

On behalf of



Federal Ministry  
for Economic Cooperation  
and Development

Implemented by

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

**INA** Initiative für nachhaltige  
Agrarlieferketten



**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 the compliance of private businesses with due diligence requirements concerning human rights and the environment in global agricultural supply chains. In view of the German Supply Chain Due Diligence Act (LkSG), the *Due Diligence Fund* (DDF) has been set up as part of the [Initiative for Sustainable Agricultural Supply Chains](#) (INA). Companies in the German agri-food sector, together with public-benefit partners, can apply for project funding to establish best practices for human rights and environmental due diligence in global supply chains.

The aim of the DDF is to identify promising practical approaches for the compliance with corporate due diligence requirements, to financially support their 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.

The following terms & conditions set the framework for the implementation of the DDF's first competition round, starting with a *Call for Proposals* on **May 6<sup>th</sup>, 2022**.

*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.*

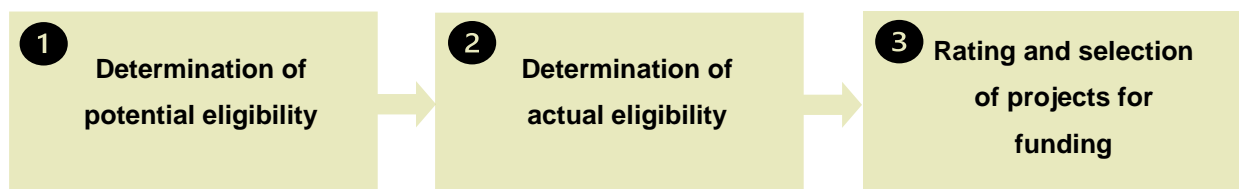
## Terms & conditions

### I. Guiding principles

- a) The Due Diligence Fund (DDF) promotes selected project proposals based on a competition.
- b) Project proposals are submitted within the framework of a partnership pursuant to Section III. 1) between
  - o one or more private-sector companies based in Germany (hereinafter referred to as "**business partner**") and
  - o one or more public-benefit institutions/organizations (hereinafter referred to as "**public-benefit Partner**")
 (Hereinafter referred to as "**partnership**"; business partner and public-benefit Partner hereinafter jointly referred to as "**partner**").
- c) Planned measures of the selected project proposals will be funded with an amount of **EUR 23,000 each up to EUR 123,000** over a period of up to **6 months (funding period)**. The funding period for individual projects ends not later than 31.07.2023.
- d) Funded measures must be implemented within this funding period. The total duration of a project may exceed the funding period.
- e) The business partner tops up the public funds provided through the DDF with an own contribution to the amount specified under III. 5) g).
- f) An application does not constitute a legal entitlement to DDF funding. Funding approval is based on an individual case assessment.
- g) Funding for projects can be provided by two ways: either (1) GIZ signs a financing/grant agreement with the public-benefit partner, or (2) GIZ concludes a service contract with an external contractor for the benefit of the public-benefit Partner or a cooperation partner based in a partner country.
- h) A so-called "**gender corridor**" is applicable whereby the two eligible project proposals with the highest scores in the additional gender criteria will receive funding.

### II. Application and selection process

The DDF competition is conducted in several stages:



#### 1) Determination of potential eligibility

- a) Only project proposals that meet all **Conditions for Participation** (Section III.) of the funding policy are *potentially eligible* for funding. GIZ decides on the determination of potential eligibility.
- b) To determine potential eligibility, the partnership must submit a **short proposal**.



- c) The application must contain the application form completed and signed by authorised representatives of all partners including all appendices listed in the short proposal template.
- d) The deadline for submitting short proposals is **July 08<sup>th</sup>, 2022**.
- e) Applications are only accepted if they are complete (see all required documents and information) and were submitted within the deadline.
- f) Potential eligibility will be confirmed by GIZ at the latest by **July 15<sup>th</sup>, 2022**.
- g) If an application is *potentially eligible*, the partnership will be asked to submit a **comprehensive project proposal**.

