

Financing Guideline

Use of funds in projects supported by BMZ

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Foreword

The present guideline regulating financial management of projects supported by BMZ is intended to aid comprehension of the BMZ funding directives and to support you in implementing them in concrete work in projects supported by DGB Bildungswerk. This guideline incorporates the experience and results that emerged from BMZ audits, as well as suggestions from partners of DGB Bildungswerk, as well as auditors and project personnel.

Please read this manual **BEFORE** your project commences – in this way, you will be able to avoid many beginner's mistakes. **This manual shall also serve as an important source of reference for execution of the project.**

In the column to the right of the main text, you will find information on forms enclosed in the annex. Please use these forms in order to ensure that you have provided all project-related information completely when submitting financial reports.

This guideline is specifically intended as a TOOL in the form of a collection of “best practices”. Only those who perform the necessary accounting work will be able to judge what is really helpful for them. DGB Bildungswerk therefore requests that you read this critically and provide active feedback and any proposals you may have for additions and improvements, so that you can help us optimise this manual and contribute to improving our communication and cooperation.

Düsseldorf, January 2016

Abbreviations

BHO	Bundeshaushaltsordnung (<i>Federal Budget Code</i>)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (<i>Federal Ministry for Economic Cooperation and Development</i>)
DGB BW	DGB Bildungswerk
FR	Förderrichtlinien (<i>Funding Directive</i>)
VV-BHO	Administrative regulations regarding the Federal Budget Code

Legend



Guiding principles



Caution



Information /“Please note”



Example



Reference to a form in the annex



Deadline

1. General

1.1. BMZ

The Federal Ministry for Economic Cooperation and Development (BMZ) was established in 1961 initially under the name “Federal Ministry for Economic Cooperation” with the goal of combining various aspects of foreign development that had previously been the responsibility of different government ministries. The phrase “and Development” was added in 1993.

BMZ defines the concept of foreign development work of the Federal Republic of Germany, which includes observance of certain democratic principles and human rights in partner countries. On this basis, bilateral treaties are concluded with partner countries. The ministry then monitors the results in terms of target achievement and measures carried out under these treaties.

In practical implementation, so-called implanting organisations and non-governmental organisations are consulted and supported financially as required.

1.2. The Federal Budget Code and funding directives

The Federal Budget Code (BHO) is a German law regulating the federal budget including financial accounting and its verification by Bundesrechnungshof, the Federal Court of Auditors. The interpretation and implementation of this law are based on the detailed Administrative Regulations for the Federal Budget Code (VV-BHO) issued by the minister of finance.

To promote successful achievement of certain goals, grants are provided in accordance with the Federal Budget Code (BHO) in the form of absorption of costs and declarations of obligation to organisations outside the federal administration. Management of the different grants and funding and their recipients is regulated by general BMZ regulations.

The funding directives (FR) are oriented to the special features of the different funding recipients. Projects of DGB Bildungswerk are financed for the most part from the “Social Structure Assistance” fund.

1.3. Social Structure Assistance measures

Social Structure Assistance covers measures with the following goals:

- Development and consolidation of democratic structures and civil society



Annex 4:
BMZ funding directives

- Support for independent, ecologically sustainable and socially just economic development
- Improvement of regional and international communication and peaceful coexistence
- Combating poverty through the development and support of sustainable social structures

Special attention is paid to the support of individual initiatives in the partner countries, self-organisation of the socially disadvantaged and support for self-administration and pluralist social structures. One important feature of development policy here is support for self-help organisations among disadvantaged sections of the population. Individual initiative and acceptance of responsibility by individuals and groups are given top priority in project implementation; the individual contributions made by the groups and persons being supported and responsibility and the skills for continuing the project independently are indispensable for success.

1.4. Financing Guideline

With its project application to BMZ, DGB Bildungswerk undertakes to comply fully with BMZ guidelines and requirements and accepts full responsibility for similar compliance on the part of its partner. This manual is a translation of the funding directives in the language and processes of project work at DGB Bildungswerk. By signing the cooperation agreement, the partner undertakes to apply and implement this Financing Guideline.

2. Basis of funding

2.1. The nature and scope of funding

The aim of the funding cooperation provided in the framework of the North-South network in the educational federation BUND of the German federation of trade unions Deutscher Gewerkschaftsbund (DGB BW) is to help promote political, economic and social human rights and decent work for all, to promote democracy and gender equality in the workplace and society at large and to secure a sustainable economic and social development to minimise any existing inequalities. For this purpose, the North-South network in DGB BW supports the development and consolidation of strong, democratic, politically and financially independent trade unions and organisations representing the interests and rights of the working population.

In this context, the North-South network in DGB BW promotes measures of trade-union education, information and advice, aimed at:

- ensuring full compliance with human rights, the right to work and free choice of occupation, for just, healthy and satisfactory working conditions, for basic social security, for freedom from discrimination and the promotion of gender equality, for fair wages and the right of free association;
- supporting trade unions and their members in monitoring and asserting, as collective representatives of the interests of workers, full compliance with working and social standards including core labour standards;
- supporting trade unions, their members and workers in becoming active participants and decision makers in civil society and thus playing a key role in promoting democracy in the economy, state and society;
- supporting trade unions and their members in becoming strong enough in their position as workers representatives to interact as equals in dialogue and tariff negotiations with governments and employers;
- overcoming trade union fragmentation and to promoting unity among trade unions and their common campaigning strength;
- promoting a reduction of economic and social inequality, the development of social insurance systems and greater equality of opportunity;
- supporting the creation and consolidation of independent, democratic trade union structures based on a broad union membership.

Project funding by DGB Bildungswerk is conditional on the organisation receiving support being an independent legal entity with statutes and an executive or management board, having a correct and suitable accounting system and being able to make available personal and material resources for applying for, executing and processing the accounts of a project in accordance with the stipulations set forth by BMZ in this Guideline. It should also be financially independent of the need for project funding and have sufficient own funds for covering all financial project risks (expenditure not eligible for funding) from its own resources.

Generally projects are supported by BMZ funds to the full financial extent. The partner's own contribution is dealt with in section 2.5.

The project application will form the basis for project implementation. With the application, the project partner and DGB Bildungswerk are providing documentary proof to BMZ of their intention to carry out the measures indicated in the application in the way and to the extent described therein. When approved by BMZ, the project application will come into effect and DGB Bildungswerk shall accepted on the basis of an agreement with the partner responsibility for the scheduled execution of the project and correct accounting procedures in accordance with the BMZ funding directives.

Compliance with the qualitative and quantitative goals formulated in the application represents a mandatory basis for the cooperation; implementation of the planned measures is obligatory throughout the entire project period. A results-oriented performance control (evaluation) is carried out at the end of the project period.

It may nevertheless occur that amendments have to be made during the project period, because planned measures cannot be implemented as originally intended or because some need arises for additional measures. DGB Bildungswerk must be notified immediately if the fundamental conditions should change such that it may be impossible to achieve the agreed project targets or if it emerges that the approved funding is inadequate for achieving the intended targets. Only then will it be possible to submit an amendment application to BMZ.

Even if the performance of additional measures are financed by savings elsewhere and thus the overall budget is not exceeded, any expansion of activities will have to be reported to and be approved by BMZ. Otherwise such additional measures will lead to a reduction of the allocated budget or refund of funding, in the worst case the cooperation can be cancelled.



Annex 1

Project description incl. result chain



Request for and transfer of funds before the project commences is not possible. Expenditure incurred prior to the project start cannot be paid from project funds. It is also not permitted that funds be first drawn from other sources and then subsequently refunded from project funds.



