

*Unofficial translation of the SSF Administrative Rules published in the Dutch Government Gazette. The Dutch original is leading in legal disputes.*

**Order of the Minister for Foreign Trade and Development Cooperation of 26 September 2023, no. Min-BuZa.2023.19898-15, laying down administrative rules and a ceiling for grants awarded under the Ministry of Foreign Affairs Grant Regulations 2006 (Social Sustainability Fund, Grant Programme)**

The Minister for Foreign Trade and Development Cooperation,

Having regard to articles 6 and 7 of the Ministry of Foreign Affairs Grants Decree;

Having regard to articles 5.1 and 7.2 of the Ministry of Foreign Affairs Grant Regulations 2006;

Orders:

**Article 1**

The administrative rules appended as an annexe to this Order apply to grants awarded under articles 5.1 and 7.2 of the Ministry of Foreign Affairs Grant Regulations 2006 with a view to subsidising activities that will contribute to social sustainability in international value chains from the date on which this Order enters into force up to and including 31 December 2027.

**Article 2**

1. Applications for grants in the first round of the Social Sustainability Fund may be submitted from 2 October 2023 until 15.00 CET on 18 December 2023.
2. The start of the second funding round of the Social Sustainability Fund will be announced at a later date.
3. Grant applications under the Social Sustainability Fund must be submitted using the application form made available by the Minister and must be accompanied by the documents stipulated in that form.<sup>1</sup>

**Article 3**

1. An overall ceiling of €4 million applies to applications for the Social Sustainability Fund for grants referred to in article 2, paragraph 1 that are awarded from the date on which this Order enters into force up to and including 31 December 2027.
2. A ceiling will be announced at a later date for grants under the Social Sustainability Fund with regard to applications as referred to in article 2, paragraph 2.

**Article 4**

This Order enters into force on the day after the date of the Government Gazette in which it appears and lapses on 1 January 2028, with the proviso that it continues to apply to grants awarded prior to that date.

This Order and its accompanying annexe, excluding the appendices, will be published in the Government Gazette. The appendices to the annexe will be published online.<sup>2</sup>

The Minister for Foreign Trade and Development Cooperation,  
legally represented in this matter by  
Deputy Director-General for International Cooperation

Steven Collet

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<sup>1</sup> <https://english.rvo.nl/subsidies-programmes/ssf>

<sup>2</sup> <https://english.rvo.nl/subsidies-programmes/ssf>.

## Annexe

### 1. Background

Irresponsible business conduct continues to take place in many international value chains. Partners in a chain may fail to pay workers a living wage or may use child labour, for instance. They may also subject workers to dangerous working conditions. Dutch businesses are not always aware of responsible business conduct (RBC) risks in their value chains; they may also have too little oversight of the chain's links beyond their direct suppliers or not know how to address problems they are aware of.

#### *RBC Directive*

Directives such as the OECD Guidelines for Multinational Enterprises<sup>3</sup> and the UN Guiding Principles on Business and Human Rights encourage businesses to practice RBC. Voluntary guidelines are increasingly being converted into legally binding rules. This is the case with European RBC policy, for example. The EU's Corporate Sustainability Reporting Directive (CSRD)<sup>4</sup> has already entered into force, while the Corporate Sustainability Due Diligence Directive (CSDDD)<sup>5</sup> is currently in development. These Directives will require more businesses than before to make their value chains sustainable.

#### *Increasing social sustainability*

The Minister for Foreign Trade and Development Cooperation seeks with the Social Sustainability Fund (the grant programme) to encourage increased social sustainability in value chains in developing countries.

Social sustainability pertains to human wellbeing and includes respect for human rights, decent working conditions, good living conditions, health, safety, diversity, equality, empowerment and social engagement. The grant programme is intended to increase social sustainability in international value chains by encouraging businesses to identify social risks in their value chains and prevent them or mitigate their impact on people. Directly or indirectly, businesses exert an influence on the lives of their employees, the people working in their value chains and local communities.

### 2. Implementing organisation

The Netherlands Enterprise Agency (RVO), an agency of the Ministry of Economic Affairs and Climate Policy, will implement this grant programme on behalf of the Minister for Foreign Trade and Development Cooperation on the basis of a mandate issued to it by the Minister.

