Initiative for Sustainable Agricultural Supply Chains (INA)

Due Diligence Fund

Terms & Conditions

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Preamble

The German Federal Ministry for Economic Cooperation and Development (BMZ) has commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to promote corporate due diligence on human rights and the environment in global agricultural supply chains. In light of the German Supply Chain Due Diligence Act (LkSG), the forthcoming EU directive on corporate sustainability due diligence and the forthcoming EU regulation on deforestation-free products, the Due Diligence Fund (DDF) was launched as part of the Initiative for Sustainable Agricultural Supply Chains (INA). Through the fund, companies in the agri-food sector, together with public-benefit partners, can apply for funding for projects to implement corporate due diligence processes in global supply chains.

The aim of the DDF is to identify promising approaches for the compliance with corporate due diligence requirements for human rights and the environment, to financially support their practical implementation on the ground in BMZ partner countries, and to make reports on implementation publicly available. The DDF thus develops and disseminates solutions to the challenge of complying with corporate due diligence obligations in agricultural supply chains as well as provides actual improvements regarding the living conditions of producers in partner countries.

In the first round of the DDF competition from May to September 2022, six projects received a funding commitment. The following terms & conditions set the framework for the implementation of the second round of the DDF competition, starting with a Call for Proposals with publication of these terms & conditions.

Please note: this is an English translation of the official German terms & conditions ("Förderrichtlinien") of the DDF. The application of the terms & conditions will be made following the German language version.
Terms & conditions

I. Guiding principles

a) The Due Diligence Fund (DDF) promotes selected project proposals based on a competition.

b) Project proposals shall be submitted within the framework of a partnership pursuant to section III.1), between
   o One or more private sector companies (hereinafter referred to as "business partner"); and
   o one or more public-benefit organizations (hereinafter referred to as "public-benefit partner")

   (hereinafter referred to as "partnership"); business partner and public-benefit partner hereinafter collectively referred to as "partners").

c) Members of the Partnership must have a registered office in the EU, EEA, Switzerland, United Kingdom, or in one of the partner countries of the BMZ.

d) Planned measures of the selected project proposals will be funded with an amount of up to EUR 123,000 over a period of up to 12 months (funding period). The funding period for individual projects ends no later than July 31st, 2024.

e) Funded measures must be implemented within this funding period. The total duration of a project may exceed the funding period.

f) The business partner tops up the public funds provided through the DDF with an own contribution to the amount specified under III. 5) g).

g) An application does not constitute a legal entitlement to DDF funding. Funding approval is based on an individual case assessment.

h) For the financial support of the projects, a grant agreement is concluded between GIZ and a funding recipient designated by the partnership. Exceptions may be granted on an individual basis. The GIZ guidelines for the awarding of financing apply.

i) Funding conditions will be formalized in a Funding Agreement after commitment by the DDF.

j) Through a so-called "gender-corridor", the two eligible project proposals that receive the highest score in the "gender" criterion will receive funding.

1 Financing: Contract management and contract processing (giz.de)
II. Application and selection process

The DDF competition is conducted in a multi-stage process:

1) Determination of potential eligibility
   a) Only project proposals that meet all Conditions of Participation (Section III.) of
      the terms & conditions are potentially eligible for funding. The GIZ decides on the
determination of potential eligibility.
   b) To determine potential eligibility, the partnership must submit a short proposal.
   c) The short proposal contains a brief project outline as well as the completed
      application form signed by authorized representatives of all partners (see website).
   d) The deadline for submitting the short proposal is February 19th, 2023. A prior
      submission and processing of the short proposal is possible from January 2nd, 2023.
   e) Only complete (including all required attachments or supporting documents)
      applications submitted within the deadline will be accepted.
   f) Potential eligibility will generally be communicated within 2 weeks of the receipt of
      the application, but no later than March 3rd, 2023.
   g) If an application is potentially eligible, the partnership will be invited to submit a
      complete project proposal.

2) Determination of actual eligibility
   a) Actually eligible applications are those that are potentially eligible and generally
      consistent with the evaluation criteria in Section IV. BMZ decides on the
determination of actual eligibility for funding based on recommendations by GIZ.
   b) To allow the determination of actual eligibility, the partnership must submit a long
      proposal signed by all partners’ representatives, which includes the complete
      project proposal.
   c) Other changes (e.g. in the composition of the partnership) to the short proposal can
      be submitted via an updated application form.
   d) All activities planned in the project proposal are relevant for evaluation; including
      those that are not funded by the DDF within the funding period.
   e) A prerequisite for the determination of actual eligibility is the submission of all
      necessary documents provided by the funding recipient to undergo a commercial
      and legal eligibility check (KEP).
   f) If no grant agreement has been concluded between the public-benefit partner and
      GIZ to date, a KEP will be carried out immediately after the potential eligibility has
      been determined.
   g) The deadline for submitting the long proposal is April 14th, 2023.
   h) If an application is actually eligible, it will be submitted to the competition jury for
      final evaluation.
3) Evaluation and selection of projects to be funded
   a) Final funding commitments will be made by the competition jury with the involvement of BMZ and GIZ.
   b) The jury assesses all actual eligible applications using the assessment criteria (see below, section 4).
   c) The gender corridor will be used to fund two project proposals that have been determined to be actual eligible and achieve the highest score in the additional criteria.
   d) The final decision on the approval of the application and project funding will be announced by GIZ after the selection meeting of the jury, at the latest by May 31st, 2023.