Part of the project application is always a structural and financial plan covering the entire period of the project, which will be agreed with the relevant project coordinator of DGB Bildungswerk, and which is structured as follows:

- FR 1 Education and consulting measures in partner countries
- FR 2 Education measures implemented elsewhere
- FR 3 Use of financing instruments, launching and equipment assistance
- FR 4 Construction projects
- FR 5 Staff and project infrastructure in partner countries

Funding by DGB BW generally contains, however, only expenses under FR 1, FR 2 and FR 5.

This cost plan is further structured into a detailed budget for the purpose of more efficient planning and cost control; this budget should reflect the individual measures and series of measures.

The structural and financial plan (Annex 2) approved by DGB BW is binding. Any deviations from or amendments to this plan shall require the prior written consent of both parties to the Agreement.

A detailed project budget covering a period of three years (Annex 19) must be drawn up before creation of the structural and financial plan. At the end of each year, the annual budget for the following year is updated and agreed with DGB BW (see section 2.3). The grant can be used exclusively for financing the measures indicated in the agreed project budget and their personal and project infrastructure also indicated in the project budget.

The structural and financial plan can be amended exclusively on the basis of a application submitted to and approved by DGB BW. The application must show clearly and plainly the plan and budget for the current project and indicate the financial, thematic or personnel changes for which application is now being submitted.

DGB Bildungswerk must be informed as early as possible regarding any funds not used. The funds then have to be transferred back, as well as purchases that could not be used in accordance with plans. With its signature to the cooperation agreement, the particular local partner (hereinafter the Local Partner) undertakes to provide reimbursement of such funding.



Annex 2

Structural and financial plan

Annex 19

Project budget

The grant is obtained from funds provided by the Federal Ministry for Economic Cooperation and Development (BMZ) for the purpose of achieving the specified project target (funding purpose).

The Local Partner has no legal claim to this grant. A decision on grant provision is a matter for the discretion of BMZ and depends on the budget resources available.

The funds are in principle bound to the relevant budget year. Any transfers desired between the budget years must be applied for in writing to DGB Bildungswerk in good time according to section 2.4, so that they can be coordinated with BMZ.

2.2. Structural and financial plan

All income connected to the funding purpose (project goal) – in particular further subventions (section 3.5), payments from third parties or income received (section 3.4) by the Local Partner – must in principle be used for financing the expenses necessary for achieving the project target. The structural and financial plan is binding from the point of view of structure and overall outcome.



If two or more projects of the same DGB partner are being funded, they must be clearly distinguished by different bank accounts and by an allocation of expenditure to the individual projects, which has to be maintained consistently over the project period.



It is generally the case that the cooperation agreement establishes the upper limit of the funds to be claimed. The total amount set forth in the agreement may not be claimed in full but may not be exceeded. If the agreed fund cannot be utilised to the full extent, the remainder will after the project period has come to an end not be available for further activities outside the approved period. It is to be returned to DGB Bildungswerk.

For the special treatment of interest income and revenue from project activities, see section 3.4.

Contributions in kind to be made by the Local Partner are listed in section 2.5.

2.3. project budget

The project budget that is initially drawn up by the Local Partner in the local currency is transferred to the structural and financial plan and converted into Euro (EUR). These amounts in EUR represent the binding basis of the agreement.

The funding allocations set for each year are indicated in the structural and financial plan, which represents a constituent part of this Agreement and is enclosed as Annex 2. The annual budgets are binding. If the annual budget is not completely utilised by the partner in any one year, then in certain exceptional cases a part of the difference can be carried forward to the following year, but **only after this has been explicitly approved in writing by DGB BW.**

The Local Partner shall present by 30 November of the current year a detailed and updated project annual budget for the following year, which has to be approved by DGB Bildungswerk.

The budget reflects the project targets and their degree of achievement and therefore has to be continuously (monthly) compared to the current revenue and expenditure. In this any deviations from plans can be promptly registered and the appropriate measures taken (see section 2.1).

The amount of the budget in the local currency used by the Local Partner will depend on the current applicable exchange rate. If budget adjustments become necessary due to fluctuations in currency exchange rates, this must be clarified with DGB Bildungswerk in advance and be approved accordingly (see in this regard also section 3.7).

2.4. Budget overruns

The structural and financial plan and the project annual budget are to be observed.

Individual expenditure items in the structural and financial plan may be increased by up to 30% at the expense of other expenditure items of the same plan, provided this is necessary for achieving the project goal. Such increases are to be agreed with DGB-Bildungswerk in advance. There can be no increases to an individual expenditure item exceeding this rate. Regarding amendments to the budget on the basis of replenishment, amendment or savings applications, see section 2.1.

2.5. Contributions in kind as own contribution

The Local Partner provides contributions in kind as his own contribution towards execution of this project.



Annex 2
Structural and
financial plan



Annex 19
Budget



Example:

If the partner has its own office and training rooms, it must make these available free of charge as its own contribution. Besides rent, this also applies equally to ancillary costs (such as electricity, gas, water) and for telephone expenses (see FR III 1.3.1 und FR I 5.4). Rent payments are admissible only when they arise from the rental of other premises at normal local rates as an alternative to the use of own rooms. If the Local Partner normally leases out rooms to third parties and obtains rental income from this, it shall not be possible to charge for loss of this income when the rooms are made available for purposes covered by project funding.



If support for office rent is also included in the approved agreement (when the rooms are rented by the Local Partner), the local suitability of the rent costs will have to be confirmed similar to the procedure for salaries (see 3.8.2). If the agreement provides by way of exception for running costs to be borne on a pro-rata basis from project funds, then the percentage rates agreed with DGB Bildungswerk must be calculated uniformly throughout. Documentation of total expenses, documentation of the percentage division indicating the spreading criteria and their derivation and accounting and costing evidence of total expenditure will in such a case have to be included with the accounting. Copies of service contracts (rent agreements, telecommunication etc.) are also to be enclosed.

2.6. Principles of funds utilisation

The funds provided are to be utilised economically and cost efficient according to the provisions set forth in the Cooperation Agreement and its annexes.

All expenditure is to be at normal market rates for the country and location. This applies in particular to salaries, professional fees, travelling expenses and other services. Expenditure must be proven and documented by the Partner.

The Local Partner shall ensure that all payments made from the grant conform to the specifications in this Financing Guideline, which constitutes a binding part of the cooperation agreement. All stipulations and restrictions under the national law applicable for his particular type of organisation have to be taken into account. If this leads to contradictions or any unclear points, DGB BW should be consulted.



Caution!

It is important that you consult DGB BW in the case of any uncertainty or queries that are not clearly regulated in this manual or if further information is required! It is always better to ask a further question rather than run the risk of expenses incurred later not being recognised or other difficulties arising.

The project funds are to be used only for such expenditure as is necessary for achieving the project goals.

Expenses eligible for support

- funds for training and consulting services
- applied research expenses
- institutional capacity building
- material costs
- publications and communication costs for project-related themes
- thematic campaigns

Expenses not eligible for support

- campaigns for obtaining political office or to support parties within and outside election campaigns
- setting up and equipping election campaigns offices
- gifts to seminar participants and political representatives
- events within the organisation, such as trade union conferences/congress, annual celebrations, excursions
- catering for and entertainment of project personnel and other employees of partner organisations outside the seminars
- journeys to other countries without invitation from DGB BW

2.7. Separate bank account

The Local Partner shall open an interest-free bank account in the name of the organisation for the joint project (in Euro or local currency), in which the funds for the project are exclusively and completely booked. The bank charges regularly arising for this account (account management and cash transfer fees) are part of the project documentation, as is the fee schedule of the bank managing the account.



Caution!