### 3. Definitions

The following definitions are used in the grant programme:

- *Capacity building*: activities geared to strengthening knowledge and skills in order to improve an organisation's performance, for instance through training, improving processes or strengthening its workforce;
- *Target country*: the country appearing on the country list appended to these administrative rules<sup>6</sup> where the activities for which the grant is awarded will take place;
- *Due diligence*: in line with the OECD Guidelines for Multinational Enterprises, a process by which businesses can identify, prevent and mitigate actual and potential adverse impacts of their

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<sup>3</sup> [www.oesorichtlijnen.nl/guidingprinciplesbusinessshr\\_en.pdf](http://www.oesorichtlijnen.nl/guidingprinciplesbusinessshr_en.pdf) (ohchr.org).

<sup>4</sup> The CSRD requires large businesses to report on their impact on people and the environment and on the aspects of their operations they consider to pose the greatest social and environmental risks. This makes it easier for external stakeholders to gauge the sustainability of a business's operations. See: [EUR-Lex - 32022L2464 - EN - EUR-Lex \(europa.eu\)](#).

<sup>5</sup> The CSDDD requires businesses to identify any existing or potential negative impacts on human rights and/or the environment and take measures to mitigate them. See: [Proposal for a Directive on corporate sustainability due diligence and annex \(europa.eu\)](#).

<sup>6</sup> appendix op <https://english.rvo.nl/subsidies-programmes/ssf>.

activities and account for how they address those impacts as an integral part of their decision-making process and risk management systems. The OECD offers tools for this in its Due Diligence Guidance for Responsible Business conduct.<sup>7</sup>

- *Child labour*: as defined by the International Labour Organization;<sup>8</sup>
- *Local civil society organisation*: a not-for-profit organisation established in a target country, not connected to a government organisation either de facto or under its constitution, which serves a public interest and possesses legal personality under civil law in the country where it has its registered office. It must not have been established by a government organisation or it must have become fully autonomous from the government organisation that established it. The organisation must also be registered accordingly in the target country where the grant-funded activities will be implemented;
- *Local impact study*: a study in the target country of the prevalence, severity and underlying causes of social risks and existing abuses. Local stakeholders are involved in the local impact study;
- *Local suppliers/producers*: actors in the target country who provide goods or services in the value chain, such as large or small businesses, cooperatives, large or small farmers and small independent producers. A chain consists of multiple links, such as a direct supplier, who receives goods from a secondary supplier who has received them from a third, and so on;
- *Local business*: a private business with legal personality under civil law in the target country where it has its registered office and where the grant-funded activities are to take place. The local business may be a cooperative;
- *Civil society organisation*: a non-profit organisation that is not connected to a government organisation either de facto or under its constitution, which serves a public interest and possesses legal personality, and is registered as such. It must not have been established by a government organisation or it must have become fully autonomous from the government organisation that established it. It may be a trade union;
- *Minister*: the Minister for Foreign Trade and Development Cooperation;
- *OECD Guidelines for Multinational Enterprises*: general principles for international business that are an important starting point for the Dutch government's RBC policy. The main thrust of these Guidelines is that businesses should comply with the rules of the country or countries where they operate and should exercise responsibility with regard to their value chain. The Guidelines recommend ways for businesses to deal with issues like value chain responsibility, human rights, child labour, environmental responsibility and corruption. These and other concepts are defined and elaborated further in the Guidelines;<sup>9</sup>
- *Lead party*: the member of the partnership that applies for the grant on its behalf. If the application is approved, the lead party is the grant recipient and, as such, bears full responsibility towards the Minister for implementation of the grant-funded activities and compliance with the obligations in respect of the grant;
- *Business*: a legal person that engages in economic activity and is not a civil society organisation; economic activity is defined as any activity in which goods or services are offered on a market;
- *Risk analysis*: the mapping out of external risk factors relating to business activities in a particular country, sector or chain. Each risk factor is assessed for likelihood of occurrence and to establish the potential consequences for the business, the environment and/or people affected should it occur.
- *Partnership*: a contractual partnership without legal personality, whose partners themselves each have legal personality, which is aimed at achieving common objectives by carrying out activities, such that each partner delivers part of the necessary input and bears part of the accompanying risks.
- *Social sustainability*: the identification and management of a business's positive and negative impact on people, with a central focus on maintaining or improving human wellbeing. It is important that businesses work proactively to identify, prevent and/or mitigate any potential negative impacts for employees and other workers in the value chain, customers and local

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<sup>7</sup> [www.oecdguidelines.nl/latest/news/2018/05/31/available-now-new-due-diligence-guidance-for-rbc](http://www.oecdguidelines.nl/latest/news/2018/05/31/available-now-new-due-diligence-guidance-for-rbc).

