MINISTRY OF FOREIGN AFFAIRS OF DENMARK
Danida

BILATERAL GUIDELINES

GUIDELINES FOR PROGRAMMES & PROJECTS

Version 3.0

PROGRAMME/PROJECT CYCLE
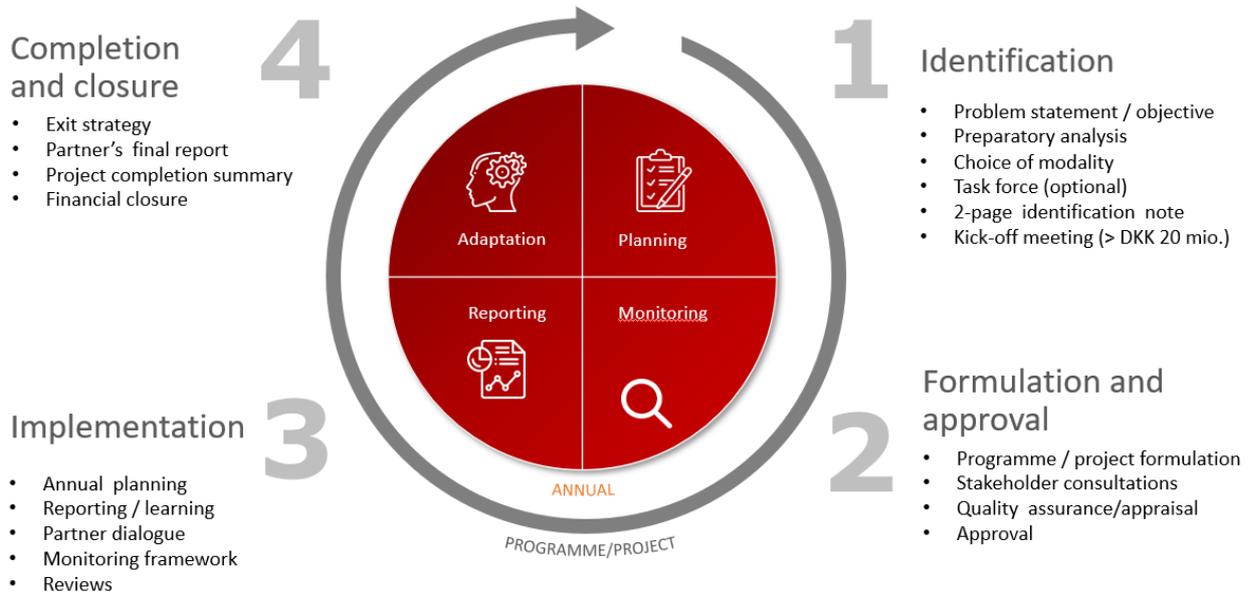
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ANNUAL

PROGRAMME/PROJECT

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ABBREVIATIONS AND ACRONYMS

AMG	Aid Management Guidelines
AFRPOL	MFA Department for Africa, Policy and Development
CFO	Chief Financial Officer
CSO	Civil Society Organisation
DAC	Development Assistance Committee (OECD)
DKJUR	MFA Department for Public and Administrative Law and Archive
DKK	Danish Kroner
DSIF	Public Infrastructure
LÆRING	MFA Department for Evaluation, Learning and Quality
EU	European Union
FMI	Financial Management Interface
TILSKUD	MFA Department for Financial Management and Support
GRAM	Grant Accounts Management
HQ	Headquarters
INGO	International Non-governmental organisation
MFA	Ministry of Foreign Affairs
MFA Units	Departments in headquarters and embassies
MTR	Mid-term Review
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAP	Process Action Plan
PMI	Project Management Interface
QA	Quality Assurance
RF	Results Framework
RFI	Results Framework Interface
SDG	Sustainable Development Goal
SEAH	Sexual exploitation, abuse and harassment
TOR	Terms of Reference
ToC	Theory of Change
UN	United Nations
ØKO	MFA Department for Finance
ØKODIP	MFA Department for Economic Diplomacy

> The **MFA case management system Public 360°** should be used for all workflows related to approval processes described in these guidelines and for filing as per MFA instructions.

VOCABULARY LIST[1]

For a more elaborate vocabulary list and translation of terms to Danish, please see the 'Grant Management Dictionary' at the Grant Management Platform (GMP) at UMbrella (only for the MFA internally).

Accountability: Ability to be held accountable. Obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results, mandates roles and/or plans.

Activities: In the MFA context it can be understood as 1) an activity is the specified string in the Danish Finance Act granting the legal basis for frame management. I.e. an activity in the finance act is the legal ground on which commitments can be made to give funds etc. to a (development) partner. 2) an activity can refer to specific actions i.e. in a results framework or elsewhere in a project.

Appraisal: Impartial assessments of a project or programme prior to final approval.

Country Programme: Portfolio of projects at country-level managed by an embassy.

Bilateral Partnership Agreement: An agreement (non-binding) between Denmark and another country based on a whole-of-government approach to cover areas of strategic cooperation across foreign policy, security, trade and investments, development cooperation etc.

Development objectives: Intended impact contributing to benefit to a society or a community in a project or programme.

Doing Development Differently: MFA initiative to strengthen the relevance and effectiveness of its development cooperation through: 1) reinforcing the holistic approach including between multilateral and bilateral support, 2) an adaptive approach with an increased emphasis on results, learning and local ownership.

Earmarking: Contributions used by a partner organisation in specific projects for specific regions, countries, themes, or sectors, as opposed to core funding.

Effect: Intended or unintended change due directly or indirectly to an intervention

Effectiveness: The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance. Also used as an aggregate measure of or judgement about the merit or worth of an activity.

Efficiency: A measure of how economically resources/inputs (funds, expertise, time etc.) are converted to results.

Engagement: The level at which an agreement is made with one partner. Following, one project can in principle have several engagements i.e. one engagement per partner. In the MFA IT systems each engagement has one specific action card. If a project only has one partner, the project and engagement are the same.

Grant: The broader OECD-DAC definition of grant refers to transfers made in cash, goods or services for which no repayment is required. Internally in the MFA, grant refers to the legal basis behind a commitment. A grant in that context has its own string of accounts on the Finance Act, i.e. development aid, other subsidies, and activities for export promotion. In MFA systems several engagements can be attached to one grant.

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[1] The OECD/DAC maintains a more complete glossary of key terms and concepts at: http://www.oecd.org/dac/dac-glossary.htm

Indicator: Quantitative measure or qualitative observation that serves as a proxy for comparing whether planned activities or results have been achieved.

Impact: positive and negative, primary and secondary, long-term effects (intended or unintended) produced by a development intervention beyond immediate results, looking at wider social, economic, environmental changes for individuals, communities, and institutions.

Input: Financial, human and material resources used.

Localisation: Ensuring that our development engagement puts local actors in the lead, strengthens local systems and ownership, and is responsive to local communities.

Multi-bi: Earmarked bilateral contributions through multilateral and international organisations.

Outcome: The intermediate effects on individuals, communities, or systems connected with an intervention (i.e. a development project that bebefits the target group). NB: Outcomes are not activities undertaken during the intervention and cannot be directly controlled.

Output: Immediate and tangible results from the intervention (i.e. the development project). NB: Outputs are within direct control of the intervention and contribute to the change pathway. They typically focus on target groups, policy makers, or others that interact with the intervention.

Partner: Entity with whom the MFA has entered into a legal agreement for joint development cooperation (a state, a non-state, or multilateral organisation).

Programme: Broadly understood within development cooperation as a larger portfolio of projects in a specific area, such as a thematic, regional, or global programme. The 'programme' is the narrative combining projects designed to contribute to a joint development objective. In the MFA IT systems there is no overall 'programme level'. Rather projects are the top level in the systems, under which comes grants and then engagements.

Project: Development cooperation engagement/intervention implemented by one partner in a well-defined thematic and/or geographical area having a fixed timeline for implementation. In the MFA, a project should in principle only have one partner, while exceptions can be made.

Public procurement procedures: They apply to contracts for financial interest between one or more economic operators and one or more contracting authorities and having as their object the supply of goods or the provision of services.

Result: The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention.

Review: A quality assurance assessment that takes place during the implementation of a programme or project among others based on DAC criteria. Different types of reviews are projected in the AMG, ranging from mandatory mid-term reviews for large programmes/projects to technical reviews with a more specific scope.

Strategic objective: long-term change that a development cooperation initiative seeks to achieve, guiding priorities, resource allocation, and partnerships.

TENTATIVE TIMELINE FOR PROJECTS AND PROGRAMMES

	DKK >100 million	**Between DKK 20-100 million**	**DKK <20 million**
Month 1-3	• Identification of project/programme • Drafting of 2 pager • PAP	• Identification of project/programme • Drafting of 2 pager • PAP	• Identification of project/programme
Month 4-7	• Kick Off Meeting (1 week incl. minutes) • Recruitment process for formulation consultants initiated (if applicable) – process up to 8 weeks. • Formulation of PD, incl. partner selection modality	• Kick Off Meeting (1 week incl. minutes) • Recruitment process for formulation consultants initiated (if applicable) – process up to 8 weeks. • Formulation of PD, incl. partner selection modality	• Formulation of PD • Checklist appraisal by responsible unit • Unit submits for minister's approval (above DKK 10 million) • Head of unit approves (DKK 10 million and below)
Month 8-10	• Early appraisal by LÆRNING • Documentation sent to External Panel • Meeting in External Panel	• Recruitment of consultants • External appraisal • Finalising the PD • Unit submits for minister's approval	
Month 11-12	• Finalising the PD • Desk verification by LÆRNING • Unit submits for minister's approval		

CHAPTER 1 – INTRODUCTION

These guidelines constitute the basic set of procedures for all Danish bilateral development cooperation at country, regional and global/thematic level**.** This includes procedures and requirements for preparation, implementation and completion of projects and programmes of all financial sizes, complexities and durations. There are different requirements with respect to documentation, quality assurance and approval depending on the size and complexity of the programme or project. For earmarked contributions to multilateral organisations as well as core contributions to organisations not on the OECD/DAC list of ODA-eligible international organisations,[2] the Guidance Note for earmarked contributions to multilateral organisations should be applied.

The main target group for the guidelines is the Ministry of Foreign Affairs (MFA) staff responsible for the various phases of bilateral cooperation as well as partners and external consultants assisting with the preparation and assessment of Danish-funded development activities.

