Guidelines for the funding of projects of importance to development under the responsibility of private German executing agencies (Chapter 2302 Title 687 76)

(Revised version, effective as of 1 January 2016)

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1. **Purpose of funding, legal basis**
   1.1 In accordance with the present guidelines and the general administrative regulations relating to Sections 23, 44 of the Federal Budget Code, the Federal Ministry for Economic Cooperation and Development (BMZ) provides grants for projects and programmes in which the federal German government has a development policy interest and which are implemented by private German executing agencies.
   1.2 The applicant can claim no entitlement to grant funding.
   1.3 The decision to award funding is at the discretion of the BMZ. Funding is granted subject to the availability of the estimated budgetary funds.

2. **Subject of funding**
   In conformity with the federal German government's development aims and with international human rights conventions, funding is provided as a rule for projects and programmes in developing countries
   - that bring about a sustained improvement in the economic, social or ecological situation of the poor in developing countries,
   - or effectively support the self-help efforts of these people and involve them as partners in the process of planning and implementation,
   - or foster fulfilment of human rights in developing countries,
   - and meet the requirements to qualify as Official Development Assistance (ODA).

   Projects and programmes are approved on the basis of the OECD-DAC criteria (relevance, effectiveness, efficiency, impact, sustainability).

3. **Funding recipients**
   3.1 Funding recipients within the meaning of the present guidelines and the special provisions governing the funding of projects implemented by private German executing agencies (BNBest-P/Private Träger) are both Engagement Global (EG) - Service for Development Initiatives as well as private German and local executing agencies. EG is the initial recipient. In accordance with the general administrative regulations 12.5 and 12.6 relating to Section 44 of the Federal Budget Code (BHO), the funds received as programme grants from the BMZ are passed on to private German executing agencies by means of agreements under private law.
   3.2 German private executing agencies within the meaning of the present guidelines can only be legal persons under private law (private executing agencies) that are headquartered and conduct their business in the Federal Republic of Germany, whose non-profit or charitable status is recognised under fiscal law and who have at least three years of experience in cooperating with experienced partners in developing countries who are independent of the German executing agency. Collaboration with one-person corporations is ruled out.
   3.3 The policy is not to provide funding to private German executing agencies that are supervised and controlled by international private umbrella organisations or to private German executing agencies on which public corporations or private companies can exert
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3.4 The administrative costs of the private German executing agency must bear an appropriate relation to its income. The results of the appraisal of each executing agency shall be documented in a transparent manner.

3.5 The private German executing agency can channel grant funds to suitable local project-executing agencies in developing countries, as long as this is specified in the grant notice (BMZ / EG) and in the funding transfer agreement (EG / private German executing agencies). Funds shall be passed on by means of a contract under private law (cf. No. 9. special provisions governing the funding of projects implemented by private German executing agencies, BNBest-P/Private Träger). EG can provide appropriate specimen contracts. Recipients of grants (private German executing agencies) have an obligation to assert any contractual claims to reimbursement against the local project-executing agency that may arise and to pay the reimbursed funds back to the provider of the grant (BMZ) immediately.

4. Prerequisites for funding

4.1 Funding is provided only to those projects whose clearly defined aims can be achieved without exceeding the intended budget and within a period of at most four years and which can be subjected to an evaluation. Any extension beyond four years requires the consent of the BMZ. Funding is not provided for projects where it would be used primarily to finance operating expenses.

4.2 Neither the private German executing agency nor the local project executing agency in the developing country may assign complete responsibility for the implementation of the project to a commercial enterprise (e.g. a consultancy firm).

5. Type, scope and level of funding

5.1 Funding is provided in the form of non-repayable grants for the support of projects (generally in the form of top-up financing). In exceptional cases (for instance as part of measures to prepare, support, evaluate and follow up projects as defined in the explanations of the budget line) full funding can be envisaged.

5.2 When a private German executing agency is receiving funding for the first time, funding shall not exceed 50,000 euros. If, in exceptional cases, funding of more than 500,000 euros is to be provided for projects of a private German executing agency which is already receiving funding, a detailed study – as a rule produced by independent experts – must be submitted (cf. 6.9).

5.3 As a rule, funding for a project covers at most 75% of the total eligible expenditure. Any exceptions require the consent of the BMZ. The private German or local project-executing agency's own contribution may not derive from public funding (for instance from the European Union, a federal state or a municipality). The local executing agency in the developing country shall make an appropriate contribution to the project.