<sup>8</sup> <http://www.ilo.org/ipec/facts/ILOconventionsonchildlabour/lang--en/index.htm> en  
[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138).

<sup>9</sup> See: [Guidelines for multinational enterprises - OECD](#)

communities;<sup>10</sup>

- *Value chain*: all activities carried out by businesses to bring a product or service from conception to end product, as well as the consumer's use of that end product. This means that a value chain often begins with the mining or cultivation of raw materials, followed by production of a semi-finished product or final product and ending with its use by a consumer. The value chain usually consists of multiple businesses that constitute its links.

#### **4. Social Sustainability Fund**

##### *4.1 Objectives*

###### *4.1.1 Main objective and themes*

The objective of the grant programme is to promote social sustainability in international value chains, with a focus on three social themes: improving working conditions, improving the wages and income of workers and small suppliers and combating child labour.

###### a. Decent working conditions

Responsible business conduct and decent working conditions are closely interrelated. The International Labour Organization (ILO) identifies fundamental principles such as a decent wage, the effective abolition of child labour and elimination of forced labour, prohibition of violence in the workplace and discrimination among workers, freedom of association and recognition of the right to form trade unions, and a safe and healthy working environment.<sup>11</sup> These labour standards were drawn up in cooperation with governments, employers and workers and are in use around the world. Even so, national laws are not always fully respected or enforced, particularly in emerging markets. They may also fall short of ILO standards.

###### b. Living wage / living income

A living wage is a remuneration that a worker receives for a standard working week that is enough to provide workers and their families with a decent quality of life. A living income is the amount an independent worker such as a coffee or cacao farmer can earn through their main activity and which allows for the same.

Requirements for a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essentials, including provision for unexpected events in the form of savings. The amount of a living wage varies from country to country due to major differences between their economic conditions. They may also vary within a country, for instance between urban and rural areas.

A living wage is not the same as a minimum wage, which is the legally defined minimum amount that workers must be paid. In many producing countries, the minimum wage is not enough to maintain a decent standard of living.

###### c. Combating child labour

The UN's 17 Sustainable Development Goals (SDGs) are intended to bring an end to poverty, inequality and climate change by 2030. SDG 8 pertains specifically to ending child labour. It calls on countries to take action against modern slavery, human trafficking and forced labour, including child labour and child soldiers, and to end all forms of child labour by 2025.

While child labour has decreased by 30% since the beginning of this century, the ILO reports that 160 million children around the world are still working on the land, in factories and garment sweatshops, in mines and quarries and as domestic workers. Yet all of them are entitled to a good education and the freedom to play and enjoy their childhood.

###### *Links between the three themes*

The three social themes are deeply interrelated. Inadequate wages or income, and in many cases underpayment of women, often leads to child labour. An absence of proper employment law or poor

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<sup>10</sup> <https://unglobalcompact.org/what-is-gc/our-work/social>.

<sup>11</sup> ILO Declaration on Fundamental Principles and Rights at Work.

enforcement of it can also make insufficient wages, forced labour and child labour more likely. Consequently, businesses must often address multiple themes together in order to mitigate social risks and abuses in their chains. Environmental issues such as deforestation, climate change, threats to biodiversity and environmental pollution are other factors that may result in a low income for small producers. This grant programme can address these problems if there is a clear link to the social themes. For instance, solving an environmental problem will help increase income or improve working conditions. In regenerative agriculture, natural resources are enhanced rather than exhausted and farmers' costs for necessary inputs are lower.

#### *Due diligence*

To have a sustainable impact on international value chains, businesses must examine their own actions with due diligence and investigate how they may be directly or indirectly contributing to risks or abuses. By applying and improving due diligence, for example by making acceptable agreements on delivery times and honest pricing, businesses can help make their chains more sustainable. Therefore, an additional aim of the grant programme is to encourage businesses to better integrate strategies for sustainability and sustainable purchasing in their operations.

#### *4.1.2 Improving conditions for and working with local organisations in the chain*

In promoting social sustainability in international value chains, the specific focus is on improving the position and producing conditions of local producers and suppliers in the chains, so that they can meet the requirements of existing and future RBC legislation and avoid being excluded from the market. Measures that may be required include increasing pay so that workers receive a living wage and small producers a living income, combating child labour or improving general working conditions in production processes. Environmental issues such as deforestation, climate change, threats to biodiversity and environmental pollution can be addressed if there is a clear link to the social themes set out in section 4.1.1, for instance if solving an environmental problem (for example by introducing regenerative agriculture) will increase income or contribute to better working conditions.

