IKI Guidelines
for international applicants - IKI Selection Procedure 2018

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Effective until replaced

Note: Modifications because of the new IKI Funding Information for the IKI selection procedure 2018 are represented in blue italic writings
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A. General Information about the International Climate Initiative

In 2008, the German government launched the International Climate Initiative (Internationale Klimaschutzinitiative, IKI), a funding programme of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMU) that aims to support measures that are essential for implementation of the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD) in partner countries. Since the Paris Agreement entered into force in November 2016, the IKI’s priority is to provide effective support to partner countries in implementing Nationally Determined Contributions (NDCs) in relation to both mitigation and adaptation. Where possible, this will be achieved through the NDC Partnership. Another priority of the IKI is to help partner countries achieve the Aichi Targets of the Strategic Plan 2011-2020 of the Convention on Biological Diversity (CBD).

Climate protection and biodiversity conservation are key objectives of support, and the aim is to generate maximum synergy between them.

In addition to the two UN framework conventions, the UN’s Sustainable Development Goals (SDGs), which were also adopted in 2015, provide another important benchmark.

B. Project/Programme Outline

The IKI Selection is based on a two-stage procedure. In the first stage, coherent project/programme outlines need to be submitted in English through the online platform on the IKI website. Project/Programme outlines that are not submitted by the designated means cannot be considered for the subsequent selection procedure. All applicants will be informed in writing of the result of the evaluation.

BMU pre-selects promising outlines in line with the available budgetary resources, considering coherence with foreign and development policy. If project/programme outlines are promising, BMU asks for the submission of a formal programme proposal (start of second stage). A grant for preparation of the joint programmes may be requested immediately afterwards (e.g. for studies, appraisal missions, planning processes with partner institutions, etc.). A decision on these applications usually is made within one month of submission of the full documents relevant to the decision. Joint programme coordinators then have eight months in which to submit the programme proposal. BMU will then decide on this application in a final review.

Information on the current IKI call can be found on the IKI website (link).

B.1 Applicants

The IKI supports programmes carried out in partner countries by German federal implementing agencies, NGOs, business enterprises, universities and research institutes based in Germany and abroad, by institutions in partner countries (including national
implementing entities accredited by international or multilateral organisations, NDAs) and
by international and multilateral organisations and institutions, e.g. development banks and
United Nations bodies and programmes.

It is expected that programme proposals will generally specify that the programme will
be implemented jointly and in partnership by several of the organisations that
specialise in the particular strand of work. The cooperation in principle should be
agreed in a cooperation agreement with all the implementing organisations. The
cooperation agreement should not be submitted until the second stage of the
application procedure (see Section 7.2 IKI Selection Procedure 2018 - Information on
support under the International Climate Initiative (IKI)). For communication with BMU
or its agent, one of the programme’s implementing organisations must be nominated
as having principal responsibility (joint programme coordinator). The joint programme
coordinator is the sole recipient of the approval notification or the sole contract partner
of BMU. As the sole implementing actor, the joint programme coordinator receives
direct payments through BMU; no grants funds are paid directly to other partners in the
joint programme. The joint programme coordinator is responsible for forwarding the
grant to the partners in the joint programme.

The joint programme coordinator and the partners in the joint programme are expected
to have comprehensive relevant expertise and experience of the target region. The
organisation coordinating the programme must display this expertise and, as a rule,
demonstrate that it has continuously implemented international cooperation
programmes in the thematic area jointly with partners in the region for at least five
years. They must be capable of providing suitable human resources for the
implementation of the programme.

The level of the planned, average annual BMU funding volume should not exceed the
grant recipient’s average annual turnover over the last three business years.

If the grant is forwarded, the joint programme coordinator is responsible for ensuring
that the relevant partners in the joint programme also comply with this requirement in
respect of their funding share. The average annual funding volume follows from the
planned total BMU funding volume and the planned duration of the project/programme
as stated in the outline.

B.2 Form

All information regarding the project/programme has to be completed using the online
tool provided on the IKI website (link). The project/programme outline needs to be
submitted exclusively via the electronic online form provided. Hard copies and
project/programme outlines submitted in a different format (excel, jpeg, word, pdf) will
not be considered in the selection process. The project/programme electronic outline
form is solely available online and in English language.
B.3 Signature
Since the project/programme outline is submitted electronically, it does not require a signature.

B.4 Contact
The IKI Programme Office is available for all questions regarding the preparation of a project/programme outline. For reasons of equal treatment and a fair competition, inquiries about the status of the assessment of project/programme outlines will not be answered while selection is still in progress.

B.5 Project/Programme duration
The proposed project/programme duration should enable a successful course of project/programme implementation and needs to be planned realistically. A realistic time planning also considers any foreseeable delays in the implementation of the project/programme, e.g. through the recruitment of project/programme staff or the procurement of goods, services and works. In accordance with the ‘IKI Selection Procedure 2018 - Information on support under the International Climate Initiative (IKI) project/programme’ (link), the proposed project/programme duration should not exceed eight years. The planning of the project/programme duration also needs to include an appropriate amount of time for pre-assessment and the closure of the project/programme, including the final reporting.

B.6 Project/Programme start
If project/programme outlines are promising, the principal implementing actors responsible will be requested in writing to submit a formal programme proposal (start of second stage) and may upon request receive a grant for preparation of the joint programmes immediately afterwards (e.g. for studies, appraisal missions, planning processes with partner institutions, etc.). A decision on these applications will normally be made within one month of submission of the full documents relevant to the decision. Joint programme coordinators then have eight months in which to submit the programme proposal. BMU will then decide on this application in a final review which requires an appropriate amount of time.

A project/programme outline for a project/programme that has already been started is ineligible for funding and will be excluded from the pre-selection process.