5.4 In exceptional cases, the grant recipient may apply to the BMZ for permission to deploy its own funds at its own risk before the project has gained approval. This is always on condition that a project application has been submitted.
6. **Expenditure eligible for grant funding**

Funding contributions may be provided for the following items of project expenditure – or also as part of financing and credit systems:

6.1 expenditure, which is in line with local conditions, for land purchases and construction work;

6.2 expenditure for the procurement and transport of equipment, materials and animals as long as it is typical for the location and reasonable. If capital goods (e.g. production equipment, buildings) are passed on to the target group for their own private use or as a means of generating income, then only on a credit basis or in return for a suitable financial contribution or other form of contribution;

6.3 expenditure (including short-term training measures) on staff who are directly involved in implementing the project. Staff costs must be in line with local standards and be in appropriate relation to total project expenditure. The amount claimed must in all cases be on a diminishing scale in order to ensure that the project will be able to survive even once funding has come to an end;

6.4 expenditure on staff sent by the private German executing agency who are directly involved in project implementation is covered only in exceptional and explicitly justified cases. The private German executing agency must provide proof in advance that the experts have the personal and professional skills required for the work they are to perform and have been properly prepared. The remuneration shall not be higher than the going rate for government employees in Germany (TVöD). No other payments above or beyond what is covered by a wage agreement are to be paid;

6.5 operating expenditure for the project. The amount claimed must in all cases be on a diminishing scale in order to ensure that the project will be able to survive even once funding has come to an end;

6.6 expenditure on cross-project knowledge transfer and on training measures may only be covered if these measures deal with a subject directly related to one of the private German executing agency’s ongoing projects that is receiving funding under the present guidelines;

6.7 expenditure on project liaison visits by employees of the private German executing agency who are based within the territorial scope of the Federal Travel Expenses Act (BRKG) is covered for one person once a year in the case of projects of several years’ duration. The maximum duration of a visit may not exceed 14 days (based on a project duration of 12 months, otherwise pro rata). When there are several projects within a country, visits are to be combined. For one-year projects or shorter projects liaison visits are admissible only in exceptional cases and with particular justification; the duration of a visit is to be limited accordingly. Claims can be made for daily allowances and overnight accommodation costs in accordance with the relevant German legislation, for the costs of economy or tourist class air travel and second class rail travel and for inoculations, medication and visas;

6.8 expenditure on project evaluations. Where complex projects of several years’ duration or pilot projects are concerned, a financial contribution towards an evaluation by independent experts may be made. The project application must show why an evaluation is needed;

6.9 expenditure on studies by independent experts (cf. 5.2) in preparation of the project payable by the private German executing agency in the year in which the application was
submitted, if the project in question is indeed realised. Expenditure may not exceed 10 per cent of the envisaged project support.

6.10 In addition to the aforementioned project expenditure, grant funding may be provided to cover inflationary cost increases and unavoidable additional expenditure (e.g. change of personnel, natural disasters). The ceiling for this additional funding is set at 3.5% of project expenditure. Grant funding can also be provided for some of the fixed administrative costs, with the level being determined by the type of project. For projects which are mainly investment-related a lump sum payment for administrative costs of up to 4 per cent of project expenditure can be given; for projects which are more complex and also involve capacity-building measures the amount is up to 10 per cent; and for projects targeting the micro, meso and macro levels it is up to 14 per cent.

7. Procedure
7.1 Funding applications must be submitted to EG in written or electronic form in accordance with the E-Government Act. The applicant and the content and formal aspects of the application are checked by EG. It then passes the applications on to the BMZ together with its recommendation.
7.2 The BMZ decides whether funding will be granted. Other ministries are involved in the decision-making as required by legal provisions, the joint rules of procedure for the German federal ministries and the special agreement with the Federal Ministry of Finance.

