

## **Guidelines on costs eligible for reimbursement and financial processing of implementation agreements in development partnerships with the private sector (DPP) and integrated development partnerships with the private sector (iDPP)**

### **Eligible costs for reimbursement**

Only **prime costs**<sup>1</sup> are eligible for reimbursement in accordance with the percentage agreed in the contract; no more than 50% of total costs and up to EUR 200,000 can be reimbursed (upper limit). Costs that exceed the percentage of total costs or the upper limit will not be reimbursed. The percentage rate applies uniformly to all cost items. Only costs of activities that have taken place within the contract term can be reimbursed.

Other costs ineligible for reimbursement are:

- sales and distribution costs, including advertising costs
- municipal trade tax
- costs of independent research and development
- costs of specific risks
- imputed profit
- the interest portion of allocations to pension reserves.

### **Determining costs eligible for reimbursement**

Section 3 of the supplementary terms and conditions (EPW-EVB) define the costs eligible for reimbursement and cost categories. These are also shown in the price schedule for the development partnership with the private sector, which is the basis for preparing tenders.

Only the actual direct costs immediately caused by the project are recognised, excluding costing mark-ups. Overhead costs and other lump-sum amounts, imputed costs, amortisation and depreciation, allocations to provisions and profit mark-up or other costing mark-ups are not eligible for reimbursement.

The following cost categories must be listed in the price schedule in accordance with section 3 of the supplementary terms and conditions (EPW-EVB):

- 3.4.1 Remuneration for the PRIVATE COMPANY's own employees
- 3.4.2 Fees for external experts
- 3.4.3 Travel costs, air tickets
- 3.4.4 Costs of materials and equipment
- 3.4.5 Costs of capital goods
- 3.4.6 Other costs

All items listed in the price schedule are stated as maximum amounts ('up to EUR amounts' = based on evidence, vouchers must be submitted to the company for audit).

Special features of the cost categories are explained in more detail below.

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<sup>1</sup> Prime costs must be determined in accordance with the prevailing version of the Guiding Principles for Pricing on the Basis of Prime Costs (LSP – annex to the Standard Official Contracting Rules for Prices of Public Contracts – VOPR 30/53 of 21 November 1953).

## Personnel costs

These include direct costs of personnel directly assigned for the financed project, including the statutory personnel ancillary costs.

### 3.4.1 Remuneration for the PRIVATE COMPANY's own employees

The daily rates for the PRIVATE COMPANY's own employees must be shown here. Estimated daily rates must be costed which correspond to the pure direct costs. The following formula is used for this:

$$\frac{((\text{employer gross}^1 + \text{social security dues such as employer's social security and company pension scheme contributions}) * (\text{number of months' salary p.a.} + \text{any summer/Christmas bonuses}))}{220 \text{ working days}}$$

<sup>1</sup> Please include any salary/collective bargaining increases.

The amounts calculated using this formula when preparing the price schedule cannot be changed later due to a salary increase.

When settling the costs, the actual values that are confirmed by the public auditor are used.

All employees of the private company assigned to the measure must be listed, stating their name and function. The CVs must be submitted to GIZ for approval prior to signing the agreement. The CVs should meet the following requirements:

- CVs in the contract language
- Current and pertinent information
- Identifiable employment relationship
- Sectoral expertise clearly evident

Even if the private company has not selected the respective employee by the start of the measure, the function must still be described in the price schedule (as N.N.- no name-position). The private company must subsequently present the name and CV to the GIZ project manager. As part of the approval by the GIZ project manager, an amendment to the agreement is drafted with this information and the daily rate is adjusted if necessary.

### 3.4.2 Fees for external experts

Here, the estimated fees for external experts (e.g. assignment of an appraiser, moderator, in-house trainer, interpreter) must be costed. The amounts invoiced and paid are subsequently billed.

NB: there is no provision here for subcontracts to firms (see section 3.4.6 Other costs).

The experts can either be listed individually or consolidated in a pool. The technical requirements profile of the experts must be described. The award procedures must be documented.

### 3.4.3 Travel costs, air tickets

When indicating per diem and overnight accommodation allowances, lump-sum subsistence allowances and overnight accommodation costs are eligible for reimbursement at the maximum rates for tax purposes (in accordance with the [German Federal Expenses Cost Act \(BRKG\)](#) as applicable at the date of signing the agreement).

Travel and transport costs should be costed at maximum value (evidence-based 'up to EUR amounts') for the term.

Costs posted for air tickets must be for economy class only (no premium economy).