B.7 Currency
All calculations and amounts must be stated in EUR. However, payments in another currency than EUR are optional. The exchange rate will be calculated according to the daily updated EUR foreign exchange reference rates of the European Central Bank.
### B.8 Project/Programme outline budget

#### 6. Budget (in EUR)

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel:*</td>
<td>0</td>
</tr>
<tr>
<td>External services*:*</td>
<td>0</td>
</tr>
<tr>
<td>Investments *:</td>
<td>0</td>
</tr>
<tr>
<td>Other funding requirements*:</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total volume:</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

**Notes on funding required:**
Please provide further details about investments, equipment, external services and other funding requirements exceeding EUR 500,000. (max. 500 characters)

The total expenditures for personnel, external services, investments and other funding requirements estimated for the implementation of the proposed project/programme have to be stated in section 6.1. ‘Other funding requirements’ in this context contain any estimated administrative project expenditures, i.e. for rent(s), literature and printing, events, travel, materials and overhead.
In section 6.2 the planned financing of the estimated total project expenditures stated under 6.1 needs to be displayed. In general, BMU funding should go along with an appropriate contribution of co-funding (own funds, third party grants and external funding). Further information regarding own funds, external funding and third party funds is provided in section C (C.4.4 Financing and Co-funding, p. 21, C.2 Subcontractor - Implementing Partner - Political Partner, p. 13).

<table>
<thead>
<tr>
<th>6.3 BMUB grant*</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018:</td>
<td>EUR</td>
</tr>
<tr>
<td>2019:</td>
<td>EUR</td>
</tr>
<tr>
<td>2020:</td>
<td>EUR</td>
</tr>
<tr>
<td>2021:</td>
<td>EUR</td>
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<tr>
<td>2022:</td>
<td>EUR</td>
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<td>2023:</td>
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<td>2024:</td>
<td>EUR</td>
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<td>2025:</td>
<td>EUR</td>
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<tr>
<td>2026:</td>
<td>EUR</td>
</tr>
<tr>
<td>BMUB funding volume*:</td>
<td>EUR</td>
</tr>
</tbody>
</table>

In particular for the financial planning of available IKI funds, the total BMU funding stated under 6.2 has to be further broken down into annual amounts in section 6.3.

<table>
<thead>
<tr>
<th>6.4 Planned allocation of BMUB grant and own funds to project implementing partner(s)*</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcontractor:</td>
<td>EUR</td>
</tr>
<tr>
<td>Implementing partner 1:</td>
<td>EUR</td>
</tr>
<tr>
<td>Implementing partner 2:</td>
<td>EUR</td>
</tr>
<tr>
<td>Implementing partner 3:</td>
<td>EUR</td>
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<tr>
<td>Implementing partner 4:</td>
<td>EUR</td>
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<td>Implementing partner 5:</td>
<td>EUR</td>
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<tr>
<td>Implementing partner 6:</td>
<td>EUR</td>
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<tr>
<td>Implementing partner 7:</td>
<td>EUR</td>
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<tr>
<td>Implementing partner 8:</td>
<td>EUR</td>
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<tr>
<td>Implementing partner 9:</td>
<td>EUR</td>
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</tbody>
</table>
In section 6.4 the planned BMU funding and the own funding per project/programme partner (applicant and its implementing partner(s)) have to be stated.

**B.9 Funding volume**

There is no definite maximum or minimum level of funding that can be applied for. However, the efficiency of the expenditures and the economical use of the funds must be demonstrated at all times.

As a rule, the level of the planned, average annual BMU funding volume should not exceed the applicant’s average annual turnover of the last three financial years.

**B.10 Own funds**

The financing of a project/programme is primarily the responsibility of the applicant. Since project/programmes are the applicant’s own project/programmes and not commissioned by the Federal Republic of Germany, the applicant has to do everything in its power to raise the required funds. Thus, it is generally a condition for approval of a grant that the applicant makes an appropriate contribution and that additional funding is mobilized to meet the eligible expenditure.

Grants which cover all eligible expenditures are therefore an exception.

There is no minimum quota for own funds. Whether the extent of the submitter’s own funding is appropriate can only be decided case by case and under consideration of the characteristics of the submitter concerned. The appropriate level depends on the submitter’s financial power and self-interest in the project/programme, on how it is aligned with the Federal Republic of Germany’s goals, and the available funding in relation to the number of project/programmes.

For further information regarding own funds please see section C (**C.4.4 Financing and Co-funding**, p. 21).

**C. Project/programme Proposal**

**C.1 General Information**

**C.1.1 Possibility to submit a project/programme proposal**

Applicants whose project/programme outlines from the first stage of the application process are shortlisted are then invited to submit a full project/programme proposal in the second stage of the process.
A project/programme proposal submitted without a prior request for submission by BMU will not be considered in the selection process.

C.1.2 Submission of project/programme proposal

In addition to an electronic version (scanned hard copies as well as excel / word files of the documents) the signed original project/programme proposal documents must be submitted in duplicate.

The project/programme proposal documents have to be submitted to the IKI Programme Office (e-mail: programmbuero@programmbuero-klima.de; postal address: Programme Office of the International Climate Initiative, Potsdamer Platz 10, 10785 Berlin, Germany).

C.1.3 Contact

As a rule, the IKI Programme Office is the exclusive contact point for all project/programme-related matters and should be kept informed about all project/programme-related developments over the entire duration of a project/programme. For every project/programme there are two contact persons: One contact responsible for questions related to the project/programme’s concept and content and one contact for all legal, administrative and financial matters.

Project/programme applicants and grantees will receive official and thus legally binding communication (e.g. funding and approval letters) from BMU, but will at no time have to communicate directly with BMU on any project/programme-related matters.

In all project/programme related correspondence the IKI project/programme number should be indicated. This number can be found in all official communication.

C.1.4 Project/programme start

A project/programme started before a project/programme proposal has been submitted and officially approved by BMU is not eligible for support. A project/programme is considered started as soon as any contract related to the implementation of the project/programme has been concluded.

In practice the applicant can start with the project/programme implementation after signing of the grant agreement submitted by BMU to the applicant, provided no changes will be made to the grant agreement. However, the project/programme cannot start before the date stated in the project/programme proposal.

In exceptional cases, BMU is able to approve early commencement of a project/programme upon separate request. The request must be submitted in writing with an appropriate explanation.
Without the written consent of BMU, early commencement of a project/programme is not permitted under any circumstances and will render a project/programme proposal ineligible for funding.