8. Regulations to be observed
8.1 Sections 23, 44 of the Federal Budget Code, the general administrative regulations relating to these Sections and Sections 48 to 49a of the Administrative Procedure Law (Verwaltungsverfahrensgesetz - VwVfG) shall apply unless exceptions have been permitted in the present guidelines. In accordance with Sections 91 and 100 of the Federal Budget Code, the Bundesrechnungshof (Germany's Supreme Audit Institution) is entitled to conduct an audit.
8.2 Grant funding is processed in accordance with the special provisions governing the funding of projects of importance to development implemented by private German executing agencies (BNBest-P/Private Träger). In particular, these provisions regulate the funding request, proof of use, verification of that proof and arrangements for passing on funding to the project executing agency in the developing country. The additional provisions are an integral part of the notification of funding unless explicitly stated otherwise in the notification.
8.3 Funding for the transport of material donations of importance to development is granted in accordance with the most recent version of Germany's notes and explanations for grants towards the transport costs for material donations in developing countries (Annex III).

9. Entry into force
The present revised guidelines will enter into force on 1 January 2016 and will apply to all funding approvals from that date.
For applications that were approved before that date the previous version of the guidelines dated 1 October 2007 will remain effective for the entire duration of the project in question.
II. Special provisions governing the funding provided by the Federal Ministry for Economic Cooperation and Development (BMZ) for the promotion of projects of importance to development implemented by private German executing agencies (BNBest-P)

These special provisions cover additional provisions as defined by Section 36 of the Administrative Procedure Act (Verwaltungsverfahrensgesetz - VwVfG) and necessary explanatory notes. The special provisions are an integral part of the notification of funding unless explicitly stated otherwise in the notification.

1. Request for funds and use of funding

1.1 The funding is to be used thriftily and economically.

1.2 All revenues associated with the intended purpose of the funding (in particular, funding, contributions from third parties) and the recipient's own funding are to be used to cover any expenditures associated with the intended purpose of the funding. The financial plan is binding with regard to the overall outcome. Individual appropriations may be exceeded by up to 20 per cent provided that the excess can be balanced by corresponding savings on other individual appropriations. If an individual appropriation is exceeded due to official regulations or requirements, in particular with regard to construction and planning procedures, further deviations are admissible as long as they remain within the overall outcome of the financing plan. Sentences 2 to 4 do not apply in the case of fixed-sum funding.

**Special provisions re 1.2:** Individual appropriations may be exceeded by up to 30% over and above the figures upon which the grant decision was based provided that the excess can be balanced by corresponding savings on other individual appropriations.

1.3 If funding may be used to cover personnel costs or expenditure on administrative goods or services and if overall expenditure by the recipient is mainly covered by public funding, the recipient may not accord staff better terms and conditions than comparable federal employees. The remuneration must not be higher than the going rate for government employees in Germany (TVöD). No other payments above or beyond what is covered by a wage agreement are to be paid.

1.4 As a rule, funds are disbursed under the drawdown procedure (Abrufverfahren). These cases are subject to the special provisions governing the drawdown of funds (BNBest-Abruf). If the drawdown procedure is not applied, disbursement of funds is as follows: Requests for funds shall be limited to the amount necessary to cover payments due shortly after disbursement and may not be made earlier. The request for each partial amount must include the information necessary to ascertain how much funding is needed. The funds may be used as follows:

1.4.1 in the case of pro rata or fixed-sum financing, pro rata in combination with any funding from other donors and with the envisaged funding from the recipient's own funds and from other sources available to it.

1.4.2 in the case of shortfall financing, when the envisaged funding from the recipient's own funds and from sources available to it has been used up. If a shortfall is covered pro rata using funding from several donors, the request for funding may only be made on a pro rata basis in combination with funds from other donors.
1.5 Payments in advance may only be agreed or effected if that is usual procedure or it is justified by special circumstances.

1.6 The grant-awarding authority reserves the right to retract the grant notice with effect for the future, if it becomes evident that the intended purpose of the funding cannot be realised.

2. **Later reductions in expenditure or changes in financing arrangements**

2.1 If there is a reduction in the estimated overall expenditure for the intended purpose after the financial plan has been approved, if there is an increase in resources or new resources become available (e.g. investment grants), then the funding shall be reduced accordingly.

2.1.1 In the case of pro rata financing, funds are reduced pro rata based on the funding from other donors and the envisaged own and other funds available to the recipient.

2.1.2 In the case of shortfall and full funding, the reduction will be equal to the entire amount that expenditure is reduced or available resources increased.

2.2 No. 2.1 applies (except in the case of full funding and repeated funding of the same intended purpose) only if overall expenditures or the resources available vary by more than 500 euros.

