GUIDELINES FOR USE OF THE SDG FACILITY

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Table of Contents

1. Introduction 2

INSTRUCTIONS FOR USE OF THE OPPORTUNITY WINDOW 5

2. General Instructions – Opportunity Window 6

3. Administrative Guidelines 8

4. Timeline 12

INSTRUCTIONS FOR USE OF THE ENGAGEMENT WINDOW 13

5. General Instructions – Engagement Window 14

6. Administrative Guidelines 16

7. Timeline 21

Annex 1: What is ODA? (Both Windows) 22

Annex 2: Grant Chart (Both Windows) 22

Annex 3: Appropriation Cover Note (Both Windows) 22

Annex 4: Standard Activity Agreement (Opportunity Window) 22

Annex 5: Template for Terms of Reference Audit (Both Windows) 22

Annex 6: Project Completion Sheet (Opportunity Window) 22

Annex 7: Development Engagement Document (Engagement Window) 22

Annex 8: Quality Assurance Checklist (Engagement Window) 22

Annex 9: Final Results Report (Engagement Window) 22

The Guidelines for use of the SDG facility is based on the Guidelines for Country Strategic Frameworks, Programmes and Projects (November 2020). Any changes made to these guidelines may result in revised versions of the Guidelines for use of the SDG facility. For the latest version please visit amg.um.dk

1. Introduction

In transition and growth economies, including countries that are no longer priority countries for Danish international development assistance or, where development programmes are currently being phased out, Denmark has a unique opportunity to support strategically important development activities. Therefore, a 'Sustainable Development Goals Facility' has been established to enable selected embassies to respond to opportunities that might arise in cooperation with civil society, public authorities, private sector representatives and social partners.

The SDG facility distributes funding through two windows:

- The opportunity window, for smaller activities with a maximum budget of DKK 500.000 and a maximum time frame of 12 months, including administrative closure. Funding through this window covers a wide range of projects (seminars, workshops, trainings, travel expenses, cultural events, etc.) that may focus on any of the 17 SDGs. The yearly commitment frame for each embassy is determined by APD and will be based on the budget allocated to the facility in the Danish Finance Act. At least 50 % of the total commitment amount under the opportunity window must go towards projects with a green focus.

- The engagement window, for activities with a minimum budget of DKK 500.000, a maximum budget of DKK 5 million and a recommended time frame of no more than 2 years, including administrative closure. Funding through this window covers activities with a strategic focus on SDGs prioritised for transition and growth economies in Denmark's current strategy for development cooperation 'The World We Share'. Each involved embassy can apply for a yearly commitment frame of maximum DKK 5 million for the engagement window. It is recommended that around 50% of the total commitment amount under the engagement window should go towards projects with a green focus.

The SDG-facility is financed via finance act account §06.38.02.18, which describes the overall purpose and legal-basis for the SDG-facility. Embassies are to manage their frame under the SDG facility through the quarterly adjustments of finance act frames for development assistance coordinated by APD. Commitments are to be entered in quarter 1, 2 or 3. Commitments can be entered in quarter 4 if approved by APD on a case-by-case basis.

The APD Finance Act Team will assist embassies with any questions regarding allocation and management of frames.

1.2 Objective

The SDG facility is intended as a flexible instrument, allowing embassies to respond to opportunities by supporting clearly defined, strategically important development initiatives in the host country. Importantly, only activities eligible for registration as ODA can be supported (see Annex 1). This means that any supported activity must have, as its main objective, the promotion of economic and social development of the population in the host country.

The SDG facility is designed and intended for one-off engagements - not for projects requiring continuous follow up and monitoring. It is therefore recommended that embassies avoid initiating projects with partners that have already been responsible for implementing previous, similar projects. Should the embassy find it necessary to cooperate with the same implementing partner on similar projects more than once, arguments for this should be presented in the relevant project documentation.

1.3 General authority

The Head of the Embassy is the overall responsible for the effective and appropriate use of funds under the SDG facility. It is the embassies' responsibility to ensure a timely and well-documented administrative registration, implementation and closure of all projects within the stipulated time frame.

INSTRUCTIONS FOR USE OF THE OPPORTUNITY WINDOW

2. General Instructions – Opportunity Window

2.1 Budget allocations

At the beginning of each year, eligible embassies will be allocated a commitment frame for the opportunity window depending on the annual budget allocated to the SDG facility in the Danish Finance Act. Embassies manage their allocated frame through the quarterly adjustments of the finance act frame for development assistance coordinated by APD.

