

IMPLEMENTATION MANUAL FOR GLOBAL FUND GRANTS SUB- RECIPIENTS

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List of Abbreviations

GFATM.....	The Global Fund to Fight AIDS, Tuberculosis & Malaria
UN.....	The United Nations
UNDP.....	United Nations Development Programme
LFA.....	Local Fund Agent
COs.....	Country Offices
CCM.....	Country Coordinating Mechanism
PR.....	Principal Recipient
SRs.....	Sub-recipients
NGOs.....	Non-Governmental Organizations
CBOs.....	Community based Organizations
FBOs.....	Faith Based Organizations
MDGs.....	Millennium Development Goals
UNGASS.....	UN General Assembly Special session on HIV/AIDS
PRS.....	Poverty Reduction Strategies
SWAps.....	Sector –Wide Approaches
M&E.....	Monitoring & evaluation
TRP.....	Technical Review Panel
CSOs.....	Civil society Organizations
CFPs.....	Call for proposals

Preface

Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) was established in 2002 as a mechanism for financing response to HIV/AIDS, Tuberculosis and Malaria in developing countries.

As a partnership between governments, civil society, the private sector and affected communities, the Global Fund represents an innovative approach to international health financing.

The Global Fund's purpose is to attract, manage and disburse resources to fight AIDS, TB and malaria. GFATM does not implement programs directly, it works through contracting a principle recipient the later sub contracts a Sub recipient entity. In many cases, the partners to Global Fund participate in a local Country Coordinating Mechanisms that provides important technical assistance during the development of proposals and implementation of programs.

UNDP Sudan being the principle recipient developed this Implantation Manual to:

- Enhance Sub-recipients understanding of Global Fund programmatic and operation procedure.
- To maximize partnerships with the civil society in responding to HIV, TB and Malaria through strengthening their capacity to effectively shoulder the responsibilities of GFATM Sub-recipient

Contents of the Manual

This manual is divided in 5 chapters covering all topics relevant to GFATM grants implementation.

Chapter 1: Overview on the Global Fund, Grants and the Global Fund's Governance at Country level. This chapter provides comprehensive information about the GFATM, including its regulations, mechanisms of action and different managerial aspects. Here is a complete overview on CCMs (Country Coordination Mechanisms) including (among others) their structure, nominations, functions, expected inputs in the grant implementation and the coordination mechanism between them and the PR.

Chapter 2: Selecting sub-recipients. This chapter explains comprehensively all aspects related to the Sub-recipients, including the process of their selection, the selection criteria, the selection process at different levels, their approval and all details related to the sub-recipients.

Chapter 3: Contracting Sub-recipients. This chapter explains all details regarding sub-recipients and other aspects of the legal framework.

Chapter 4: Financial Management. This chapter provides information on the financial management and describes financial processes in the Global Fund grants.

Chapter 5: Program management and Key concepts. In addition to program management aspects, this chapter explains some particular aspects of the program such as "Additional Safeguards Policy"

Chapter 1. Overview of the Global Fund, Grants and Global Fund's Governance at Country Level

The Global Fund as a financing mechanism operates towards achieving a comprehensive response to AIDS, TB and malaria, funding both prevention and treatment based on locally determined needs. In response to the call for proposals that GF announce; a country coordinating mechanisms (CCM), should prepares proposals.

The process for preparing proposal should be done in consultation and consolidation of inputs from different CCM member. CCM is expected to include representation from a wide variety of sectors. Specifically: governmental, non-governmental, community-based organizations, academic and educational institutions, people living with the diseases (and related patient and consumer groups), private companies, religious and faith-based organizations (FBOs), and in-country multilateral and bilateral development partners. The CCM Guidelines recommend that at least 40 percent of the CCM membership be comprised of representation from civil society.