3. **Awarding of contracts**

3.1 If the awarded funds or, in cases where financing is being provided by several institutions, the total awarded funds amount to more than 100,000 euros, the following provisions shall apply

   - for building work contracts, Paragraph 1 of Part A of the Award and Contract Procedure for Construction Services (VOB/A),

   - for supplies and services, Paragraph 1 of Part A of the Regulations on Contract Awards for Public Supplies and Services (VOL/A).

**Special provisions re 3.1:** The procurement of equipment and material is only permissible if there is a specific need and if it is certain that the material procured will be employed and used immediately. Corruption prevention guidelines must be heeded for all procurements. The BMZ's provisions on the direct award of contracts must be observed and adhered to.

3.2 Where the recipient of the funding has an obligation as a public contract-giver because of Section 98 of the Act Against Restraints on Competition (GWB)

   - and because of the Contract Award Regulations (VgV) to apply Paragraph 2 of Part A of the Award and Contract Procedure for Construction Services (VOB/A-EG) and/or Paragraph 2 of Part A of the Regulations on Contract Awards for Public Supplies and Services (VOL/A-EG) or the Regulations on Contract Awards for Independent Professional Services (VOF) or

   - to apply the Regulations on Contract Awards in Transport, Drinking Water Supply and Energy Supply (SektVO) or the Regulations on Contract Awards in Defence and Security (VSVgV) or
- to observe other contracting rules, this obligation shall remain unaffected.

4. Items acquired in order to realise the intended purpose of the funding
4.1 Items acquired or manufactured in order to realise the intended purpose of the funding are to be used for the intended purpose of the funding and are to be treated with care. The recipient may not use these items for any other purpose prior to the end of the binding time frame specified in the grant notice.

Special provision No. 1 re 4.1: Such items may only be used for purposes other than the intended purpose of the funding if agreed by the BMZ. The obligation to involve the BMZ

- is effective for 30 years in the case of land and buildings that cost more than 50,000 euros;
- is effective for five years in the case of land and buildings that cost up to 50,000 euros;
- is effective for two years in the case of movable items that cost between 410 and 5,000 euros (excl. VAT) and
- is effective for five years in the case of movable items that cost more than 5,000 euros.

If the provider of the grant does not give its agreement, the private German project-executing agency shall ensure that a pro rata compensation payment corresponding to the market value of the items is made to the BMZ.

Special provision No. 2 re 4.1: If, within the period stated at 4.1, items are used for a different purpose against the will of the recipient, e.g. in the case of expropriation, or there is other divestment of ownership or use, then – if compensation is paid – a pro rata share of the compensation corresponding to the share in the actual financing under the financing plan that was covered by the funding is to be transferred to the BMZ.

4.2 The recipient of the funding shall provide an inventory of any objects acquired for the realisation of the intended purpose of the funding that cost more than 410 euros (without VAT) to manufacture or buy. If, for special reasons, the federal government is or becomes the owner of any objects, this must be clearly indicated in the inventory.

Special provision No. 1 re 4.2: Objects that are intended for use in the developing countries and have been fully or partially financed from the grant funding will become the property of those to whom ownership is to be transferred according to what is laid down in the project. Any transfer of ownership is to be documented in the proof of use. The recipient will sort out the transfer and any responsibilities entailed as per No. 9 of the present provisions.

5. Reporting obligations for the recipients of funding
The recipient of funding has an obligation to inform the grant awarding authority without delay in the event of the following:

5.1 if, after submitting the financial plan – and also after submission of the proof of use – the recipient applies to other public institutions for funding for the same purpose or receives funds from them or if the recipient receives funding – or additional funding – from third parties,

5.2 if the intended purpose of the funding or any other conditions of major significance for the approval of the funding either change or cease,

5.3 if it turns out that the intended purpose of the funding cannot be achieved or cannot be achieved with the approved funding,

5.4 if the funds requested or disbursed cannot be used to cover payments due as soon as they have been disbursed,

5.5 if, within the binding time frame, items of equipment that form part of the project inventory are no longer being used in accordance with the intended purpose of the funding or are no longer needed,

5.6 if the recipient has filed for bankruptcy or bankruptcy proceedings have been initiated against the recipient.

6. Proof of use

6.1 The grant awarding authority shall be given proof of the use of the funding (proof of use) within six months after the intended purpose has been realised and at the latest by the end of the sixth month following the appropriation period. If the intended purpose has not been realised by the end of the budget year, then an interim proof of use shall be furnished within four months after the end of the budget year covering the amounts received in that budget year. Factual reports submitted as part of an interim proof of use as per No. 6.3 may be linked to the next factual report that is due if the reporting period for a budget year does not exceed three months.

