution must keep the accounting records and materials in accordance with Generally Acceptable International Accounting Practices (GAAP).

It is also the responsibility of the Lead Institution to ensure that sub-statements – annual financial statements as well as final financial statements – from the partner institutions comply with the requirements for financial statements and auditing set out. The Partner(s) will be responsible for forwarding the externally audited project report to the FFM.

Small projects, below DKK 50,000 are not subject to external audit by the Grantees, but will be audited as part of the FACE-programme audit. The Lead Institution is required to forward a full detailed financial statement together with all supporting documentation/receipts within one month of project completion.

All large (DKK 50,000 – DKK 2,000,000) awarded projects must forward a final, externally audited financial statement to the FFM (no later than 2 months after the completion of the project). The audits must follow separate audit regulations for projects above and below DKK 200,000 as elaborated in 'Administrative retningslinjer for forvaltning af tilskudsmidler fra Udenrigsministeriet til Puljer og Netværk finansieret under Civilsamfundsrammen, 2015 (in Danish)⁴.

The accounts must be accompanied by a statement of endorsement declaring that the audit has been carried out in accordance with good public sector auditing practice. Any reservations must be included in the statement of endorsement. Any deviations on individual budget lines exceeding 10% between the total approved budget and the final accounts must be explained, and the approval by the FACE Secretariat must be quoted.

The MFA may always request insight into the audited financial statements of a Grantee.

⁴ <http://um.dk/da/danida/samarb/civ-org/adm-ret/puljeordn/>

5. ACCOUNTING AND FINANCIAL MANAGEMENT PROCEDURES

The Fund is managed in accordance with Danish law and internationally accepted accounting standards. The FACE Secretariat will follow Generally Acceptable international Accounting Practices (GAAP), which – as mentioned - will imply that the contract and the associated expenses will be completely separated from the accounts for the Fund.

According to the Danish Ministry of Finance guidelines, subsidy-financed research activities can be classified as non-commercial research activities, which are part of the ordinary activities of a research institution and financed by income. In this connection, private gifts or subsidies, funds arising from cooperation agreements with partners, public fund proceeds as well as programme proceeds for research etc. can be classified as income.

In general, the Lead Institution is required to maintain secure and reliable accounting. The Lead Institution must ensure that the economic procedures are satisfactory and with sound internal control routines. Bookkeeping must be kept up-to-date, be documented with vouchers and in general observe good bookkeeping and accounting practice. The organization must retain the accounting materials in compliance with the provisions of the Generally Acceptable International Accounting Practices (GAAP) after completion of the activity.

With respect to the financial management and accounting procedures, the Lead Institutions for a DAPP-related academic project must separate subsidized academic activities from the other activities of the institution. The subsidized academic activities need to be accounted for separately on separate sub-accounts under the main account of the institution to which it belongs.

Reallocation: Reallocation among the principal items of the approved budget may take place without prior authorization from the Fund Secretariat (and ultimately Danish MFA) up to a maximum of 10% of the budget for the smallest of the budget lines to and from which Funds are moved. It is highly recommended, that the Grantee contacts the FFM (reference to contact details in section 8), in case of questions pertaining to needs for reallocations within the approved budget.

Reallocations must always take place within the overall objectives of the project. Reallocations in respect of the budget audit may only take place after prior authorization from the MFA (via the Fund Secretariat). In case of the need for such reallocations, the FFM must always be contacted with a view to secure the appropriate approval.

Reallocations must subsequently be reported and accounted for in the next status report (with audited budget) and in the final accounts. Budget overruns caused by changes in prices, and rates of exchange cannot be compensated for through an increase of the grant allocated. Conversion of accounts kept in foreign currency must be made at the rate of exchange in which the transfers have been made (weighted average currency exchange) in order to avoid contrived exchange loss or gain. Any realized net currency exchange gains and accrued interest must not be utilized to increase the approved.

Spending in excess of the allocated grant budget for the project – even when the excess spending has been caused by an increase in costs – cannot be covered by the grant, unless provisions for this have been explicitly agreed upon in advance.

6. CONTACTS

The Fund Secretariat has established a helpdesk to respond to questions and needs for clarification from grant scheme applicants throughout the application process. The following FACE staff may be contacted for specific questions related to budgeting, cash-flow projections/financial planning, payments, liquidity management, financial reporting, accounting & auditing:

Christina Krarup Surlan
Finance and Fund Manager, FACE
E-mail: financialmanager@face-programme.dk

Rune Lamberth,
Fund Secretary, FACE
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