Apart from CCMs main role in coordinating the proposal development and nomination of principle recipient; CCM should also oversee and monitor the PR implementation of programmes financed by Global Fund grants. *For further information on CCM composition please refer to CCM guideline.*

The following steps describe briefly the Global Fund's country grant-making and grant-operating process:

1. Global Fund Secretariat announces call for proposals.
2. CCM prepares proposal based on local needs and financing gaps. As part of the proposal, the CCM nominates one or a few Principal Recipients(PR) e.g. UNDP for Sudan
3. Global Fund Secretariat reviews proposals to ensure they meet eligibility criteria; forwards all eligible proposals to the Global Fund Technical Review Panel (TRP) for consideration.
4. TRP reviews all eligible proposals.
5. Global Fund Board approves grants based on TRP recommendation and availability of funds.
6. An Internal Appeal Mechanism allows applicants whose proposals were rejected in two consecutive rounds to appeal the second decision.
7. GFATM Secretariat contracts Local Fund Agent (LFA) to assist the Global Fund in its oversight role during the grants implementation

8. LFA certifies the financial management and administrative capacity of the nominated PR(s).
9. Once the grant agreement signed; based on request from Global Fund Secretariat, the World Bank, Global Fund Trustee, makes initial disbursement to PR.
10. PR should develop detailed annual work plan with potential areas for SRs involvement and share with GFATM secretariat for approval.
11. PR should call for proposal for SRs call for proposal for SRs activates as per approved work plan.
12. The CCM oversees and monitors progress during implementation.
13. SRs should provide programmatic and financial quarterly progress reports to PR as per agreement signed with PR.
14. PR submits periodic disbursement requests with updates on programmatic and financial progress to the Global Fund through LFA.
15. LFA verifies PR/SRs information submitted.
16. SR should submit fiscal year progress report and annual audit of program financial statements to PR.
17. Regular disbursement requests from SRs and program updates continue, with future disbursements tied to ongoing progress.

Apart from CCM's main role in coordinating the proposal development and nomination of principle recipient; CCM should also oversee and monitor the PR implementation of programmes financed by Global Fund grants. *For further information on CCM composition please refer to CCM guidelines www.theglobalfund.org/en/apply/mechanisms/guidelines/*

Principal Recipient

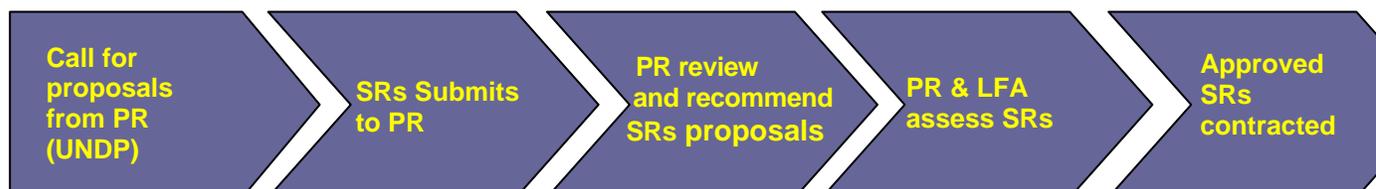
CCMs may choose to nominate more than one PR to be responsible for distinct parts of the proposal. The CCM may also make the PR(s) responsible for a number of sub-recipients, who will receive funds through their allocated PR for specific proposal activities. In certain circumstance where Global Fund mandates extra safe guard policy which limits choices for PR (government institutions can not be PR under safe guard policy) Currently GFATM implement safe guard policy for Sudan.

The responsibilities of the PR include; but not limited to:

- Receive and manage the funds from the Global Fund;
- Make efficient arrangements for contracting and disbursing funds to sub-recipient/s;
- Arrange for procurement and supply management;
- Report on results and request additional disbursement of funds;
- Ensure effective monitoring and evaluation; and
- Support CCM processes by facilitating communication, interactions and synergies among implementing partners.

As mentioned above the Principle Recipient is responsible for contracting Sub recipients for implementation of Global Funds grants. Any applicant will to become a sub-recipient should follow through the steps below:

Process of Call for proposals for applicants:



As of today Sudan successful was approved for 4 grants; the table below summarizes current grants for Sudan and financial details.