## 2) Determination of actual eligibility

- a) *Actual eligible* applications are those that are *potentially eligible* and in general meet 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 **comprehensive project proposal**, signed by all partners' representatives.
- c) All measures planned in the project proposal are relevant for the evaluation; including those that are not financed by the DDF within the funding period.
- d) The deadline for submission of comprehensive project proposals is **August 19<sup>th</sup>, 2022**.
- e) If an application is *actual eligible*, it is submitted to the competition jury for final assessment.

## 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 **September 30<sup>th</sup>, 2022**.

## III. Conditions of Participation

### 1) Applicant Partnership

- a) The application must be submitted jointly by a partnership consisting of one or more business partner(s) registered in Germany 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 formalised through the joint signing of the application documents. The signatories are jointly responsible for implementation and reporting.
- d) The partnership must suppose of the required human resources, and their staff must have the relevant professional skills to manage the project.

- e) Only one application per partnership can be submitted.
- f) There are no allegations/investigations of corruption against senior employees or the management of the business partner, the public-benefit partner, or any cooperation 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 must be a legal entity in its own right and has to be registered in Germany. If registration, e.g., in the commercial register, cannot be submitted, reasons and, if necessary, alternative proof of the company's legal form must be provided.
- b) There must be at least two annual financial statements of the business partner available.
- c) The annual turnover must be at least EUR 800,000.
- d) The business partner must have a workforce of at least 8 employees.
- e) The business partner must prove sufficient financial solvency and liquidity for the company's required own contribution.
- f) The business partner must operate in one of INA's agricultural supply chains (see III. 6)b)), except in cases governed under III. 6) c).

## 3) public-benefit partner

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

- a) It is either:
  - a public-benefit corporation with its registered office in the EU, the European Economic Area or Switzerland
  - or a public-benefit institution/organization based in a partner country (see annex).
- b) An adequate accounting system with qualified personnel exists.
- c) Existence, mandate, and quality of internal control bodies are given.
- d) A prerequisite for GIZ to conclude a financing/grant agreement with the public-benefit partner is a successfully completed commercial and legal eligibility check (KEP).

## 4) Other cooperation partners

- a) It is possible for further stakeholder to participate in the implementation of the project. They may be either additional businesses or public-benefit organisations as well as others (e.g., in academia or government).
- b) If the cooperation partner is intended to be the beneficiary (in accordance with clause III. 5) e)) of the funding, the cooperation partner's registered office must be in a partner country.

## 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 6-month funding period. The funding period cannot exceed July 31<sup>st</sup>, 2023.
- c) The total duration of a project may exceed 6 months.
- d) Funding for selected project proposals is available between a minimum of EUR 23,000 and a maximum of EUR 123,000 provided by GIZ.
- e) Funding for projects can be provided by two ways: either (1) GIZ signs a financing/grant agreement with the public-benefit partner, or (2) GIZ concludes a service contract with an external contractor for the benefit of the public-benefit partner or a cooperation partner based in a partner country.
- f) The business partner(s) of the applying partnership must top up the public funds made available through the DDF by own contributions. This can also be done through *in kind* contributions (e.g., provision of staff, real estates etc.).
- g) The amount of required own contributions depends on the business category. The SME threshold values defined in the latest recommendations of the EU Commission are applied. In the case of a business partner that is part of a group, the number of employees and the group's sales or balance sheet total must be considered, depending on the size of the shareholding. In the case of several business partners, the thresholds for the largest company apply.
- h) The proposal submitted to the DDF indicates the amount and form in which the business partner intends to make the required own contribution.

Table 1: Thresholds as defined by EU-Commission

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

## 6) Project-related terms

- a) The problem stipulated in the project proposal addresses risks that have been identified in an analysis conducted by the business partner or an analysis prepared on the occasion of drafting the proposal, or about which the business partner(s) have gained substantial knowledge by other means.
- b) The project proposal relates to one of the focal agricultural raw materials of the INA: bananas, cotton, natural rubber, coffee, cocoa, orange juice, palm oil, soy, tea, spices.