For every project that is supported by funds from DGB Bildungswerk, a separate bank account is to be opened before the project starts, through which all payments relating to the project will be made. BMZ funds may not be combined with other funds, e.g. donations, funding from other sources, etc.

The Local Partner shall maintain a **separate account** for this (project) bank account.

Use of the project account must be strictly limited to drawings and payments made in the context of the project, no other financial transactions may be undertaken through this project account.



Bank statements are to be enclosed with the monthly report.

Deadline : 20th day of the following month.



The account statements of the project account

- are the most important verification document of project income and expenditure
- are evidence of prompt use of funding within the period
- serve as documentation of bank charges.

2.8. Cash account

When the Local Partner makes payments from the petty cash, he must keep a project-related petty cash account. The relevant receipts and payments from the petty cash are to be documented correctly, completely, consistently and promptly in a cash ledger. The cash ledger consists of the cash balance and the regularly posted income and expenditure and the relevant balance; the cash balance must be evident at all times. This account must contain at least the following data:

- date
- voucher number
- voucher text
- receipt/expenditure amount
- cash balance
- cost type

The pages of the cash ledger must be numbered in sequence and be confirmed by the signature of the party responsible. A counting of the petty cash must be made and a payment record prepared at least once per month.

Special care is to be taken when making instalment and advance payments or refunding of such payments. To ensure traceability and verification, these transactions are to be documented by a numbered and signed cash voucher at the time the transaction is made and recorded in the cash journal.

2.9. Fund request and transfer

The transfer of funds takes place on the basis of the funding requests reported monthly by the Local Partner. The funding requirement should be calculated as precisely as possible in order to prevent financial bottlenecks and excessive funding surpluses. This also ensures use of funding within the relevant period and avoids interest incurring on refunding claims. The “Fund request” (Annex 16) covers all parameters for funds requirements for the following month that need to be considered.



Caution!

Requests for funds that are received late cannot be considered until the month following the next!



Payments through petty cash should be restricted to the absolute minimum necessary due to susceptibility to errors.



**Annex 16:
Fund request**



**Deadline:
on the 20th day
of the month in
each case.**

If, however, an unforeseeable financial bottleneck in the project should nevertheless occur, liquidity support can be obtained from the parent organisation. It must be agreed in writing that this relates exclusively to a repayable loan and not to additional project funds.

Both the drawing and the repayment of such liquidity support have to be indicated clearly in project accounting.

In cases in which DGB BW does not remit the project funds through a financial services provider (e.g. INTL), the Local Partner must forward to DGB Bildungswerk documentary proof of the amount received immediately after the sum is credited to the project account. This proof must clearly indicate the relevant exchange rate and bank fees.

The funds in a budget year are provided to the Local Partner exclusively for carrying out the planned measures that are approved by DGB BW at the beginning of the year. They should be transferred in full to the Local Partner in each case by the end of December and be used by the Partner up to the time specified by DGB Bildungswerk (see section 2.10.). The Local Partner is responsible for regular planning of expenditure. If it becomes likely that there will be delays in using the funds in the course of the year in question, the Partner shall be obliged to notify DGB Bildungswerk accordingly as early as possible. See in this regard also section 3.6 Subsequent reduction of expenditure.

DGB Bildungswerk reserves the right to suspend advance payments and reimbursements at any time if the Local Partner fails to fulfil the conditions of the agreement.

2.10. Prompt use of funds

After the funds provided by BMZ have been paid into the account of DGB Bildungswerk, they are to be used by the Partner within four months of receipt of payment at the latest. DGB Bildungswerk shall transfer the funds directly to the Partner, while at the same time notifying him of the period for use.

If funds remain in the project due to savings in expenses, this will have to be taken into account when the next funding is requested. In this case, the fund requested shall be reduced accordingly. Special attention must be paid in this regard especially towards the end of the project period (see FR I 5.5 and FR II 1.1).

At the end of the project, payments can be made from the funds provided by BMZ for measures and other services carried out or ordered during the project period **only by** the end of January of the year following the project end. Payments for such measures shall no longer be possible after that date.

No accruals can be formed from funds provided by BMZ.



Example:

Severance payments to project personnel have to be paid at the time of their departure. No accruals can be created for this purpose as part of the project; any severance has to be paid when it becomes due (during or at the end of the project) completely out of the relevant annual budget.

Bonuses and other additional remuneration stipulated by law are also to be settled always when they become due and may not be accrued over the year or over several years.

Accruals for procurement may also not be charged. Approved purchases are to be included in the relevant annual budget and shall be paid out in full in the year in question.

Credit balance interest arising in the project account are treated according to section 3.4.

2.11. Interest on reimbursement claims

The interest rate for reimbursement claims measures 5 percent above the basic interest rate according to section 247 BGB (German Civil Law) per annum (for 2015, for example, this corresponds to a borrowing interest rate of -0.83 plus 5% = 4.17%). DGB Bildungswerk shall charge the Local Partner for the relevant borrowing interest amount and forward the amount to BMZ. These interest amounts cannot be paid from project funds.

A failure to use the funds provided within the allocated period can lead to reimbursement claims by BMZ. If the Local Partner is not responsible for the delay in using the funds, he must describe the circumstances to DGB Bildungswerk in detail.

Interest can also arise on reimbursement claims due to improper utilisation of funds or inadequate reporting.

The final determination of the amount of reimbursement due shall be based on auditing by BMZ.

3. Documentation of income and expenditure / accounting



According to BMZ regulations, a project account will correspond to the principles of correct bookkeeping only if through

- transparency,
- completeness of documentation and
- traceability of the individual accounting transactions

they guarantee the necessary basis for a professional third party (e.g. an external auditor) being able to examine the account documentation with suitable time and effort.

Similarly: if certain transactions are not self-explanatory, then the account must also be provided with the relevant correspondence or a file note, in order to make the transaction comprehensible to a person not involved in the project.

3.1. Budget year

The budget year is the calendar year, the first and last days of which correspond to the first and the last day for project expenditure in the year in question.

A special requirement applicable for the final project year is described in section 2.10.

A balance confirmation from the bank holding the project account regarding the final balance on the project bank account of the previous year is to be presented at the start of each year.

3.2. Vouchers, expenditure and payment documentation

Documentary evidence is to be provided of all expenditure, indicating the matter paid and the amount. Invoices and all other vouchers must indicate the name and address of the recipient of the payment, the document date, reason for the payment, intended purpose, quantity, unit price and total price. Vouchers also have to be unmistakably linked to the project and its designated purpose. Every payment must be allocable to an item in the project budget.



Caution!

Expenditure items that are not exclusively attributable to the DGB project, but are used at least in part also for other activities not being financed by DGB Bildungswerk, must be clearly indicated separately and be assigned to the individual activities according to their percentage allocation.



Example:

Maintenance of a vehicle that is used by the Local Partner for several projects: In each case, a vehicle log book is to be maintained, and only journeys can be financed from the project that are undertaken explicitly for the project. If the partner also uses the vehicle for other projects or for his own activities, the relevant journeys are then to be financed from the projects in question. Repair costs are to be divided proportionally among the different projects.

All funds whose use is not properly documented must be refunded to DGB Bildungswerk.

The original documents shall be processed immediately when received in accordance with the specifications in this paragraph and provided with proof of receipt (date received stamp and project stamp) and a serial number.

Vouchers shall contain indications of thematic and accounting correctness according to the instructions of the partner organisation and of the approval and remittance of payments by signing-off (initialled, signature) and the date.

Proof of payment also has to be added to each document along with the number of the payment voucher. The vouchers are then included in the voucher list in chronological order according to date of payment (not according to date invoice received).