Commitments are to be entered in quarter 1, 2 or 3. Commitments can be entered in quarter 4 if approved by APD on a case-by-case basis.

2.2 Eligibility

Eligible embassies with access to funds through the opportunity window are at present Danish embassies in Accra, Hanoi, Jakarta, Islamabad, New Delhi, Beijing[1], Pretoria, Cairo, Mexico City, Abuja and Brasilia.

2.3 Grant - size, duration and quantity

Grants must be defined in DKK and each grant can have a maximum value of DKK 500.000.

Funding through the opportunity window is intended for short term, specific interventions. It is recommended that the activity period of any project does not extend beyond 6 months. All activities must be concluded within 1 year after signing of the activity agreement, including administrative closure (see section 3.8).

Each embassy is allowed to have a maximum of 6 grants open at the same time under both windows combined. At the end of the year, a maximum of 3 *opportunity grants* can be open.

Embassies are required to maintain a Grant Chart - indicating open projects and a clear timeframe for their 'life span" and closure (see Annex 2). The Grant Chart should be included by the responsible desk officer when a new grant is presented to management for approval. The Grant Chart should also be attached to the commitment documentation when the activity is registered in FMI.

2.4 Types of activities

All activities supported with funds from the opportunity window must be eligible for registration as ODA. This means that any supported activity must have, as its main objective, the promotion of economic and social development of the population in the host country. At least half of all commitments under the opportunity window (defined as

[1] Beijing, although eligible for funding under the opportunity window, will not have any new projects in 2022.

a share of the sum of all commitment amounts) must go towards green initiatives. Types of activities that can be supported include:

- Assist local partners in organisation of workshops, trainings, seminars, conferences, studies and cultural events. This can be done to strengthen the profile of particular priorities of Danish development cooperation and could contribute to widening the embassy's network and connections to the local resource base. Moreover, it could be used to engage on particular development themes important for Denmark.

- Travel expenses (economy class) for local partners (government officials/civil servants/civil society representatives) for participation in strategically important local/international meetings.

2.5 Partners/beneficiaries

With priority given to locally anchored partners, embassies can enter into agreements on activities with the following partners:

- **National authorities**, e.g. authorities of national and local governments, as well as semi-governmental bodies, (public universities, public research institutes, public utilities etc.);

- **Local non-profit civil society organisations**, e.g. NGOs, associations, research institutes, foundations, etc. The organisation must be rooted in the host country, i.e. its registered office and activities are in the country. As a general rule, in order to be eligible for support, the organisation should have been in existence for at least one year, articles of association must have been drawn up for the organisation, and its accounts be subject to audit;

- **International organisations,** e.g. international and multilateral development organisations. Projects may also support organisations that are part of an international alliance provided that the organisation is rooted in the country concerned - for example by having its own board;

- **Danish authorities**, e.g. governmental institutions, including ministries and governmental agencies and semi-governmental bodies (public universities, public health sector institutions, public research institutes, etc.);

- **Local representations of Danish NGOs and Danish civil society organisations**, e.g. associations, research institutes, foundations, etc.

The following partners are **not eligible** for support:

- Private companies and individuals.

2.6 General monitoring

It is the embassies' responsibility to ensure proper management of their activities including disbursements and that accounts are received and processed in a timely manner.

3. Administrative Guidelines

3.1 Appropriation and agreement

Before entering into an agreement with a partner, an Appropriation Cover Note (see Annex 3) must be approved by the Head of the Embassy. The format for the Appropriation Cover Note can be found under the Guidelines for Programmes and Projects.

Final approval of the Appropriation Cover Note must take place in an F2 approval flow from the responsible desk officer to the Head of the Embassy. The precondition for creating a grant in PMI is that a final PDF of the approved Appropriation Cover Note is uploaded under documents in PMI.

A more detailed description of projects supported through the opportunity window is part of the Standard Activity Agreement with implementing partners. This agreement presents the conditions for support as well as the rationale behind the project activities. A template version of the Standard Activity Agreement is attached as an annex to this guide (see Annex 4).

The Standard Activity Agreement must be signed by the Head of the Embassy and the implementing partner.

All relevant communication and documentation must be filed by the embassies in F2 and relevant documents should be uploaded in PMI.