- c) If the project proposal is related to other agricultural raw materials not mentioned under b), but specifically addresses the work and goals of INA, potential eligibility is determined on a case-to-case basis by GIZ together with BMZ.
- d) The proposed project must aim to help improve corporate due diligence on human rights and the environment, in particular regarding the core elements 2 (Identify Risks), 3 (Minimise Risks), 4 (Inform and Report) & 5 (Enable Complaints) of the German National Action Plan on Business and Human Rights (NAP).
- e) The project proposal must include on the ground activities in one or more of the partner countries.
- 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 of the project.
- g) Funded activities as defined in clause e) must be carried out within the funding period.
- h) The project proposal must contain a follow-up plan for implemented activities beyond the funding period.
- i) The partnership subsequently publicly presents the measures implemented during the funding period and their results.
- j) The nature and extent of the intended changes must be measurable during the project period.
- k) The project proposal must contain a specific monitoring and evaluation plan.



## IV. Assessment criteria

To determine actual eligibility for funding as well as the final decision on funding, the competition jury evaluates the preselected applications on the basis of the criteria defined here regarding the dimensions of *quality of the project design* as well as *relevance of the project*. The criteria are evaluated on a scale from 0 to 5.

The projects with the highest score will be selected by the jury for funding through the DDF. In addition, the DDF considers projects with a specific gender reference to be particularly applicable for funding. A project proposal can therefore achieve a higher score complying with the additional gender criteria. Through the special gender corridor, the two eligible project proposals that scored highest in the additional criteria will receive funding.

### 1) Dimension A: “Quality of the Project design”

The purpose of this dimension is to select projects among the submitted project proposals that particularly meet the key principles of corporate due diligence. Another purpose is to ensure that the methodological approach can be adapted by other companies in the agricultural and food sector. In this way, the DDF can develop and disseminate *best practices* for possible activities conducted by companies to meet their corporate due diligence duties.

Criterion	Guidance
<p><b>Criterion A1: Activities must relate to the risk analysis</b></p> <p>Activities are derived from a risk analysis of the relevant business partners, covering the affected supply chain.</p>	<p>In its company-specific risk analysis (see conditions of participation), the business partner must have identified the potential or actual negative impacts that are to be mitigated or avoided by the project proposal at hand.</p> <p>The prioritisation of activities must be plausible.</p>
<p><b>Criterion A2: Involvement of key stakeholders</b></p> <p>The relevant stakeholders are involved when planning and implementing the activities.</p>	<p>In addition to the implementing partners, key stakeholders specifically include anyone who is directly affected. In addition, it may be relevant to include local civil society and non-governmental stakeholders.</p>
<p><b>Criterion A3: Innovative instruments</b></p> <p>The project applies innovative instruments.</p>	<p>Innovative tools and methods are used that have not yet been scaled and/or established as good practices. Examples can be found in the areas of</p> <ul style="list-style-type: none"> <li>• Participation and empowerment of disadvantaged stakeholders through the establishment of new organizational and cooperation models, or</li> <li>• Networking through digitization and the use of new technologies, or</li> <li>• Application of new methodologies, e.g., for the calculation of living-income benchmarks.</li> </ul>
<p><b>Criterion A4: Suitability of activities</b></p>	<p>Concrete mechanisms for achieving the objectives have been elaborated.</p>

<p>The envisaged activities are suitable for achieving the set objectives. The risk for non-intended negative effects is low.</p>	<p>The planned activities for the project period must be feasible.</p> <p>Possible non-intended effects should be considered when planning the measures. In particular, the principle of "do no harm" should be observed regarding gender equality, possible integrity risks, and possible negative effects on the competitiveness of economic activities in partner countries</p>
<p><b>Criterion A5: Adaptability</b></p> <p>The project is particularly suitable for adaptation by other companies in the agricultural and food sector</p>	<p>The measures specified in a project proposal must be designed in such a way that they are relevant and effective not only to a specific local context but also to similar supply chains.</p>

## 2) Dimension B: Relevance of the project

The purpose of this dimension is to select project proposals from among those submitted that have particularly high potential to mitigate risks effectively and sustainably in terms of human rights or environmental issues. High potential means that the intended activities form part of a process-oriented implementation logic and not just the specific framework of one specific project. Rather, they must achieve a more wide-ranging effect (broad impact and scalability), thus showing that the project is especially relevant.