### 3.4.4. and 3.4.5 Costs of materials and equipment and of capital goods

Costs of materials and equipment and of capital goods should be in reasonable proportion to the project's total budget. Generally, the costs of materials and equipment and of capital goods should not exceed 30% of total costs (as a guideline value). If it makes sense for development reasons, in specific cases projects may decide to depart from this guideline value.

GIZ may assume a share of the purchase prices or depreciation costs for materials and equipment or capital goods, if it makes sense in the project context. Please note the following:

- **Eligible purchase prices**

Purchase prices for materials and equipment or capital goods are refundable if they are handed over to a public-benefit or public-sector organisation at the end of the project (Item: Equipment and materials).

- **Amortisation and depreciation (see section 3.4.6 Other costs)**

In the case of capital goods still available to the PRIVATE COMPANY for commercial use after the contract term, only depreciation occurring during the contract term is eligible for reimbursement. The share of capital goods and/or the pro-rated useful lives of amortised items continue to be eligible for reimbursement only if they are directly related to project implementation (Example: The contractual partner uses 50% of the procured materials and equipment in its own core business activities and 50% of the procured materials and equipment for training on project implementation. This means that only 50% of the amortisation is eligible for reimbursement.) For depreciation, an average useful life of five years or more is assumed (e.g. max. 20% p.a.). PCs or computer hardware are an exception and are depreciated uniformly over three years in all development partnerships with the private sector (i.e. at 33% p.a.). As a rule, the amortisation period for standard software must be based on the depreciation period for hardware, i.e. it must be amortised over a customary useful life of three years. When calculating amortisation and depreciation, the standards applicable in the country of assignment as reflected in the PRIVATE COMPANY's accounting are decisive (Item: Other costs).

- **Self-manufactured equipment and materials or capital goods**

For self-manufactured materials and equipment, only the prime costs (not including mark-up or development costs) can be considered.

- **Used machinery**

If the PRIVATE COMPANY acquires used machinery, only the amounts invoiced to and paid by the PRIVATE COMPANY are relevant.

If a used machine is brought in from the PRIVATE COMPANY's existing inventory, only the evidenced book value can be considered. NB: Project-relevant operating costs are not part of equipment and materials, but must be shown under section 3.4.6 Other costs.

Please note that special rules are applicable to the procurement of pesticides and pharmaceutical products.

- With respect to the procurement of pesticides and biocides as well as other agrochemicals, the private company should present all details on the use of these agrochemicals to the GIZ project manager, prior to the signing of the contract.
- The private company must also present details to the GIZ project manager when procuring pharmaceutical products.

### **3.4.6 Other costs**

This includes all contracts with sub-contractors or external firms, e.g.

- costs of external workshops (incl. all services relevant for the workshops), seminars and training events
- production and printing of teaching and information material
- preparation of studies
- transportation and logistics costs

Other items are:

- Investments in infrastructure (e.g. operating, storage and administrative buildings, premises for demonstration and training activities etc.), insofar as these stems directly from project requirements and are made for a public-benefit or public-sector partner.
- Depreciation of capital goods on a pro rata basis for the project term (in accordance with applicable national law).
- Project-related operating costs:
  - if a new project office is required, the operating costs are eligible for reimbursement
  - if there is already an office, only the prorated project-related operating costs are recognised (prorated office rent, communications, office equipment and similar) and must be shown together with the basis for calculation in order to be able to determine the amount of rent or depreciation
  - costs of internal workshops, seminars, training events, e.g. rent, materials etc.
  - the following project-related operating costs are not eligible for reimbursement:
    - transfer fees for foreign transfers
    - internal entertainment;  
these must be assumed by the PRIVATE COMPANY
- Costs of the audit of the development partnership with the private sector measure by a public auditor: the upper limit here is EUR 3,500 per audit.

No lump-sum amounts are reimbursed. An exception to this (besides per diem allowances) are self-developed software or licences. Here, a reduced list price is specified and shown in the price schedule as a lump sum. This is evidenced by an internal voucher, and the licences or source code are handed over to the partner institution in the same way as equipment and materials or capital goods after the end of the project.

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Only for PRIVATE COMPANIES domiciled in Germany:

German VAT paid by the PRIVATE COMPANY to suppliers or other contractors is not to be booked to the separate cost unit, as the PRIVATE COMPANY is entitled to deduct the paid VAT as input tax from its VAT return (section 15 of the German VAT Act (UStG)).

NB: German VAT on the PRIVATE COMPANY's services is not shown in the price schedule.

Expenditure categories that arise in the course of the project but are not provided for in the original price schedule are only permissible with written approval by GIZ and are included as a supplement to the contract.

Offsetting of up to EUR 2,500 or up to 10% of the respective budget line is permitted in the contractually agreed price schedule. For amounts exceeding this, the agreement of GIZ is needed in advance.

