

## Partnerships for Forests (P4F)

### Guidelines for Using P4F Grant Funds

#### 1. Purpose of the Guidelines

- 1.1. This document is intended to provide guidance to applicants and recipients of P4F funds and facilitate the timely review of applications and prompt reimbursement of reasonable and appropriate expenditure. This document will be updated from time to time and the most [up to date version of this document](#) will be available on the P4F website.
- 1.2. These guidelines are not exhaustive. The overarching principle that must be applied to the planned or actual use of any and all P4F funds is that any expenditure should be **modest, measured, defensible** and **clearly linked** to the undertaking of P4F supported activities.
- 1.3. It will be the responsibility of the recipient of P4F funding to ensure that they, their project partners and any subcontractors or subgrantees use P4F funds in line with the above mentioned principle, in accordance with this document, in a manner that complies with the provisions of the Agreement they enter into for the P4F funding, and with regard to P4F's developmental mission and the nature of public accountability.

#### 2. Process

- 2.1. P4F operates on a '**Comply or Justify**' basis. Although there are some items of expenditure for which P4F will never, under any circumstance, allow its funds to be used, generally when it appears debatable whether an item of expenditure fits within the guidance provided in this document and/or within the principle mentioned in 1.2 a justification can be provided for why it is necessary for that cost to be incurred. That justification would be used by the P4F Senior Management Team to decide whether an exceptional one-off variance is warranted.
- 2.2. Each project being considered for support, or already in receipt of P4F support is assigned a Project Officer. Project Officers will be available to support applicants formulate budgets and are responsible for continued liaison with recipients of P4F funding to ensure continued compliance with these guidelines.

#### 3. Payment of Funds

- 3.1. P4F's preference is to fund projects using milestone or results-based payment mechanisms. Where an input or payment-on-signature (either in arrears or in advance) mechanism is being proposed, this must be justified.
- 3.2. P4F funds will only be released directly to non-state actors (e.g. private sector, non-governmental, and civil society entities). State-actors or government departments are not able to receive P4F funds, but they can benefit from P4F funded activities (e.g. subsidised attendance at P4F-supported conferences or workshops, use of P4F-funded technical studies etc.).
- 3.3. P4F funds will only be released to cover the costs of project partners, subcontractors or subgrantees of the recipient of P4F funds that have undergone satisfactory due diligence checks. The [P4F Grantee Due Diligence Guidance](#) document provides guidance in relation to the level of due diligence that recipients of P4F funding are expected to conduct on the organisations that they delegate responsibility to for carrying out P4F-supported activities.
- 3.4. When a disbursement request is made to P4F, all costs included in that request should have been approved through the internal financial management systems of the recipient of the P4F funding. All travel and expense costs should be received by P4F on an approved expense claim form and

all service provider costs should be received on an approved payment approval form; receipts, invoices and other evidence of the costs incurred should then be appended to these documents.

- 3.5. The final payment of a grant will always be upon completion of the P4F supported activities, acceptance of the final outputs and receipt of the final reporting. It will also always be a reconciling payment, with the amount being reduced to reflect any underspend on any part of the P4F supported activities (under no circumstance can unspent P4F funds be kept by recipients of P4F funding).
- 3.6. An audited financial statement detailing how any P4F grant funds have been used may be required once a project's interaction with P4F ends.
- 3.7. P4F needs to be able to communicate accurate and complete information about the delivery chain of all P4F supported activities. As such, both the initial project budget and subsequent financial reporting will need to be disaggregated by the organisations (whether project partners, subcontractors or subgrantees) receiving P4F funds.
- 3.8. A [model Grant Agreement](#) is available on the P4F website. The Terms and Conditions of the model Grant Agreement are not negotiable.