6.2 The proof of use shall consist of a factual report and a record of accounts.

6.2.1 The factual report shall give a detailed account of the use of the funding and the outcome achieved; it shall also list the planned objectives for comparison. Reference shall be made in the factual report to the most important items in the record of accounts. Furthermore, the factual report must contain an account of the need for and the appropriateness of the work done.

6.2.2 In the record of accounts, revenue and expenditure shall be listed chronologically and separately following the same structure as in the financial plan. The record shall contain all revenues associated with the intended purpose (funding, contributions from third parties, recipient's own funds) and all expenditures. An overview of receipts in table form shall be attached to the account with the expenditures listed separately according to type and by date (list of receipts). The list of receipts shall show the day, recipient/depositor, purpose and individual amount for each transaction. Where the recipient of the funding has the possibility to deduct input tax in accordance with Section 15 of the VAT Act, then only the payments (prices without VAT) may be factored into the account. The proof of use shall include the following information: confirmation that the expenditures were necessary, that the principles of thrift and economy were applied, and that the entries agree with the books and, if applicable, the receipts.
**Special provision No. 1 re 6.2:** If a recognised, independent firm of chartered accountants is commissioned to help draw up the proof of use, the private German executing agency shall – in some suitable form – play a part in selecting the firm. Written confirmation from the German embassy or a recognised institution (e.g. chamber of commerce) is required as proof that the recognised, independent firm of chartered accountants holds the necessary qualifications. Certificates issued by independent firms of chartered accountants must correspond to the sample provided at Annex IV. They may not be limited to a simple record of financial transactions; they must furnish comprehensive proof that the funds have been used for the intended purpose. The recipient of the funding must ensure that the independent firm of accountants has all the documents needed for this. Costs incurred for the audit by the accountants may be paid for using project funds.

**Special provision No. 2 re 6.2:** If foreign currency is needed to realise the intended purpose of the project, then the applicable conditions for the purchase of foreign currency must be observed during the transaction and receipts for the currency exchange must be presented.

**Special provision No. 3 re 6.2:** Individual items of expenditure of less than 50 euros can be listed after due examination by the recipient of the funding without submitting vouchers provided the lists contain the information required as per No. 6.4.

6.3 The interim proof of use (No. 6.1 sentence 2) shall consist of a factual report and a record of accounts (without list of vouchers as per No. 6.2.2 sentence 3), in which revenue and expenditure are to be listed in summary following the same structure as in the financial plan.

6.4 Vouchers must show the usual information for commercial transactions; vouchers for expenditure must above all show the recipient, purpose and day of the transaction, proof of payment and – for objects – the intended purpose of use. In addition, every voucher must indicate clearly the project it is linked with (e.g. by showing a project number).

6.5 The recipient of the funding shall retain the original vouchers (for income and expenditure) for individual payments and the contracts for the services commissioned together with all other documents (cf. No. 7.1 sentence 1) associated with the funding for a period of five years after presentation of the proof of use, unless tax legislation or other regulations state that a longer period shall apply. An image medium or data medium may be used to store the documents. The procedure for recording and reproducing the documents must comply with the basic rules of correct bookkeeping or with the regulations generally accepted for public administration.

6.6 If, with a view to achieving the purpose of the funding, the recipient of the funding is permitted to pass funds on to a third party, any proof of use and interim proof of use that this third party is obliged to furnish to the recipient shall be included with the documents for the proof of use and interim proof of use as per No. 6.1.

7. **Examination of the use of funds**

7.1 The grant awarding authority is entitled to demand sight of the books, vouchers and other business documents. It is similarly entitled to check the use of the funding by means of inquiries on the ground or to commission others to carry out such checks. The recipient of the funds shall have the necessary documents available and provide the necessary
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information. In the cases mentioned at No. 6.6 the rights of the grant awarding authority are also to be acknowledged by the third party.

7.2 If the recipient of the funding has its own auditing unit, then that unit shall check the proof of use beforehand and certify that the check has been performed and present its findings.

7.3 The Federal Court of Audit is entitled to audit the recipient of the funding (Federal Budget Code, BHO, Sections 91 and 100).