GRANT	ROUND	START YEAR	END YEAR	CURRENT YEAR	TOTAL FUNDS	PHASE 1 FUNDS
HIV/AIDS	3	2005	2010	3	\$20,682,531	\$7,842,140
HIV/AIDS	5	2007	2011	1	\$112,553,237	\$29,421,145
Malaria	2	2005	2010	3	\$33,240,453	\$14,237,853
TB	5	2007	2011	1	\$15,410,468	\$6,830,013

Chapter 2 Selecting Sub-recipients

Sub-Recipients Definition:

The Grant Agreement defines a Sub-Recipient (“SR”) as an entity to which PR (UNDP) provides funding in order to carry out activities contemplated under the Program. In UNDP terms, a Sub-Recipient is the “implementing entity” or “contractor.”

It is important to distinguish between SRs and other entities that provide services in a project. The GFATM has stated that the following should be considered in determining whether an entity is a SR:

“A Sub-Recipient is a recipient of grant funds which performs any Program activities that would otherwise be expected to be directly undertaken by the Principal Recipient within the scope of its responsibilities as implementer of the Program. This includes entities that the Principal Recipient may engage to fulfill its minimum capacity requirements, which are assessed by the Global Fund and set out in Global Fund Document “Guidelines for the Principal Recipient Assessment” (December 2, 2003).

Principal Recipients are not expected to be directly engaged in the manufacture and sale of goods, the establishment and use of mechanisms at an international level to facilitate the procurement of goods (such as mechanisms that would not ordinarily be developed by the Principal Recipient solely to undertake activities under the grant or grants), or the innovation and delivery of services that are not directly tied to Program interventions (for example, a Principal Recipient would not be expected to undertake the development and implementation of accounting or other financial software packages, but may be expected to undertake the development and implementation of a training course for medical personnel or supply management chains for program material). Accordingly, entities contracted by the Principal Recipient to perform these activities (such as manufacturers, procurement agents for certain tasks, and certain service providers) should not be treated as Sub-Recipients.

This definition is intended as a guideline only. We note that the decision on whether to treat a contractor as a Sub-recipient or Sub-contractor under this definition will often be unclear. In cases which do not clearly fit within the definition, UNDP and the Global Fund will consult to reach a common understanding with respect to the particular case in hand.”

The PR assumes responsibility to:

- conduct appropriate assessments to ensure that sub-recipients have the required minimum capacities to successfully assume their implementation responsibilities; and
- Monitor sub-recipient performance throughout program implementation.

SRs selection criteria and process :

The process used to select the SRs as implementers under a lead PR should be detailed, transparent, and open and documented including the criteria that will be used to select SRs.

The principle recipient for the Global Fund (UNDP) invites civil society organizations both national and international registered and working in Sudan to submit proposals for implementation of activities of the Global fund grant(s) via an open (Refer to annex call for proposal format) **For an entity to be sub recipient following must happen:**

- GFATM must approved Country proposal/grant
- The entity must look out for Request for Proposal (See Annex – RFP – UNDP)
- Follow the RFP guidelines closely while submitting the Proposal (Also See Annex – Hints for proposal writing)

The following describe steps for SRs selection and contracting process:

Process	Lead time/days
Review the proposal by technical review panel	7
Notification of initial acceptance of the proposal by UNDP	4
CCM endorses accepted initial accepted Organizations	7
Joint Assessment of programmatic and financial systems of the approved organization/entity by PR and LFA	20
Assessment report submitted to GFATM secretariat by LFA	20
Approval for SRs by GFATM	30
PR notifies organization/entity of their approval status either approved or rejected or approved with conditions	7
Approved SRs negotiation with PR on proposal details (workplan, targets, indicators, and budget) and addressing the conditions	15
Signing the agreement between UNDP and the organization	15
First disbursement	5
Implementation starts on the date of agreement signature	
Total approximate duration of the process	130

* There might be some circumstances that may extend the duration of sub-recipients selection and/or contracting by Principal recipient *(for example: a large number of applications received, or when the contract amount exceeds USD 100,000 UNDP needs to approve the contract at UNDP HQ, which takes around 25 days etc)*

Minimum requirements of Sub-recipients:

In order to successfully assume quality and timely implementation and accountability for projects' proceeds, Sub recipients (SRs) need certain minimum institutional and technical capacity requirements before the signing of a Project Cooperation Agreement.