The grant programme will encourage businesses to prevent, mitigate or eliminate negative social impacts in their chains by taking appropriate measures in line with the recommendations in the OECD's Due Diligence Guidance. Cooperation along the chain and dialogue among trading partners are central to this. Social sustainability requires long-term cooperation, actively involving local producers and others in the chain beyond the direct suppliers in making the chain sustainable and enabling them to implement changes to the benefit of the social themes in the grant programme. Thus, attention is paid to local perspectives and capacity building in local organisations, and on promoting gender equality.

It is also essential to ensure that costs and benefits for a sustainable business case are distributed fairly across the chain.

#### *4.1.3 Learning and sharing*

The grant programme provides a means of supporting innovative approaches to sustainability. Pilot projects are new for the participating businesses, sector or country, and are intended as an opportunity for them to try a new approach and scale up if it proves successful. Pilot projects also provide learning experiences. Through a knowledge and learning agenda, knowledge and experience acquired during a pilot project can be shared among a broader group of businesses and other stakeholders in the Netherlands and production countries, presenting them with courses of action for making their chains more sustainable.

#### *4.2 Beneficiaries*

Sustainably addressing social risks and abuses in international value chains should have a positive impact for beneficiaries of the grant programme. Improving working conditions and wages or income, for example, will benefit local suppliers and producers, including cooperatives and small farmers and local businesses and their employees. Children and their families will benefit from efforts to end child labour. Efforts to combat child labour should focus on removing children from production processes, offering alternatives and improving conditions for their families.

Increasingly, customers are imposing sustainability requirements that local producers cannot easily meet. A grant can enable the local producers to work with partners in the international value chain to identify and mitigate social sustainability problems.

The main targets of the grant programme are local and international businesses in risk sectors, which include agriculture (both primary production and processing), clothing and textile production, mining (mineral extraction and quarrying) and other sectors that can reasonably be considered to entail significant social risks.

The production or supplying of goods or services takes place in one or more target countries, but the market for goods could be located in the Netherlands or elsewhere in Europe or in the country of production.

#### *4.3 Parties that may be eligible for a grant*

Grants in this programme are intended for partnerships, represented by a lead party that submits the application for a project.

A partnership must include at least the following:

- one business;
- one local business, which may also be a cooperative;
- one local civil society organisation or other civil society organisation with sufficient knowledge of the local context and a local network. If an appropriate local civil society organisation has not been found by the time the application is submitted, the applicant must do so before the end of phase A.<sup>12</sup>

Partnerships must meet the following requirements:

- Each participating partner must have legal personality.
- There should be a good balance in the partnership between the number of businesses and the number of civil society organisations.
- The contributions of all partners must be necessary to attain the objective of the activities for which a grant is being requested.
- Partners must be part of the same supply chain; for instance, a business that mainly provides consultancy services may not be included in a partnership, but may be involved as an external third party.
- At least one business must carry out substantial activities in the Netherlands that focus on the chain that is the subject of the grant application.
- Partners should suspect social risks or abuses in their supply chain, such as insufficient wages or income, poor working conditions or the use of child labour.

The lead party must be a business that is part of the value chain or a civil society organisation.

- In either case, the lead party must have its registered office in the Netherlands, or
- have its registered office in another country and a branch or permanent establishment in the Netherlands.

The participating partners must have adopted an integrity policy and must have procedures in place to implement this policy within their own organisations. This integrity policy and these procedures should serve to prevent as far as possible any serious forms of inappropriate behaviour, including sexual misconduct, towards employees or other individuals during the implementation of the proposed activities by the partners and other parties they involve in the activities, and in the event of such incidents ensure that they are investigated and appropriate measures are taken to put an end as promptly as possible to the misconduct or inappropriate behaviour and mitigate the consequences. These procedures must be structured in a way that guarantees prompt reporting of any such incidents to RVO.

#### *4.4 Recommendation*

If a lead party is considering submitting a grant application on behalf of a partnership, it is required to request a recommendation from RVO based on a quick scan submitted for that purpose. During the quick scan process, the applicant discusses the findings of a completed analysis of social risks in the

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<sup>12</sup> In this case, the grant decision will include a clause requiring this.

supply chain or a local impact study, which must have taken place prior to the submission of the quick scan.

The quick scan concludes with a recommendation issued by an RVO adviser, which is non-binding. It is up to the lead party to decide whether or not to submit an application. If the lead party decides to submit an application, it is responsible for demonstrating that the partnership satisfies the criteria to be eligible for a grant.