8. Repayment of funding, payment of interest

8.1 Funding is to be repaid if a notification of funding is retracted or revoked or otherwise rendered invalid with retrospective effect under administrative procedural legislation (in particular Sections 48 and 49 of the Administrative Procedure Law - VwVfG) or other legal regulations.

8.2 No. 8.1 applies in particular if

8.2.1 the funding has been obtained using incorrect or incomplete information,
8.2.2 the funding is not or is no longer being used for the intended purpose,
8.2.3 a condition subsequent has occurred (e.g. a later reduction in spending or a change in financing arrangements as per No. 2).

8.3 Revocation of funding with retrospective effect can be considered if the recipient of the funding

8.3.1 does not make use of the funding to achieve the intended purpose as soon as it is disbursed or
8.3.2 does not meet conditions that have been imposed or does not meet them within a fixed period of time, in particular does not submit the required proof of use on time and does not fulfil its obligations in terms of reporting (No. 5) on time.

8.4 In accordance with Section 49a paragraph 3 VwVfG, annual interest is to be paid on the refund at a rate of interest that is five percentage points above the base rate as defined in Section 247 of the German Civil Code (BGB).

8.5 If funding is not used for the realisation of the intended purpose as soon as it has been disbursed and if the notification of funding is not retracted or revoked, then payment of annual interest at a rate that is five percentage points above the base rate as defined in Section 247 BGB can likewise be demanded for the period from the disbursement until the funding is used for the intended purpose. The same shall apply when funds are used although other funds are to be deployed either in part or primarily (Section 49a Paragraph 4 VwVfG). In any case, the requirement for funding to be used as soon as it is disbursed shall be deemed not to have been met under the procedure for requesting funds (Anforderungsverfahren) if the funds are used after more than six weeks have elapsed since disbursement to cover payments due.

Special provision No. 1 re 8.5: If funds are used outside of the SEPA area, the requirement for funding to be used as soon as it has been disbursed shall be deemed not to have been met if the funds have not been used within four months after disbursement to cover payments due.

Special provision No. 2 re 8.5: The private German executing agency has the responsibility of carefully selecting the local project-executing agencies in the developing country, relaying to them the conditions as per No. 9, ensuring that the rights granted under the agreements are observed and claiming refunds due under the agreements with local project-executing agencies in the developing countries and holding them to account.
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If necessary, negotiations shall be conducted with a view to modifying, supplementing or discontinuing the support and measures shall be taken to protect the funds.

**Special provision No. 3 re 8.5:** The private German executing agencies shall transfer to the BMZ the full amount of any repayments of funds and interest received from the project-executing agencies.

9. **Additional special provisions: Agreements with the local project-executing agencies ("catalogue of responsibilities")**

Contractual agreements shall be concluded with the local project-executing agencies in the developing countries to ensure compliance with the responsibilities listed in the guidelines for funding and in the present special provisions and, if applicable, with the terms and conditions stated in the grant notice. Determining the details of such agreements shall be the responsibility of the private German executing agencies. Rules shall be established among other things for:

9.1 The execution of the measure, in particular the examination of the use of funds in accordance with Nos. 1, 2, 4 and 5 of these special provisions.

9.2 Works and services commissioned by the executing agencies in the developing country: contracts for supplies and services shall be awarded on a competitive basis, unless the type of business transaction or special circumstances justify an exemption.

9.3 Items acquired in order to realise the intended purpose of the funding:

9.3.1 The local project-executing agency shall be required to treat with care all items that have been financed from the grant funding and of which it has assumed ownership.

9.3.2 The local project-executing agency must provide an inventory (in accordance with local standards) of any objects acquired for the realisation of the intended purpose of the funding that cost more than 410 euros to manufacture or buy. An up-dated inventory shall be presented together with the annual statement of accounts.

9.4 Statement of accounts and reporting

9.4.1 The accounting by the local project-executing agency in the developing country and the information contained in vouchers must comply with the principles of correct bookkeeping.

9.4.2 The local project-executing agency in the developing country shall be required to observe the applicable conditions when purchasing foreign currency and to present receipts for the currency exchange.

9.4.3 The local project-executing agency in the developing country shall present to the private German executing agency, within a period fixed by the latter, factual reports and statements of accounts including original vouchers that will allow the private German executing agency to assess the progress of the project and to meet its own reporting obligations vis-à-vis the BMZ. If independent chartered accountants are tasked with the auditing, they shall be required to issue an audit certificate that corresponds with the sample given in Annex IV. The local project-executing agency in the developing country shall make all necessary documents available to the chartered accountants. The vouchers shall be retained for a period of five years after the presentation of the final statement of accounts to the private German executing agency.