Institutional and technical capacity requirements include:

- Legal status.
- Management and organization
- Infrastructure and information systems
- Health (HIV/AIDS, TB and/or malaria) and cross-functional expertise (finance, procurement, legal, M&E)

Before entrance into agreement, a nominated SR should have a detailed work plan and budget for the intended period of the agreement. The work plan should be an existing plan reflecting Global Fund funded activities which may be part of a larger national program.

A. Legal status

1. The applicant SR should be a currently legally registered organization with HAC or other relevant governmental bodies.
2. The applicant SR should have the necessary authority to enter into the project cooperation agreement.
3. The applicant SR should have a memorandum of understanding (MOU) with the relevant national program regarding coming planned activities.

B. Management and Organization

1. The applicant (potential) SR should preferably have a good track record for timely and results based implementation of project activities.
2. If the applicant SR is a civil society organization, it should have a board that meets regularly and has statutes for its function.
3. The applicant SR should have sufficient management capacity (quality and quantity) to implement the proposed program.
4. The applicant SR is preferably required to have a clear organizational leadership with clear accountability system to implement the proposed project.
5. The applicant SR should coordinate and participate in/seek advice from the relevant national program and technical committees related to the project.
6. The applicant SR has the administrative capacity to forecast, recruit, select, and retain human resources effectively.
7. The applicant SR should have written personnel policies and procedures.
8. The applicant SR should use or follow annual plans (e.g. work plans, M&E, etc.) as part of routine management actions, benchmarking, and variance analysis, and share these documents internally and with key partners.
9. The applicant SR should make available performance reports (e.g. audit reports) for external review by stakeholders including the public.
10. The key individuals who will be responsible for implementing the program should have written job descriptions that incorporate responsibilities associated with the Project.

11. The applicant SR should have demonstrated capacity for programmatic management, including any training or other assistance required to implement the project.
12. The applicant SR should have a current budget sufficient to support key positions and organizational functions **not related** to Global Fund activities. This budget is expected to remain in place for the duration of the project.
13. Able to demonstrate commitment to gender, equity and non discrimination/ principles
14. Able to demonstrate the acceptance within the local communities where the intervention is proposed, or a plan to ensure they will obtain local leaders and communities support.

C. Infrastructure and Information Systems

1. The applicant SR should have a functional IT system for internal and external communication.
2. The current SR's information system should have the capacity to collect and provide programmatic reports for the proposed activities, including reports to PR.
3. The applicant SR should have the ability to work in targeted areas (geographical coverage) where proposed field activities will be implemented.
4. The applicant SR's management should meet periodically to review/analyze performance and share performance outcomes with internal and external stakeholders (e.g. CCM, partners, etc.)
5. The applicant SR should have internal coordination mechanisms to facilitate collaboration with other coordination mechanisms or bodies.
6. The applicant SR should have adequate physical facilities, office equipment, minimum logistical arrangements, etc. to implement current programs

D. Technical Expertise

1. The applicant SR should recruit full time (within its organization) personnel with the required, HIV/AIDS, Malaria or TB expertise necessary to implement the project.
2. The applicant SR should have the required, specialized staff in finance and M&E necessary to implement the project and to recruit other necessary staff (legal etc.)

Samples of SR's activities:

- Training / workshops
 - i. Training modules and curricula should be standardized and nationally endorsed curricula by the relevant program.
 - ii. Targeted audiences and structure will also have the criteria identified by the national program training modules.
 - iii. Trainers/Facilitators would preferably be provided from the trainers' pool of the program.
 - iv. The training should follow the general standards of any training (i.e. Pre test and post test; Training Attendance Sheet; Certificates; Post Evaluation and Follow up Questionnaire..)
 - v. Ensure that the original of the training report and copies of all certificates should be provided to the PR with your quarterly reports, and a copy is retained by your organization.
- Researches
 - i. Researchers are requested to contact the national program initially to discuss their study. This should be made early in order to assure coordination.