3.2 Justification for choice of partner

Projects initiated under the opportunity window will often involve a direct selection of grantee based on clearly defined proposals by potential partners. Direct selection or selection from a limited pool of potential grantees requires justification as it risks violating principles of equality and transparency[2].

It is the responsibility of the embassy to provide sound justification for their choice of partner. When appropriate, embassies must complete a limited, restricted or open call for

[2] Vejledning om effektiv tilskudsforvaltning - marts 2016, page 3

proposals. Upon request, FRU can provide an overview of processes by which grantees may be selected, including a list of factors that can influence the decision to limit the pool of potential grantees.

Justification for choice of partner is documented in the Appropriation Cover Note (see Annex 3).

3.3 Registration in FMI

Each embassy is responsible for registering their engagements in FMI. This includes undertaking the following steps:

- creation of commitment and disbursement budget
- linking the budget in FMI to the grant in PMI
- registration of commitment (based on the activity agreement)
- creating the partner as a creditor (and as organisation in case of advance payments)
- creating a new job ID

More information about FMI can be found in the FMI Guides.

3.4 Disbursement in FMI

Disbursements are initiated as bank transfers (central payments) in FMI based on an invoice from the partner organisation.. For all disbursements, the implementing partner must return a letter or email acknowledging receipt of funds.

All disbursements, including reimbursements, must follow a written request from the implementing partner. The signed agreement can be used as the payment request for the first payment, if specified in the agreement. Written requests should include the balance for the project, funds previously received, funds spent, budget for coming period (if the disbursement is an advance payment), specific amount requested, bank details and two authorized signatures.

As a general rule, the partner organisation should be reimbursed based on documented expenses after the activity has taken place (see more in the section below about accounting). However, embassies can make an advance payment of up to 60% of the total commitment.

All disbursements where partners are reimbursed based on documented expenses or audited financial statements, payments must be registered using standard specification 33. All advance payments must be registered using standard specification 62.

In example, the first payment will often be made as an advance payment, which should be registered on standard specification 62, and the final payment will be made based on the

expenses documented in the audited financial statement as a reimbursement, which should be registered using standard specification 33.

3.5 Accounting

A final statement of accounts shall be submitted no later than 3 months after the end of the activity period. As stated in section 2.3, all activities must be concluded (accounts received and finalised in GRAM) within 1 year from signing of the activity agreement.

Statement of accounts shall be drawn up to the same level of detail as is done in the budget (reflecting any agreed changes made). The statements shall clearly state the disbursements made by the embassy as well as any outstanding balance at the time of reporting. The statements shall be signed by the responsible authority.

3.6 Auditing

For all projects under the opportunity window the responsible embassy must ensure that a financial audit and a compliance audit is conducted by an external auditor or audit company. Audits shall be performed in accordance with MFA requirements by following the standard Terms of Reference as set out in Annex 5[3].

All expenses related to audits must be covered within the agreed upon budget.

The audit report, including a management letter, must be submitted no later than 3 months after the end of the activity period. For more details on the MFA's auditing requirements, see Financial Management Guidelines 2019.

3.7 Agreement

A Standard Activity Agreement for projects under the opportunity window is set out in Annex 4. When signed by the Head of the Embassy and the implementing partner, this document presents the conditions for support as well as the rationale behind the activity.

The MFA's standard clauses including the anti-corruption clause, the child labour clause and the prevention of sexual exploitation, abuse and harassment clause must be part of all agreements with implementing partners.