## 4. Repayable Grants

- 4.1. Due to the nature of supporting private sector development P4F anticipates that grant funds will likely be provided to projects that are too risky to attract private sector investment at the point when the grant funds are approved but which are expected in the short term after completion of the grant-funded activities to be able to attract private sector investment and/or start generating returns.
- 4.2. P4F considers that the criteria outlined in 4.1 will always be the case when support is provided to a Private Equity or Venture Capital Fund.
- 4.3. When an applicant proposes a project that fits the criteria described in 4.1 above P4F will propose using a 'Repayable Grant' mechanism instead of a traditional grant mechanism.
- 4.4. The main difference between a 'Repayable Grant' and a traditional grant is that a 'Repayable Grant' Agreement will contain a 'Repayment Event' clause.
  - 4.4.1. Once the 'Repayment Event' (the event that results in the private sector investment – e.g. project financial close or the execution of a joint development agreement) is reached, depending on how successfully the project attracts the associated private sector investment, the grant (or a pro-rata of the grant) will be returned to P4F.
  - 4.4.2. The amount to be returned to P4F will be determined by how much the project or recipient of P4F funds can afford to repay without jeopardising their commercial viability.
  - 4.4.3. If the project does not or cannot reach the 'Repayment Event', or it is wholly unsuccessful and unable to repay even a pro-rata, the mechanism can revert to a traditional grant.
- 4.5. A [model Repayable Grant Agreement](#) is available on the P4F website. The Terms and Conditions of the model Repayable Grant Agreement are not negotiable.

## 5. Match Funding

- 5.1. Applicants for P4F funds are encouraged to secure a minimum of 25% of the total costs of a project as Match Funding. For example, if the total cost of a project is £100,000 at least £25,000 should be provided as Match Funding with P4F providing at most £75,000.
- 5.2. Match Funding can be (but does not need to be limited to) cash contributions, such as toward the costs of consultants or travel expenses, or in-kind contributions, such as staff time or the use of existing office space. Match Funding can be provided by the applicant or recipient of P4F funds or their project partners, subcontractors or subgrantees.
- 5.3. Match Funding must always be relevant to the P4F supported activities (e.g. the purchase of a tractor would not be eligible as match funding if it was included against an output where the primary P4F supported activity was an international conference).
- 5.4. Match Funding must always be proportionate to the length of time P4F is supporting the activities (e.g. if P4F agrees to support activities that last for 1 month the cost of renting an office for 6 months would not be eligible as match funding, but the cost of 1 months' rent would be).
- 5.5. Recipients of P4F support will be required to evidence all the actual match funding provided. The inability to provide satisfactory evidence of actual match funding may result in P4F considering that match funding as not having been provided.
- 5.6. If the actual amount of match funding provided varies downward significantly from the expected amount of match-funding, P4F reserves the right to reduce the amount of P4F support accordingly so that the ratio of grant funds to match funding remains as set out in the original budget.

## 6. Procurement

- 6.1. All goods or services purchased with P4F funds must be procured in accordance with the [P4F Procurement Guidelines](#) (or another example of international best practise as may be approved on a case by case basis). Recipients of P4F funds will be required to certify that this will be and has been the case periodically throughout the lifetime of a grant.
- 6.2. If a recipient of P4F funds is judged to not have proven capacity and/or commitment to international best procurement practise, P4F's preference is for high-value procurements (those over GBP 6,000) to be managed by P4F separately to the provision of other grant funding. This is to ensure value for money and ensure compliance with P4F's Procurement Guidelines, which are based on DFID's requirements and international best practice.

## 7. Capital Expenditure, Intermediate Inputs and Operating Costs

- 7.1. P4F separates project costs into three categories:
  - 7.1.1. **Capital Expenditure (CAPEX)** - which is defined as the funds used by a recipient of P4F funds to purchase or upgrade goods that are considered to be fixed tangible assets. Examples: land, farm or industrial machinery, buildings, vehicles, equipment (e.g. laptops) etc.
  - 7.1.2. **Intermediate Inputs** – which is defined as the funds used by a recipient of P4F funds to purchase goods, other than fixed assets but which are still considered to be tangible assets, used as inputs in a production process. These goods may be either transformed or used up by the production process. Examples: seeds, pesticides or raw materials (e.g. timber).
  - 7.1.3. **Operating Costs** – which is defined as the funds used by a recipient of P4F funds to purchase services and/or cover the operation costs of the specific P4F-supported project activity (e.g. not costs associated with the Grantee's business as usual). Examples: staff costs, office rental, travel expenses, courier services, consultancy costs etc.
- 7.2. P4F funds can only be used to contribute to CAPEX or Intermediate Inputs when the project is at the Pilot Stage or Commercial Scale-Up Stage (see the [P4F Forest Partnerships Maturity Funnel](#)).