4) Project implementation
   a) Funding conditions will be formalized in a Funding Agreement after commitment by the DDF.
   b) The project implementation includes a publicly accessible reporting as well as the presentation of the final results by the partnership.
   c) GIZ commits to support the partnership to implement the project according to the project proposal.
   d) Funded projects are accompanied by GIZ free of charge within the framework of a sponsorship.
   e) The partnership publicly presents the implemented measures and their results after the end of the funding period.
Ill. Conditions of participation

1) Applicant Partnership

a) The application must be submitted jointly by a partnership consisting of one or more business partner(s) and one or more public-benefit partner(s).

b) If other stakeholders are involved, they can be specified as cooperation partners (see 4). Cooperation partners are not considered as members of the applicant partnership.

c) The partnership is formalized by joint signature of the application documents. The applicant partners are jointly responsible for implementation and reporting.

d) The partnership has the required human resources, and their staff must have the relevant professional skills to manage the project.

e) Only one application per partnership is possible.

f) There are no allegations or investigations of corruption against senior staff or the management of the business partner(s), the public-benefit partner(s) or a collaborative partner.

g) None of the partners are included on the sanctions lists of the Federal Republic of Germany, the European Union, or the United Nations.

2) Business partner

To participate in the competition as a business partner within the framework of a partnership, the following conditions must be met:

a) The business partner has its own legal personality and must have its registered office in the EU, the European Economic Area, Switzerland, the United Kingdom or a BMZ partner country (see Annex). Corresponding proof of legal personality (entry in the Commercial Register or alternative proof customary in the country) must be submitted with the short proposal.

b) At least two annual financial statements/balance sheets of the business partner must be available.

c) The annual turnover must be at least 800,000 EUR.

d) The business partner must have a workforce of at least 8 employees.

e) The business partner is operationally active in an agricultural supply chain through the production, processing and/or distribution of agricultural products.
3) Public-benefit partner

To participate in the competition as a public-benefit partner in a partnership, the following conditions must be met:

a) It is either:
   o a public-benefit corporation based in the EU, the European Economic Area, Switzerland or the United Kingdom.
   o a public-benefit organization based in a partner country of the BMZ (see Annex).

b) The organization has previous experience in the project country or other relevant experience with regard to the project proposal.

c) A prerequisite for the conclusion of a grant agreement of GIZ with a public-benefit partner is a successfully completed commercial and legal eligibility check by GIZ in advance.

4) Cooperation partners

a) Additional cooperation partners may participate in the implementation of the project. This applies worldwide both to further private-sector companies and to further public-benefit organizations or other actors (e.g. associations, multi-actor partnerships, universities, state actors).

b) The own contribution can also be made proportionally or in full by a cooperation partner, provided this is a foundation or a member organization of which the business partner is a member.

5) Funding

a) The project must be worthwhile from a business point of view but is not directly relevant for the income account of the business partner. Hence, it is not possible to provide funding for core operations.

b) DDF funding can only be provided for activities planned under the project proposal if they are carried out within a 12-month funding period. The funding period cannot exceed July 31st, 2024.

c) The total duration of a project may exceed 12 months.

d) Funding is provided for final selected project proposals with a funding amount of up to 123,000 EUR provided by GIZ.

e) As a rule, a funding agreement between GIZ and a funding recipient designated by the partnership is concluded for the financial support of the projects. GIZ’s guidelines for awarding financing apply. In exceptional cases, GIZ may make in-kind contributions (service contracts, i.e. procurement of services or goods) as part of project implementation.

f) The public funds provided through the DDF are topped up by an own contribution from the partnership in the amount specified in g) below. The own contribution can be provided through cash payments or in-kind services (e.g. provision of staff, real estates, etc.) by the business partner, or alternatively, in the cases specified under 4) b), by a cooperation partner.
i) The minimum level of contributions by the business partner(s) to be provided for project financing depends on the size of the company (See Table 1). The thresholds apply to individual companies. In the case of an business partner that is part of a group, the number of employees and the group's sales or balance sheet total must be taken into account, depending on the size of the contribution. If there is more than one business partner, at least 100% of the funding amount must be added.

j) The application submitted to the DDF indicates the amount and form in which the partner(s) intend to make the required own contribution.