3.8 Completion

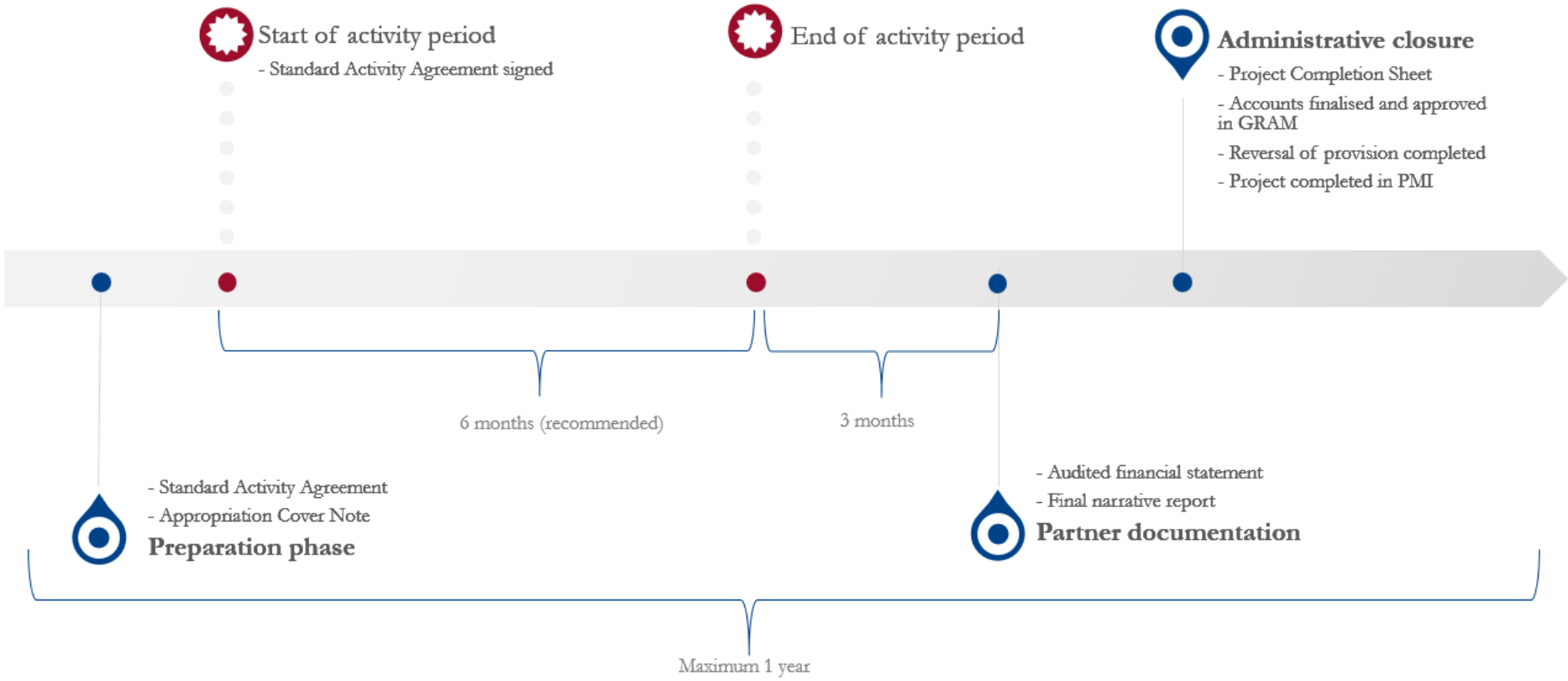
The partner organisation has fulfilled its obligations when a signed and audited financial statement and a narrative results report have been received and approved by the embassy.

[3] The template must be edited to reflect the terms and conditions for the audit required

In order to finalise the grant administratively, it is the responsibility of the embassy to:

- Make sure that there are no outstanding payments
- Register accounts received and finalised in GRAM
- Ensure that accounts are approved in GRAM by the responsible CFO
- Complete the standard Project Completion Sheet as stipulated in Annex 6
- Ensure that all relevant documentation has been uploaded in F2 and PMI
- Complete the project in PMI by entering a completion date on the grant page and registering the project as 'completed'
- Terminate remaining balance of provision in FMI, if any

4. Timeline


Start of activity period
- Standard Activity Agreement signed
End of activity period
Administrative closure
- Project Completion Sheet
- Accounts finalised and approved in GRAM
- Reversal of provision completed
- Project completed in PMI
6 months (recommended)
3 months
- Standard Activity Agreement
- Appropriation Cover Note
Preparation phase
- Audited financial statement
- Final narrative report
Partner documentation
Maximum 1 year

INSTRUCTIONS FOR USE OF THE ENGAGEMENT WINDOW

5. General Instructions – Engagement Window

5.1 Budget allocations

Eligible embassies must apply for allocation of funds if they wish to initiate projects under the engagement window. Applying for funds is done through the quarterly adjustments of the finance act frame for development assistance coordinated by APD. Before applying for funds through a frame adjustment, a written application must be submitted to the responsible desk officer in APD. The application should include a short description of the project and a short justification for the support. If approved by APD, the application will move forward as part of the entire frame adjustment. The final decision on the allocation of funds under the frame adjustment is taken by Minister for Development Cooperation.

Commitments are to be entered in quarter 1, 2 or 3. Commitments can be entered in quarter 4 if approved by APD on a case-by-case basis.