7.3. P4F's preference is that P4F funds only contribute to CAPEX or Intermediate Inputs in exceptional circumstances. As such, a proposal to use P4F funds for CAPEX or Intermediate Inputs must be accompanied by a justification that explains why:

- a) the project cannot proceed without the CAPEX or Intermediate Inputs;
- b) the recipient of P4F funds cannot finance the CAPEX or Intermediate Inputs themselves (as match-funding);
- c) the CAPEX or Intermediate Inputs represents best value for money (over other options such as renting or leasing).

It must also be explained up front how the recipient of P4F funding intends to report on and dispose of the resulting assets (see 7.9 for further details).

7.4. Where the proposed purchase of CAPEX or Intermediate Inputs with P4F funds is judged to be replacing or subsidising 'Capital Investment' (used by the recipient of P4F funding for the purpose of furthering or expanding their day to day business objectives or production) applicants will be expected to provide evidence (letters of rejection etc.) showing that the requisite funds cannot be acquired from commercial or development finance institution (DFI) lenders and investors

7.5. CAPEX or Intermediate Inputs can be used as match funding at any stage as long as the costs are relevant to the P4F supported activities (e.g. the purchase of a tractor would not be eligible as match funding if it was included against an output where the primary P4F supported activity was an international conference; it might, however, be eligible if the activity was the piloting of a new crop on a plantation).

7.6. The use of CAPEX or Intermediate Inputs as match funding must also be proportionate to the length of time P4F is supporting the project (e.g. P4F agrees to support a project for 1 year. If the purchase of a tractor is entirely funded by the recipient of P4F funding for £10,000 and a tractor has useful life (in relation to accounting for the depreciation of assets) of 5 years, then to be proportional only £2,000 (1 years' worth) can be counted as match-funding).

7.7. Where P4F funds are proposed to be used to purchase Intermediate Inputs, the recipient of P4F funds will be required to certify that the Intermediate Inputs are required for the implementation of the P4F supported activities and will be consumed within the term of the P4F supported activities (e.g. P4F will not fund the purchase of seeds if it was included as a cost against an output where the primary P4F supported activity was an international conference; it might, however, be eligible if the activity was the piloting of a new crop on a plantation and all the seeds would be planted before the activity was complete).

7.8. Where both P4F and a recipient of P4F funding contribute funds toward the purchase of CAPEX or Intermediate Inputs, the ownership of the resulting asset will be split according to each party's original contribution. Depreciation will then be incurred equally on each party's share (e.g. if a tractor is purchased for £10,000 with P4F contributing £2,500, P4F (on behalf of DFID) will initially own 25% of the asset worth £2,500. If the tractor's useful life is 5 years and P4F only supports the project for 1 year, then at the end of the P4F support P4F will own 25% of the asset worth £1,875).

7.9. Recipients of P4F funding that will be used to purchase CAPEX or Intermediate Input should refer to the P4F Project Asset Guidance and Schedule G of the [model Grant Agreement](#) available on the P4F website for details as to how assets must be managed, reported on and disposed of after the P4F supported activities end.

7.10. P4F expects that the majority of funds provided to projects will be used requested to cover exceptional Operating Costs, and so the acceptable use of those funds is set out in detail in the subsequent sections of these guidelines.