As it takes two weeks to process a quick scan, after which the project must be adapted on the basis of any advice that is issued, the quick scan must be submitted at least four weeks before the latest application date for a funding round.

#### *4.5 Eligible activities*

To be eligible for a grant under the grant programme, the activities for which the grant is being requested should focus on increasing social sustainability in value chains in one or more target countries. Project activities must focus on or relate to the production chains of the partnership members.

The grant programme encourages businesses in the same chain to apply sustainable and responsible business conduct by:

- investigating risks and abuses in their value chains;
- improving transparency in their value chains;
- better integrating their sustainability and purchasing goals;
- improving due diligence processes;
- establishing long-term cooperation and dialogue;
- jointly compiling and implementing an action plan for improvement;
- contributing to local capacity building and support for and ownership of sustainability efforts.

These elements must be part of the different project phases and should lead to more sustainability in the value chain and a positive impact on the producers and suppliers in the chain.

For a project to be eligible for a grant, the application must describe phase A, the local impact study and the compiling of the action plan, and phase B, the implementation of the action plan. Phases A and B are described in more detail below.

#### **Phase A - local impact study and compilation of action plan**

Phase A consists of three parts:

##### a. Local impact study

The local impact study is an in-depth study of social risks and abuses in the value chain.<sup>13</sup> Depending on the situation, the scope of the study may vary. For instance, it could focus on a factory, the communities of suppliers, or an area or region. Given the close interconnectedness of working conditions, wages or income and the use of child labour, the local impact study must examine the relationships between these social themes rather than considering one of them separately. It should also look at the business's own role in these risks and/or abuses and the effectiveness of its due diligence system.

Depending on what research data are already available, the impact survey may include some or all of the following:

- Stakeholder mapping and consultation: identification of internal and external stakeholders and relevant experts at local level (such as suppliers, experts, civil society organisations, local authorities, trade unions, children, parents, women's groups, schools) and involving them in the research and in the project itself;
- Mapping the value chain and the role of the various actors in the chain;

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<sup>13</sup> The assumption is that the local impact survey will build on the findings of the risk analysis, which must be submitted with the application (see also section 6 regarding the application).

- A quantitative baseline study to gather information for establishing required and project-specific indicators for the social themes;
- A quantitative study of the causes of the social risks and/or actual abuses, taking account of the perspectives of local stakeholders. The survey should also consider how abuses affect men and women, girls and boys, as well as the role of gender differences in the underlying causes of the abuses.
- Identifying the role played by the partners: determining to what extent the partners contribute to possible underlying causes of social risks and actual abuses (cause, contribute or directly linked as described in the OECD Guidance).
- Gap analysis of due diligence processes of the businesses involved in the chain.

The local impact study should produce the following:

- Baseline data: the studies described above, along with any data already available, are used to gather information to establish a baseline for required and project-specific indicators of risks and actual abuses.
- Analysis report: a qualitative report describing these elements and providing adequate insight into the social themes (child labour, living wage or income and working conditions) and their relationship to each other and to the businesses' due diligence.

#### b. Due diligence training

In due diligence training, the various departments of a business concerned review their RBC policies and practices to identify areas for improvement, for instance with regard to purchasing conditions, pricing mechanisms, performance indicators, salaries, quality criteria, delivery criteria and/or gender policy.

#### c. Drafting the action plan

In this phase the partners discuss the findings from the local impact study, the due diligence gap analysis and due diligence training in order to develop a vision for social sustainability in the chain and draft a detailed plan for prevention and mitigation of any social risks or abuses that have been identified, which includes improving due diligence.

Based on local findings and the causes of the social risks and issues that have been identified, the partners decide on measures that are within the businesses' sphere of influence and can be implemented locally to prevent or mitigate child labour, improve working conditions and/or take steps to ensure that suppliers and workers receive a living wage or income. They also formulate actions that will permanently anchor due diligence measures in their businesses, such as better monitoring, training for employees and/or suppliers, or sustainability rules for purchasing. They then establish how much capacity is available and where the businesses involved or producers and suppliers require additional capacity.

The action plan contains specific measures and activities for the short term (within the scope of the project) and actions to sustain the effects of the measures after the project ends. Partners in the chain and beneficiaries also confirm at local level the relevance of the activities in the action plan.

Phase A concludes with a project plan for Phase B, during which the activities in the action plan will be carried out. The project plans include a theory of change that supports the action plan, along with an overview of activities in the form of a results sheet (a model for this will be provided). Only after the Phase B project plan has been approved do its activities become eligible for a grant. This is the go/no-go moment.