C.1.5 Project/programme duration

The project/programme duration should not deviate from the duration mentioned in the project/programme outline (see B.5 Project/Programme duration; p. 6). In exceptional cases, BMU might accept a deviating project/programme duration after the applicant has provided a plausible reason for the deviation. In order to allow realistic project/programme planning, the start date may be adjusted to correspond with current developments.

C.1.6 Types of Financing

There are two types of financing modes:

Full-financing mode means that the BMU grant covers all eligible expenditures up to the maximum amount indicated in the project/programme budget. There is no co-funding (see C.4.4 Financing and Co-funding, p. 21). With a full-financing mode the agreed budget lines are binding and changes of more than 20 per cent of the main budget lines require a formal amendment request and approval by BMU (see D.3 Budget flexibility, p. 27).

Fixed-sum financing means that BMU provides a fixed amount (the grant) as part of the total eligible expenditure, according to project/programme budget and regardless of increase or decrease of total eligible expenditure at the end of the project/programme. In case the total expenditure exceeds the grant amount, the difference must be financed by the grantee or other funding sources (see C.4.4 Financing and Co-funding, p. 21). With a fixed-sum financing mode the agreed budget lines are not binding if deviations within the total project/programme budget occur (see D.3 Budget flexibility, p. 27).

C.1.7 Level of funding provided by BMU

The level of funding provided by BMU must not exceed the amount mentioned in the letter of BMU inviting to submit a full project/programme proposal.

C.1.8 Signature

All the grantee’s official correspondence concerning the IKI must be signed by a legal representative. The signatory of the documents must be duly authorised to represent its institution both in and out of court. Scanned copies of signatures will not be accepted.
Authorised representative(s) can nominate third parties to make legally binding declarations on their behalf.

Proof of the signatory’s authorisation must be provided for all official IKI correspondence (e.g. through a trade register excerpt).

C.1.9 Pre-assessment of project/programme proposal documents
The IKI Programme Office does not have sufficient capacity to pre-assess project/programme proposal documents prior to official submission, but is available for all questions concerning the preparation of the documents.

C.1.10 Assessment process – time frame
After the submission of the project/programme proposal documents, the minimum time required for the assessment and any necessary revision of the documents is six months. The actual processing time is in this context greatly dependent on the completeness and quality of the submitted project/programme proposal documents. When planning the starting date for a project/programme, the minimum time required should be duly considered.

C.1.11 Grant Agreement
After successful completion of the assessment process, the applicant will receive a funding letter along with a grant agreement from BMU. The grant agreement needs to be signed with a legally binding signature (see C.1.8 Signature, p. 11) and sent back to BMU in duplicate immediately. BMU’s postal address is indicated in the funding letter. Provided that no changes to the grant agreement will be made by the applicant, the project/programme can be started as soon as the documents are sent back to BMU.

The standard grant agreement can be requested from the IKI Programme Office for pre-assessment.

C.1.12 Constraints in the Grant Agreement - Blocked Funds
In particular cases, the grant agreement may contain specific constraints. One of these constraints might be the ‘blocking’ of funds. Blocking funds is an option in case the applicant is not able to fulfil certain conditions during the application stage, e.g. to provide political support letters or detailed concepts for particular work packages or to name implementing partners or project/programme countries. BMU might in these very exceptional cases decide to approve the proposed project/programme, but to block the funds linked with the uncertain facts and conditions. BMU will not authorize and disburse these funds until the applicant clarifies and fulfils all conditions needed to lift the block. The conditions which need to be fulfilled in order to unblock the funds will be indicated by BMU in the grant agreement.
C.2 Subcontractor - Implementing Partner - Political Partner

The project/programme proposal requires information about any planned subcontractors or implementing partners for a project/programme in section 1.4 and in Annex 1 of the project/programme proposal. In section 1.3 all political partners have to be listed.

C.2.1 Subcontractor

A subcontractor may be hired to acquire goods, services or works required for the implementation of the project/programme. Subcontractors are usually for-profit organisations. The subcontractor must be selected following a competitive procurement procedure. Thus, a subcontract is always based on an exchange of service vs. payment. Full remuneration of the subcontractor is only allowed after it has completely fulfilled its contractual obligations. Fulfilment of the contractual obligations must be documented by the grantee. This documentation must be presented on request in the Final Report. If the grantee fails to document the fulfilment or the subcontractor fails to perform its obligations, the expenditures for the contract are not eligible for funding and have to be reclaimed from the grantee.

All estimated expenditures for a subcontract including incidentals, e.g. travel expenditures of the subcontractor, must be budgeted in the project/programme budget’s ‘External Services’ sheet. A template for a service contract (subcontractor) is not available with BMU.

C.2.2 Implementing Partner

The applicant may entrust tasks forming part of the project/programme on a non-profit basis to one or several implementing partners. Implementing partners are selected to secure the necessary local support and cooperation in the implementation of the project/programme. Therefore, no procurement procedure is necessary. Prior to the signing of the mandatory subgrant agreement (former channeling agreement) with an implementing partner, its credit rating has to be verified and documented in an appropriate manner by the grantee.

The grantee shall ensure that the conditions applicable to it under the grant agreement are also applicable to its implementing partner(s). For this matter, the IKI provides a standard subgrant agreement (former channelling agreement) which is to be used to form the contractual relationship between the grantee and the implementing partner.

Signing the subgrant agreement with the implementing partner is essential to clarify the rights and obligations from the outset.

For each implementing partner an individual budget (Annex 3) must be prepared and submitted. The project/programme budget of an implementing partner needs to meet the same requirements as the budget submitted by the applicant (see C.4 Guidance for Project/programme Budget (Annex 3), p. 20).
In any case, the grantee remains fully responsible towards BMU for all activities implemented by its implementing partners and shall ensure and guarantee an effective management and control of the whole project/programme.

Furthermore, grantees should ensure to have full access to all project/programme-related documents of its implementing partners during and after the project/programme.