- ii. Only studies on mother proposal and national research priority areas will be funded by the PR.
- iii. All research proposals should be sent to the national program research unit for no objection and for being indorsed and the endorsement letter should be provided to the PR.
- iv. Progress on the researches (including the final report), funded by the project should be reported to PR and the National Program.
- v. Research activities undertaken with GF funding shall become a property of the PR, and it can be utilized in any manner in the interest of the PR and the author will continue to be appropriately acknowledged.
- vi. In order to submit a study to the PR; these documents will be required:
 - a. Research Proposal and budget
 - b. Research Protocol.
 - c. Participant/Patient Informed Consent.
 - d. National endorsement letter.
 - e. Ethical clearance.
 - f. Data collection plan
 - g. Analysis plan

Applicants who are also able to demonstrate previous working history in the intervention coverage area, history of managing similar technical, target and/or scale of projects, ability to provide matching funds, and aim to include project beneficiaries (particularly PLWHA) in their organizations, will have a favorable advantage in the assessment process.

All applicants are urged to read through the GFATM grant mother proposal before completing the application. It would also be advantageous to visit www.theglobalfund.org to review particular documents relating to sub recipients.

Technical Review Panel (TRP) selection criteria:

To minimize the possibility of bias and subjective evaluation among the committee members, a scoring system has been designed and agreed upon by CCM to evaluate submitted proposals based on the following components:

1. Organization focuses and mandates 5 marks

- Registered within the concerned bodies in Sudan ;
- Ability to stick to PR and GFTAM ;regulations
- Committed to work within the National policies and Strategic frameworks;
- At least five years experience in delivery of social services and/or experience in community development and mobilization and/or experience of working in partnership, especially with the community and public sector;
- Experience of working in the proposed field and /or a related fields within Sudan or other African countries ;
- Adequate organizational programme staff capacity ;
- Adequate health expertise (HIV/AIDS, tuberculosis and/or malaria) and cross-functional expertise (finance, procurement, legal).

2. Relevance of the submitted proposal to PR call for proposal 5 marks

- Builds on, complements, and co-ordinates with existing national programmes, in support of national policies, priorities, strategies and partnerships.
- Falls under relevant GF mother proposal objectives and SDAs.

3. Technical quality 5 marks

- Technically and programmatically feasible. In addition to that, the relevance to the country context
- result- focused, linking resources to the achievement of a clear and measurable set of indicators for specific programme activities; Includes an explicit monitoring and evaluation plan

4. Presentation of the submitted proposal 5 marks

- Follows required format and points formulated in the CFP
- All documents attached: Narrative proposal, Detailed budget break down, M&E plan with indicators and targets.

5. Budget details 5 marks

- Using call for proposal format detailed budget with all components (human resources, infrastructure, training, commodities/products, and administrative components) accounted for with definite budget lines

Overall assessment

Each member of the *Technical Review Panel (TRP)* assigns a score ranging from 1 to 5 for each of the above components;

Overall assessment is defined as: the mean of all members scores of the five components (total score components/ 5).

The final **score** of the proposal is an average of the overall assessment assigned by each TRP member (9 overall assessment scores/ 9). The panel ranks proposals according to score into 3 categories:

Category A: Proposals with scores above 12.5; to be accepted with or without conditions

Category B: Proposals with scores ranging from 10-12.5; to be accepted with conditions

Category C: Proposals with scores less than 10 points, to be rejected;

SR's Proposal Development

The SR proposal should be consistent with the mother approved Global Fund proposal and within the context of national norms, standards, and best practices. If the proposal does not adhere to national best practices, the applicant should clearly justify why this is the case. Applicants are encouraged to review such materials (mother Global Fund proposal, National HIV/AIDS policy, and National multi-sectoral strategic framework for HIV/AIDS ...TB...Malaria) prior to preparing proposals. The following section will detail some of the terminology used in the GF proposal.

Goals, objectives and service delivery areas (SDAs)

Proposals should describe interventions in the form of a coherent overall strategy based on goals and indicators. These are implemented through specific objectives, service delivery areas and main activities:

a) Goals: These should be broad and overarching, typically reflecting national disease program goals. Achievements will usually be the result of collective action undertaken by a range of actors.