Danish development cooperation includes a broad range of bilateral instruments, including in specialised areas. These guidelines apply to such specialised funding modalities by providing the basic rules and procedures, while specialised guidelines or guiding principles cater for the specific needs in particular areas. Specific guidelines exist for special initiatives such as the Strategic Sector Cooperation and the Peace and Stabilisation Fund, as well as for the SDG Facility and Culture Window, and for Support to civil society through Danish organisations. Humanitarian aid also has its own guidelines.

The AMG-website provides access to key Danish policies and strategies including notes for how to implement Denmark's strategy for development cooperation[3] as well as standard annexes, tools and templates. The standard annexes include explanations of concepts and guidance to the respective themes.

1.1 How to use the guidelines
The guidelines are structured in accordance with the main phases of the project/programme management cycle: identification, formulation, implementation, and completion/closure. For each phase, the relevant chapters outline the mandatory requirements in terms of processes and templates as well as the product(s) to be delivered. It is specified when there is flexibility to deviate from the standard procedures. The relevant guidelines, tools, and templates pertaining to the specific phase are listed in a box at the beginning of each chapter.

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[2] Core contributions to multilateral and international organisations on the OECD/DAC list are categorised as multilateral and the guidelines for core support to multilateral and international organisations apply.
[3] A number of 'How-to Notes' which form a shared framework of reference have been prepared to support the implementation of the Danish strategy for development cooperation

1.2 The overall framework for Danish development cooperation

1.2.1 The legal basis

The legal basis for Danish development cooperation primarily consists of two Acts : The Act on International Development Cooperation and the Finance Act.

The Danish Act on International Development Cooperation aims at fighting poverty and promote human rights, democracy, sustainable development, peace and stability in accordance with the United Nations Charter, the Universal Declaration of Human Rights, the United Nations' human rights conventions, and the UN Sustainable Development Goals (SDGs). It further states that development cooperation is an integrated aspect of Danish foreign policy.

The Finance Act provides the annual financial frames and legal basis for all development engagements, bilateral and multilateral. The text accompanying most appropriations[4] describes the specific purposes for which funds can be spent. These purposes define the legal basis for spending and engaging in new commitments. A number of appropriations in the Finance Act are 'frame appropriations' ('rammebevillinger'), which is indicated in the accompanying text. Frame appropriations above DKK 47 million must be presented to the Parliament's Finance Committee before final approval. Once appropriated, the funds cannot be spent on other purposes without additional procedure of approval, and possible excess funds must be appropriated anew.

1.2.2 Strategic priorities

Denmark's international commitment to the UN Sustainable Development Goals (SDGs) serves as an **overall framework** for all bilateral and multilateral development cooperation, together with Denmark's strategy for development cooperation, 'A Changing World - Partnerships in Development'. Further, as development cooperation is integrated with other policy areas, the strategic priorities as set out by for instance the Danish Foreign and Security Strategy Policy and the Action Plan for Economic Diplomacy are also relevant.

Specifically for **Africa**, the government's strategy for strengthened Danish engagement with African countires, 'Africas Century', provide a new integrated approach to Danish engagement in Africa based on equal partnerships.

At **country-level**, strategic priorities and areas of prioritised bilateral cooperation can be defined by a joint **partnership agreement** between Denmark and a given country, signed at the political level (non-binding), such as a strategic partnership agreement (at the level of prime minister) or partnership agreement. The agreement should cover a wide range of areas of strategic cooperation across foreign policy, security, trade and investments, development cooperation etc. It is based on dialogue and bilateral negotiations between Denmark and the country. The process of entering into an agreement from Danish side includes a thorough internal analysis of Danish interests vis-a-vis the country as well as a context analysis and consultations with relevant external actors. Bilateral development cooperation should support the implementation of the partnership agreement.

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[4] In Danish: "anmærkningstekst".

1.2.3 Official development assistance

The reporting of all development cooperation is based on an internationally agreed framework (Statistical Reporting Directives for the Creditor Reporting System) through OECD/DAC, the international forum of the world's largest providers of aid. One of its main tasks is setting standards, for instance on what can qualify as official development assistance (ODA). **ODA-eligibility must be dealt with up front**, when starting identification of new projects and programmes to avoid the risk that the activity cannot be approved as ODA eligible, thus affecting the Danish Governments goal of providing 0.7% of GNI for development cooperation.

What is ODA? ODA funds to countries and territories on the DAC List of ODA Recipients and on the Annex 2 List of ODA-eligible international organisations are:

(i) **Provided by official agencies**, including state and local governments, or by their executive agencies;

(ii) **Concessional**; i.e. grants and soft loans, and administered with the **promotion of economic development and welfare of developing countries** as the main objective.

To assess whether funds qualify as ODA, the first step is to assess whether the development/main objective is to promote economic development and welfare of developing countries. The actual wording of the development/main objective is critical for the analysis and it is important that the underlying activities support the development/main objective.

In reporting their ODA, donor countries refer to the mentioned List of ODA-eligible international organisations (multilateral agencies, INGOs, networks and PPPs) where OECD/DAC has resolved that core funding constitutes ODA. For multilateral organisations, it is a requirement that they are included on the list to receive core funding that constitutes ODA either 100 pct. ODA or partially. INGOs included on the OECD/DAC annex 2 list can receive core funding that can be reported as ODA. Based on their own assessment of ODA eligibility development partners can , decide to allocate core funding to INGOs.

Earmarked contributions[5] to multilateral agencies whether on the list or not may also be ODA-eligible provided the contribution has a sufficient main objective in relation to the ODA criterion. Such contributions would be reported by members under **bilateral ODA.[6]**

What is not ODA? Military aid equipment or services, and promotion of donors' security interests; anti-terrorism activities; peacekeeping; and transactions that have primarily commercial objectives; e.g. export credits, and Pre-Accession support to the EU are not classified as ODA. However, some development related activities within peacekeeping operations are eligible as well as the costs of using donors' armed forces to deliver humanitarian aid. **Certain thematic areas** are subject to detailed rules: In-donor country refugee costs, migration, peace and security, and private sector instruments.

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[5] Under the current rules, for soft earmarking to be accepted, the organisation's financial and narrative reporting must clearly distinguish between support for countries on the DAC List of ODA Recipients and non-ODA countries. Thereby, the financial contribution becomes technically earmarked and is counted as bilateral ODA assistance.

[6] See Guidance Note for Multi-Bi contributions (under preparation)

Responsible units are accountable for all ODA-eligibility aspects in their contributions. Contact TILSKUD for assistance if in doubt or for general introduction, if working with the more complex areas mentioned above. More information can be found at OECD/DAC: What is ODA

CHAPTER 2 - IDENTIFICATION

The purpose of the identification phase is to establish a sound and solid basis for the subsequent formulation of projects and programmes. This chapter outlines the steps in the identification phase for programmes and stand-alone projects above DKK 20 million.

Projects below DKK 20 million can follow a lighter identification process adapted to the level of complexity of the project and will apply the format for stand alone projects, but with fewer annexes.[7] Projects that build on a previous phase may also follow a lighter identification process; however, possible contextual developments and lessons learnt from the previous phase should be carefully analysed and considered in the design.

2.1 Processes during the identification phase

The preparatory phase spans from practical start-up tasks to the drafting of a short Identification Note to be discussed during a Kick-off meeting. It consists of the following main steps:

(i) Preparation of a process action plan (PAP)
(ii) Establishment of a task force, if relevant
(iii) Recruitment of consultants for context analysis, or other analyses, if relevant
(iv) Preparatory analyses
(v) Drafting of a two-page Identification Note
(vi) Kick-off meeting

> **Relevant specific guidelines, tools and templates in the identification phase**
>
> Template: 2 page Identification Note for discussion at Kick-off meeting
>
> Template: Self-assessment of risks (for project between 20-100 mio)
>
> Template: Process Action Plan for projects up to DKK 20 million
>
> Template: Process Action Plan for projects/programmes between DKK 20 - 100 million
>
> Template: Process Action Plan for projects/programmes above DKK 100 million
>
> Guidelines for Selecting Grant Recipients and Calls for Proposals
>
> Grant Management Portal (for MFA staff only)
>
> Procurement Portal (for MFA staff only)
>
> Guidance Note for Adaptive Management
>
> Model TOR for task forces
>
> Standard ToR for formulation
>
> Approach and How-to Notes [under revision]

The final product of this phase is a two-page Identification Note outlining the proposed project or programme and the associated process action plan (PAP). For projects and programmes between DKK 20-100 million, the responsible unit must submit a self-assessment of risks as annex to the two-page Identification Note.

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[7] Consult chapter 3

2.2 Preparation of a Process Action Plan

The purpose of a Process Action Plan (PAP) is to establish a realistic picture of the time required to prepare a programme or project, highlighting key activities in the process. Formats for a PAP including key milestones and activities during the preparation stage is found under Tools and Templates. There are different PAP formats depending on the size of the grant and required process.

2.3 Establishing a task force (for larger programmes)

It is optional to establish a task force. The aim of the task force is to ensure that Denmark's strategic interests including for example economic diplomacy in a certain policy area or country are pursued based on a shared analysis and understanding of objectives and a clear prioritisation of instruments needed to reach those objectives. It will depend on the nature of the programme, political significance and/or other pertinent aspects, whether it is relevant to establish a task force.

The membership should be adapted to the nature of the programme, but it will normally comprise the responsible MFA unit, representatives of selected policy/regional departments and embassies, Trade Council as relevant, as well as LÆRING and TILSKUD. The responsible MFA unit will chair the task force and lead the work. Model ToR under Tools and Templates describe the composition and the functioning of a task force.

2.4 Recruiting external consultants

Consultants to assist MFA units with mapping, identification, formulation, appraisal, and review of programmes and projects are selected in accordance with the Danish Public Procurement Act, the Circular on announcement of public procurement, and the Danish Public Administration Act. The Procurement Portal provides specific guidance (*Umbrella, only available to MFA employees*). Standard ToR for formulation are found under Tools and Templates.

> It is important to determine early in the process, whether there is a need for an EU tender (see procurement Portal for thresholds for EU-procurement), as this requires a tender period of 6-8 months (only relevant for very large programmes).

2.5 Preparatory analyses

The purpose of the preparatory analyses is to ensure that the resulting project or programme is built on solid knowledge and as objective information and evidence as possible. To the extent possible, the analyses should build on existing analyses and material. Key elements will depend on the specific engagement. Mandatory analyses include political economy analysis, an analysis of Danish strengths and interests, synergies with other donors as well as poverty and human rights analysis. Where relevant, the preparatory analyses shall include considerations of opportunities to mobilise and leverage additional resources and the potential use of innovative financing instruments.[8] Other issues to be analysed will depend on the project or programme in question. For inspiration on the respective subjects, consult the standard annex

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[8] Consult How to Note on xx

for context analyses (Annex 1 for programmes, and Annex E for stand-alone projects) under Annexes in Tools and Templates.