Compliance with the dual-control principle. No payment without the correct thematic and accounting signatures of two persons!



Because the dates the invoice is received and payment is made are usually different, the voucher documentation should always be oriented to the payment date. This allows matching of the monthly cash-basis accounting with the bank account at any time of the year.

In certain cases, the Local Partner can include his own vouchers in the account, see box below. If these are substitute vouchers, it must be noted on them why it was not possible to obtain the original vouchers.

If the vouchers are internal invoices of the partner, it must be agreed with DGB BW in advance whether in such cases internal invoices are possible and on what basis they are provided. In the majority of cases, further documents will also have to be submitted besides the internal invoices (e.g. cost calculations, fuel receipts or invoices that are paid in instalments).



Example: Substitute vouchers

In the following examples, own vouchers can be recognised as substitute vouchers:

- The Local Partner made purchases at a market and did not obtain any receipt.
- Taxi drivers are not able to provide receipts, because they have no receipt form and/or are illiterate.
- When underground (metro) trains are being used, coupons are taken from dispensing machines that they have to be deposited when the journey commences.

In all cases, the date, the reason for the payment, the payee and, in the case of taxi or underground train rides, the route have to be indicated. It is also necessary to provide the reason why the payee was unable to issue a receipt.



Example: Internal invoices

In the following examples, own vouchers can be recognised as internal invoices:

- The project reimburses the cost of journeys that were undertaken with a Partner's vehicle not purchased from the project funding and/or that is used for other projects. In such cases, the basis on which reimbursement will be made must be clarified with DGB BW in advance (refund of mileage costs or fuel costs, etc.)
- The project reimburses fee expenses for employees of the partner organisation who do not belong to the project team – and who are not named in the personnel list for the project. In such cases, the basis on which funding can be provided also has to be clarified with DGB BW in advance (e.g. cost calculation).

It generally applies that any internal invoicing has to be agreed with DGB BW in advance! Otherwise the costs incurred cannot be reimbursed.

The reason for payment (narration) must be indicated for each item in the voucher list in a brief, self-explanatory and comprehensible form.

It must be ensured in this regard that the reason for payment indicated in the voucher list corresponds to that shown on the voucher.



Caution!

All costs listed in the project account have to have a clear connection to project activities and be documented by payment vouchers. They have to be clearly distinguished from the organisation's general expenses.

Proof of payment transactions for the respective documents must be provided in chronological order according to the bank account or the cash account. Proof of payment in this regard can be provided in the form of:

- bank statements with all necessary annexes
- payment and cash orders including acknowledgement of receipt by the payee.

In the case of cash payments, an acknowledgement of payment is absolutely necessary. If payments are made in several instalments, each payment must show a reference to the first instalment payment. The final payment must be indicated separately and must conclude the entire transaction by netting the different instalment payments.

Confirmation that the subvention funds were used correctly will be provided by a certified auditor commissioned by DGB Bildungswerk (section 4.6).

Expenditure payments are to be indicated in the currency in which they are actually made.

3.3. Placement of orders for goods and services

The placement of orders for deliveries and services must in principle be open to free competition. When the order is for an amount of EUR 400 or more, the Local Partner must receive and document three written offers. If this is not possible due to local circumstances, a comparison of the prices and performance of different suppliers can instead be established and carried out. In each case, the result of the price ascertainment and the purchase decision must be documented in a contract award notice and recorded on file (Annex 7).

Written contracts are to be concluded for commissioning of services and filed together with the project documents.



Annex 7:
**Contract award
notice**



Caution!

In particular with the award of service orders and fee agreements with associated companies or affiliates, full compliance with the regulations on award of contracts has to be guaranteed under all circumstances (comparative offers must be obtained that show that the affiliated company is in fact less expensive; issue of contract award notes).

3.4. Interest revenue and other project income

Interest arising from subvention funds on project accounts of the Local Partner and income from project activities (e.g. sale of publications and project products, participants' fees) shall reduce the subvention amount. Such income can be used for additional, important, project tasks relating to development policy in the context of the purpose of the subvention only on the basis of a prior (!) written application to DGB Bildungswerk and with the consent of BMZ. Otherwise such interest amounts are to be returned to DGB BW (see FR II 2.2).



The use of credit interest for additional project activities will always have to be approved in advance by BMZ.

3.5. Funding from other sources

The Local Partner is obliged to notify DGB Bildungswerk without delay if the project – or parts thereof – receives additional funding from other sources. In such a case, the subvention (section 1.2) shall be reduced accordingly.

Joint financing of the project by other organisations is not permitted without the consent of DGB Bildungswerk / BMZ. If a project is jointly financed by other organisations and this has been approved by DGB Bildungswerk following a written application by the Partner, the amount of the subvention received must be disclosed as revenue in the financial report.

If the Local Partner receives funding for some other project from another organisation, this project must be in pursuit of a goal different from the project being funded by DGB BW. The projects and their activities have to be clearly distinguished from each other and may not be combined or overlap.



It must be ensured that there is no double financing of projects and project activities.

3.6. Subsequent decrease in expenditure

If only a lesser expenditure amount is required than that estimated in the structural and financial plan after the expenditure has been approved, the subvention available to the partner (section 2.1) shall be reduced accordingly.

Savings in individual budget items can be used to financing unforeseen expenses in other budget items, provided they do not measure more than 30%. However, if these savings relate to educational measures (FR 1.0) in favour of additional spending on administration expenses, this could lead to an imbalance within the project. Administration costs have to be at a reasonable ratio to expenses incurred in carrying out project measures.

3.7. Currency exchange rates and currency differences



Caution!

Gains from fluctuations in currency exchange rates during the term of the project do not automatically increase the funds available in the local currency. The degree to which the goal is achieved is decisive: If goals can be achieved with less money in Euro, a lower Euro fund amount will be made available to the Partner. Depending on the currency exchange trend, there is, however, a possibility of extending goals with the express approval of DGB Bildungswerk (either in width or depth) or expanding indicatory in terms of quantity or quality.

If due to fluctuations in currency exchange rates the funds received in local currency deviate such that the planned measures

- being underfinanced, the Local Partner shall apply in writing for a suitable and economic supplementary funding. This supplementary funding can be provided only if suitable budgetary resources are available and shall require the written consent of DGB Bildungswerk.
- being overfinanced, the Local Partner can petition in writing permission to use the surplus amount for additional project activities that can help achieve a higher level of target attainment. This application for use of funds shall require the written consent of DGB Bildungswerk.



**Annex 12:
Annual Report**



**Deadline : 31
January of the
following year**



The project budget enclosed with the application is in Euro and the local currency, with the Euro amount being the decisive sum. Exchange rate fluctuations can lead to massive differences between the project budget and the funding actually available and lead to gains or losses from currency exchange rates. By closely monitoring the trend of currency exchange rates and adjusting the budget accordingly, any additional or reduced income due to fluctuations in exchange rates can be noticed at an early stage and be taken into account in the cost items.



**Annex 14:
Monthly Report**



**Deadline: 20th of
the following
month or 30th if
a financial
consultant is
involved.**

If fluctuations in currency exchange rates lead to deviations from budget of more than 30% in certain individual cost items, this must be

reported to DGB Bildungswerk immediately. An amended cost budget will then have to be issued and approved by DGB BW; this will become valid only after written approval has been granted. Regarding amendments to the budget, see section 2.1.

3.8. Expenditure on personnel


3.8.1. Staff assignment scheme

The staff assignment scheme binding for the project is enclosed with the Cooperation Agreement as Annex 3. Its structure is binding on the Local Partner. Any changes to the personnel structure shall require a written application by the Local Partner to DGB Bildungswerk and written approval by BMZ; oral reports will not suffice (see FR III 5.2). This also applies when with the planned change to the staff assignment plan the personnel budget will overall not be exceeded.