To each subgrant agreement the conclusion of a supplementary agreement is possible, but the grantee takes the full responsibility for ensuring that its content is in line with the subgrant agreement. It must be ensured that the rules of the subgrant agreement will prevail over any supplementary agreement. BMU or the IKI Programme Office will not provide any legal advice or even approve any supplementary agreement.

C.2.3 Political Partner

Political partners are usually public institutions for political support and promotion of a project/programme in the country of implementation. They can be selected on national, regional or local level. Political partners do not receive any funds from the grant and are not directly involved in the project/programme implementation.

C.3 Eligibility of Expenditures

C.3.1 General conditions for eligibility of expenditures

‘Eligible expenditures’ are expenditures that meet the following criteria:

1) Expenditures must be necessary for the project/programme

The fundamental eligibility requirement is that expenditures are indispensable for the achievement of the project/programme results. The expenditures must be essential for the performance of the project/programme in question.

In case of uncertainty about the eligibility of expenditures, assessing their necessity for the project/programme implementation is the most useful procedure.

2) Expenditures must be incurred during the eligibility period of the project/programme

All expenditures must be incurred within the eligibility period of the project/programme. This is the case when the related goods, equipment, services or works have been used in connection with the project/programme and thus became due during the implementation period of the project/programme. The implementation period is set out in the grant agreement.
The fact that a legal commitment has been made (e.g. signature of a legally binding contract or issuing a purchase order) is not sufficient for the expenditures to be eligible. This means that the expenditures should relate to activities performed during the implementation period of the project/programme.

Grantees should be prepared to demonstrate that expenditures have been actually incurred, for instance, during the final financial audit by an independent auditor. During an audit, auditors will check all the supporting documents related to the project/programme and the relevant dates (i.e. distribution lists, logbook, employment/service contracts, reports on end of works, post-distribution monitoring report, but also payment vouchers, bank statements, tender files including bids not accepted, derogation forms signed at applicable level, etc.). This example list includes the expenditures incurred by implementing partners.

The only exceptions to this rule are expenditures related to the final financial audit which can be incurred after the implementation period of a project/programme but within the eligibility period.

3) Expenditures must be identifiable and verifiable

The expenditures must be:

- recorded in the accounting records of the grantee;
- compliant with the accounting standards of the country of registration of the grantee and its usual accounting practices;
- backed by supporting evidence (e.g. invoices, receipts, contracts, time-sheets, etc).

The grantee does not have to provide those supporting evidences with the Final Report, but it has to keep them available at BMU’s request or in case of audits. Indirect expenditures (administrative overheads) do not need to be backed by supporting evidence during audits if prior approved by BMU.

4) Expenditures must be reasonable, justified and comply with the principle of sound financial management

This principle means that the project/programme funds must be used in accordance with the principles of thrift, efficiency and effectiveness.
• The **principle of thrift** requires that the resources used in the pursuit of an activity be made available in due time, in appropriate quantity and quality and at the best price.
• The **principle of efficiency** refers to the best relationship between resources employed and results achieved.
• The **principle of effectiveness** is concerned with attaining the specific objectives set and achieving the intended results.

Throughout the project/programme, the grantee will have to make sure that these principles are respected. At the end of the project/programme, in cases where these principles could not be respected, the grantee will have to justify the reasons and the impact on the result. If no valid justification can be provided, expenditures may be declared ineligible.

**5) Expenditures must comply with the requirements of applicable tax and social legislation**

The grantee must comply with the applicable tax and social legislation, e.g. the legislation of the country of registration of the grantee and of the country of project/programme implementation.

Finally, please note that BMU will only pass judgement as to the actual eligibility of expenditures at the liquidation stage. All expenditures that do not meet the eligibility conditions will be declared ineligible and disallowed accordingly. The overpaid amount will need to be reimbursed by the grantee.

The mere fact that certain expenditures are included in the project/programme budget at the proposal stage and thereafter is irrelevant, as this cannot overrule the otherwise applicable eligibility conditions.

**C.3.2 Eligible expenditures**

Eligible expenditures are distinguished into **direct** expenditures and **indirect** expenditures:

**C.3.2.1 Direct expenditures**

Direct expenditures are directly linked to the implementation of a project/programme. They would not have been incurred if the project/programme had not taken place. In this way, they can be directly attributed to the project/programme. Typical examples are: project/programme staff, consultants, project/programme supplies, publications, travel, investments, items and materials.

Only planned payment transactions qualify for budgeting as eligible direct expenditures.
Shared expenditures

The grantee may share some expenditures - such as expenditures of infrastructure in the field (in particular: field offices) among different uses and project/programmes. These shared expenditures may be eligible if calculated according to an expenditures allocation system that takes into account only the portion of the expenditures which corresponds to the rate of actual use of the infrastructure for the purposes of the particular IKI project/programme.

Personnel

a) Expenditures for personnel working under an employment contract with the grantee or an equivalent appointing act, and assigned to the project/programme are eligible. These expenditures may include:

- Actual salaries;
- Social security contributions;
- Staff insurance expenditures;
- Other statutory expenditures included in the remuneration, provided that these expenditures are in line with the grantee's usual policy on remuneration (e.g. sick leave indemnities);
- Additional remunerations, including payments on the basis of supplementary contracts regardless of the nature of those contracts under the condition that they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used (e.g. hardship allowance).
- Severance payments due at the end of employment contracts, provided that such payments arise from a statutory obligation under the applicable labour law (and not contractual arrangements) and are charged to a project/programme only for the portion which corresponds to the share of the total working time spent on the project/programme.

b) Expenditures for natural persons working under a contract with the grantee other than an employment contract. These expenditures are for example, the expenditures for in-house consultant, advisors or volunteers. They may be assimilated to expenditures for personnel, provided that the natural person should work under the instructions of the grantee and, unless otherwise agreed, in its premises; the results of the work belong to the grantee and the expenditures are not significantly different from the expenditures of staff performing similar tasks under an employment contract with the grantee.

If these conditions are not met, then a consultant is considered a service provider under a service contract, thus the procurement rules apply.

c) Headquarter staff (HQ staff) only in the following cases
• If the expenditures relate to the monitoring of the action.
• If the expenditures relate to a specific task necessary for the achievement of the project/programme operational results and have accordingly been identified as an operational activity in the proposal.
• If the expenditures relate to the preparation of the Final Report within the limits mentioned here.