Informed by the preparatory analyses, lessons learnt from previous projects and programmes, as well as coherence with Danish development cooperation priorities, and other strategic interests including economic diplomacy, a limited number of relevant options will be selected for further consideration.

If there is legal basis or particular circumstances allowing to select the grant recipient(s) directly i.e. through direct award, implementing partners may be identified at this stage. In that case, their capacity should be considered. See partner assessment template under Tools and Templates.

2.6 Considerations regarding choice of implementing partners and modality of support

When selecting the implementing partner, special attention should be given to the issue of whether funding can be considered a grant or should be provided through public procurement. Options for programming and implementation jointly with other bilateral and multilateral partners, including delegated co-operation with the EU, should also be considered. Consult the Guidelines for Delegated Cooperation for further information.[9] Other aspects to take into consideration include effectiveness, possibilities for scaling up the interventions, sustainability of activities, the scope for policy dialogue, and possible risk sharing.

As described in the Guidelines for Selecting Grant Recipients and Calls for Proposals, when intended grant recipients are not mentioned directly in the Finance Act, the MFA has the responsibility to ensure that grant recipients are selected based on principles that are in line with the Danish Public Administration Act. This implies that the MFA is required to ensure an open process for selection of grant recipients, through which relevant criteria for selection are applied and the basis for the selection decision is documented. The preferred procedure is a Call for Proposals (CfP) that allows all eligible organisations to submit their proposals and ensures equal treatment of all applicants. The decision about whether an anticipated support is subject to grant or public procurement procedures can be guided by two main considerations: (i) Who defines the activities and outputs of the intended support: the MFA or the potential recipient of support? And (ii) Is the potential recipient of support an economic operator in the specific context? [10]

Under certain circumstances, the pool of potential grant recipients may be reduced in order to initiate a 'limited' call for proposals, or in more exceptional cases, to select the grant recipient(s) directly. Characteristics to be considered for justifying a limitation of the pool of potential grant recipients are outlined in the Guidelines for Selecting Grant Recipients.

If partners are selected for direct award of a grant without going through a call for proposals i.e., a competitive procedure (and without having a legal basis for this), the MFA is required to document the justification for not finding it relevant for other potential applicants to enter the

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[9] If the responsible MFA unit considers taking on a delegated partnership as implementing as lead partner, the Process Start Template (PST) should be completed at this point.

[10] See the Guidelines on the distinction between grant agreements and public procurment contracts June 2023 (only available at the Procurement Portal).

selection process.[11] The less specific the formulation is in the Finance Act, the higher the requirements for the MFA to document the process of selecting grant recipients.

Multilateral organisations and government institutions in partner countries will often qualify for a direct award of grant due to their unique mandate combined with a geographic and thematic focus of relevance to a specific appropriation in the Finance Act.

If the envisaged grant recipient is a non-governmental organisation, there wil often not be sufficient basis for justifying the selection of a single potential recipient and a call for proposals procedure should be considered.[12]

When the call for proposals procedure is used to select the partner, the responsible unit in the MFA should define the overall objectives and intended outcomes of the support as well as criteria for eligibility and evaluation of applications and other instructions for applicants in a draft Information Note.

When the intended grant recipient is specified in the Finance Act or conditions are met for a direct award of the grant, the partner assessment including both technical and administrative capacity (Annex A) must be part of the programme/project documentation submitted for quality assurance before approval.

The final choice of implementing partner should be based on clear criteria and analysis of partner capacity, including procurement and financial management capacities (see chapter 2 in Financial Management Guidelines). During the partner assessment process, the legal status and local registration of the partner should be established to ensure compliance with Danish requirements in this regard.

2.7 Identification Note

The purpose of the 2-page Identification Note for programmes and projects above DKK 20 million is to establish an outline of the intended project or programme, which - together with the underlying analyses - provides the basis for the subsequent formulation phase. The 2-page Identification Note will be discussed during a Kick-off meeting (see below). Under Tools and Templates specific guidance and format for the Identification Note is provided. Specific guidance can also be found on how to integrate key thematic priorities as outlined in How-to-Notes: How to notes for implementation of the Danish Strategy for Development Cooperation.

The purpose of the meeting is to give feedback to the responsible unit to be considered during the formulation phase. For projects and programmes between DKK 20-100 million, the quality assurance process will be determined based on an assessment of risks. See box below for criteria regarding assessment of risks.

For programmes and projects between DKK 20-100 million, the detailed PAP and risk self assessment should be attached to the Identification Note.

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[11] Use the "Grant award note regarding handling of direct award" annexed to the Guidelines for Selecting Grant Recipients.

[12] Consult Guidelines for selection of grant recipients and Call for proposals guidelines here: Selecting grant recipients.

The complexity of a project or programme (including the number of partners) should be balanced against the **capacity and resources of the responsible unit to manage** the proposed project or programme. Coherence with the existing portfolio of projects and programmes managed by the responsible unit should also be considered at this stage in the preparation process.

2.8 Kick-off Meeting

The purpose of the meeting is to give feedback to the responsible unit at an early stage of the preparation phase based on the 2-page Identification Note and to decide the quality assurance process based on an assessment of

> **What is the risk assessment based on?**
>
> The assessment of whether a proposed grant is considered risky or less risky is considered based on a number of criteria:
>
> - A continuation of previous phases of a programme or project with well-known partners and documented results;
> - The partner's demonstrated ability to handle financial funds (capacity assessment, no. of c-cases etc);
> - The project/programme complexity and context (fragility, political/economy aspects)
> - The support is provided through delegated partnerships, or as earmarked contributions to multilateral organisations where quality assurance follows the procedures of the partner;
> - Reputational risks (high political interest in the project/programme);
> - Good technical capacity within the responsible unit within the area of support.
>
> The risk assessment template should be filled in and submitted along with the two-pager ahead of the kick-off meeting.

risks. The Kick-off meeting includes representatives from the responsible unit (management, desk officer and CFO) senior management, relevant policy unit, i.e. AFRPOL, LÆRING, and TILSKUD. Other units including embassies may be invited to attend the meeting as relevant. In case of significant focus on economic diplomacy, ØKODIP will be invited to attend the meeting. The responsible unit indicates a time for the meeting at the annual hearing for "Grundbudget" and confirms this with at least two weeks' notice. LÆRING drafts the meeting minutes including decisions made. The responsible unit proceeds with the formulation of the programme or project guided by the decisions made at the Kick-off meeting.

CHAPTER 3 – FORMULATION, QUALITY ASSURANCE, AND APPROVAL

This chapter describes the processes for formulation of projects and programmes, quality assurance and approval. The **final product** is an approved project or programme document on which implementation can be based.

3.1 Overview of processes for formulation, quality assurance and approval

There are three distinct, but inter-related sub-phases:

(i) **Formulation** of projects and programmes above DKK 20 million is based on the 2-page Identification Note. Projects below DKK 20 million may proceed with formulation without a formal identification phase (see figure 2);

(ii) **Quality assurance** can have various forms depending on the size and risk category of the project or programme (see figure 2);

(iii) **The approval process** depends on the size and complexity of the project or programme and the appropriation base (see figure 2).

An overview of the processes attached to quality assurance and approval of grants is presented in figure 2 below. The processes differ according to the size, complexity/risk level of the grant.

> **Relevant guidelines, tools and templates in the formulation, quality assurance and approval phase**
>
> Template: Standard project/programme document and annexes
>
> Template: Standard ToR for formulation
>
> Template: appraisal report for programmes
>
> Template: appraisal report for stand-alone projects
>
> Template: Standard ToR for appraisal
>
> Template: Development cooperation agreement
>
> Procurement Portal (for MFA staff only)
>
> Grant Management Portal (for MFA staff only)
>
> Guidelines for Selecting Grant Recipients and Calls for Proposals
>
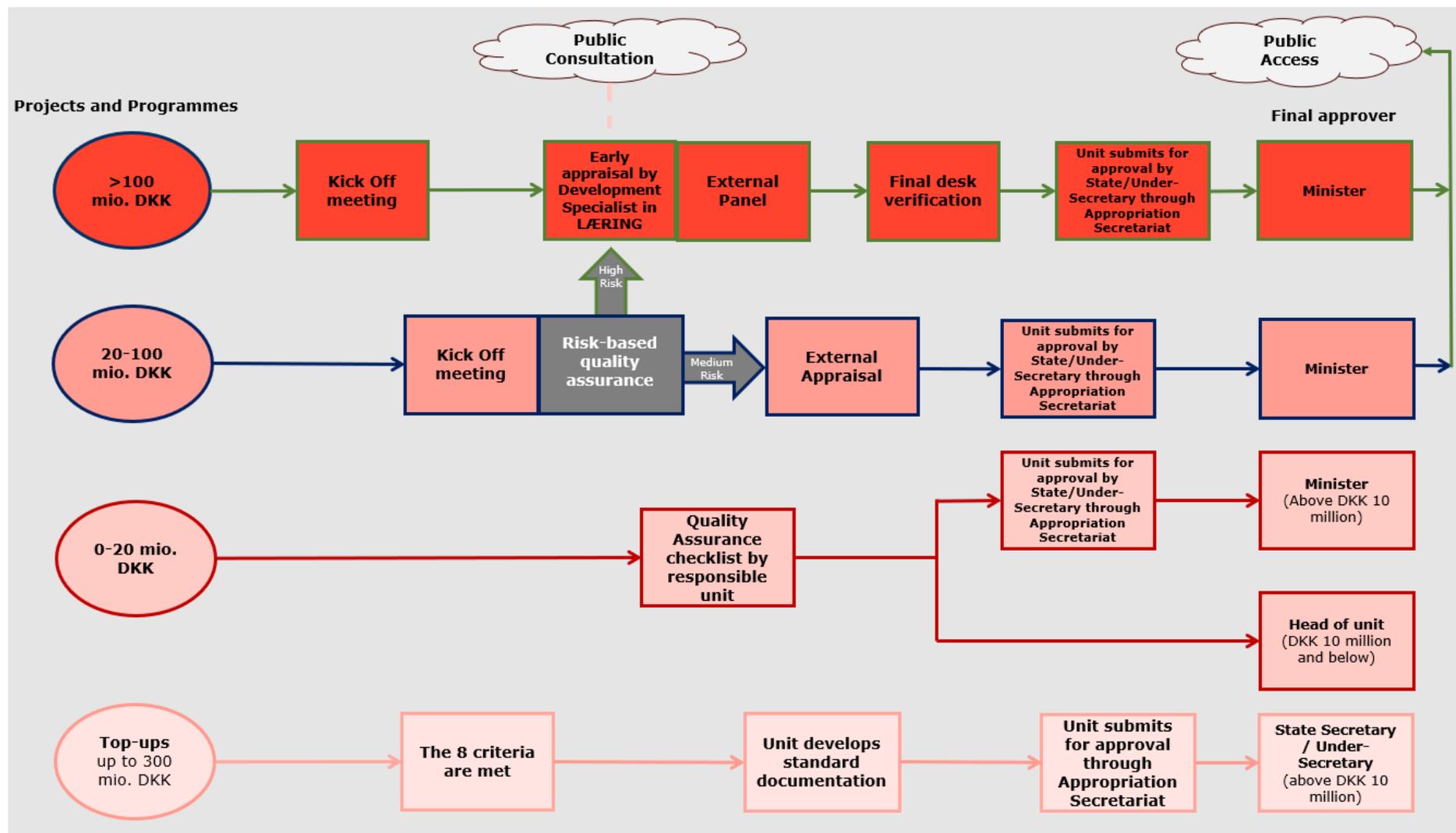> Guidelines for Approval of Bilateral (incl. Mulit-Bi) Projects and Programmes
>
> Guidance Note for earmarked contributions to multilateral organisations (under preparation)
>
> Financial Management Guidelines
>
> Guidance Note for Adaptive Management