Overtime is to be avoided in every case.



Annex 3:
Staff assignment scheme



Caution!

The award of fee-based and work-based contracts for additional assignments may not be given to persons who are employed in the project on a fixed contract and who already receive a salary from project funds.



The criterion for grant of contracts for services is not the type of assignment but period specified.

3.8.2. Personnel list and employment contracts

Written employment contracts complying with state statutory regulations must be concluded with the assigned personnel. These contracts must contain:

- all personnel data
- the nature, scope, duration and location of the employment
- time employment commences and term of the contract
- job description
- data on salary and social insurance contributions, (basic salary, any compensation in kind, remuneration for vacation days not taken, bonuses and special payments (e.g. for anniversaries of service or in the case of retirement, departure from the organisation, death or invalidity through accident or illness))
- confidentiality and barring clause
- anti-corruption clause



Employment contracts should contain all information provided here to prevent legal disputes.

Any changes to personnel are to be reported to DGB Bildungswerk in writing within 15 days and documented in the personnel list. A personnel list is to be maintained for every workplace within the project. All employees financed by the project have to be recorded in this personnel list. The relevant form is enclosed with the Agreement as Annex 8.



Annex 8:

Personnel list – ordered according to assignment areas, not person-related.



Caution!

After any change in personnel (departures or new recruitment of employees), the personnel list always has to be updated in order to avoid, for example, a person not shown in the personnel list from signing-off accounts and/or approving payments!

No payments can be made to employees that exceed the figures indicated in the employment contract, unless such payments are justified on the basis of national law. If additional payments are necessary due to statutory or pay-scale regulations (severance payments, vacation and Christmas allowances, bonuses, etc.), the regulations in question have to be enclosed with the employment contracts.



Wage payments should in principle be made by bank transfer or cheque – not in cash.

The project account must indicate every individual salary payment, clearly showing the payment amount, the payee and date of payment. Simple indication of gross salaries is not sufficient. The payment of social insurance contributions and taxes must be clearly documented and, like salary payments, must be made only from the project account. Any combination with payments from other accounts must be strictly avoided.

The local market standard of salaries and social insurance contributions is, if possible, to be confirmed before the project commences by the relevant German diplomatic representation, by local chambers of commerce or firms of chartered accountants (section III 5.2 FR). In case of unavailability of such confirmation the tariff agreement on the basis of which salaries are paid is also to be presented in the alternative. The Local Partner shall document his procedure in this regard.



The relevant laws of the country in question, in particular relating to the payment of social insurance contributions and taxes, have to be complied with. In the event of violations, the resulting fines cannot be paid from BMZ funds.

If the Local Partner assigns employees of the organisation on fixed contracts to temporary work in the project (“secondment”), a so-called loan-out agreement will have to be concluded. This loan-out agreement shall indicate the job description (e.g. project coordinator), a description of the assignment within the project, the period of secondment and the release of the person in question from his or her normal assignments within the organisation. As BMZ funds cannot be used for creating accruals for redundancies or compensation, the local partner organisation must in such cases pay any compensation due to the employee on his or her departure from the company from its own resources.

In the case of such secondments, DGB Bildungswerk must be provided with copies of the original employment agreement of the person in question and of the loan-out agreement.

DGB BW can at all times demand evidence of correct payment of taxes and statutory social insurance contributions. These will also be examined by the auditor appointed each year by DGB BW (see section 4.6).

3.8.3. Business travel

Business travel for project personnel is to be restricted to the minimum amount necessary. Travelling expenses are to be as economical as possible and calculated according to normal cost rates for the country concerned. The costs actually incurred have to be proven by vouchers.

Applications for and approval of business trips shall be in accordance with the normal procedure followed by the Local Partner.

In the case of payment of lump sums (e.g. for food expenses or mileage allowances), the Local Partner shall present his regulations on business travel to DGB Bildungswerk. If the business travel regulations are not submitted, the lump sums will not be recognised and will have to be reimbursed by the Local Partner. Ultimately, the decision on whether to recognise lump sums being claimed will be made by BMZ.

The use of private vehicles for project purposes is not recommended, instead public transport facilities should be used where possible. If, however, a private vehicle is used, the reason must be explained. Information on the mileage costs to be reimbursed can be found in the regulations for reimbursement of travelling expenses for the country in question. Instead of fixed mileage compensation, the submitted invoice of fuel expenses and an estimate of fuel consumption can also be taken as basis for the travel expenses. Further costs, such as toll and parking charges, etc. will be refunded only against presentation of the relevant vouchers. Overall, costs for use of a private vehicle cannot exceed the cost of fares for public transport.

In the case of flights, boarding cards for each travelling person must always be presented in addition to the invoice. In principle, only national flights in economy class are refunded.



Payment of lump sums and reimbursement of expenses should not be combined within one account for travelling expenses. Payments will be either for lump sums or for reimbursement of expenses actually incurred.

3.9. Educational and other measures

Educational and other measures must be organised and carried out economically and cost efficient. Honoraria may be paid only to external service providers, experts and speakers and are to be set at normal local market standards. The Local Partner shall present to DGB Bildungswerk the remuneration scheme according to which fees are paid.

The awarding of freelance assignments is subject to the specifications set forth under section 3.3 (rules on aware of contracts), i.e. several competing offers are to be obtained prior to the award. Award notices are to be submitted along with the **monthly** financial reports. Documentation of placement of orders also includes evidence of the qualifications and work experience of the persons making a bid, on the basis of which the order is placed and remuneration paid. Fee agreements should show the agreed hourly or per-diem rates and the quantity of such hours/days and are to be filed with the project documentation.

Project employees cannot in principle carry out any fee-based assignments for the project. If it is planned to assign employees of the partner organisation who do not belong to the project team and are not included in the personnel list of the project to carry out individual fee-based activities, it will have to be clarified with DGB BW in advance whether and under what circumstances cost reimbursement from project funds will be possible. It will in such cases be necessary to show in particular that this deployment does not entail any avoidance of regulations under social law in the partner country in question and/or on what basis a reimbursement can be made to the Local Partner organisation for working hours (see also section 3.2). If clarification is not reached in this regard in advance, and if DGB BW has not provided its explicit approval, such expenses cannot be recognised.

If experts who are externally commissioned are also to be reimbursed for travelling costs and other expenses, this has to be explicitly indicated in the fee agreement. The vouchers submitted for reimbursements must be the originals and be stamped by the organisation in question to prevent double reimbursement of the relevant amounts from some other source.

Travelling expenses for participants, speakers and discussion presenters can be reimbursed after original vouchers have been presented, on the basis of proportionality and in conformity with regulations on travelling expenses of the local partner organisation. If it is impossible to present vouchers for reasons for which the participants are not responsible (e.g. cash payments in buses without receipt, tickets are to be used again for return journeys, travelling with a private vehicle due to the absence of public local transport opportunities), it will have to be agreed with DGB BW in advance how the travelling expenses and their reimbursement can be documented by the project.

Regarding reimbursement of flights and journeys undertaken with a private vehicle, see also section 3.8.3.



**Annex 7:
Contract award
notice**



To avoid penalties and fines, the relevant tax obligations of the country in question must always be complied with, in that, for example, taxes on fees have to be retained and paid by the employer.



Example:

If, for example, flights have to be booked for 10 people attending a workshop / a conference at EUR 300 for each journey, comparative offers have to be presented for all flights, as the total sum is decisive in this case.