5.2 Eligibility

Eligible embassies with access to funds through the engagement window are at present Danish embassies in Abuja, Hanoi, Mexico City and Pretoria.

5.3 The grants - size, duration and quantity

Grants must be in DKK. Each grant must have a minimum value of DKK 500.000 and a maximum value of DKK 5 million.

It is recommended that all projects under the engagement window are concluded within 2 years after signing of the activity agreement, including administrative closure (see section 6.8). It is possible to initiate projects that extend beyond the recommended time frame. However, for projects with an activity period of two years or longer, additional reporting requirements apply (see section 6.5 and 6.6).

The embassy is allowed to have a maximum of 6 grants open at the same time under both windows combined.

Embassies are required to maintain a Grant Chart - indicating open projects and a clear timeframe for their 'life span" and closure (see Annex 2). The Grant Chart should be included by the responsible desk officer when the grant is presented to management for approval. The Grant Chart should also be attached to the commitment documentation when the activity is registered in FMI.

5.4 Types of Activities

All activities supported with funds from the engagement window must be eligible for registration as ODA. This means that any supported activity must have, as its main objective, the promotion of economic and social development of the population in the host country.

All activities must support the objectives of the current Strategy for Danish Development The World We Share. It should be clear in all project documentation, including in the application for funds to APD, how each activity contributes to these objectives. Finally, activities should have a strategic character with policy dialogue as an important element. For more information on Danish development priorities and results reporting - please see Guidelines for Country Strategic Frameworks, Programmes and Projects.

5.5 Partners/beneficiaries

With priority given to locally anchored partners, embassies can enter into agreements on activities with the following partners:

- **National authorities**, e.g. authorities of national and local governments, as well as semi-governmental bodies, (public universities, public research institutes, public utilities etc.);

- **Local non-profit civil society organisations**, e.g. NGOs, associations, research institutes, foundations, etc. The organisation must be rooted in the host country, i.e. its registered office and activities are in the country. As a general rule, in order to be eligible for support, the organisation should have been in existence for at least one year, articles of association must have been drawn up for the organisation, and its accounts be subject to audit;

- **International Organisations**, e.g. international and multilateral development organisations. Projects may also support organisations that are part of an international alliance provided that the organisation is rooted in the country concerned - for example by having its own board;

- **Danish authorities**, i.e. governmental institutions, including ministries and governmental agencies and semi-governmental bodies (public universities, public health sector institutions, public research institutes, etc.);

The following partners are **not eligible** for support:

- Private companies and individuals.

5.6 General monitoring

It is the embassies responsibility to ensure proper management of their activities including disbursements and that accounts are received and processed timely.

The embassy must transfer the agreed upon results framework from the Development Engagement Document (see below) into the Results Framework Indicator (RFI) interface - accessible through PMI. The RFI interface should be updated during the activity period to reflect any progress towards agreed upon targets.

6. Administrative Guidelines

All projects under the engagement window follow the administrative guidelines for preparation, implementation and completion of bilateral projects up to DKK 10 million. For the latest version and for more specific requirements, e.g. for projects implemented through international development organisations or Danish authorities, see Guidelines for Country Strategic Frameworks, Programmes and Projects at amg.um.dk.

6.1 Preparation and appropriation

The grant approval process follows three steps: formulation → quality assurance → finalisation and appropriation.

The standard Development Engagement Document (DED) for bilateral projects up to DKK 10 million (see Annex 7) serves as the formulation of the project and describes the rationale behind the project activities. The DED can also serve as the required agreement with the implementing partner. If the DED serves as the partner agreement, the DED must be signed by the Head of the Embassy and the implementing partner.

Before the DED is signed by the Head of the Embassy, a third party desk officer at the embassy must complete an internal quality assurance of the project. The quality assurance process must be documented by completing, signing and attaching the Quality Assurance Checklist (see Annex 8) to the Appropriation Cover Note (see below).

Similar to projects initiated under the opportunity window, final approval of projects under the engagement window takes place when the Head of the Embassy approves the Appropriation Cover Note (see Annex 3). At this stage, the required documentation is

comprised of an unsigned version of the DED and a final version of the Appropriation Cover Note with the completed Quality Assurance Checklist attached.

Final approval of the Appropriation Cover Note must take place in an F2 approval flow from the responsible desk officer to the Head of the Embassy. The precondition for creating a grant in PMI is that a final PDF of the approved Appropriation Cover Note is uploaded under documents in PMI.