Criterion	Guidance
<p><b>Criterion B1: Core human rights issues</b></p> <p>The project has a mitigating or preventive effect on potential or actual negative impacts on human rights</p>	<p>Core topics include: ILO Core Labor Standards, Gender Equality, Poverty Reduction, Living Income/Wage, Food Security, Employment Promotion/Local Value Creation, Land Rights, Cultural Rights.</p> <p>The activities foreseen in the project proposal must aim to contribute to the mitigation or prevention of potential or actual impacts.</p>
<p><b>Criterion B2: Environmental core issues</b></p> <p>The project has a mitigating or preventive effect on potential or actual negative impacts on the environment</p>	<p>Core topics include: Deforestation (and comparable conversion of other types of ecosystems), Climate change mitigation and adaptation, Biodiversity, Water, Soil.</p> <p>Measures included in the project proposal aim to contribute to the mitigation or prevention of potential or actual impacts.</p>
<p><b>Criterion B3: Holistic approach</b></p> <p>The project pursues a holistic approach</p>	<p>The project must make a major contribution to mitigating or avoiding negative impacts on both human rights and the environment. They are designed with regard to both dimensions.</p> <p>The economic sustainability of the activities concerned should be improved, or at least not negatively impaired.</p>
<p><b>Criterion B4: Process-oriented implementation</b></p>	<p>The project must implement activities that can be integrated into long-term due diligence processes. It means that structures can be</p>

<p>The project must strengthen the process-oriented implementation of corporate due diligence obligations</p>	<p>developed or promoted that foster the compliance with due diligence obligations and mitigation of risks, both medium and long term. One example may be the establishment of a mechanism or the alignment of procurement practices with the due diligence requirements.</p>
<p><b>Criterion B5: Broad impact</b></p> <p>The project must have a broad impact</p>	<p>Projects are particularly worthy of funding (<i>actual eligibility</i>) if their activities to mitigate or avoid risks have an impact beyond one business' supply chain, i.e. create an impact to an entire sector and/or a wider region.</p>

### 3) Additional criteria: Gender

Criterion	Guidance
<p><b>Criterion G1: Gender analysis</b></p> <p>The project is based on an existing gender analysis, including robust data.</p>	<p>The gender analysis contains findings on current gender relations and roles as well as gender-specific interests, needs, potentials and disadvantages of people (especially women) in the supply chain addressed.</p>
<p><b>Criterion G2: Gender equality within the governance structure of the project</b></p> <p>The concept of gender equality is represented in the governance structure of the project</p>	<p>Representation can be achieved, for example, through involvement of local women's organisations and/or the composition of steering committees</p>
<p><b>Criterion G3: Activities to ensure gender equality (gender-responsive approach)</b></p> <p>The project promotes gender equality through targeted activities.</p>	<p>Project measures go beyond purely gender-differentiated measures and specifically promote gender equality.</p> <p>These include measures to combat gender-based violence (GBV).</p>
<p><b>Criterion G4: Concept for gender-transformative approach</b></p> <p>The project will develop approaches to address underlying norms, values, and causes of gender inequities.</p>	<p>The project implements measures that go beyond the actual target group to involve various social groups in the critical examination and questioning of power relations and gender norms.</p> <p>For example, gender transformative approaches create opportunities to promote positions of social and political influence for women in communities.</p>

## 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 09/2021).

Afghanistan	Ecuador	Mali	Rwanda
Algeria	Egypt	Mauretania	Senegal
Bangladesh	Ethiopia	Mexico	Sierra Leone
Benin	Ghana	Morocco	South Africa
Brazil	India	Mozambique	Tanzania
Burkina Faso	Indonesia	Namibia	Togo
Cambodia	Jordan	Niger	Tunisia
Cameroon	Kenya	Nigeria	Uganda
China	Lebanon	Pakistan	Uzbekistan
Cote d'Ivoire	Madagascar	Palestinian Territories	Vietnam
Colombia	Malawi	Peru	Zambia