A list of all educational and other measures must be drawn up (Annex 9a) and submitted each month along with the financial report. For publications, a separate publication list shall be maintained (Annex 9b). In the case of events and publications for which expenses are incurred over several months, the list should always be submitted indicating the current total amount per activity/publication. At the end of each project year, DGB Bildungswerk shall be presented a complete list of all activities along with three copies of each publication.

In addition, the following documents are to be created for each educational and training measure (workshop, conference, seminar, etc.) and enclosed with the accounting documents:

- Programme
- Event report with a brief assessment of the educational event, showing the date and signature of the event administration (for an example, see Annex 10)
- List of participants (Annex 18). If the list of participants is made in some language other than English, then at least the title of the event, the name of the trainer and the date and venue are to be indicated in English in the heading to the list. In every case, each of the individuals in the list of participants is to add his or her signature behind the respective name shown in block capitals.

Payments of daily allowance to participants in educational or training measures shall generally not be provided. Any deviation from this principle must be presented and credibly explained to DGB BW and approved by DGB BW.

If no written application has been submitted and/or approved, daily allowances shall not be recognised and must be reimbursed by the Local Partner.

3.10. Running costs

If application has been made to cover running costs for the project, these can under certain conditions be booked through the project. Eligible expenses would be, for example, communication costs, office supplies, such as paper, printer cartridges, writing utensils, postage costs for letters and packages, courier services – if necessary.



Annex 9:
List of all training and other measures (9a) and publications (9b)



Annex 10:
Event report



Annex 18:
List of participants

The expenditure has to be clearly attributable to the project (e.g. mobile phones, telephone connections, photocopiers, etc. that are only used for the project). Funding of telephone costs is undertaken on the basis of the connection bills, copying costs according to use. The relevant invoices of the supplier or service provider have to be enclosed with the account.

If certain services (e.g. maintenance and usage costs for photocopiers, driver services) are required, they have to be ordered in accordance with the rules on award of contracts and then documented (see section 3.3). Copies of the relevant service agreements are to be sent to DGB BW.

When project vehicles or vehicles of the partner organisation are being used, a vehicle logbook always has to be maintained. For vehicles belonging to the organisation that are used only partially for the project, only the costs attributed to the project can be booked (see also the example box regarding internal invoices under section 3.2).

The refund of external rental costs and other regular expenses, such as electricity, cleaning costs, has to be explicitly petitioned and approved in advance and can be provided at most for the part attributable to the project. It is necessary here to show the basis taken for the (percentage) allocation of expenses. The Local Partner shall present the relevant invoices and proof of payments for the entire expenditure (i.e. not only for the part being claimed). Copies of the relevant rental and service contracts also have to be presented to DGB BW.

3.11. Procurements

Procurements (e.g. computers for project personnel, mobile phones, etc.) have to be petitioned and approved when the application is submitted. Only objects may be acquired that have been specifically indicated in the project application and that were approved by DGB BW. The relevance of the purchased objects for the project activities has to be clearly identifiable and documented such that an external examiner (auditor) will also be able to recognise them.



Example:

Four computers have to be purchased for a price of EUR 300.00 each = EUR 1,200.00 in total. Even if the value of each individual purchase is thus less than EUR 400.00, the total price is still decisive, division into smaller units is not permitted. Three comparative offers and the decisive for one of these offers are to be documented (contract award notice).

If replacement purchases become necessary during the project period, these have to be approved by DGB BW. The application for and approval of replacement purchases have to be documented in writing (at least by email). Such purchases are subject to the same guidelines as the grant of orders for supplies and deliveries (see section 3.3).

This will not automatically lead to an increase in the project budget, i.e. replacement purchases must in principle be compensated for by savings in other cost items.



Caution!

All objects purchased with project funds have to be used directly for the project. Otherwise it cannot be assumed that these purchases were actually necessary. If that is not possible for objective reasons for which the Local Partner is not responsible, this has to be discussed with DGB BW immediately and a mutually agreed solution found, under certain circumstances including with BMZ.



Example:

A local partner has created and developed a library as part of a project. An air-conditioning system is purchased for this library, which then has to be installed. It then emerges, however, only after the air-conditioning unit has been purchased that the installation will require the approval of the local planning authority. Approval of the relevant application is delayed until the end of the project, and the air-conditioning unit accordingly cannot be installed and used by the time the project comes to an end. Because DGB BW has not been informed and was therefore also unable to agree the matter with BMZ, the cost of purchasing the air-conditioning unit cannot be recognised and the Local Partner has to refund the relevant amount.

3.12. Necessary information for closing account for the project

Compliance with all provisions indicated herein relating to the use of funds is a necessary condition for proof of correct utilisation of project aid and thus recognition of expenses.

The conditions and procedures explained here form the basis for recognition of the closing account (consisting of the auditor’s report, project report, closing financial report and voucher list – for an example of the voucher list, see Annex 14).

If certain essential parts of the required documentation are not provided or if the conditions for recognition of expenses are not fulfilled, the closing account will not be recognised by DGB Bildungswerk.

This shall lead to a demand for a return of project funds paid and, in certain circumstances, to the consequences indicated under section 7.

4. Material and financial reporting and monitoring

4.1. Obligation to provide information

The Local Partner is obliged to keep DGB Bildungswerk notified regarding all changes pursuant to section 6 (notification obligation). The Local Partner shall also notify DGB BW regarding the basis for its financing, in particular regarding support from international organisations. DGB BW shall obtain access to the overall accounts (attested by a chartered accountant) of the Local Partner.



Deadlines :
Monthly financial report, half-year and annual reports, closing report
 (see calendar)



Annex 6:
Calendar



Annex 14:
voucher list

4.2. Use of project financial consultants

DGB Bildungswerk can appoint a project financial consultant for the monthly or quarterly audit of project documents. The Local Partner is obliged to allow the project financial consultant access all necessary vouchers and inspect all necessary documents. The necessary documents include in every case the project accounts and all contract, offers and order documents relating to the project. Date for submission of the monthly report is, when a project financial consultant is involved, the 30th day of the following month, instead of, as is usual, the 20th.

A financial consultant will be commissioned exclusively by DGB BW. DGB BW can commission the financial consultant by agreement with the Local Partner to provide training and consulting services. If the Local Partner wishes to obtain additional support from the financial consultant, this must be agreed with DGB BW.

4.3. Narrative project reports (semi-annual, annual and final reports)

The Local Partner shall present the following reports on progress in the project:

- **Semi-annual report: every half year by 31 July.**
(reporting period from 1 January to 30 June of each year)
- **annual report: yearly by 31 January of the following year**
(reporting period from 1 January to 31 December of each year)

The forms for the semi-annual and annual reports of project progress are enclosed as Annex 11 and Annex 12. The Local Partner shall in these project reports present the progress, successes and any problems arising in the project. The project goals and indicators described in the application are to be compared with the current progress of the project and the factors identified that have significantly affected the project result.

The project report shall also contain the key data for further project planning and the resulting changes to the course of the project. It must also be shown what information was gained that can be used for further project planning.



**Annex 11, 12:
Half-year and
annual report**



**Submission of
the half-year
report: 31 July.
Annual report:
31 January of the
following year.**

A final report covering the entire term of the project is to be presented by 31 March of the year following completion of the project. The relevant form is enclosed as Annex 15.



**Annex 15:
Closing report**

4.4. Financial reports

4.4.1. Monthly financial report

The Local Partner shall present a monthly financial report each month on the basis of the template provided by DGB BW. The Local Partner shall prepare for this purpose a chronological voucher list (Annex 14) and enter further information (e.g. regarding revenue) in the template. A comparison of the calculated amount with the actual amount shall be made in the bank and cash accounts.