## 8. Salaried Employees

- 8.1. P4F funds can be used to cover the costs of the recipient's or project partner's or subgrantee's full or part time permanent or temporary salaried employees engaged in the P4F supported activities, as long as those activities are not considered to be 'business as usual' (i.e. those activities which would be carried out whether or not the P4F supported activities were taking place).
- 8.2. Where P4F support will be used to cover the costs of employees, the time that each employee will spend engaged on tasks relevant to the P4F supported activities must be indicated as a % of an FTE salary in the budget.
- 8.3. Salary costs and any non-salary employee overheads / fringe benefits should fully explained.
- 8.4. Proposed salary costs are expected to align with P4F's internal benchmarking of salaries for the countries in which P4F operates. This is so that P4F can be satisfied that they are fair and represent good value for money (i.e. that they are commensurate with the open market and the responsibilities of the role). Where a significant variance is detected, P4F will flag this and a justification will need to be provided.
- 8.5. Evidence or certification will need to be provided that clearly confirms that the cost of the relevant employees to the recipient of P4F funding and shows that no overheads/indirect costs are being charged to P4F to cover 'business as usual' functions not related to the project.
- 8.6. The most expensive employees required to support the undertaking of P4F supported activities should, as far as possible, have the lowest level of input (restricted to providing guidance and oversight to consultants or junior employees). Budgets that present the most expensive employees with high levels of input should be justified.
- 8.7. If the employee(s) being paid for with P4F funds have yet to be recruited, P4F staff may need to be consulted during the recruitment process (especially if the position is critical to achievement of the project outputs or outcomes).

## 9. Consultant / Contractor Fee Rates

- 9.1. Where P4F support will be used to cover the costs of a consultant (or other types of contractors), the time that each consultant will spend engaged on tasks relevant to the P4F supported activities will need to be indicated in the budget in the same way as they will charge their fees (e.g. as days or hours or months etc.).
- 9.2. The most expensive consultants required to support the undertaking of P4F supported activities should, as far as possible, have the lowest level of input (restricted to providing guidance and oversight to junior consultants or employees). Budgets that present the most expensive consultants with high levels of input should be justified.
- 9.3. Proposed consultant day rates are expected to align with P4F's internal benchmarking of day rates for the countries in which P4F operates. This is so that P4F can be satisfied that they are fair and represent good value for money (i.e. they are commensurate with the open market and the responsibilities of the role). Where a significant variance is detected, P4F will flag this and a justification will need to be provided.
- 9.4. Where a consultant's day rate is expected to be greater than £1,000 per day (or the local currency equivalent), 9.3 will apply plus justification will need to be provided as to why the role is necessary for the successful completion of the P4F supported activities and to confirm that the role has been or will be competitively procured.
- 9.5. Where a consultant is expected to have long term inputs, budgeted costs should take into account that discounted rates are expected to be negotiated.

- 9.6. Consultant rates should already include all costs associated with a consultant's ability to do business. Examples of these costs are: legal fees, professional insurance(s), computers/laptops/software, reasonable equipment, clothes, medicine, travel within home city, accommodation within home city, and stationery. These costs are considered to be 'business as usual' for consultants and cannot be paid for separately using P4F funds.
- 9.7. If a consultant has already been procured by the time an applicant submits a budget to P4F for approval, an explanation and evidence of how they were procured will need to be provided to P4F.