Figure 2: Overview of the quality assurance and approval process

Frame appropriations (rammebevillinger) above DKK 47 million must be presented to the Parliament's Finance Committee before final approval

Programmes[13] can only have a limited number of partners:

- Country Programmes can have a maximum of 10 partners

- Other programmes above DKK 100 million can have up to eight partners

- Programmes between DKK 20 and 100 million can have a maximum of three partners

- Projects can only have one partner, though exceptions can be made. [14]

> A **Programme** comprises a portfolio of projects in a specific area, such as a country, regional, global, or thematic programme. The 'programme' is the narrative combining projects designed to contribute to a joint vision and a number of strategic objective(s).
>
> In the MFA IT systems there is no overall 'programme level'. Rather projects are the top level in the systems, under which comes grants and then engagements.

The MFA operates with limited resources and must take transaction costs of managing projects and programmes into consideration. The aim is to have fewer and larger, multi-annual projects and programmes.

Projects and programmes can be managed by an embassy or an HQ unit as stand-alone interventions or within the framework of a country, thematic or regional programme.

3.2 Formulation

The objective of the formulation phase is to prepare the project or programme documentation that serves as the basis for approval and subsequent implementation.

> Individual projects whether stand-alone or as part of a programme or a bilateral development programme should as a standard be of a minimum budget of DKK 5 million.

The programme or project should be formulated based on analyses undertaken during the identification phase by the responsible MFA unit and/or the implementing partner. There should be a close dialogue with the partner in the formulation process to ensure local leadership and ownership (see how-to-note on localisation) unless the partner is chosen as part of a tender or call for proposal. Please refer to Chapter 2 for considerations regarding choice of implementing partner, if not considered at the identification stage.

The programme or project documentation required is presented in figure 3 below. The responsible MFA unit drafts a short MFA programme (a programme comprises several underlying projects) or project document, which supplements an underlying project decription document drafted by the partner. The MFA document will serve as the justification document of the strategic choices made focusing on the rationale for selecting the programme or project given the context, Danish priorities and strengths, the relevance of implementing partner (s) and

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[13] In the project database PMI (Project Management Interface), all programmes and projects are called "projects" and all constituent parts (e.g. agreement with implementing partner) are called 'engagements'. In FMI (Financial Management Interface), engagements that encompass supporting activities, such as for example contracts, conferences, advisors, un-allocated funds, are distinguishable and each follow different specific management-patterns.

[14] There are cases, where the nature of the programme is such that the legal agreement is with one partner, which subcontracts implementation to a number of partners, but it counts as one partner.

a risk analysis. This short document drafted by the MFA will also include selected elements of the results framework, the overall budget and the description of intended management set-up. For further guidance, see the standard template for programmes and stand-alone projects under [Tools and Templates](#).

Figure 3: Overview of documentation required for programmes and stand-alone projects
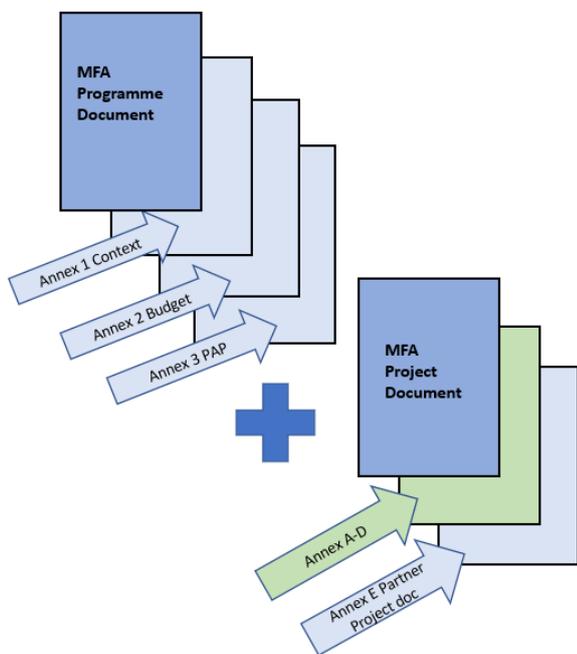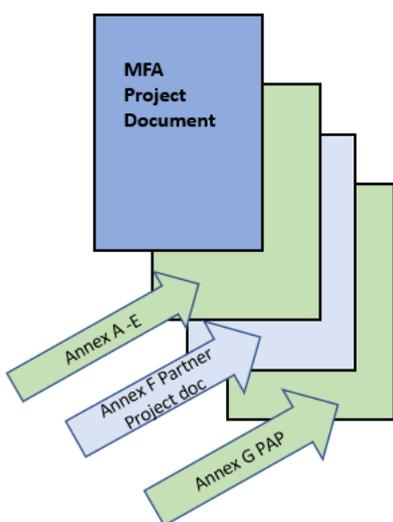

Programme Document

Appropriation Cover Page, programmes

Standard MFA Programme Document w. annexes

- Annex 1: Context analysis
- Annex 2: Programme budget
- Annex 3: Process Action Plan

Underlying Project Documents

Appropriation Cover Page, projects

Standard MFA Project Document w. annexes

- Annex A: MFA partner assessment
- Annex B: MFA results framework
- Annex C: MFA project budget
- Annex D: MFA Risk management matrix
- **Annex E: Partner's project description (with annexes)**

Stand-alone Project Document

Appropriation Cover Page, projects

Standard MFA Project Document w. annexes:

- Annex A: MFA partner assessment
- Annex B: MFA detailed results framework
- Annex C: MFA project budget
- Annex D: MFA Risk management matrix*
- Annex E: MFA Context analysis*
- **Annex F: Partner's project description (with annexes)**
- Annex G: Process Action Plan

* Annex D and E not mandatory for projects below DKK 20 million

For programmes and projects above DKK 100 million and high-risk projects and programmes between DKK 20-100 million, development specialists from LÆRING will be available for providing feed-back during the early phases of the formulation process. It is important that this dialogue is initiated soon after the kick-off meeting to ensure that questions related to e.g. required documentation and general processes are clarified at an early stage.

A number of issues should be taken into account during formulation. This includes lessons learned from previous engagements, synergies with other Danish engagements and modalities including Danish private sector as well as existing or planned engagements by other donors, entry points considering the political economy, poverty and rights as well as other issues as relevant for the project or programme in question. Most of these issues should already have been considered during the preparatory phase. If a project contributes towards Rio markers for climate adaptation or mitigation, the choice of the Rio marker should be clearly justified in line with MFA guidance.[15] For guidance related to the context analysis, see Annex 1 for programmes, and Annex E for stand-alone projects under Annexes in Tools and Templates.

Denmark's zero-tolerance polices (red lines): All implementing partners must accept Denmark's zero-tolerance policies towards (i) Anti-corruption (see MFA's Anti-corruption policy, anti-corruption resource center U4 and Guidelines for the management of cases of irregularities, including corruption (c-cases)); (ii) Child labour; (iii) Sexual exploitation, abuse and harassment (SEAH); (iv) Anti-terrorism; and (v) restrictive measures (EU and UN sanction lists. Under certain defined circumstances exemption can be made regarding the inclusion of a sanction clause. Consult DKJUR on these matters).

Generic articles on the zero tolerance policies are included in the template for the agreement to be signed with the partner. These articles cannot be exempted from (except under certain specific circumstance regarding sanctions). Templates are available here. Violation of these articles is ground for immediate termination of the agreement. The red lines also apply for any partner (sub-grantee) receiving funds from the implementing partner and must be included in the agreement between the implementing partner an the sub-grantee.

The management set-up should be defined including financial management, monitoring and reporting. At this stage, mechanisms for adapting to and managing possible changes in overall context and risks including through scenario planning should be described. The format for agreement with the implementing partner should also be considered at this early stage and include dialogue with unit CFO.

For programmes and projects above DKK 100 million and high risk programmes and projects that are subject to early appraisal, it is not expected that all aspects related to the issues above are fully unfolded at the time of the early appraisal and presentation to the External Panel.

The project and programme documents should be prepared in English – or if relevant – in French. For further guidance see the standard format for programmes and projects under Tools and Templates.

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[15] See Guidance Note on Rio marking.

By the end of the formulation before the appraisal, the Process Action Plan (PAP) should be updated with key actions to prepare the initial phase of implementation and for the implementation phase itself until exit. This includes signing of the agreement, partner meetings, recruitment and procurement activities, inception reviews if relevant, disbursements, etc. The PAP should thus include the concrete monitoring plan for the full project or programme period. Depending on the size and nature of the project or programme, allow 2-6 months for the start-up phase before full-fledged implementation can begin. Template for implementation PAP is found under Tools and Templates.

The result of the formulation is a draft project or programme document, including annexes, which are submitted for quality assurance in the form of an appraisal. In the case of Call for Proposals, the information note is submitted for appraisal (see chapter 2).

3.3 Quality Assurance

The objective of MFA quality assurance is to ensure the best possible quality of projects and programmes.

For programmes and projects below DKK 100 million that are subject to external appraisal, the documentation should be in **final draft versions**. For programmes and projects above DKK 100 million and high risk programmes and projects between DKK 20 to 100 million, the documents submitted to LÆRING for QA should be in **early draft versions** (see guidance in box below and under the formats for programme and project documents (under Tools and Templates) for minimum requirements to early drafts).