Table 1: Thresholds as defined by EU-Commission

<table>
<thead>
<tr>
<th>Business category</th>
<th>Number of employees</th>
<th>Turnover or balance sheet total in EUR per year</th>
<th>Level of own contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small enterprise</td>
<td>up to 49</td>
<td>up to 10 million or up to 10 million</td>
<td>at least 25% of the funding</td>
</tr>
<tr>
<td>Medium-sized enterprise</td>
<td>up to 249</td>
<td>up to 50 million or up to 43 million</td>
<td>at least 50% of the funding</td>
</tr>
<tr>
<td>All other enterprises</td>
<td>from 250</td>
<td>from 50 million or from 43 million</td>
<td>at least 100% of the funding</td>
</tr>
</tbody>
</table>

6) Project-related terms

a) The project contributes to better fulfillment of corporate due diligence obligations with regard to human rights and the environment in agricultural supply chains, especially with regards to INA focus areas (i.e. deforestation-free supply chains, living wage/income, digitalization and gender) or to central due diligence processes (e.g. risk analyses, purchasing practices, grievance mechanisms).

b) The project outline describes how the project implementation can contribute to the overall objectives of the DDF by establishing best practices or piloting innovative concepts.

c) The formulated problem statement is based on a detailed risk analysis of the affected sector and/or region. When identifying risks, the perspectives/expertise of affected rights holders are included, and relevant gender aspects are taken into account.

d) Products produced in the affected supply chain are traded in the EU Single Market.

e) The project provides for on-site measures in one or more of the BMZ partner countries during the funding period (see Annex).

f) Directly affected parties or their legitimate representatives (e.g. trade unions, local civil society or governmental organizations) in the partner countries are involved in the planning and implementation of the project.

2 The risk analysis can be prepared as part of a regular process or on the occasion of obtaining substantiated knowledge. Alternatively, a risk analysis prepared by an independent third party may be the starting point.
g) The nature and extent of the intended changes are measurable during the project period.

h) The complete project proposal submitted with the long proposal contains a tangible monitoring & evaluation concept as well as a concept for the follow-up of the implemented measures beyond the funding period.

IV. Assessment criteria

To determine actual eligibility for funding as well as the final decision on funding, the competition jury will evaluate the pre-selected applications based on the criteria set forth herein. The criteria are scored on a scale of 0-5, taking into account the indicators listed. The projects with the highest score will be selected by the jury for funding through the DDF.

In addition, projects with a specific gender reference are considered particularly worthy of funding by the DDF. Through the gender-corridor, the two actually eligible project proposals that scored highest in criterion 5 “Gender” will receive a funding commitment.

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Indicators</th>
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</thead>
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| Criterion 1: Project implementation in Due diligence logic | - The planned measures are strongly related to a risk analysis covering the affected supply chain.  
- The relevant risk analysis follows the recommendations of the UN Guiding Principles for Business and Human Rights\(^3\).  
- The key stakeholders are involved in the planning and implementation of the measures, in particular rights holders.  
- The project strengthens the process-oriented implementation of corporate due diligence. |

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**Criterion 2:**

**General project design**

- The governance structure is suitable for an efficient and effective implementation of the project.
- The governance structure of the project takes gender equality into account in that the steering committees are composed on a parity basis and/or (local) women's organizations are involved in implementation.
- The gender analysis carried out as part of the project planning is appropriate or it is planned to carry out an appropriate gender analysis as part of the project implementation.
- The planned measures are suitable for achieving the set objectives and are gender-sensitive.
- The risk for non-intended negative effects is presented and is sufficiently considered in the planning⁴.
- The project budget is transparent and comprehensible
- The sustainability of the intended impacts is sufficiently considered in the project planning.
- The project planning contains a coherent M&E concept.

**Criterion 3:**

**Potential for adaptation and/or scalability**

- The project pilots particularly innovative instruments and/or has the potential to identify best practices for achieving the desired impacts.
- The project is particularly suitable for adaptation by other companies in the agricultural sector, also in other supply chains.
- The scalability of the planned measures is given.

**Criterion 4:**

**Potential for a high degree of efficiency**

- The project makes a significant contribution to mitigating and/or preventing the addressed potential or actual adverse impacts.
- The magnitude and/or severity of the addressed potential and/or actual adverse impact are high.
- The project has a broad impact.

**Criterion 5 (Special Corridor Gender):**

**Gender-responsive and/or -transformative impacts**

- The project promotes gender equality with targeted measures.
- The project develops approaches to address underlying norms, values and causes of gender inequities.

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⁴ Non-intended negative effects may include integrity risks and possible negative effects on economic competitiveness.
Annex: List of partner countries
Countries on this list belong to the partnership categories "Bilateral Partners," "Reform Partners," and "Global Partners" of the BMZ's Country List for Official Development Cooperation (as of 07/2022).

<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
<th>Country</th>
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<tbody>
<tr>
<td>Egypt</td>
<td>India</td>
<td>Morocco</td>
<td>Rwanda</td>
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<td>Algeria</td>
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<td>Bangladesh</td>
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<td>Benin</td>
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<td>Tanzania</td>
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<td>Ecuador</td>
<td>Malawi</td>
<td>Palestinian Territories</td>
<td>Vietnam</td>
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<tr>
<td>Ghana</td>
<td>Mali</td>
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