#### **Phase B - Implementation of action plan**

The partners implement the action plan in Phase B. External stakeholders (local trade unions, civil society organisations and government authorities) are involved where needed to generate support and ensure local ownership and to make sure that the measures are anchored in the local context.

The activities in the action plan must be carried out by the end of the implementation phase. The



mandatory final report<sup>14</sup> must include a clear explanation of how the businesses will sustain the measures in the longer term and how they will apply the insights and experiences gained in the project as they do so.

#### *4.6 Duration of activities*

The activities for which a grant is requested must start within three months of the grant being awarded and be completed within four years.

#### *4.7 Size of the grant*

Grants will be awarded for no more than 70% of the eligible costs, up to a maximum of €500,000.

The portion of the total eligible costs for which no grant is provided must be self-financed by the partners. This portion is referred to as the partner's own contribution. This own contribution may not come directly or indirectly from grants or contributions from the budget of the Ministry of Foreign Affairs.

### **5. Eligible costs**

#### *5.1 Principles*

In calculating the eligible costs for a grant, the following principles apply:

- Costs must be proportionate, logical and necessary for the partner carrying out the activities for which the grant is requested, and the activities must be suitable for the partner incurring the costs;
- costs must be directly related to carrying out the activities;
- only costs incurred after the application is submitted are eligible for a grant;
- internal costs are eligible without mark-up;
- costs will be compared with local standards and assessed for reasonableness;
- revenues obtained directly from the activities, for example for providing training and advice, will be deducted from the eligible costs;
- project management costs incurred entirely in coordinating the activities must not relate to more than 10% of the total number of days claimed for work done in the Netherlands and abroad;
- the majority of eligible costs for staffing (whether expressed in staff hours or in numbers of staff) must be incurred in the target country;
- the local impact study in Phase A is intended to generate information in support of the measures and activities to be implemented in Phase B. Therefore, the budgets for the two phases must be in reasonable proportion to one another so as to ensure adequate funds for local measures;
- costs for due diligence training and for the hours that partners' staff take part in training are considered eligible costs.

#### *5.2 Eligible costs*

The following costs to be incurred by the partners are eligible for a grant.

- a. Staff costs: the number of hours worked by people directly involved with the eligible activities, multiplied by a maximum hourly rate of €87.50, which should include both direct wage costs and associated indirect costs. The hourly wage for partners' staff abroad is established on the basis of local norms, but may not be more than the maximum stated above.
- b. Depreciation of assets during the course of the activities: these include the costs incurred for the use of machines, equipment, motor vehicles, buildings (used for meetings, knowledge transfer and/or training sessions), software, and mobile telephones and tablets. Fixed depreciation periods are used to determine the depreciation charge:
  - five years for machines, facilities and vehicles
  - 30 years for buildings
  - three years for software, mobile telephones and tablets.

The basis for determining depreciation is the purchase price – taking any residual value into account – plus any adjustment costs.

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<sup>14</sup> This is one of the reporting requirements attached to the grant and set out in the grant decision.

Minor investments in equipment, protective equipment and other goods may be entirely written off during the course of the activities, provided they are left behind in the target country and will directly benefit small producers, workers and/or farmers/farmers' cooperatives and provide a direct benefit for their health, productivity or income or for preventing child labour.

- c. Costs of third parties: costs payable to third parties, demonstrable by an invoice, for example if any eligible activities are outsourced, and costs of goods and services (training, materials for awareness campaigns, meeting venue hire) purchased for the eligible activities.
- d. Travel costs: international travel costs and regional travel costs outside the Netherlands based on economy class fares.
- e. Subsistence costs: the maximum reimbursement is the number of nights multiplied by the UN Daily Subsistence Allowance rates in effect on the date the application is submitted.<sup>15</sup> Additional travel and subsistence costs may also be grant eligible on account of risks, insurance requirements and travel advisories, provided that these additional costs are properly substantiated in the application.

### *5.3 Non-eligible costs*

The following costs are in any event not eligible:

- costs associated with developing, preparing or submitting the application;
- value-added tax (VAT), in so far as this is not a cost item;
- financing costs and interest payments;
- costs resulting from inflation and exchange rate fluctuations;
- costs related to promotional or sales activities or commercial promotional materials;
- costs of registering and maintaining intellectual property rights.

## **6. Application**

### *6.1 Requirements*

Before submitting a grant application, the lead party must have obtained a recommendation from RVO on the basis of a quick scan as described in section 4.4 (recommendation).