In such cases, HQ salaries or a portion of these may be directly eligible, provided that the assignment of the HQ staff to the project/programme is traceable through monthly timesheets. These timesheets need to document the amount of working hours spent by the HQ staff member for the project/programme.

Please note that expenditures relating to the general grant management support are not eligible as they are considered a part of the capacity of the grantee and covered by indirect expenditures (administrative overheads).

**External Services**

External Services include eligible expenditures for consultants and subcontractors as well as expenditures for a mandatory final financial external project/programme audit of the project/programme (see C.4.10 External Services, p. 24).

**Events**

Expenditures associated with the conduction of events (e.g. workshops including venue hire, catering, equipment), directly related to and essential for the effective delivery of the IKI project/programme, are eligible.

**Travel**

Travel expenditures and related subsistence allowances for employees taking part in the IKI project/programme, including headquarters’ employees conducting field/monitoring missions, are eligible. These expenditures must, however, be directly linked to the IKI project/programme and in line with the grantee’s usual practises on travel.

If the applicant or implementing partner uses internal travel policies, in particular for calculating accommodation and daily allowances, these may be accepted by BMU for budgeting eligible travel expenditures for an IKI project/programme. These travel expenditures need to be in line with the conditions of eligibility mentioned above. Internal travel policies need to exist in written form and should be officially adopted by the grantee organisation.

The relevant documents, in which these internal regulations are laid down, have to be submitted to the IKI Programme Office together with the project/programme proposal if used as basis of calculation (see C.3.2.1 Direct expenditures, p. 16).
Items >= EUR 410

The use of all items and assets during the project/programme duration needs to be earmarked for the specific purpose of the project/programme as outlined and approved in the project/programme proposal. BMU will decide on the further use of items and assets after the completion of the project/programme.

Items and assets with an individual value above EUR 410 need to be inventoried.

C.3.2.2 Indirect expenditures

Indirect expenditures of the project/programme are indirectly linked to the implementation of a project/programme, but cannot be directly attributed to the project/programme. Nonetheless, indirect expenditures need to have a central significance for successful project/programme implementation in order to be eligible. These indirect expenditures do not need to be individually supported by accounting documents for the purpose of IKI if prior approved by BMU.

Unless otherwise specified in the grant agreement, eligible indirect expenditures should be included in the administrative overheads which constitute a certain percentage of the total eligible direct expenditures of the project/programme.

All types of expenditures covered by the administrative overheads need to be specified in the project/programme proposal (budget). The eligible amount of this position (i.e. percentage of eligible direct expenditures) may vary depending on the extent of expenditures subsumed under administrative overheads.

C.3.3 Ineligible expenditures

In addition to any other expenditure, which does not fulfil the eligibility conditions, the following expenditures shall not be considered eligible:

- Expenditure unverifiable with the original vouchers,
- Expenditure without proof of payment,
- Expenditures documenting non-frugal and economical use of the grant funds (e.g. unused cashback discounts and deductibles.),
- Expenditure incurred outside the approved eligibility period,
- Expenditure on insurance that is not required by law,
- Expenditure which cannot be clearly assigned to the project/programme,
- Expenditure which will later be refunded (e.g. collateral, security deposits),
- Gratuities,
- Value added tax, if an entitlement to input tax deductions exists
• Expenditures outside of the project/programme budget (e.g. expenditures of political partners for staff, office rent, etc.)

**C.3.4 Value-added tax (VAT)**
As a rule, the applicant should apply for an entitlement to input tax deduction.

If an entitlement is obtained, VAT will not be considered as an eligible expenditure of the project/programme.

On the contrary, it may be considered eligible, if the following conditions are met:
• The grantee must be able to demonstrate that it requested an entitlement from the relevant authority
• The grantee must be able to show the response of the tax authority or the applicable legislation which stipulate that VAT cannot be refunded.

The evidence must not be included in the final report, but must be available for the final financial external project/programme audit.

The requirements regarding VAT are the same for implementing partners as for the grantee. The implementing partner has to request for an entitlement as well and should be able to prove its attempt.

**C.3.5 In-kind contributions**
In-kind contributions usually refer to goods or services provided free of charge by a third party. In-kind contributions never involve an actual transfer of financial resources to the grantee. In-kind contributions do not, therefore, involve any expenditure for the grantee and are not entered in his accounts. Consequently, in-kind contributions from the grantee or political partner must never appear in the budget of the IKI project/programme as an eligible expenditure since it may be difficult to calculate the financial value of such contributions and to assess whether it has effectively been provided.

If in-kind contributions are intended, the BMU shall be informed and the planned contributions need to be displayed and described under 5.4 of the project/programme proposal form.

**C.4 Guidance for Project/programme Budget ( Annex 3)**

**C.4.1 Level of detail**
All estimated expenditures of a project/programme must be broken down into sufficient detail. Sufficient detail is provided when an independent third party is put into a position to appraise the appropriateness and necessity of the expenditures within reasonable
time and without further explanation. Expenditures should in this context be explained and, whenever possible, associated with the corresponding work package and activity of the project/programme in the budget’s description section (see below).

All estimated eligible expenditures must be explained in the same level of detail. It is not sufficient to provide these details only for the BMU-funded expenditures since the total project/programme expenditure needs to be accessed with regard to the eligibility of all positions calculated regardless of their financing.

<table>
<thead>
<tr>
<th>Num</th>
<th>Year</th>
<th>Correlation</th>
<th>Description</th>
<th>Days per person</th>
<th>Accommodation per day</th>
<th>Allowance per day</th>
<th>Single trip amount per person</th>
<th>Number of persons</th>
<th>Single trip amount –€</th>
<th>Number of trips</th>
<th>Other</th>
<th>Total –€</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Airfare/Local travel per person</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
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<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
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<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td>- €R</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**C.4.2 Currency**

All calculations and amounts must be stated in euros. See also information provided in section B.7 Currency, p. 6.