> **'Forundersøgelseskontoen'**
> The responsible MFA unit can apply for funding of external assistance for activities pertaining to formulation, appraisal, studies etc. if funds are not available within existing appropriations. Funds are allocated through four yearly rounds (January, April, July, and October) which are announced by TILSKUD. For further information contact fcforundersoegelse@um.dk. Note that some units have their own budgets and procedures for administrating these activities.

3.3.1 Appraisal processes

The scope and type of the appraisal process depend on several aspects, including the size of the grant, the complexity of the project or programme, previous experience with the partner as well as the nature of the grant proposal. Appraisals may be conducted as desk or field appraisals (to be decided by LÆRING). However, for programmes and projects above DKK 100 million, a field appraisal is recommended.

Appraisal of grants up to DKK 20 million

An internal appraisal is conducted by the responsible MFA unit. The appraisal process is documented by completing and attaching the Quality Assurance Checklist, approved by the Head of Unit in Public 360, to the project documentation and the appropriation cover note. See Tools and Templates.

Appraisal of grants between DKK 20 and 100 million

Programmes and projects in this interval are subject to external appraisal unless they were classified as high risk during the kick-off meeting. High risk grants in this interval will be appraised by development specialists in LÆRING according to process for grants above DKK 100 million. External means that the appraisal is undertaken by external consultants contracted by the responsible MFA unit. External appraisals must always take place based on ToR prepared by the responsible MFA unit. External consultants appraise the draft final version of the programme/project documents. An appraisal report documents the appraisal. Recommendations are listed in the table "Summary of Recommendations of Appraisal" found on Tools and Templates in which the responsible MFA unit will subsequently formulate its responses and detail necessary follow-up.

The six OECD/DAC criteria for evaluation of development cooperation will be applied during appraisal, and should be considered during formulation across the programme/ project, where relevant.

- Relevance: is the intervention doing the right things?
- Coherence: how well does the intervention fit?
- Effectiveness: will the intervention achieve its objectives?
- Efficiency: how well are resources being allocated and used?
- Impact: what difference does the intervention make in terms of development effects?
- Sustainability: will the benefits last?

Appraisal of grants above DKK 100 million

Programmes and projects above DKK 100 million are subject to an appraisal conducted in two phases (early appraisal and desk verification) led by a development specialist from LÆRING.

Early appraisal. The draft appraisal ToR are prepared by the responsible MFA unit and submitted to LÆRING 8 weeks in advance of the start of the appraisal. LÆRING subsequently finalises the ToR. The early version of the programme/project documents for appraisal by LÆRING should be submitted as a minimum one week before start of the appraisal. The same version of the documents is shared with the External Panel. The early appraisal report, should be available within two weeks after the field appraisal. The recommendations are listed in the table "Summary of Recommendations of Appraisal" found under Tools and Templates. Before submission of documents to the desk verification, the responsible MFA unit will

Documentation to be submitted for early appraisal

Programme with underlying projects:
- Early draft MFA programme document incl. context analysis and PAP in annex
- For each underlying project: early draft MFA project document and if drafted, partner assessment, preliminary results framework, budget at outcome level, preliminary risk management matrix; (early) partner project documentation (with annexes).

Stand-alone project:
- Same requirements as above for projects under a programme.

Call for Proposals:
- Draft Information Note

Tender:
- Draft tender material

Template for ToR for appraisal of programmes and projects can be found under Tools and Templates.

formulate its responses to the recommendations and detail follow-up.

3.3.2 External Panel and Public Consultation

The External Panel (hereafter called Panel) provides technical guidance and advice at an early stage in the formulation process. The presentation to the Panel takes place after the early appraisal and before the unit finalises the draft project/programme documentation. Programmes/projects between DKK 20-100 million that are considered to be high-risk will also be presented to the Panel. Before the Panel meeting, the early draft programme and project documents are subject to a public consultation (see Guidelines for Approval of Bilateral (incl. Mulit-Bi) Projects and Programmes). Minutes of the Panel meeting summarises recommendations to be addressed by the responsible unit during the final formulation of the programme/project prior to final desk verification. See format for follow-up under Tools and Templates.

| **Presentation to the External Panel** |
| **List of documents to be submitted:** |
| • (Early) Draft MFA programme/project documents |
| • Appropriation cover notes for programme, projects/underlying projects |
| • Summary of Recommendations from early appraisal |
| • Responses from the public hearing |

3.3.3 Desk Verification

The responsible MFA unit submits the final programme/project documentation together with the Summary of recommendations table with the unit's responses to the early appraisal recommendations and the unit's responses to the recommendations from the External Panel for desk verification. Based on these documents LÆRING conducts a desk verification (see format under Tools and Templates). The desk verification confirms how follow-up is reflected in the updated programme/project documents.

3.4 Approval[16]

The approval of projects up to (and including) DKK 10 million is made by the Head of Unit of the responsible MFA unit. The approval of all grants above DKK 10 million is made by the minister.

For grants above DKK 10 million the final version of the programme or project documentation is submitted through the Appropriation Secretariat ("bevillingssekretariat") for approval by the minister. Submission through the appropriation secretariat ensures that all grants above DKK 10 million include the mandatory documents and that the proper quality assurance procedures have been followed, and that the documents are published on the Danida Transparency webpage following approval.

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[16] The MFA case management system Public 360° should be used for all workflows related to approval processes described in these guidelines and for filing as per MFA instructions.

Grants up to DKK 20 million

The Head of Unit is responsible for the content and quality assurance of the programme/project documentation. The documentation should include the appropriation cover note and the project document based on the applicable format (stand-alone project document) including the mandatory annexes A, B, C, F and G[17] and a signed Quality Assurance Checklist. For more information, see the Guidelines for Approval of Bilateral (incl. Mulit-Bi) Projects and Programmes. If approved by the minister (grants above DKK 10 million), the documentation should also include a submission note to the Minister ("forelæggelsesnotits").

Grants between DKK 20 and 100 million

The Head of Unit is responsible for the content and quality assurance of the programme/project documentation. The documentation should include a submission note to the minister ("forelæggelsesnotits"), the appropriation cover note and the programme/project document based on the applicable format (project/programme document or stand-alone project document) as well as all mandatory annexes (Annex 1-3 plus Annex A-E for programmes or Annex A-G for stand-alone projects). Furthermore, the signed summary of appraisal recommendations table including management response should be included. The documentation must be submitted for the minister's approval through the Appropriation Secretariat (for more information, see the Guidelines for Approval of Bilateral (incl. Mulit-Bi) Projects and Programmes).

Grants above DKK 100 million

The Head of Unit is responsible for the content and quality of the programme/project documentation. The documentation must include a submission note to the Minister ("forelæggelsesnotits"), the appropriation cover note, the programme or project documentation, based on the applicable format (project/programme document or stand-alone project document) as well as all mandatory annexes (Annex 1-3 plus Annex A-E for programmes or Annex A-G for stand-alone projects). Furthermore, the signed "Summary of early appraisal recommendations" table including management response, the recommendations from the External Panel including the unit's response to these, and the desk verification note should be included.

The documentation must be submitted to the State Secretary/Under-Secretary for Development Policy through the Appropriation Secretariat. Following the State Secretary/Under-Secretary for Development Policy's approval, the Appropriation Secretariat is responsible for submission of the appropriation cover note and submission note ("forelæggelsesnotits") to the Minister for Foreign Affairs (for more information, see the Guidelines for Approval of Bilateral (incl. Mulit-Bi) Projects and Programmes).

Note that grants above DKK 47 million included in the Finance Act under 'Frame Appropriations' ('rammebevillinger' in Danish) must be presented to the Parliament's Finance Committee. See the Guidelines for Approval of Bilateral (incl. Mulit-Bi) Projects and Programmes for further guidance.

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[17] If needed or if partner documentation is not sufficient, include Annex D and E.

Grants under larger programmes (e.g. at country level)

For larger programmes with multiple underlying projects, there is flexibility in submitting individual projects for approval at later stages among others to allow for coordination and co-operation with actors outside the control of the responsible unit/embassy. These additional projects should be covered by the unallocated funds and undergo the same quality assurance procedures as described above.

CHAPTER 4 – IMPLEMENTATION

The following procedures on implementation are valid for all projects and programmes managed by embassies or HQ units, including global and regional portfolios of projects and stand alone projects managed by an embassy, units at HQ level, or Danish UN missions.

4.1 Processes during the implementation phase

The implementation phase includes:

(i)   Initial actions following approval
(ii)   Recurrent activities, annually/quarterly/daily
(iii)   Specific actions for adjusting projects/programmes
(iv)   Possible reviews and studies

Relevant specific guidelines, tools and templates during the implementation phase

Grant Management Portal incl :

Financial Management Guidelines

Financial Monitoring Guidelines

Template: Development cooperation agreement

Template: Annual Stoctaking Report

Template: Standard ToR for Review

Template: Mid-term review report

4.2 Agreements and registering of commitments

Following approval of a grant, an agreement with the implementing partner[18] must be signed before MFA funded activities can commence. The type of agreement depends on the type of project and/or partner. However, for all development cooperation activities, an agreement consists of up to three parts: a standard legal document (bilateral, joint or delegated), a programme document[19] and/or a project document, and relevant partner documentation. Together, they constitute one agreement document. The legal document on which the particular Danish contribution is based can either be the Development Cooperation Agreement[20] or the partner's template,[21] as long as the latter fulfils the fundamental requirements of the former, especially the Danish red lines[22] mentioned above in Section 3.2. The agreement is signed with the relevant partner; e.g. the partner ministry or concerned organisation. **In the case of joint support or pooled funding**, Joint Financing Agreements are signed by all participating donors and the partner(s). There can only be one responsible partner to the agreement with the MFA.

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[18] An agreement with an implementing partner is different from a consultancy contract for instance with a fund manager, who is an auxiliary entity, not an implementing partner.
[19] A Danish project/programme document is mandatory, which is supplemented by a partner project/programme document.
[20] The Danish format is designed for agreements with public entities in partner countries
[21] Most development banks, UN organisations, larger INGO and other international organisations normally have their own format, which Denmark normally accepts with the caveat mentioned. Negotiated agreement are in place for several UN agencies, templates are available here.
[22] E.g. anti-corruption, child labour, SEAH, anti-terrorism, and sanction listing.

For programmes and projects, the legal document with the annexed programme/project document is signed with the partner, as described above. The signed document serves as the commitment document.

Following signing of the agreement and registering of the commitment, the programme or project information is entered into the various systems (see the box to the right).