Applications must be submitted using the form supplied to potential applicants by RVO for this purpose and accompanied by the documents specified in it, in the format prescribed by RVO.<sup>16</sup>

The application must in any event include:

- the reference number of the recommendation issued by RVO;
- the project plan;
- a description of the outcomes of the risk analysis;
- a budget, setting out the total eligible costs for each participating partner;
- an RBC policy officially adopted by the Dutch business or businesses;
- a signed agreement guaranteeing the participation of the partners in carrying out the activities and their compliance with the agreements reached, as well as their compliance with the obligations incurred under the grant decision;
- an activity and monitoring plan for Phase A.

Partners must also declare that they are aware of and will comply with the OECD Guidelines,<sup>17</sup> and that they are aware of the FMO exclusion list and will not engage in any activities included in items 2 through 8 of that list.<sup>18</sup> The partners must declare that they are aware of and endorse these standards. The partners must immediately notify RVO of any facts or circumstances that indicate breaches of these standards.

### *6.2 Opportunity for supplementation*

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<sup>15</sup> <https://icsc.un.org/Home/DailySubsistence>.

<sup>16</sup> <https://english.rvo.nl/subsidies-programmes/ssf>.

<sup>17</sup> [www.oecdguidelines.nl](http://www.oecdguidelines.nl).

<sup>18</sup> [www.fmo.nl/exclusion-list](http://www.fmo.nl/exclusion-list).

With regard to the application procedure, particular attention is drawn to article 7, paragraph 3 of the Ministry of Foreign Affairs Grants Decree. If an incomplete application is submitted, the Minister may request a supplement in accordance with Section 4:5 of the General Administrative Law Act. In this case, the date and time of receipt of the application will be the date and time on which the supplement was received. This will increase the likelihood of rejection due to exhaustion of available resources.

Additionally, the shorter the time remaining between submission of the application and the deadline, the greater the risk that, if the application is incomplete, the Minister will not use their discretionary powers to request a supplement; this in connection with the time required to check all applications are complete. In this case, no supplement will be requested and the application will be assessed as it stands. This may result in rejection of the application.

Moreover, incomplete or insufficiently substantiated applications (in whole or in part) may be rejected on the grounds of failure to adequately satisfy the requirements and criteria.

When completing the form, it is not sufficient to refer for the sake of brevity to other parts of the application, websites or annexes, unless the application form states that this is wholly or partly acceptable. Incomplete applications may be rejected.

## **7. Assessment of applications and allocation of resources**

The provisions of the General Administrative Law Act, the Ministry of Foreign Affairs Grants Decree and the Ministry of Foreign Affairs Grant Regulations 2006 are fully applicable to the assessment of applications and the award of grants under this grant programme. Applications will be assessed in accordance with the above legislation and pursuant to the requirements set out in this grant programme.

Applications will be assessed in the order in which they are received. When it becomes likely that funds will be exhausted based on the assessment of previously received applications, the processing of applications received from that point on will be suspended. If it emerges that applications submitted earlier have been rejected, the processing of applications will be resumed, in the order in which they were received.

To be eligible for a grant, applications must satisfy the requirements above, especially those set out in sections 4 to 6. Only applications that meet those requirements will proceed to an assessment of their quality based on the criteria set out below. These criteria must also be met to a sufficient degree to ensure eligibility for a grant.

The following criteria apply.

### **1. Relevance**

- 1.1 The focus of the project is on combating child labour and/or improving working conditions and/or providing a living wage to local employees or a living income to local suppliers in production countries. In this way, it contributes to the objectives of the grant programme, namely increased social sustainability in international value chains.
- 1.2 The project has a positive impact on a large number of beneficiaries, such as small suppliers or producers, farmers, parents, children or local communities.
- 1.3 Senior management of the businesses taking part in the project are involved in the project and prepared to integrate the findings and conclusions of the local impact study into their plans, and to adjust operational processes and procedures to reflect sustainability and purchasing objectives in order to contribute to increased social sustainability in international value chains.
- 1.4 a) The project results will be disseminated as widely as possible and b) will help combat and prevent social abuses in the international value chain: at the project location, in the sector concerned and in general.

### **2. Project format**

- 2.1 The project plan is sufficiently clear, logical, specific and feasible.