All relevant communication and documentation must be filed by the embassies in F2 and relevant documents should be uploaded in PMI.

6.2 Justification for choice of partner

It is the responsibility of the embassy to provide sound justification for their choice of partner. When appropriate, embassies must complete a limited, restricted or open call for proposals. FRU can provide an overview of processes by which grantees may be selected, including a list of factors that can influence the decision to limit the pool of potential grantees.

Justification for choice of partner is documented in the Appropriation Cover Note (see Annex 3) and evaluated in the Quality Assurance Checklist (see Annex 8).

6.3 Registration in FMI

Each embassy is responsible for registering their engagements in FMI. This includes undertaking the following steps:

- creation of commitment and disbursement budget
- linking the budget in FMI to the grant in PMI
- registration of commitment (based on the activity agreement)
- creating the partner as a creditor (and as organisation in case of advance payments)
- creating a new job ID

More information about FMI can be found in the FMI Guides.

6.4 Disbursement in FMI

Disbursements to implementing partners should not cover more than 6 months of planned spending. Disbursements are initiated as a bank transfer (central payment) in FMI following a written request from the implementing partner, including bank details. For all disbursements, the implementing partner must return a letter or email acknowledging receipt of funds.

Payments made in advance must be registered using standard specification 62. Any balance at the end of a project disbursed in accordance with the approved budget and after the receipt and approval of a final, audited financial statement, shall be registered using standard specification 33.

The signed agreement can be used as the payment request for the first payment, if specified in the agreement. All following disbursements, including reimbursements, must be made on the basis of written requests. These request should include the balance for the project, funds previously received, funds spent, budget for coming period (if the disbursement is an advance payment), specific amount requested, bank details and two authorized signatures.

6.5 Narrative and financial reporting

Statement of accounts shall be submitted to the embassy every 6 months and is required as an attachment to any written request for advance payments following the first disbursement. A final, audited statement of accounts (covering the entire project period) shall be submitted no later than 3 months after the end of the activity period.

Statement of accounts shall be drawn up to the same level of detail as is done in the budget (reflecting any agreed changes made). The statements shall clearly state the disbursements made by the embassy as well as the outstanding balance at the time of reporting. The statements shall be signed by the responsible authority and shall include a bank statement and a bank reconciliation.

A final narrative results report covering all activities supported as part of the project shall be submitted to the embassy no later than 3 months after the end of the activity period. For projects with an activity period of two years or longer, annual narrative progress reports covering 12 months of implementation must be submitted to the embassy.

6.6 Auditing

For all projects under the engagement window, the responsible embassy must ensure that a financial audit and a compliance audit is conducted by an external auditor or audit company. Audits shall be performed in accordance with MFA requirements by following the standard Terms of Reference for auditing as set out in Annex 5. The embassy should also assess if a performance audit is relevant in addition to the financial audit and the compliance audit.

For projects with an activity period of two years or longer, annual audits covering 12 months of implementation must be submitted to the embassy.

All expenses related to audits must be covered within the agreed upon budget.

The audit report, including a management letter, must be submitted no later than 3 months after the end of the activity period. For more details on the MFA's auditing requirements, see Financial Management Guidelines 2019.

6.7 Agreement

The Development Engagement Document for projects under the engagement window is set out in Annex 7. When signed by the Head of the Embassy and the implementing partner, this document presents the conditions for support as well as the rationale behind the activity.

The embassy, together with an implementing partner, may choose to use another template for the partner agreement than the DED. In that case, the partner agreement must live up to the conditions for support described in the DED, in the Guidelines for Country Strategic Frameworks, Programmes and Projects and in the Financial Management Guidelines – all available at www.amg.um.dk. Furthermore, the DED must be attached and referenced as an annex to the partner agreement chosen.

The MFA's standard clauses, including the anti-corruption clause, the child labour clause and the prevention of sexual exploitation, abuse and harassment clause must be part of all activity agreements with implementing partners.