4.3 Management Set-up

The responsible MFA unit must establish structures and procedures for management of its projects and programmes, including for learning. [23] The management arrangements agreed upon with the implementing partner and possible other partners/donors during the preparation phase will guide this process. It should ensure that lines of communication and division of responsibilities are clear, also within the MFA. When operationalising the management set-up, considerations regarding the capacity and resources of the responsible MFA unit should

> **MFA units implementing projects and programmes must ensure that:**
>
> - All programmes/projects are captured in the Grant Management Systems: PMI, FMI, GRAM, and RFI
> - A Responsible Desk Officer is designated for the specific programme or project in the systems
> - Adequate descriptions of outcome, outputs, and activities are present, relevant, and updated in the systems
> - All selected results and indicators are entered into the system – the Results Framework Interface (RFI) - reflecting the result frameworks in the documentation
> - Indicators are updated with latest available data on results in RFI
> - Status on performance, risk etc. is included in the aid management systems
> - Quality control of the data entered has been undertaken

be taken into account. The role of intended target groups should be considered with a view to giving them a voice and providing accountability.

The joint decision making body will vary in size and participation, ranging from a joint government-donor set-up to direct dialogue with a smaller civil society organisation, ensuring the voice of partners in decision making. This will often be in the form of a steering committee. For larger multi-partner programmes, an overall management arrangement could be in form of a consultative arrangement and/or a larger steering committee. Often, there will also be a joint set-up for

> **Main recurrent activities**:
> - Annual planning and budgeting
> - Monitoring, incl. financial, accountability and learning
> - Compliance (incl. red lines) and Anti-corruption measures (see box on p. 17 for further guidance)

coordination between donors. Formal procedures and rules have to be prepared for the functioning of the decision-making body and minutes of meetings should be archived in PMI and P360. It should be noted, that the decision making body at this level does not have the authority to approve changes such as changing partner, reallocations at commitment level, changes that affect the objective or outcome. Such changes can only take place according to the directives under sections 4.5. on adjustments during implementation.

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[23] The Responsible Desk Officer may use the PMI Task-List to register relevant management actions.

When cooperating with a number of individual partners within a thematic, global or regional programme, or where the partners have a joint interest in commonly pursuing an objective, a joint steering committee could be established and/or joint meetings could be held between partners and the donor(s).

The implementing partner prepares a procedures manual, in case it does not already exist from a previous phase, outlining key administrative procedures, reporting, rules for sub-granting (if relevant), and procurement, as well as decision-making and approval procedures related to revision and adjustments during implementation. Procedures and principles related to financial management can be found in the Financial Management Guidelines and the Financial Monitoring Guidelines.

4.3 Recurrent activities

4.3.1 Annual planning and budgeting

Annual planning and reporting should as far as possible be aligned with, or fully integrated into, the planning and reporting cycles of implementing partners. In the case of public institutions, planning will normally be linked to the national budget preparation process. For other projects and programmes, the partner might be an international or private organisation receiving earmarked funding or core contributions, so planning and budgeting will depend on the modality. Work planning and budgeting at activity level are primarily vested with the partner institution responsible for the day-to-day implementation. Work plans, budgets and progress reports at output level should be submitted for endorsement in joint decision-making fora and an approved version uploaded to PMI and P360. Specific learning events should be planned and included in the work plan; such events could e.g. take place in connection with regular dialogue meetings.

The PAP for the implementation phase should be updated reflecting key activities such as partner meetings, financial and narrative reporting deadlines, recruitment and procurement activities, disbursements, reviews etc. The PAP should thus include the concrete monitoring plan for the full project or programme period. Template for implementation PAP is found under Tools and Templates. [24]

For the first year of implementation, special attention in terms of budgeting should be given to the start-up phase, which typically takes 4-6 months in bigger projects and programmes. During the start-up phase the implementing partner responsible for project and programme management will likely be busy establishing the management set-up, recruiting staff, undertaking more detailed studies of beneficiaries etc. The ability of the partner to properly apply and manage procedures relating to budgeting, accounting, internal controls, governance, financial reporting, and auditing should in this context be (re)-asessed (see the Financial Management Guidelines regarding partner assessments).
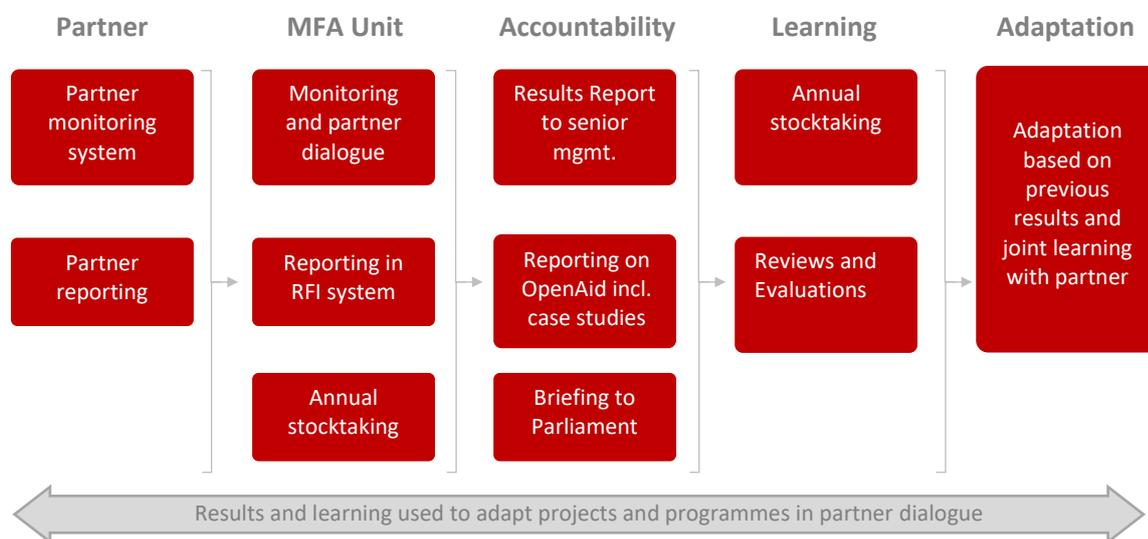
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[24] Note that a Task-List function is available in PMI, which may serve as an electronic PAP.

The responsible MFA unit must in cooperation with the implementing partner ensure that procedures and systems for monitoring and reporting are in place, that enable tracking of progress of results on the ground, continuous learning, facilitating adjustments, and discovering potential challenges.

When monitoring and documenting progress, MFA units are contributing to the overall MFA results monitoring system. The system aims to capture progress from individual programmes and projects to ensure appropriate oversight of the partner implementation as well as providing overview of learning across programmes and projects. This is captured in the Grant Management Report for units and the annual MFA internal Results Report to senior management.

Figure 4 Overview of monitoring and reporting structure in MFA

Partner	MFA Unit	Accountability	Learning	Adaptation
Partner monitoring system	Monitoring and partner dialogue	Results Report to senior mgmt.	Annual stocktaking	Adaptation based on previous results and joint learning with partner
Partner reporting	Reporting in RFI system	Reporting on OpenAid incl. case studies	Reviews and Evaluations	
	Annual stocktaking	Briefing to Parliament		

Results and learning used to adapt projects and programmes in partner dialogue

Monitoring

Monitoring is divided into two parts, one part undertaken by the implementing partner and another part undertaken by the responsible MFA unit. Day-to-day monitoring is conducted by the implementing partner and involves ongoing collection and review of data by programme/project managers, donors and other stakeholders with indication of progress against programme/project plans, including programme/project results framework and towards outcomes and objectives.

The responsible MFA unit should conduct monitoring through meetings with partners, progress reports by the implementing partner, field visits to triangulate reporting through reality checks on the ground, meetings with other donors in the same field or sector and more formal meetings, as described under the section on "Dialogue" below.

Monitoring could include third party monitoring[25] or dedicated monitoring mechanisms, depending on the circumstances. It is always the responsibility of the partner and the MFA unit to ensure sufficient and relevant monitoring and follow-up. If relevant, technical assistance can be engaged to assist partners with enhancing the quality of monitoring and learning.[26]

Financial monitoring

To ensure proper financial monitoring of the administration of Danish funds, a financial monitoring framework should be developed by the responsible MFA unit encompassing regular financial monitoring through meetings with the partner, scrutinising narrative reports, financial reports, annual audits, as well as carrying out on-site financial monitoring visits, special audits and reviews. Special attention shall be given to procurement by the partner to ensure that these fulfil Danish minimum requirements. The degree and frequency of the financial monitoring of any grant recipient must be based on the nature and amount of the grant, the grant modality, the grant recipient's capacity, and the risks associated with the specific grant. For more on this, please refer to the [Financial Management Guidelines](#) and the [Financial Monitoring Guidelines](#).[27]

Dimensions of monitoring

- **Results monitoring** to assess the efficiency and effectiveness of the project and/or programme and whether performance is as expected.
- **Monitoring of Theory of Change (ToC) and assumptions backed up by evidence** to assess if the ToC and the underlying assumptions are still valid, or whether the project must adapt its intervention logic. It is important to assess the wider context and changes occurring, not just the Danish supported intervention.
- **Risk monitoring** to assess to what extent the project or programme's achievement of its objectives is in danger of being compromised. In fragile situations, the Fragility Risk and Resilience Analysis Tool will be useful for understanding the contextual fragility risks.
- **Scenario analysis and planning.** Especially in situations of conflict and fragility, it is important to maintain a good monitoring framework to assess if there has been a shift in the planning scenarios, and whether this will have consequences for implementation modality, choice of partners, resource allocations and/or focus of the project or programme.
- **Monitoring of financial management** to ensure compliance in the administration of Danish funds.

Dialogue

Recurrent dialogue with implementing partners: The responsible MFA unit will undertake recurrent dialogue with the implementing partner. Decisions made at programme and project level should involve all participating donors and partners, be transparent and formalised, and decisions reached should be recorded in minutes of meetings that are uploaded in PMI and

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[25] Third party monitoring can take many forms, but the basic principle is to hire an external entity (e.g. a company) to monitor on behalf of the donor. In specific contexts or circumstances such as security concerns and resource constraints, this can be particularly relevant.

[26] See note on lesson learnt regarinding MEAL contracts, incl. ToR

[27] Further guidance is found at the Grant Management Portal (only accessible for MFA staff)

P360. As a minimum, there should be one formal annual consultation meeting with the implementing partner for discussion of the annual progress report and work plans for the coming year.

The format for this consultation will depend on the modality of support. In case of multi-donor implementation set-ups or intermediaries working with more partners, the dialogue will take place with the board of the intermediary or similar set-up.