## **Financial processing**

### **Create project account or cost unit**

At the start of the project the PRIVATE COMPANY creates a separate project account (separate cost unit or cost centre). The cost items in the price schedule are taken as individual items on the project account. The total costs incurred in connection with project implementation are posted to this account. In other words, both the shares in cost borne by the PRIVATE COMPANY (private contribution) and the shares reimbursed by GIZ (public contribution) must be uniquely traceable through this account. Payments received from GIZ are also posted to this project account.

### **Remuneration items**

All of the data relevant for remuneration is listed in the price schedule. A costing in the concept is of no relevance.

### **Advance payment**

The advance payment form attached to the contract documents must be submitted for the first advance payment.

NB: GIZ reserves the right to require security for advance payments. Such security must be in the form of a bank guarantee. The GIZ form (available at [www.giz.de](http://www.giz.de) • [Doing business with GIZ • Procurement and Financing – GIZ as a public contracting authority • Contracts for services and construction as well as development partnerships: Contract management, invoicing and accounting procedures](#)) must be used for this. Alternatively, advance payments can be waived and costs are reimbursed instead upon presentation of audit reports.

## Further payments

For all further payments at the contractually agreed dates (section 8 of the contract) without an audit report, a **list of costs** must be submitted with the advance payment form for the interim statement of account (annex to the contract, provided to the PRIVATE COMPANY in advance as a digital version). The list of costs for the interim statement of account is organised in the same way as the price schedule. All current actual costs of the project must be shown. If costs are incurred in foreign currencies, the foreign exchange rates shown at <http://www.giz.de> must be used, or foreign currency purchase vouchers for the corresponding amount must be submitted.

Pending submission of the corresponding audit report, payments are deemed to be advance payments.

NB: All further payments are subject to submission and acceptance of a contractually agreed progress report.

## Interim statement of account, final invoice and audit report

Interim statements of account or the final invoice must be submitted by the contractually agreed dates with an audit report. The invoices must contain the following information:

Name and address of the company	
Name and address of GIZ GmbH	
Sequential invoice number	
Tax identification number or VAT number, for German companies	
Date of issue	
Contract/project/measure number	
Period for services that have been settled	
Amount of actual total costs (= GIZ contribution including the contribution of PRIVATE COMPANY): EUR In accordance with the audit report	
of which public contribution of X%:	EUR
plus VAT where applicable (specify tax rate in %):	EUR
Sub-total	EUR
less advance payment received:	EUR
less VAT where applicable (specify tax rate in %) on advance payment:	EUR
Total:	EUR

Any deviations in the interim statement of account are adjusted with the final invoice.

## Audit report by a public auditor

An accredited public auditor must also audit the actual project costs incurred and draw up an audit report. This must show the total current costs (GIZ contribution and PRIVATE COMPANY contribution). The audit reports must be submitted on the agreed dates (section 8 of the contract). They are a prerequisite for all further payments or for the final payment. Acceptance of the audit reports confirms performance of the contractually agreed services, and the total

costs already incurred and payments made. Based on the audit reports, further advance payments may be adjusted or repayment of overpayments required.

With its signature, the PRIVATE COMPANY provides legally binding confirmation that the statement of account was drawn up with due diligence. Documents related to the settlement of accounts must be kept for ten years and made available for inspection in the event of audits. The PRIVATE COMPANY shall grant Germany's supreme audit institution – the Bundesrechnungshof – its offices, and the German Federal Ministry for Economic Cooperation and Development (BMZ) audit rights with regard to project accounting and invoicing.

The *Terms of Reference for engaging a public auditor* must be applied in drawing up the audit report (annex to the contract).

The public auditor's invoice (copy) must be submitted with the final report and final invoice.

## **VAT**

If the PRIVATE COMPANY is subject to VAT for the project in question, the net amounts must be invoiced to GIZ. In accordance with the German VAT Act (UStG) of 1 January 2004, VAT on services must be shown, i.e. it must be listed separately (as a percentage and an amount) and added to the invoice (net) amount. The same applies to advance payments, where VAT is also shown separately. **Statements of account under separate cover**

The forms for the settlement of accounts must be *fully completed and signed* and sent to the address below *under separate cover*, together with all necessary annexes and vouchers. *Never address the invoice to a GIZ staff member.*

**For contracts concluded in Germany, please address invoices to:**

**Deutsche Gesellschaft für**  
**Internationale Zusammenarbeit (GIZ) GmbH**  
**Dag-Hammarskjöld-Weg 1-5**  
**65760 Eschborn**

**For contracts concluded at GIZ offices, please address invoices to:**

Address of the respective GIZ office