**Submission of
the closing
report: 31 March
of the year
following the end
of the project.**



Caution!

Vouchers for expenses that are not issued in English or German will have to have the key data translated into one of these languages. If some other local languages are used for conducting and billing for the project (e.g. monthly accounts) in addition to the two aforementioned languages, the accounting forms should in general be in two languages (local language and German or English).

The voucher list contains all vouchers for project-related payments debited and credited to the project account at the relevant bank and to the cash ledger. This shall also include allocation to the corresponding cost items of the annual budget plan and the activities list (see section 3.9).

This proof of payments – consisting of the monthly financial report and the voucher list – must cover all real income and expenditure relating to the project goal (no receivables or payables) arising in the accounting period.

The Local Partner shall notify DGB Bildungswerk in writing at the start of the project of the persons assigned for drawing up and approving the financial reports and that have signing authorisation.

The monthly financial report always consists of at least the following documents:

- the signed monthly financial report (Annex 14)
- voucher list for all income and expenditure, if applicable also booking lists from project accounts;



**Annex 14:
Monthly financial
report including
voucher list**



**Submission of
the monthly
report: 20th day
of the following
month**

- copies of the account statements relevant for the reporting period, with the closing balance in the monthly financial report conforming to the totals of the balances of the financial accounts Bank and Petty Cash;
- Copy of the monthly cash account and clear records on account reconciliations.

In case of changes or when events have been carried out, the monthly financial report will also have to contain the following additional documents:

- Contract award note (Annex 7);
- Continued list of educational and other measures (Annex 9a); continued publication list (Annex 9b);
- Copies of the signed list of participants at the educational/training events (Annex 18);
- Written reports and programmes for events for over EUR 2,500, signed by the project managers (Annex 10);
- In each case, three copies of publications and other materials created in relation to the project (brochures, posters, etc.). The voucher copies for the entire year can also be collected and sent to DGB Bildungswerk together at the end of the year, provided they are enclosed with the monthly financial reports in digital form;
- Inventory list (Annex 17) – only in the case of changes;
- Personnel list (Annex 8);
- Copy of employment contracts (when concluded);
- Copies of rent contracts for office, leasing agreements and other agreements (when concluded).

The Local Partner is obliged to forward these documents to DGB Bildungswerk by the 20th calendar day of the relevant following month. If DGB Bildungswerk has appointed a project financial consultant for the project, the monthly financial report shall be audited by this consultant in advance and be forwarded to DGB Bildungswerk by the 30th calendar day. If the required financial reports have not been provided, DGB BW reserves the right to provide no further transfers of funds.

After the financial report has been checked, DGB BW shall provide a check list indicating any outstanding questions and send this to the Local Partner. The Local Partner shall answer the relevant questions and forward any outstanding documents. After the monthly checking procedure has been completed, DGB BW shall transfer the voucher lists into a finance table with further evaluation options (e.g. a target-actual comparison), which shall then be made available to the Partner for his information.



**Annex 7:
Contract award
notice**



**Annex 9a, 9b:
List of training
events
Publication list**



**Annex 18, 17, 8:
List of
participants
Inventory list
Personnel list**



Prompt booking of vouchers and monthly reporting are helpful instruments in ensuring close project monitoring and precise planning of funds. It must be possible at any time to determine the costs that have arisen hitherto in the project year and their allocation to the budget.

DGB Bildungswerk is entitled to demand from the Local Partner at any time voucher copies and other project accounting documents. The Local Partner is obliged to ensure that these voucher copies are delivered to DGB Bildungswerk within two weeks.

4.4.2. Annual financial report

DGB BW shall draw up from the monthly financial reports an annual financial report by 31 January of the following year. This can entail an adjustment of the currency exchange rates (calculation of the weighted average over the year). The Local Partner shall examine the annual financial report and confirm its accuracy by signature by 15 February of the following year.

4.4.3. Closing financial report

The Project Partner shall confirm the closing financial report (Annex 15) covering the entire three-year period of the project by 31 March of the year following completion of the project. The closing financial report is drawn up from the annual financial reports.

The closing financial report is to contain also a merged voucher list showing all income and expenditure from the monthly or annual financial reports.

It must be confirmed in the closing financial report that the project was carried out according to all permits and approvals and that the funds contained therein were used economically and cost efficient.

4.5. Project inspections

DGB Bildungswerk is entitled to inspect projects at any time or to have them inspected by external observers (e.g. evaluators). The Local Partner shall be notified in advance of any intention to inspect. The Local Partner shall provide all necessary documents, records and instruments for the monitoring and evaluation of project inspections by agents or consultants appointed by DGB Bildungswerk or by external appraisal experts or observers and shall where necessary facilitate meetings with project employees and representatives of the project target groups.



**Annex 15:
Closing financial
report**



**Confirmation of
closing financial
report: 31 March
of the year
following project
end.**

4.6. Cooperation with auditors and document retention periods

The Local Partner declares his readiness to have the joint project audited annually by an external firm of auditors regarding compliance with the provisions of the agreement and the stipulations of BMZ. Times of such audits shall be agreed with DGB Bildungswerk in advance. The Local Partner undertakes to provide all necessary project documents and to support the auditors in their work. The audits shall be carried out on the Local Partner's premises.

The project accounts and all original documents shall remain with the Local Partner as the basis for such audits. In addition to accounting and all original vouchers and proof of payment, all contracts and the award notices for contract of deliveries and services must be readily available. Copies for publications and information materials created in the course of the project also have to be presented.

In the case of educational and other measures, the documents described under section 3.9 must also be available.

The order shall be placed with the firm of chartered accountants by DGB Bildungswerk in coordination with the Local Partner. The Local Partner shall provide a response to the Management Letter presented by the chartered accountants and explain how the recommendations given therein are to be implemented on site.

These auditing services shall be paid from the budget of DGB Bildungswerk unless payment is regulated in the project budget of the Local Partner.

If the chartered accountants are unable to provide an unqualified certificate of approval due to certain incongruities in the project files, all original documents relating to the processing of the joint project will then have to be forwarded to DGB Bildungswerk within four weeks of the audit report being presented. The Local Partner shall prepare copies for his own requirements.

4.7. Verification of use of funds

DGB BW, BMZ and Bundesrechnungshof (Federal Court of Auditors) (as audit instance for BMZ) are entitled to demand presentation of the accounts, vouchers and other business documents of the Local Partner and to verify that the subvention funds are being used properly by carrying out local surveys or to have such verification carried out by appointed agents. The Local Partner must make all necessary documents available and provide the necessary information.

4.8. Retention obligation and period for documents

The Local Partner is obliged to keep the project documents ordered and in safe custody in file folders with back label showing the following information:

- name and address of the organisation
- invoice year
- month / year / document numbering
- project name

The retention period for all project documents is 10 years starting on the date the closing account (proof of use) is presented to BMZ. This shall take place six months after the project has ended. If a longer retention period is required pursuant to other (e.g. local) regulations, this must be observed. In this period, the Local Partner must ensure that DGB Bildungswerk, authorised representatives of BMZ, Bundesrechnungshof (Federal Court of Auditors) and/or independent auditors commissioned by DGB Bildungswerk must be granted access to inspect the stored documents.

5. Ownership and use of durable consumer goods

5.1. Inventory

The Local Partner shall maintain an inventory (Annex 17). This shall indicate all objects that were acquired with project funds and that exceed a procurement value of EUR 400. This inventory must contain at least the data indicated in Annex 17. There shall be no depreciation.

All objects included in the inventory are to be marked with the serial number of the inventory and bear the words "Subsidised by BMZ funds".

In the case of loss or theft, documentation of the event will be required (e.g. record of the theft report to the police).