9.5 Examination of the use of funds

9.5.1 The private German executing agency shall be entitled – after consulting with the local project-executing agency in the developing country – to visit the project, to
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9.5.2 A contract with the local project-executing agency in the developing country shall ensure that the BMZ and the Bundesrechnungshof (German SAI) have a right of scrutiny. This shall also apply in cases where a firm of independent chartered accountants is engaged. If the right of scrutiny cannot be exercised, the local project-executing agency will be excluded from any further funding.

9.6 Claims for repayment and payment of interest

The private German executing agency shall in particular be obliged to stop further disbursements of funds and to demand the repayment of disbursed funds, if

- the conditions on the basis of which the agreements were initially concluded have ceased to apply,
- overpayments have occurred,
- if the information on which the grant decision was based was incomplete or false, or if funds were used for purposes other than the intended purpose,
- if the disbursed funds are not used within the specified period for payments due,
- if conditions that have been imposed are not met or not met within a fixed period of time, in particular if obligations in terms of accounting and reporting are not fulfilled on time.

Furthermore, payment of interest shall be demanded starting from the time a claim for repayment arises. The annual interest rate shall be 5 per cent above the base rate as defined in Section 247 BGB. The interest claim can be waived, in particular, if responsibility for the circumstances that justify a repayment does not lie with the local project-executing agency and if it repays the amount due within the period set by the private German executing agency.
III. Logistics support

1. Aim of funding

The purpose of funding the transport to developing countries of material donations that are considered eligible for support from a development policy perspective is to improve the living conditions of especially poor and vulnerable communities.

2. Support criteria

2.1 The transport of material donations is deemed eligible for support from a development policy perspective if the items can effectively support the efforts of especially poor and vulnerable communities to improve their material well-being and social welfare. This includes, in particular, material donations that contribute to

- generating additional income,
- improving education in accordance with the needs of the labour market,
- improving the quality of practical and vocational training,
- increasing the productivity of small artisanal and agricultural enterprises,
- improving in a sustainable way the care that health centres can provide.

2.2 However, the transport of material donations as mentioned at No. 2.1 is only deemed eligible for support if it meets the following criteria:

- The material donations may not be goods that are manufactured or sold by local small companies. This is to prevent the small companies and the people working for them from losing employment and sales opportunities.
- The material donations must fit the economic, technical and infrastructure-related circumstances in the developing country.
- If the donations include technical devices, there must be sufficient facilities available in the developing country to ensure long-term maintenance and repair and to provide spare parts.
- The material donations must be environment-friendly.
- The material donations must be made available free of charge in the developing country and may not be used for any profit-generating purpose by the receiving organisation.
- The material donations must be intended for regions into which safe transport can be guaranteed.
- The purpose for which the material donations are intended may not coincide with the purpose of any other development project receiving funding from the BMZ.

2.3 As a matter of principle, the following material donations are not eligible for transport support:

- military equipment
- luxury goods
- chemical or other sensitive substances that present a particular safety risk or require special handling as regards quality, licensing, transport, storage and use
- household goods and furnishings
- everyday consumer items
- bulk clothing and linens
- IT equipment that is more than 5 years old
- animals and plants
- equipment for scientific purposes
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– material donations for humanitarian purposes (e.g. disaster relief goods)
– vehicles for which the next general inspection is due in less than one year.

Special conditions apply for the following material donations:
– Items of clothing, toys and sports equipment may only be included in small quantities.
– Donations of drugs are eligible for support only in exceptional cases and subject to a case-by-case examination. The drugs must, however, comply with the World Health Organization’s guidelines.