Minutes from formal partner meetings should include agreed follow-up actions to be undertaken by partners or the MFA with deadlines for delivery. Follow-up should be reviewed in subsequent dialogues.

Issues for recurrent dialogue with implementing partners

- Review of annual progress reports on project/programme implementation with emphasis on outcome against targets and approved budgets
- Review the Theory of Change to assess whether it is still valid, including assumptions and risks, and their possible effect on achieved results
- Lessons learnt and consequent changes to strategies, partner cooperation and/or strategic direction, reallocations, changes in outcomes, outputs, indicators, etc.
- Review of the partner's learning and adaptation strategy, including whether the partner has a deliberate strategy for how to collect evidence for what works and subsequent adaptation of the programme or project, if needed
- Consider issues of mismanagement or risk thereof and revisit MFA zero-tolerance policy regularly
- Approval of work plans and corresponding budgets (including reallocations)
- Approval of ToR for audits and audit reports as well as monitoring of audit follow-up
- Approval of ToR for possible reviews and endorsement of review recommendations as well as recommendation follow-up

Reporting
Reporting by the partners: The Danish minimum requirement is one annual narrative progress report, an audited annual financial statement and a budget monitoring report. In practice, however, semi-annual work plans and progress reports may be required, and at times quarterly financial reports are used. The frequency depends on the nature of the project and should be clearly stated in the project document and in the legal agreement. There is no Danish requirement as to a specific format or template. The Danish requirements in terms of content are summarised in the box. Separate planning and reporting documents should be avoided if partner procedures cover all Danish requirements to reporting. It should be ensured, however, that the agreed outcome and output indicators and targets described in the results framework are included in the reporting. For financial reporting the Financial Management Guidelines should be consulted.

MFA reporting: It is the responsibility of concerned MFA units to ensure reporting against the overall project/programme results framework, at least annually, ensuring that adequate information is entered into the aid management systems and saved in P360. OpenAid (openaid.um.dk) is the formal communication tool for progress reporting to the Danish Parliament and the public on development cooperation and it draws information automatically from the MFA's aid management systems. OpenAid is updated on a daily basis with development results and financial data directly from internal MFA systems. The publication of results, budgets and disbursements provide the possibility for the Parliament and the Danish public to hold the MFA accountable for the use of state funds for development cooperation.

Content of annual progress reports

- Assessment of developments in the national or sector framework during the past year
- Progress as compared to the defined (original or revised) outcome and output targets for the reporting period
- Explanations of challenges encountered and how these have been handled
- Progress to date compared to output and outcome targets for the entire project/programme period, as stipulated in the results framework
- Reporting expenditure as compared to approved budgets
- Reporting linkage between outputs and expenditures
- Lessons learnt during the year with an analysis of what works and what has worked less well and why supported by evidence, including updated risk-analysis if relevant
- Specification of recommended changes and adjustments, including budget re-allocations for approval by the relevant authorities
- Follow-up on prior recommendations
- Where relevant, annual reporting shall include an update on mobilisation progress against agreed metrics. This should be proportionate to the intervention and avoid excessive reporting burdens.

The deadline for entering targets in the RFI for the year is end January and the deadline for updating progress against targets from the previous year in RFI is 30 April.

The MFA supplements indicator reporting from results frameworks with in-depth **case studies for selected programmes and projects.** These case studies follow a common template to ensure consistency across the portfolio and are published on OpenAid (openaid.um.dk).

Annual stocktaking is mandatory for all projects and programmes including underlying projects above DKK 20 million. Annual stocktaking is undertaken by the responsible MFA unit before 15 June as an internal exercise for reporting to and approval by unit management. This does not require external assistance. The annual stocking has a qualitative focus and should assess progress and strategic developments, challenges, learning, new entry points, and possible adjustments. The stocktaking is based on input from partners' reports, dialogue with partners and other stakeholders, outcome of reviews, studies and evaluations carried out during the year, as well as other relevant sources. The output of the annual stocktaking is an Annual Stocktaking Report of 3-5 pages (see format for the Annual StockTaking report for projects and programmes under Tools and Templates). These annual stocktaking is part of the internal annual dialogue on programme/project progress and possible implementation challenges with unit management.

Learning

It is the responsibility of the MFA unit to encourage learning from both positive and negative experiences during the implementation phase. Especially, if the programme/project is not progressing satisfactorily, it is important to discuss and agree with partners on timely adaptation or changes to the programme/project, including its results framework. It is important to substantiate lessons learnt with concrete evidence of what works and what works less well.

Monitoring provides inputs for learning, not least by the partner and by the MFA, of results obtained under the given circumstances, negative and positive, with a view to adapting the project or programme to the best-suited option(s). The annual stocktaking for programmes and projects above DKK 20 million is a key instrument in this process that provides an internal review of the programme/project by the responsible unit. Reviews and evaluations primarily undertaken or commissioned by LÆRING are other instruments for learning and adaptation.

4.4 Reviews and implementation support

In addition to the recurrent processes described above, the following activities may take place during the implementation phase:

- Implementation support - optional
- Inception review – in exceptional cases
- Technical or thematic review - optional
- Midterm review - mandatory for programmes and projects above DKK 50 million.

4.4.1 Implementation support

The responsible MFA unit can request technical support from LÆRING at any time during programme implementation. Substantial support will mainly be provided to programmes and projects above DKK 50 million or to complex programmes/projects.

4.4.2 Inception reviews *(for programmes and projects above DKK 20 million in exceptional cases)*

The purpose of inception reviews is to follow up on recommendations from the appraisal, if the documentation was incomplete at time of appraisal. It should be thoroughly argued why an inception review is required. An inception review may be agreed upon in advance of project or programme approval as part of the quality assurance process of a new project or programme. Focus can be on programmatic issues or processes still outstanding at the time of formal approval, such as results frameworks not yet consolidated in terms of baselines and targets, management and partnership structures, etc. The inception review should be conducted within the first 18 months of project or programme implementation. For projects and programmes under DKK 100 million, the responsible MFA unit prepares draft ToR for inception reviews outlining the main issues and detailing the input expected from possible external consultants. For programmes and projects above DKK 100 million LÆRING will normally undertake the inception review and therefore finalise the ToR.

4.4.3 Technical reviews

The purpose of a technical review is to assess in detail specific aspects of a project or a programme and recommend improvements with a view to enhancing results. Technical reviews are the responsibility of the responsible MFA unit together with national partners and other development partners in case of joint funding or joint implementation. The responsible MFA unit may recruit external consultants to undertake such reviews.

Technical reviews vary in scope and substance depending on the size and complexity of the programmes or projects. In some cases, the project or programme review will take place annually; e.g. joint sector reviews. In other cases, the programme or project follows joint governance structures; e.g. a board for UN or World Bank managed funds or a specific implementation unit basket fund, where regular reviews are undertaken. In some cases, governance structure meetings replace technical reviews. The responsible MFA unit will assess whether a specific MFA review is needed at programme/project level, or whether joint reviews or governance structure meetings are sufficient to ensure adequate follow-up.

4.4.4 Mid-term reviews

The purpose of a mid-term review (MTR) is to undertake independent quality assurance of a given programme or project. For programmes or projects exceeding DKK 50 million, it is mandatory to undertake a LÆRING-led MTR of the entire programme or project. For programmes, the MTR includes all the constituent projects. Focus should be on major implementation-related issues, including changes in the context and based on this, exploring alternative ways to meet or adapt objectives.

The responsible MFA unit must initiate the MTR and handle the logistics and detailed planning of the review including meeting schedules. In preparation of the MTR, the responsible MFA unit may undertake technical reviews of selected programmes and projects, e.g. based on their complexity, particular issues related to the implementing partner, etc., which will form part of the documentation for the MTR. In case of multi-donor arrangements, the MTR should preferably be planned as a joint exercise with the other donors. The responsible MFA unit submits draft ToR for the MTR as a minimum eight weeks prior to start of the MTR. These outline the main issues to be reviewed. LÆRING is responsible for finalising the ToR. Format for standard ToR for rewiews are found under Tools and Templates.

A standard review report documents the MTR. The recommendations are listed in the table "Summary of Recommendations of Reviews and Mid-term Reviews above DKK 50 million" found under Tools and Templates.

The responsible MFA unit presents the follow-up activities in the "Summary of Recommendations for Reviews and Mid-term Reviews", and forwards this to LÆRING, who shares the conclusion of the MTR with the Secretary/Under-Secretary for Development Policy in a mail with cc. to relevant units.

4.5 Specific actions for adjusting projects and programmes

Adjusting projects and programmes during implementation requires as a general rule an assessment of the situation leading to the decision to undertake adjustments as well as

justification for the proposed action(s) which must be properly documented and filed on the case.

Projects and programmes can be adjusted if this is justified based on changes in the context or new knowledge on how to achieve better results or if additional funds from the MFA are made available. Any adjustment must be based on dialogue with the relevant programme or project partners and in compliance with the legal basis provided in the Danish Finance Act. Justification and approval of the individual changes under the categories below must be approved through workflow in P360 and filed on the case.

> If the **proposed changes do not comply with the legal basis in the Finance Act**, an amendment (in Danish aktstykke) must be presented to the Finance Committee in the Parliament through the Under-Secretary for Development Policy.

4.5.1 Change in objectives

Changes to the objectives require approval according to programme/project size:

- Projects below **DKK 50 million**: the Head of MFA unit approves the proposed change.
- Programmes and projects between **DKK 50 and 100 million**: the Secretary/Under-Secretary for Development Policy approves the proposed change.
- Programmes and projects **above DKK 100 million**: the proposed change in objective is to be presented to the Secretary/Under-Secretary for Development Policy who recommends it for subsequent approval by the Minister for Foreign Affairs.

The responsible MFA unit should always consult with the Finance Act Team in AFRPOL to ensure that the revised formulation of objectives is in accordance with the text in the Finance Act.

4.5.2 Change in outcomes and outputs

Changes in outcomes and outputs can be approved by the Head of the responsible MFA unit, irrespective of the size of the project or programme. The implementing partner is always to be consulted. For outputs, the change must align with the related outcome. Where it is found that changes in outputs/outcome(s) will change the programme substantially or the prioritisation of the funding, it can be decided to refer the case to the Under-Secretary for Development Policy. The changes in outputs/outcome(s) must under all circumstances fit within the objectives already approved.

4.5.3 Change of implementing partner

Change of implementing partner can be decided by the Head of the responsible MFA unit. Legal issues related to the implementing partner agreement should be considered at an early point as a change in implementing partner may imply the cessation of an agrement with the partner. Consultations with DKJUR, TILSKUD and ØKO may be required in case of service contracts.