**C.4.3 Planning a multi-year project/programme**

For a multi-year project/programme, the estimated broken down (itemised) expenditures of the project/programme shall be indicated for each calendar year separately based on planned dates of payment (cash flow). The calculation is to be made in a manner which ensures that the requested annual contribution of funds realistically can be used in full for the project/programme by the end of each year.

Foreseeable delays, e.g. through the recruitment of project/programme staff or the procurement of any goods, services and works, should necessarily be taken into account when determining the annual requirement of funds.

**C.4.4 Financing and Co-funding**

Co-funding means a direct financial contribution (i.e. cash contribution) to the realisation of a project/programme. There are the three following types of co-funding:

- Own funds
- Third party grants
- External funding

Project/programme applicants are encouraged to provide or attract co-funding for the IKI project/programme. IKI-Project/programmes should not be funded entirely by BMU funding but include an adequate proportion of co-funding. An appropriate financial
participation of the grantee ("own funds") and/or the mobilisation of additional co-funding are a condition for approval of a grant.

To prove the commitment of donors contributing to an IKI project/programme, a signed statement (‘letter of intent’) must be provided from each potential donor indicating the exact amount for this particular project/programme.

The budget of the project/programme proposal need to reflect the amounts originally laid out in the project/programme outline. If the amount of co-funding in the project/programme proposal should deviate extensively from the project/programme outline these changes need to be sufficiently substantiated.

*Please note the unconditional coverage of funding* (external funding, third party grants and own funds) and all eligible expenditures.

1) *Own funds*

Own funds are a financial contribution which is supplied directly from the grantee’s funds and is not sourced from other donors or third parties. A fixed proportion of own funds for the financing of an IKI project/programme does not exist.

Any revenues expected to be generated in the course of the project/programme (e.g. participation fees, interest) can be included into own funds as part of the project/programme financing. Please note that within the financing section of Annex 3 revenues can be designated as an independent category within the ‘Type of financial contribution’ section.

2) *Third party grants*

A third party grant refers exclusively to sums made available for the project/programme from other public donors.

3) *External funding*

External funding is funding provided by non-public third parties with an interest in the project/programme to finance the total expenditures of the project/programme that are eligible for support. A written confirmation for this financial contribution is mandatory.

Own funds of a subgrantee need to be calculated as external funding in the project/programme proposal (page 2, No.1.1) and in Annex 3b (total budget). A written confirmation for this financial contribution is not necessary.

**C.4.5 Personnel**

Since only project/programme related activities are eligible, staff hired exclusively for the work on the project/programme generally complies with the eligibility criteria (see *C.3.2.1 Direct expenditures*; p. 16).
In order to prevent double funding, please note that expenditures such as daily subsistence allowances are part of travel expenditures.

**C.4.6 Administrative Overheads**

The administrative overheads (flat rate for administrative expenditures) can be used to cover project/programme-related direct administrative expenditures like consumables, office supplies, communication etc. as well as indirect expenditures and implicit costs of the applicant / grantee which can be directly linked to the project/programme (see *C.3.2.2 Indirect expenditures, p. 19*).

A conclusive list of all direct and indirect administrative expenditures and implicit costs which can be covered by the administrative overheads does not exist.

The composition of the administrative overheads has to be specified in detail in the budget’s ‘Total Budget’ sheet:

If the provided space is not sufficient, an extra sheet has to be prepared as an attachment to the budget to further specify the types of administrative expenditures or implicit costs covered by the administrative overheads.

**C.4.7 Items <= EUR 410**

Items which fall into this category can be pooled and subsumed under the administration overheads to simplify project/programme accounting. However, if the layout of the project/programme so requires (e.g. a great number of items with an individual value of less than EUR 410 are essential investments or of considerable amount), this section is used to display relevant items in particular.
C.4.8 Rents

Rents for business premises where project/programme staff is working can be listed and will be considered according to the percentage of project/programme staff using the premises and time these premises are allocated to the project/programme. The total amount of the eligible proportion of rent will be automatically calculated in Annex 3.

If utilities are already included in the administrative overheads position, only the basic rent is eligible under this section.

C.4.9 Literature & Printing

If necessary literature and printing material constitute a significant position within the budget it might not be possible to subsume them under the administrative overheads. In this case, these need to be included in this section.

C.4.10 External Services

Whenever possible, external services should not be calculated as fixed price positions but with one of the other offered ‘modes of calculation’ (e.g. daily rates). The remuneration in service contracts within IKI project/programmes should always be based on the actual working hours spent for the service.

In any case a detailed description of the service and the corresponding work package and activity is necessary.

<table>
<thead>
<tr>
<th>Num</th>
<th>Year</th>
<th>Contractor/Subcontractor</th>
<th>Type of service</th>
<th>Mode of calculation (ent)</th>
<th>Rate</th>
<th>Quantity (hourdays/ weekmonths)</th>
<th>Total - EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Expenditures for the mandatory final financial external project/programme audit also have to be calculated in the ‘external services’ sheet of the grantee’s budget – usually calculated in the last year of the project/programme. The external auditor’s report must be in accordance with the “Binding Terms of Reference for engaging a public auditor” (ToR) (F.2 Binding Terms of Reference for engaging a public auditor (ToR), p. 31)

The external auditor / auditing firm must be selected according to the legal framework for procurement applicable to your organisation. In the case there is no legal framework, the procurement rules in C.5 Procurement, p. 26 apply.
Any additional external financial audits (e.g. yearly financial project/programme audits, audits of the organization) are possible, but not eligible for support by the IKI and therefore must never be part of the grantee’s budget.

C.4.11 Events

For the calculation of all events, the venue and the corresponding work package and activity need to be mentioned. All expenditures should be broken down as detailed as possible. This includes e.g. a calculation based on prices per unit and a separate indication of venue and catering expenditures (see below).