6.8 Completion

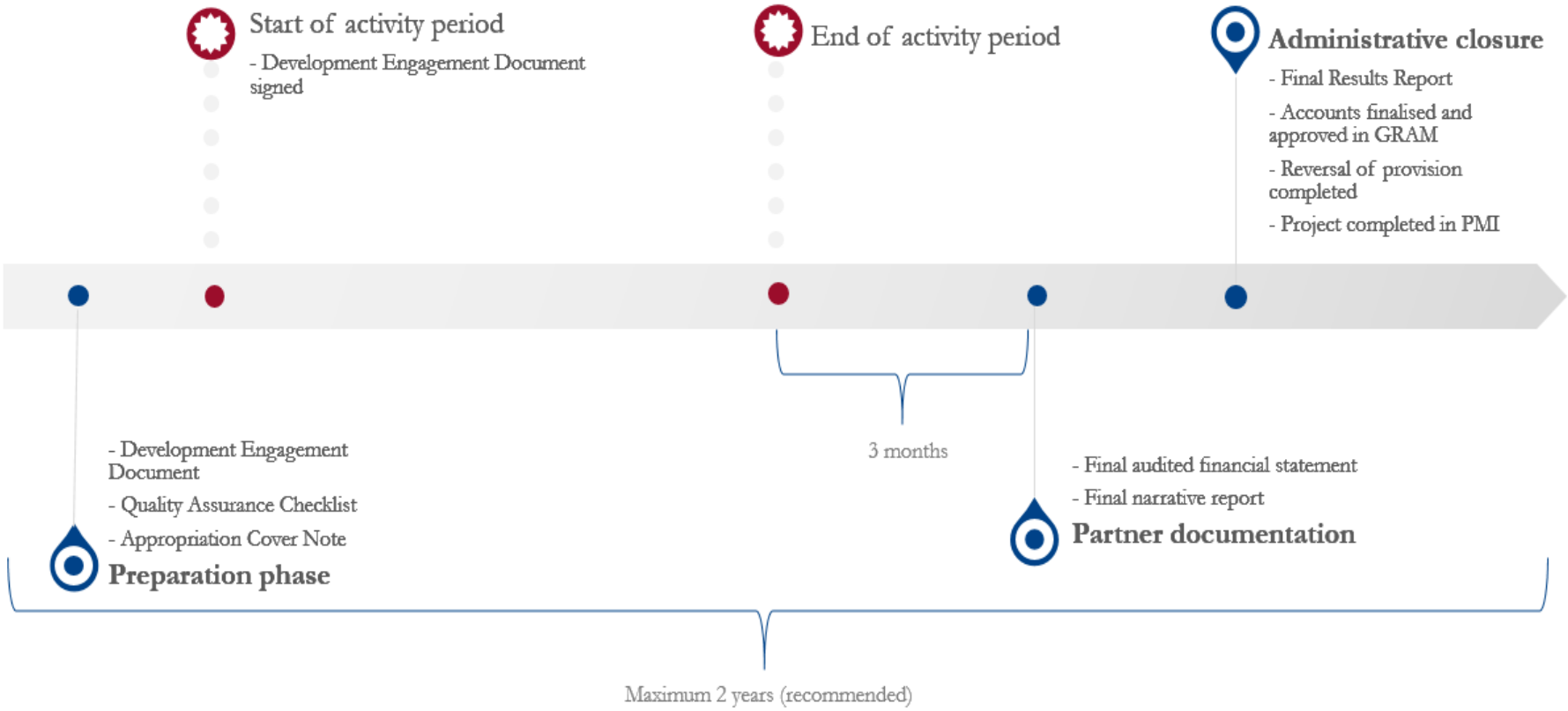
The partner organisation has fulfilled its obligations when a signed and audited financial statement and a final narrative results report have been received and approved by the embassy.

In order to finalise the grant administratively, it is the responsibility of the embassy to:

- Ensure that there are no outstanding payments
- Register the accounts received and finalised in GRAM
- Ensure that accounts are approved by the responsible CFO
- Ensure that the Results Framework Indicators (RFI) have been updated in PMI to reflect progress throughout the activity period and final results achieved
- Complete the Final Results Report as stipulated in Annex 9
- Ensure that all relevant documentation has been uploaded in F2 and PMI
- Complete the project in PMI by entering a completion date on the grant page and registering the project as 'completed'

- Terminate remaining balance of provision in FMI, if any

7. Timeline


Start of activity period
- Development Engagement Document signed
End of activity period
Administrative closure
- Final Results Report
- Accounts finalised and approved in GRAM
- Reversal of provision completed
- Project completed in PMI
- Development Engagement Document
- Quality Assurance Checklist
- Appropriation Cover Note
Preparation phase
3 months
- Final audited financial statement
- Final narrative report
Partner documentation
Maximum 2 years (recommended)

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