4.5.4 Change in modality

Changes in modalities can be decided by the Head of the responsible MFA unit, if such changes improve the prospect of achieving the objectives of the project or programme. Such change can for example be a shift from core to earmarked funding or the opposite.

4.5.5 No-cost extension

Projects and programmes can be extended within reasonable timelines. The main justification would be that there are reasonable and credible prospects for achieving the objectives within the extended implementation period. Alternatives should, however, be considered e.g. reduction in scope or combination hereof. Long extension periods will have implications for the resource use by the responsible MFA unit and even though the grant is not increased, there is a potential change in the cost-structure of the programme or project as extended implementation usually shift funds from activities that generate results towards administration. The Head of the responsible MFA unit can approve an extension of up to 12 months for programmes and projects up to DKK 50 million. Extensions beyond 12 months and for programmes and projects above DKK 50 million, must be endorsed by the Under Secretary for Development Policy. The unit-CFO should always be consulted for QA before approval. All extensions should be based on a request from the implementing partner and be confirmed by formal exchange of letters between the signatories of the original development cooperation agreement, establishing an addendum to the agreement in question. Remember extentions usually demand additional narrative and financial reporting.

4.5.6 Top-Ups (Additional Funding) to existing programmes and projects

A *top-up* is defined as additional funding provided to an ongoing engagement with an existing partner, in pursuit of the same objective. The top-up must be from the same finance act account as the original grant and it cannot replace a new phase of support. A top-up may be granted in the following ways:

- For the same period
- As a costed extension, where both funding and duration are increased
- As a bridging phase between two support periods

If a Mid-Term Review (MTR) is planned and a top-up is being considered, the proposal for the top-up must be included in the MTR documentation and follow the recommendations of the review.

The legal basis for granting a top-up must be either the Finance Act or an application for funding submitted to the Finance Committee (*Aktstykke*). Engagements awarded through a competitive process (e.g., call for proposals or tender) are only eligible for a top-up if this possibility was explicitly stated in the original call/tender documentation.

Each engagement may receive only one top-up. Top-ups are approved without submission for internal or external quality assurance (appraisal).

Further criteria, guidance and formats for top ups are found [here](#).

4.5.7 Reallocations

The responsible MFA unit may approve reallocations between projects in a programme of up to fifteen (15) percent of the total budget over the implementation period. Partners are to be consulted regarding the intended reallocations and an addendum to the development cooperation agreement should be signed by the two parties. The Head of the responsible MFA unit must formally approve the reallocation through approval flow in P360. Above this ceiling, the Under-Secretary for Development Policy has the mandate to approve reallocations based on an assessment and recommendation from the responsible MFA unit. The request should clearly outline the reasons for the requested reallocation, the size of the reallocation, indicate on what basis (rule) the reallocation is initiated, and demonstrate that the reallocation will not lead to changes in the objective for the programme. If the provisions of the Finance Act do not provide the basis for the reallocation, the proposed changes have to be submitted to the Finance Committee of Parliament.

Reallocations within projects follow the general rules outlined in the Financial Management Guidelines, i.e. the implementing partner can reallocate up to 10% of the budget line to other budget lines, whereas changes exceeding 10% must be presented to and approved by the steering committee or other relevant decision-making body, as stipulated in the relevant agreement.

4.5.8 Unallocated funds

For programmes and projects above DKK 50 million, unallocated funds also referred to as an adaptability reserve, can be reserved for later use. The need to adapt to new situations will often necessitate reservation of funds to be programmed later. In such cases, the non-programmed part of the budget is set aside at the time of appropriation. Relevant partners should always be engaged in decisions on the use of unallocated funds. All funds not programmed and appraised at the time of approval are regarded as unallocated funds.

Unallocated funds can reach 25% of the total budget of programmes above DKK 50 million. The quality assurance/appraisal process for allocation of un-allocated funds for new projects follow normal procedures for new appropriations and thus depends on the allocated amount. New projetcs above DKK 10 million should be approved by the State Secretary for Development Policy, projects up to DKK 10 million can be approved by the Head of Unit.

In case the unallocated funds are used for top ups to existing partners within the programme, the procedures for top ups apply.

If the objective of the proposed use of unallocated funds is not covered by the text in the Finance Act, a new appropriation has to be applied for through a request to the Parliamentary Finance Committee (aktstykke).

At the time of midterm review (see below), most unallocated funds should be programmed, and a plan for the remaining unallocated funds prepared to ensure sufficient time for implementation.

4.5.9 Use of contingencies

A budget line for contingencies – also called budget margin – may be included in project budgets. For projects above 10 million DKK which are implemented over more than two years, the contingency may be up to 10% of the budget for total direct cost excluding contingency. For

smaller projects, i.e. up to 10 million DKK, the contingency should not exceed 5%. Contingencies can only be used to cover unforeseen expenses for planned activities, such as extraordinary price increases, foreign exchange losses and unforeseen expenses. Use of contingencies for unforeseen expenses and losses is to be decided in joint decision-making body or other types of management arrangement. Contingencies can only be used within the same project. Should the amount of contingencies be insufficient in a project, the rules for reallocation between projects apply.

CHAPTER 5 – COMPLETION AND CLOSURE (exit strategy)

Considerations related to the completion of a project or programme start at the identification stage and should be taken fully into account during the formulation phase. It is important to envisage the situation where structures, policies, and partner activities are to continue independently of donor funding. The processes related to winding down, eventually leading to completion of a project or a programme and finalised by the formal closure is thus to be prepared well in advance. For larger programmes such a completion process could take up to a year. The processes are guided by an **exit strategy** based on discussions with partners.

> **Relevant specific guidelines, tools and templates in the completion phase**
>
> Financial Management Guidelines
>
> Financial Monitoring Guidelines
>
> Grant Management Guidelines

All activities, which have a Danish bilateral contribution of more than DKK 1 million[28] must undergo a formal completion process. The completion process entails the submission of a final report by the implementing partners to the responsible MFA unit. Based on this, a Project completion summary with a final reflection of achievements is submitted directly in RFI by the responsible MFA unit.

New phases of project or programme support will always be considered as new support, as it requires new documentation and new appropriation. Overlapping implementation of support to two phases of the same project or programme should be avoided to the extent possible, while at the same time ensuring that there is no major gap in implementation between phases.

5.1 Implementing partner's final report

The implementing partner's final report should follow the format of the partner's own reports, as used during the implementation, presenting the cumulative results achieved during the implementation phase. The final report is submitted to the joint decision making body, such as a steering committee, no less than one month prior to the termination of the legal agreement between the parties.

> **The purpose of the completion phase is to ensure:**
> - That development results are documented.
> - That documentation for the use of Danish funds in accordance with general principles for financial management of public resources is provided.
> - That lessons learnt are generated, discussed and, to the extent possible, integrated into partner activities.
> - That the process contributes to the overall Danish reporting on results.
> - That the administrative, financial and technical closure of project or programme support is completed in a coherent workflow.
> - A transition process to a next phase, if foreseen.

5.2 Responsible MFA unit's Project completion summary

The responsible MFA unit shall prepare a Project completion summary with a final reflection of results achieved as part of the completion and closure process covering programme or project level as relevant. The Project completion summary should

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[28] As a general rule programmes and projects should have a budget of minimum DKK 5 million, but this is in the understanding that there are a few instruments which produces smaller grants.

highlight the main lessons learnt based on the implementing partner's final report. This can also be used for possible guidance for future cooperation. The MFA Unit should also reflect on the conclusions by the joint decision making body regarding the achievement of the expected results, including the theory of change, assumptions, risk development, and wider impact, such as the prospect of replication or upscaling. The Project completion summary must be approved by the Head of Unit before it is submitted in RFI.

5.3 Closure of the project

A project is closed when all engagements registered under the programme or project are completed in PMI:

- All audit reports have been received and approved in GRAM.
- Any unspent funds and interest have been returned, or is in accordance with agreement.
- All reporting has been received in accordance with agreement.
- No more expenses are pending (adviser costs, audit fees or other).
- Any balance of provision on the engagement has been removed (reversed).
- All mandatory documentation is filed in (P360).

See the Grant Management Guideline ("Sagsbehandlervejledningen") for specific guidance on how to close down a programme or project in the MFA grant management systems.

SUMMARY OF REQUIREMENTS

Process, documentation	Programme/project grant sizes		
Type of intervention	Programmes[29]/ Projects above DKK 100 million	Programmes/ Projects DKK 20-100 million	Projects up to DKK 20 million
Task force	Optional	Optional	NA
Presentation at Kick off meeting	✅	✅	NA
Appraisal	Early appraisal by LÆRING followed by desk verification	Appraisal by external consultants (depending on risk category)	Responsible MFA unit
Number of partners	Max. 10 for country programmes Max. 8 for other programmes Only 1 for projects	Max. 3 for programmes Only 1 for projects	Max. 1
Programme/Project document	Max. 15 pages MFA programme doc. Max 5 pages per MFA project document	Max. 10 pages MFA programme doc. Max 5 pages per MFA project document	Max. 5 pages MFA project document
Results framework MFA PD **Partner PD**	✅ Strategic objectives at programme level; MFA results frameworks for each project Partner RF	✅ Strategic objectives at programme level; MFA results frameworks for each project Partner RF	✅ MFA results framework Partner RF
Risk assessment matrix (project level)	✅	✅	✅ If not sufficient in partner doc.

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[29] Programmes may include country programmes, regional programmes, thematic programmes etc.

Context Analysis	✅ In programme document as annex Stand-alone projects in annex	✅ In programme document as annex Stand-alone projects in annex	
Approval	Minister	Minister	Op to DKK 10 million: Head of Unit Above DKK 10 million: Minister
Annual results reporting	✅	✅	✅
Annual stock taking report	✅	✅	NA
Unallocated funds (only programmes)	Max. 25% of total programme budget	Max. 25% of total of programme budget for grants over DKK 50 million	NA
Reallocation of funds by the responsible MFA unit	15% between projects 10% per budget line in a project	15% between projects 10% per budget line in a project	10% per budget line
Approval of changes in outcomes	Head of Unit	Head of Unit	Head of Unit
Approval of changes in objectives	Minister through Secretary/Under Secretary for Development Policy	*DKK 50-100 million:* Secretary/Under Secretary for Development Policy *DKK 20-50 million:* Head of Unit	Head of Unit
Possible development specialist support	Identification, formulation, implementation	Advisory services on request	Advisory services on request
Midterm review (by LÆRING)	✅	✅ above DKK 50 million	NA
Project completion summary	✅	✅	✅