- 2.2 Project activities are appropriately innovative for the business and/or the context (country, sector) for which they are designed.
- 2.3 The project budget is reasonable in view of the nature, scope and intended results of the activities.
- 2.4 a) The project bears a logical relation to the allocation of the requested grant amount among the partners and the size of each partner's own contribution. b) Additionally, there is a logical distribution of grant funds among the partners in relation to the activities they perform in the project
- 2.5 a) Activities are sufficiently anchored in the local context and b) sufficient measures are in place locally for the project to be successfully rolled out and completed.
- 2.6 a) The project encourages cooperation among the actors in the chain and b) actively involves local chain partners and external stakeholders in its implementation, in order to ensure local ownership and anchoring.

### 3. Partnership

- 3.1 Partners can demonstrate that they have the relevant knowledge and expertise to run the project successfully.
- 3.2 Partners have sufficient staff and financial capacity to run the project successfully.

### 4. Local impact study (Phase A)

- 4.1 The impact study builds on the risk analysis that the applicant carried out before submitting the grant application. The risk analysis meets the following criteria:
  - a) The areas of the chain (countries, regions, suppliers and sectors) with the greatest social risks have been identified. This information has been used to set priorities in combating the problem, taking account of the gravity of the problem, the likelihood of its occurrence and the impact that the company can have on the situation.
  - b) The application shows awareness of the opportunities that the fight against social risks and/or abuses offers to the Dutch and local businesses and their suppliers, as well as of possible resistance to their efforts and the possible causes of this resistance.
  - c) Where necessary, the analysis of risks in the chain is carried out in cooperation with local stakeholders and with partners whose expertise pertains the social themes in question, namely child labour, living wage or living income and/or working conditions.
- 4.2 The proposed impact study focuses sufficient attention on the elements described in section 4.5 on eligible activities, and the project format makes clear that the study will generate relevant qualitative and quantitative data to compile an effective action plan for eliminating risks and mitigating abuses during the project's implementation phase.
- 4.3 The due diligence study concerns the role of the businesses involved and the extent to which they contribute, directly or indirectly, to social risks or abuses in the chain.

### 5. Compiling the action plan (Phase A)

- 5.1 All stakeholders are involved in drafting the action plan and the plan takes account of local insights.

If a grant is awarded, the grant recipient's project plan for Phase B will be assessed in its entirety (after completion of Phase A) on the basis of the following criteria:

### 6. Implementation of action plan (Phase B)

- 6.1 The project plan incorporates a relevant action plan for the short term (within the time frame of the project) and the longer term, so that any social risks and actual abuses identified locally can be addressed and the businesses involved can improve their due diligence processes. The measures and activities are appropriate for addressing the underlying causes of the social risks identified in Phase A. The action plan also makes clear what the incentives are for each party for enhancing sustainability, what capacity building activities are included, and how the costs are allocated among the partners.
- 6.2 Situational factors revealed by the risk analysis and local impact study are taken into account.
- 6.3 The insights of local actors are integrated in the project plan, and where appropriate the plan is in line with existing local activities and initiatives.

- 6.4 The monitoring and evaluation system used for monitoring progress and taking corrective action is adequate in terms of resources, activities, outputs, outcomes and underlying assumptions.
- 6.5 Sufficient attention is paid to RBC risks and any other social risks that have been identified, and adequate measures will be taken to mitigate these risks.

RVO may also consult external experts during the substantive assessment procedure.

## **8. Grounds for rejection**

In addition to the grounds for rejection set out in section 4:35 of the General Administrative Law Act, a grant application will be rejected if it does not satisfy the provisions of this grant programme or if the budget available is insufficient.

## **9. Oversight**

RVO will carry out random checks to assess the proper use of grant funds, checking regularity and efficiency under the terms of the grant decision. It may visit a project to do so.

## **10. Obligations**

The grant award decision will set out obligations tied to the grant, including an obligation to notify the Minister of facts and circumstances that may have a significant impact on the grant, such as the applicant's temporary or complete inability to implement the activities for which a grant is awarded and obligations to submit accountability reports, including interim and final narrative and financial reports as set out in the International Aid Transparency Initiative (IATI).<sup>19</sup>

In any case, the decision will include a notification requirement. The grant recipient has the obligation to report to RVO when he cannot (fully) comply with the obligations of the grant and/or cannot (fully) perform the activities for which the grant was awarded.

## **11. Administrative burden**

A test based on a standard cost model has been carried out in the interests of accountability for the administrative burden that the applicant will face, from drafting and submitting the application to the management phase, the determining of the definitive grant amount, and any objection and review procedures. The calculation shows that the administrative burden expressed as a percentage of the total available grant budget is 4.6%.

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<sup>19</sup> <https://projects.rvo.nl/iati-portals/>.