## 10. Travel and Expenses

- 10.1. Travel and expense costs will only be reimbursed on the basis of actual costs incurred and only upon the production of satisfactory evidence for each expense claim.
- 10.2. Travel and expense costs should make up no more than 10% of a total grant amount. If they make up a larger %, this will need to be justified.
- 10.3. While per diem rates from other major donors (EU, UN, WB etc.) can be used as guidance to illustrate the cost of subsistence in a project country when constructing budgets, only actual expenditure (evidenced by receipts, invoices etc.) can be reimbursed using P4F funds. Per diems will not be reimbursed.
- 10.4. Every expense claim should include sufficient information to justify each expense to be reimbursed, and should include the date of when the expense was incurred, the location of where the expense was incurred, the reason why the expense was incurred and any necessary justification. All travel claims must state the journey start and end location.
- 10.5. The currency in which the expense was incurred should always be detailed in the evidence submitted. If this is not GBP, evidence should be provided showing the exchange rate to GBP on the date the expense was paid (ideally a bank statement showing the GBP cost debited or details of the exchange rate from [www.xe.com](http://www.xe.com) or [www.oanda.com](http://www.oanda.com)).
- 10.6. Detailed receipts must be provided for all expenses. Bank or credit/debit card statements alone are not acceptable, though must also be provided if the receipt does not evidence payment.
- 10.7. Where multiple expenses are detailed on one receipt (e.g. a hotel bill that covers accommodation, and food), the claim must detail each classification of expense separately.
- 10.8. It is P4F's position that in most countries 3\* - 4\* hotels will provide suitable security and hygiene standards. Expenses including costs for 5\* hotels will only be considered in exceptional circumstances. Even where the use of 5\* hotels is approved by P4F in advance, the expectation is that any hotel costs will not exceed the rates in the [UK HMRC Benchmarked Subsistence Rates](#) for the country and/or city in question.
- 10.9. Expense claims for business hospitality must be justified and must include the names of those present, the names of their employers and identify the reasons for such hospitality.
- 10.10. Where food, refreshments, transportation, accommodation or other expenses are required for the participants of a workshop, conference, seminar etc. (including staff of the recipient of P4F funds or project partners) all costs must be reasonable and follow these guidelines.
- 10.11. Only the cost of telephone calls, mobile internet or data usage related to the undertaking of P4F supported activities can be reimbursed with P4F funds.

- 10.12. The most economical form of transportation must always be used. Additional charges (e.g. for extra legroom or excess baggage) will not be reimbursed except for in exceptional circumstances and must always be justified.
- 10.13. Flight costs of over £1,000 must be justified. Air miles or equivalent reward schemes should never be used to pay for the cost of flights as they will not be reimbursed.
- 10.14. The use of taxis where safe, frequent and reliable public transport exists must be justified.
- 10.15. Unless engaged on a project long term, renting a vehicle where safe, frequent and reliable public transport exists must be justified.
- 10.16. Laundry costs will always need to be justified.
- 10.17. P4F funds cannot be used to pay for the cost of business class or first class travel.
- 10.18. P4F funds cannot be used to pay for alcohol or personal entertainment/recreation.
- 10.19. P4F funds cannot be used to reimburse time spent traveling.
- 10.20. P4F funds cannot be used for the purchase of clothing.
- 10.21. P4F funds cannot be used to pay for fully flexible tickets for flights or ground transportation.
- 10.22. P4F will not reimburse expense costs or other benefits provided to any public official or third party if there is deemed to be a high likelihood that any part of the payment or benefit was for improper purposes or to gain improper influence or advantage

## 11. Indirect Costs / Administration Costs / Grant Management Fees

- 11.1. P4F needs to be able to communicate accurate and complete information about project costs. As such, it is preferred that as many project costs as possible are broken down as separate line items within the budget and separately evidenced
- 11.2. However, where certain costs cannot be meaningfully attributed to specific project line items and separately evidenced, P4F funds can be requested to cover indirect costs or the costs of managing / administering a P4F grant as a % rate of the grant funds (not of the total project costs). Any indirect costs rates or grant management fees must be justified and fully explained. Once a grant has been completed, if there has been an underspend, the % rate will be pro-rated accordingly.
- 11.3. Where P4F support will be used to cover the costs of employees, including non-salary employee overheads, certification will need to be provided for any indirect costs rates or grant management fees requested confirming that they will not cover the same costs as the overheads.
- 11.4. P4F funds cannot be used to cover the cost of 'business as usual' / non-project related requirements. Costs listed as 'administration', 'bank charges', 'insurances', 'compliance', 'reimbursable financing', 'cost of capital charge' etc. should always be justified.

## 12. Digital Communications

- 12.1. P4F funds cannot be used for the development, hosting, licensing, support or maintenance of any external-facing digital communications services or products provided through the internet. This includes (but is not limited to) websites and knowledge hubs, transactional services (e.g. online application portals), open data platforms / collection tools / analytics, mapping tools, mobile delivery systems (e.g. mobile cash transfer), mobile apps, online databases or information management systems, and e-learning tools or resources.