

Partnerships for Forests (P4F)

Grantee Due Diligence Guidance on Downstream Partners

1. Purpose of the Guidelines

- 1.1. This document is intended to provide guidance in relation to the level of due diligence that P4F requires Grantees to conduct on the organisations that they delegate responsibility to for carrying out P4F-supported activities.
- 1.2. P4F is funded by the UK Department for International Development (DFID). DFID imposes specific requirements and obligations in relation to how its funds can be used. These requirements and obligations are passed onto P4F by DFID and in turn P4F passes these onto Grantees through the Grant Agreement for P4F funds.
- 1.3. In relation to Due Diligence specifically, DFID expects that satisfactorily robust due diligence is conducted on each organisation that forms a link in the delivery chain of P4F-supported activities. P4F conducts due diligence on Grantees (including on their ability to conduct due diligence on organisations they delegate responsibly to), and through the Grant Agreement P4F requires that Grantees conduct due diligence on the organisations that they delegate responsibility to for carrying out P4F-supported activities.
- 1.4. DFID also expects P4F Grantees to be compliant with the [DFID Supply Partner Code of Conduct](#). This gives DFID confidence that its delivery chains are providing value for money and behaving ethically.
- 1.5. Grantees are also required by the P4F Grant Agreement to enter into Agreements that pass on the relevant requirements of the Grant Agreement to organisations that they delegate responsibility to for carrying out P4F-supported activities and ensure that those organisations then carry out suitable due diligence on any organisations that they further delegate responsibility to (e.g. a Grantee must ensure that any Sub-Grantee is required to follow the below 'Requirements' when contracting a Sub-Contractor or Consultant to implement P4F-supported activities).

2. Process

- 2.1. The level of due diligence conducted by Grantees on the other organisations that they delegate responsibility to for carrying out P4F-supported activities can be differentiated by the level of responsibility delegated.
- 2.2. As a general rule, due diligence (1) should always be conducted when entering into an agreement or contract or purchase order but (2) will not be required for one-off cash (or card) purchases. If an organisation falls under (1) but has a pre-existing agreement or contract (entered into before the provision of P4F support), then due diligence does not need to be carried out again but confirmation should be provided certifying that the equivalent level of due diligence was carried out during the initial contracting.
- 2.3. Project Stakeholders/Partners – where a Grantee is the principal organisation leading on the implementation of the P4F-supported activities, but other project stakeholders or partners are involved in the project but not to extent of being responsible for carrying out P4F-supported activities or receiving P4F funds – e.g. a silent partner or investor - the level of due diligence that P4F expects the Grantee to conduct on these partners can be limited but should include at least formal identification checks and reputational KYC.
- 2.4. Sub-Contractors/Consultants – where a Grantee procures and contracts a service provider to carry out specific activities, at a set cost, within a set timeframe, the level of due diligence that

P4F expects the Grantee to conduct on the service provider will include (but does not need to be limited to):

- 2.4.1. Formal Identification (e.g. confirmation of registration/incorporation)
- 2.4.2. Compliance with national legislation, insurance requirements and health and safety regulations
- 2.4.3. Government Relationships (e.g. declaring instances where the Organisation principal(s) /Individual is, employs, or is closely related to a public official)
- 2.4.4. Prior Conduct (e.g. declaring past instances of criminal, corrupt, unethical, or unlawful cost related to the Organisation/Individual or subsidiaries)
- 2.4.5. Certification that the above is true.
- 2.4.6. The Palladium Subcontractor Due Diligence form (which can be shared upon request) is an example of the best practise level of due diligence expected for Sub-Contractors/Consultants.

2.5. Sub-Grantees/Awardees – where a Grantee delegates responsibility for not just carrying out a specific task, but also managing P4F funds and/or the implementation of a set of activities, the level of due diligence that P4F expects the Grantee to conduct on the Sub-Grantee will include (but does not need to be limited to):

- 2.5.1. All items listed from 2.4.1 to 2.4.5.
- 2.5.2. Fiduciary checks – assessing an organisation’s financial viability, the reliability and integrity of their financial controls and processes, how their anti-fraud/bribery/corruption measures have been implemented and are monitored, and whether they have measures in place to ensure value for money is achieved.
- 2.5.3. Delivery checks – assessing whether an organisation has suitable policies and procedures in place to effectively deliver the activities delegated to them, and whether they have suitable staff capacity and ability to perform the activities delegated to them.
- 2.5.4. Operational checks – assessing whether an organisation has a suitable decision making / governance structure, whether they are able to comply with all national legislation and regulations, and how they monitor and manage risks and issues.
- 2.5.5. Safeguarding checks (especially relevant when delegating responsibility for activities at the pilot stage) – assessing how an organisation monitors and manages labour and employee working conditions, how recruitment is performed, whether they have implemented or are implementing measures to help identify/address/reduce modern slavery in supply chains, and (where physical or economic relocation is expected to occur as a result of the delegated activities) whether suitable environment and social impact assessments have been carried out.
- 2.5.6. Reputational checks – assessing whether an organisation is involved in any controversies, problems, disagreements etc. that may represent a reputational risk to P4F or DFID (e.g. criminal action, environmentally unsustainable practises, accusations of fraud or corruption etc.).
- 2.5.7. The P4F T08 and T09 Due Diligence Assessment Forms (which can be shared upon request) are a good example of the best practise level of due diligence expected for Sub-Grantees.