Regarding application for, approval of and purchase of objects, see also section 3.11.

5.2. Ownership rights during and after the term of the project

All durable goods that are acquired with funds provided by DGB Bildungswerk shall remain the property of DGB Bildungswerk and of BMZ for the entire term of this project. These objects can be rented out, leased, sold or provided to a third party for use only with the written permission of DGB Bildungswerk.



**Annex 17:
Inventory**

On completion of the project and after the concluding certification of project expenses by an external auditor, the objects included in the inventory shall be transferred to the Local partner organisation. A conveyance agreement shall be concluded for this purpose.

The objects acquired by the Local Partner from project funds must be employed for the originally agreed goal (upper goal) or for a project with similar goals as the project supported by DGB Bildungswerk, namely

- in the case of individual objects with a procurement value between EUR 400 and EUR 5,000 EUR: two years
- the case of individual objects with a procurement value in excess of EUR 5,000: five years



Example:

The project of the Local Partner contributes to the following higher goal (Impact): “Implementing labour and social standards in the partner country”.

For this purpose, a photocopier was purchased for the project team in the second project year at a price of EUR 850, which was used for the project. After the end of the project, the photocopier becomes the property of the local partner organisation, but has to be used for at least one further year after end of the funding for other measures that also contribute to implementing labour and social standards in the partner country. There must then be no use of the photocopier for, for example, commercial purposes (the Local Partner offering photocopying services against cash payment). If the Local Partner no longer requires the photocopier and sells it, it must then be ensured that the money thus obtained is also used for the higher goal (Impact), e.g. for financing a seminar on social standards.

If the objects are no longer being used for the funding purpose or have been sold, rented out, leased or provided for use by a third party, a value adjustment to the amount of the market value shall be carried out with DGB Bildungswerk in the case of individual objects with a procurement value of over EUR 400.

If objects included in the inventory are to be made available to associated organisations or affiliates within the binding period, this will have to be discussed with DGB BW in advance and disclosed in the closing report with indication of reasons. These objects should in principle remain with the local partner organisation.

5.3. Reimbursement of project-financed property

If the goods are no longer to be used for the original target or are rented, leased or made available for use by a third party without the prior consent of DGB Bildungswerk or BMZ, the Local Partner shall then be obliged to refund the actual value of the property to BMZ through DGB BW.

6. Notification obligations

The Local Partner is obliged to notify DGB Bildungswerk in writing of the following circumstances/changes/developments within 15 days of their occurring:

- organisational changes (reorganisation, changes of areas of responsibility, new assignments and functions)
- personnel changes
- state, political or economic changes that cannot be influenced but that have direct consequences for the project and or achievement of the project goal
- if the intended use or some other circumstances that were decisive for approval of the funding change or are eliminated
- if it emerges that the purpose of funding cannot be achieved or is unachievable with the approved funding
- if the transferred project funds cannot be utilised by the time specified by DGB-BW (explanation: funds will be requested from BMZ by DGB-BW and immediately on receipt forwarded to the partner. According to the guideline, the partner has to use the funds within four months of payment being made into the DGB-BW account.)
- if activities in the financed project are also financed from other sources
- if insolvency proceedings have been petitioned or commenced against his assets
- if objects included in the inventory are no longer used or no longer required for the project within the project period.

If the local partner organisation is subject to external auditing of its accounts, the Local Partner shall promptly provide to DGB Bildungswerk a copy of the audit report for the entire organisation, indicating all financing received from other funding sources.

7. Repayment of funds

Subvention funds are paid for the project purposes indicated in the Cooperation Agreement from the resources of BMZ and subject to the reservation of possible repayment claims that can be asserted by BMZ or Bundesrechnungshof (Federal Court of Auditors) against DGB Bildungswerk.

The reservation of repayment expires only after the closing account (proof of use) has been approved by BMZ or Bundesrechnungshof.

BMZ can furthermore assert interest claims for expenditure amounts not eligible for funding in accordance with section 2.11.

The Local Partner declares its willingness at the time this Agreement is signed to repay to DGB Bildungswerk all expenditure amounts not recognised following audit by BMZ or Bundesrechnungshof.

In the case of proven improper use or misappropriation of subvention funds, the whole subvention shall be due for repayment.

8. Anti-corruption clause

DGB Bildungswerk and the Local Partner undertake not to offer to a third party any advantage or any kind, directly or indirectly, nor to receive for themselves or for others directly or indirectly any gifts or payments or otherwise obtain or receive undertakings of any benefits which are or could be considered unlawful practice or bribery. In the case of infringement of this obligation, DGB BW shall be entitled to terminate the contractual relationship for an important reason, discontinue payments, demand refund of payments already made and file a criminal action. DGB Bildungswerk is entitled to demand an extraordinary external audit. The Local Partner is obliged to allow DGB-Bildungswerk or some third party appointed by DGB-Bildungswerk access to the entire project income and expenditure records. The Local Partner is furthermore obliged in the case of violation of this anti-corruption clause to provide compensation to DGB-BW for damage incurred, including the damages DGB-BW incurs through cancellation of the Agreement.

9. Transfer of rights

For the duration of statutory copyrights, the Local Partner grants to DGB Bildungswerk in relation to all work results from the time they are created or processed an exclusive, irrevocable and transferrable right to all known and unknown forms of use without any restrictions from the point of view of geography, time or content (for example rights of use and exploitation; industrial property rights, etc.). The Local Partner also grants the sole and unlimited right of ownership to all work results in which such a right can be established and transferred.

Work results are all work created by the activities of the Local Partner alone or working with third parties in the context of cooperation, as well as all associated draft materials.

DGB BW is in particular entitled, without any restriction, to duplicate, process, for example to combine with or join to other works, to modify, to convert to other presentation forms or to change in any other way, to develop and supplement, to distribute in some unchanged or modified form, to disclose or publish wire-bound or wireless, to issue sub-licenses/utilisation rights thereto and to cede all granted rights of use either for a fee or free of charge. DGB BW is in particular also entitled to have all work results processed, augmented, modified, etc. by a third party.

If work results arise that can be protected by industrial property rights or some legal title similar to copyright, these industrial property rights shall be due to DGB Bildungswerk. The Local Partner is not authorised to seek a similar registration of these industrial property rights under his own name or that of a third party or to support any third party either directly or indirectly in securing such registration.

10. Reference to funding

All publications, brochures, reports, etc. published within the context of the project must show the logo of DGB Bildungswerk. It must also be stated in the legal notice that the document was created with the financial support of BMZ and that the publisher is solely responsible for the content.

The title and/or table of contents of publications must show that they are connected to the project.

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Annexes to the Cooperation Agreement

Reference is made in this Financing Guideline to the following annexes, which are enclosed with the Cooperation Agreement:

Part 1: Other applicable documents

- Annex 1 Project description incl. functional chain
- Annex 2 Structural and financial plan
- Annex 3 Staff assignment scheme
- Annex 4 BMZ guideline (consisting of Part I “General”, Part II “ANBest-P/foundations” and Part III “Ancillary provisions for execution of the project”)
- Annex 5 Financing Guideline
- Annex 6 Calendar

Part 2: Forms

- Annex 7 Contract Award Notice
- Annex 8 Personnel list
- Annex 9a List of educational measures
- Annex 9b List of publications
- Annex 10 Event report
- Annex 11 Semi-annual report on project progress
- Annex 12 Annual report on project progress
- Annex 13 Closing report
- Annex 14 Monthly financial report including voucher list
- Annex 15 Closing financial report
- Annex 16 Fund request
- Annex 17 Inventory
- Annex 18 List of participants
- Annex 19 Annual budget