3. Terms of funding
3.1 Costs for the transport of material donations cannot be reimbursed retroactively.
3.2 Funding for the transport of material donations for developing countries that are deemed eligible for support from a development policy perspective can only be granted upon written application. As a matter of principle, only private German organisations, associations, federations and initiatives that have been recognised as working on a public-benefit and not-for-profit basis are entitled to apply for funding. Funding for transport costs is only provided if the applicants do not have sufficient funds of their own and do not have access to other funding (e.g. donations from third parties, allocations from an applicant’s central office or umbrella organisation). As a rule, 75 per cent of the costs specified at 5.1 are covered by the grant.
3.3 The recipients of the material donations in the developing country must be local private or public organisations working on a public-benefit basis. No funding can be granted for the transport of material donations intended for individual persons in developing countries. The recipient in the developing country must guarantee that the material is used in an appropriate manner, for the intended purpose and as soon as possible.
3.4 The level of funding that can be granted for the transport of material donations is specified at 5.1. Further costs of any kind that may arise in connection with the transport of material donations will not be met.
3.5 With a view to granting support to as many applicants as possible,
– funding can only be granted for one application per year and applicant,
– funding can only be granted to cover the costs of the most cost-effective means of transport, i.e. as a rule not by air,
– the applicant must cover an appropriate share of at least 25 per cent of the transport costs. Applicants can reduce their financial share in transport costs by providing some other kind of counterpart contribution.
3.6 If funding is granted for an application, this does not establish an entitlement to funding for further applications in subsequent years.
3.7 Transports of material donations will only take place if there is an official document declaring exemption from customs duties for the import of the goods into the recipient country. The recipient of the material donation in the developing country must provide the document declaring the exemption from customs duties, which will be regarded as proof that the donated material will be well received and is appropriate for the needs in the developing country. If, in justifiable individual cases, it is not possible to provide such a document, the applicant will be required to ensure customs clearance before the transport can take place.
4. **Funding procedure**

4.1 Applications for transport funding for material donations must be submitted to EG. EG will scrutinise all applications, examining the content and the technical and formal details. The BMZ decides whether, from a development policy perspective, an application is eligible for support.

4.2 Applications for transport funding must at least provide the following information:
- information on the German applicant (mission, activities, legal status),
- information on the recipient of the material donation in the developing country (mission, activities, legal status),
- a complete list of the donated material which is to be shipped,
- information on the use of the donated material in the developing country.

The recipient in the developing country must provide written confirmation of the receipt and the appropriate use of the donated material to the applicant. The applicant must pass the written confirmation on to Engagement Global - Service for Development Initiatives.

5. **Scope of funding**

5.1 The grant for the transport of material donations covers the following costs:
- packaging and loading material donations,
- the transport of the material donations from where they are stored in the Federal Republic of Germany to a location in the developing country that is to be agreed on and the
- transport insurance for the material donations (maximum refund equivalent to fair value, but not exceeding 50,000 euros; any transport insurance beyond that amount must be arranged by the applicant).

5.2 No other costs shall be covered by the grant, for instance:
- the cost of procuring the material donations,
- any cost for the purchase of containers,
- costs for storage in the Federal Republic of Germany and in the developing country, including, for instance, demurrage charges for containers, etc.
- the cost of customs clearance for the material donations,
- travel costs.
IV. Audit by chartered accountant

1. In drawing up their certificate, the recognised, independent firm of chartered accountants shall follow the structure used for the record of accounts provided for the proof of use. The accountants shall explain the auditing mandate they were given and shall give an account of the documents used for the audit of proper use of funds and compliance with the terms of funding. The key statements (in particular the audit findings) and the final audit certificate (cf. 3) must, however, be translated into German (uncertified translation). This translation may be included in the factual report of the proof of use (6.) together with the comments on the certificate.

2. If the difference between budgeted figures and actual figures is more than 30 per cent, this must be justified separately, unless prior authorisation was obtained from the BMZ.

3. The final audit certificate shall state the following (minimum requirement): "We hereby certify that we have conducted an audit relating to the statement of accounts of (name of the project-executing agency in the developing country) regarding the financing of the (name) project. Our audit was carried out on the basis of the following requirements pertaining to the use of funding: (list of relevant contracts and documents). We have looked at all the books and vouchers. Based on our audit, we confirm that:

   1. All income and expenditure has been properly documented by means of receipts or vouchers.
   2. The expenditures documented have been made in accordance with the requirements of the terms of the application and the grant approval and are in accordance with the purpose outlined in the application and in the financial plan.
      Any deviations from the financial plan are explicitly explained.
   3. The income documented, which is entered in the accounts as the contribution made by the project-executing agency, the target group and/or other entities in the country where the project is being implemented, is correctly rendered in the accounts, with the source being explained as required.
   4. The donor's conditions specified in the project agreement have (not) been met (with regard to the following aspects).
   5. Special remarks."