<table>
<thead>
<tr>
<th>Num</th>
<th>Year</th>
<th>Event</th>
<th>Type of Event</th>
<th>Description of Event</th>
<th>Number of participants</th>
<th>Type of expenditure</th>
<th>Price per day</th>
<th>Number of days</th>
<th>Total €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Evt</td>
<td></td>
<td>Venue Rent</td>
<td>25</td>
<td></td>
<td>EUR</td>
<td>2</td>
<td>EUR</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Evt</td>
<td></td>
<td>Catering</td>
<td>25</td>
<td></td>
<td>EUR</td>
<td>2</td>
<td>EUR</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Evt</td>
<td></td>
<td>Material</td>
<td>25</td>
<td></td>
<td>EUR</td>
<td>2</td>
<td>EUR</td>
</tr>
</tbody>
</table>

If catering is provided for employees, the daily subsistence allowance must be reduced or catering should not be calculated for own personnel in order to prevent double funding. Please note that daily subsistence allowances are part of travel expenditures and need to be budgeted under ‘travel’.

C.4.12 Travel

In case no acceptable internal travel policy can be provided, the calculation of the accommodation and daily allowance rates of the German administrative provision should be used as guidance (ARVVwV); column 2 = daily allowance; column 3 = accommodation per night). Should a destination still be uncertain, the daily rates for Luxembourg must be used. For travel to/within Germany the daily allowance rate should be no higher than EUR 24 and EUR 82.50 for accommodation per night.

If any travel expenditures are calculated in the column ‘Other’, please make sure to include an adequate explanation in the description section of the form (see below). All travel expenditures need to be described as detailed as possible in the description section (in particular person travelling; reason for travelling; point of departure - destination). An exemplary description could be: Kick-Off workshop work package I, activity I.2 in Lima, (Peru); roundtrip flight Washington D.C.-Lima; Travel of Project/programme Manager; Other Expenditures: Visa expenditures (EUR 30).
If travel expenditures for others than employees are calculated in the budget, they have to be justified and explained. The above mentioned eligibility rules apply (for more information see C.3 Eligibility of Expenditures, p. 14).

C.4.13 Items > EUR 410

All project/programme related items and assets with an individual value above EUR 410 which are inventoried and earmarked need to be listed in this section (C.3.2.1 Direct expenditures, p. 16).

C.5 Procurement

Any procurement required for the project/programme must be acquired through public tender pursuant to the general regulations, rules and directives of the grantee. These general regulations, rules and directives must be made available to the donor together with the project/programme proposal.

In case there is no applicable legal framework for procurement, the following rules apply (as found in the IKI standard grant agreement):

For procurements with an estimated value not exceeding EUR 1,000 (net), no comparative offer is needed, provided the economic efficiency of the commercial goods or services can be assessed without any difficulties;

For procurements with an estimated value not exceeding EUR 5,000 (net), the Recipient must collect at least three offers for comparison. In general, the contract should be awarded to the most economical tender; the Recipient must document that the correct procedure has been followed;

For procurements with an estimated value exceeding EUR 5,000 (net), at least three comparative offers in writing must be collected. In general, the contract should be awarded to the most economical tender; the Recipient must document that the correct procedure has been followed.

It is not necessary to include this evidence in the final report, but it must be kept available for the final financial external project/programme audit.
D. Project/programme Implementation

D.1 Project/programme start

See information provided in section B (B.6 Project/Programme start, p. 6)

D.2 Exchange rate fluctuations

As a rule, the grantee bears the full risk of any fluctuations in exchange rates. Please note that during the project/programme implementation, applied currency exchange rates must be documented in a provable manner by the grant recipient. Revenue generated from a positive development of exchange rates must be used for the project/programme and will decrease the Grant accordingly.

D.3 Budget flexibility

If the Grant covers all eligible expenditures up to the maximum amount indicated in the project/programme budget (full-financing mode), see C.1.6 Types of Financing, p. 11, the budget is binding. Grantees are allowed to exceed the budget lines A (personnel), B1 to B6 (items, rents, external services, literature & printing, events, travel), and C (items > 410 €) by up to 20% without prior approval by BMU as long as the adjustment does not lead to a transgression of the approved total budget volume and does not go along with any other consequences for the project/programme which require prior approval by BMU. In contrary any adjustment of more than 20% necessarily requires a formal amendment request and prior approval by BMU.

For Grantees with a fixed-sum financing mode (i.e. with own and/or external funds), see C.1.6 Types of Financing, p. 11, the agreed budget lines are not binding if deviations within the total project/programme budget occur.

Further information regarding any amendments during the implementation of a project/programme is provided below (D.5 Amendments during the project/programme implementation, p. 28).

D.4 Request of Funds

In order to receive required funds for a project/programme, the grantee has to complete the form 'Request of Funds', which will be provided together with the funding letter, and submit it either by post or fax directly to BMU. The according postal address or fax number can be found in the document. A request can be submitted at any time during the implementation of a project/programme.

For the disbursement and administration of IKI funds the grantee has the choice of the preferred currency. A separate bank account must be set up exclusively for the project/programme to enable attributing any cash flow to and from the project/programme.
Please note that received IKI funds from BMU need to be spent (spending refers to the value date of the payment) within a period of six weeks after disbursement by BMU and receipt of the funds at the grantee’s bank account. If disbursed IKI funds will not be spent within six weeks, the payment of interest will be required. The IKI Programme Office needs to be informed without any delay.

D.5 Amendments during the project/programme implementation

During the implementation of a project/programme, amendments of the concept and content of a project/programme may become necessary. In general, BMU has to approve the amendment explicitly before the modifications can enter into effect. This requires a formal amendment request by the grantee, which should be filed using the amendment templates provided by BMU (link). However, some changes do not require a formal amendment request due to minor consequences for the project/programme.

The following amendments are subject to prior formal approval by the BMU:

- Conceptual amendment(s): Amendments related to outcome and output level and corresponding indicators. Amendments at activity level do not need an official approval of BMU, as long as they do not affect the overarching nor specific project/programme goals and/or have been declared as significant activities in the grant agreement and/or do not cause any additional funding. However, amendments at activity level shall to be reported in writing for information purposes before implementation. Please contact the Programme Office for further details regarding the submission of additional documents.

- Extension of project/programme duration (without impact on funding):
  - without any other amendment(s): An extension of the project/programme duration of less than 6 months within the same calendar year (in this particular case BMU / IKI Programme Office need to be informed only by e-mail);
  - without any other amendment(s): An extension of the project/programme duration to guarantee the achievement at the outcome/output level without exceeding the agreed grant.
  - including any other amendment(s): Please also tick the box ‘Increase of project/programme funding volume’ in case of the necessity of an increase of project/programme funding volume and add an updated Gantt Chart and financing plan (incl. updated annual outflow of funds) to this amendment request.

- Increase of project/programme funding volume: Please provide a comprehensive and reasonable explanation for the necessity and appropriateness of the increase of the grant. Please add both an updated Gantt Chart and financing plan (incl. updated annual outflow of funds) to the amendment request.

- Reallocation of funds within the main budget lines: Exceeding of more than 20 per cent of the main budget lines related to the approved budget (applies only to project/programmes in the full-financing mode).
• Shift of funds: Funds that were not requested within a certain fiscal year shall be reallocated to the following fiscal year. The shift of funds is in particular relevant with other amendment requests. We kindly ask you to send us your request informally via email.
• Unblocking of funds: An unblocking of funds is only necessary, if specifically stipulated in the Grant Agreement. To request an unblocking of funds, the individually agreed requirements of the Grant Agreement shall be fulfilled by the beneficiary. Please add the agreed documents for unblocking the funds to the amendment request (see C.1.12 Constraints in the Grant Agreement - Blocked Funds, p. 12).

Before submission of the amendment request it is advisable to contact the IKI Programme Office to clarify the necessary details.

The original amendment request has to be submitted in duplicate and as scanned copy to the IKI Programme Office (e-mail: programmbuero@programmbuero-klima.de; postal address: Programme Office of the International Climate Initiative, Potsdamer Platz 10, 10785 Berlin, Germany). As an exception, the shift of not requested / disbursed funds from one calendar year to the next calendar year(s) has to be requested by e-mail exclusively (e-mail address see above).

The following amendments are not subject to formal approval by BMU:
• Delays in the implementation that do not trigger an extension of the project/programme duration (BMU / IKI Programme Office need to be informed within interim reporting);
• Amendments on the level of activities not affecting the level of outcomes or outputs including the respective indicators (BMU / IKI Programme Office need to be informed by e-mail);
• Staff turnover/changes of personnel (BMU / IKI Programme Office need to be informed by e-mail).

Nevertheless, the BMU has to be informed in writing about any changes in due advance via the IKI Programme Office.

E. Reporting

The reporting for an IKI project/programme includes the following reports:

E.1 Interim Report

The interim report consists of two parts: a status report and a financial statement (proof of use of funds). Two printed copies and an electronic version of each document must be submitted annually by April 30 to the IKI Programme Office. The submission date is binding. For electronic submission, the financial statement must be presented in an excel file; a PDF is not sufficient.
The use of the IKI templates (link) for the preparation of the interim report is mandatory.

**E.2 Project/programme Information**

The project/programme information includes voluntary information in particular important for knowledge management as well as political and public presentation of the current achievements in the project/programme implementation. For further information on the project/programme information see the “Guidelines on knowledge management in project/programmes of the International Climate Initiative” (link).

**E.3 Final Report**

The final report consists of a final status report and a final financial report. For all project/programmes where this is agreed within the grant agreement the final financial report has to be certified by a certified public auditor (see F Project/programme Audit, p. 30). Two printed copies and an electronic version of each document must be submitted not later than six months after the end of the implementation period of a project/programme to the IKI Programme Office. The exact submission date will be set in the grant agreement and is binding. For electronic submission, the final financial report must be presented in an excel file; a PDF is not sufficient. Any questions regarding the form and content of the final report should be clarified with the IKI Programme Office before official submission of the report.

For the final report, the use of the IKI templates (link) is mandatory.

**F. Project/programme Audit**

There are currently two different procedures for project/programme audits for the IKI.

For all project/programmes where a final financial audit and the ‘Terms of Reference for engaging a public auditor’ (ToR) are part of the signed grant agreement the audit will be coordinated, contracted and paid with IKI funds by the grantee. The information provided below (F.1-4) apply exclusively to these project/programmes.

In contrary, for grant agreements without mandatory final financial project/programme audits the IKI Programme Office will send an auditor / auditing firm to execute a final financial external project/programme audit. The grantee will be informed by the IKI Programme Office within reasonable time in advance about the date of the execution of the audit.

The final financial external audit refers to the total project/programme expenditure and the grantee has to ensure to be able to provide the auditor / auditing firm all required documents (e.g. invoices, transaction slips or service contracts) to prove the use of
received funding and to reveal own or third party contributions to the IKI project/programme as approved by BMU.

**F.1 Time of the final financial external audit**

The final financial report has to be certified by the contracted public auditor / auditing firm and must be submitted within six months after the completion of a project/programme (see *C.4.10 External Services, p. 24*).

**F.2 Binding Terms of Reference for engaging a public auditor (ToR)**

As an integral part of the signed grant agreement the ToR are legally binding. They can only be amended by written agreement between BMU and the grantee.

**F.3 Expenditures for the final financial audit**

Expenditures in connection with the final financial external project/programme audit need to align with the local market rates for audit services. The expenditures for the final financial external audit are eligible and can be budgeted in the ‘External Services’ sheet of the project/programme budget (see *C.4.10 External Services, p. 24*). The same procurement rules apply as for other expenditures in the budget sheet ‘External Services’.

After paying the auditor’s invoice, the payment must be included in the final financial report by the grantee. Please note that the only difference between the audited final financial report and the final financial report submitted to BMU via the IKI Program Office can be the auditor’s invoice.

**F.4 Eligibility of further project/programme audits**

Any additional external financial audits (e.g. yearly project/programme audits, audits of the organization) may be executed at the grantee’s own cost, but are not directly eligible for funding through the IKI.

**G. Project/programme Closure**

This chapter will be available shortly. If you have any questions, please contact IKI Programme Office ([programmbuero@programmbuero-klima.de](mailto:programmbuero@programmbuero-klima.de)).