Examples include “Reduced HIV-related mortality,” “Reduced burden of tuberculosis,” “Reduced transmission of malaria.”

b) Objectives: These describe the intention of the programs for which funding is sought and provide a framework under which services are delivered. Examples linked to the sample goals listed above include “To improve survival rates in people with advanced HIV infection in four provinces,” “To reduce transmission of tuberculosis among prisoners in the ten largest prisons” or “To reduce malaria-related morbidity among pregnant women in seven rural districts”.

c) Service delivery areas: These describe the key services to be delivered to achieve each objective. A service delivery area (SDA) is a defined service that is provided to a recipient. Examples for the sample objectives listed above include: “Antiretroviral treatment and monitoring for HIV/AIDS”, “Timely detection and quality treatment of cases for Tuberculosis”, or “Insecticide-treated nets for malaria”. For a listing of SDAs agreed and supported by international partners, please refer to the M&E Toolkit.

d) Main activities: These should describe the main activities linked to each service to be delivered. Examples linked to the sample SDAs listed above include “Developing an adherence support program for people taking antiretroviral therapy”, “Procuring drugs for the treatment of tuberculosis”, or “Developing a distribution mechanism for insecticide treated bed nets”. Key indicators and key implementing partners involved in the activities should be summarized.

Note: it is important that the SR’s proposal follows the projected objectives and SDAs.

The SRs Assessment Process

Local Funding Agent

Local Fund Agents (LFAs) are firms or entities, usually based in countries receiving Global Fund grants, which provide a range of oversight services to the Global Fund. The Global Fund is based in Geneva, Switzerland. It does not have a presence in countries where grants have been made. Instead, it relies on LFAs to oversee, verify and report on the progress on the grants and make recommendations for future funding.

LFAs are selected through a competitive bidding process. The existing LFAs were selected in a two-step process. First, entities/firms were **pre-qualified** as potential LFAs. This was done through a global Request for Proposals, and the selection was based on criteria including the capacity to perform the services, the quality of the proposal and cost. The second step was to select LFAs from among the pre-qualified entities, for specific countries. This was done again through a competitive process, on a country-by-country basis. One LFA is selected per country and deals with all grants in that country. Selection of the LFA by the Global Fund can occur as soon as the proposal is approved by the Board. For Sudan the Global Fund uses the services of an international accounting firm, KPMG.

Role and responsibility

Before a grant agreement is signed with a sub-recipient, the LFA assesses the capacity of the SR to implement the grant as described in the proposal; it also reviews the work plan and budget. The assessment looking at two specific areas:

1. Financial Management and Systems
2. Institutional and Programmatic Capacity (also known as Program Management Capacity)

The LFA compiles a comprehensive report with recommendation to the Global Fund. In some cases these recommendations will be agreed upon as conditions that should be fulfilled before signing grant agreement.

During program implementation, the sub-recipient submits regular progress updates and requests for the disbursement of funds. The LFA reviews these, verifies that targets have been reached and expenses incurred as reported and makes a recommendation to the Global Fund on how much to disburse to the SR. The LFA also advises the Global Fund of any issues it becomes aware of that may affect performance of the grant. ***The LFA usually conducts Quarterly review visits.***

Towards the end of Phase 1 (the first two years of the grant), the Global Fund asks the **Country Coordinating Mechanism (CCM)** to submit a Request for Continued Funding. This is the start of the **Phase 2 process**. This document assesses performance on the grant so far and requests that the grant be renewed into Phase 2. The LFA plays a critical role in reviewing the CCM's Request and making recommendations as to whether the Global Fund should continue to fund the grant, and if so what funding to approve for Phase 2. ***The performance of the individual SRs and the PR is critical to phase 2 continued Funding.***

At the end of the grant, specifically at **month 18**, the LFA is involved in assisting the Global Fund with closure of the grant. In addition, the Global Fund may at any time ask the LFA to perform **ad hoc** services, such as undertake investigations into the suspected misuse of funds.

SR Capacity Assessments

The PR is required by the terms of the Grant Agreement to assess the capacity of SRs before it transfers any resources to them. If the PR finds that a SR does not possess the required capacity to carry out the activities envisioned under the program, the PR will consult with the CCM and the LFA about how the situation should most appropriately be addressed. Sometimes weaknesses in capacity can be addressed with appropriate measures. If capacity can not be developed even with appropriate measures, then the PR can not accept the SR as an implementing agency.

When assessing a sister UN agency as a potential SR, the assessment should not be as detailed as it normally would. Assessment of a UN agency SR can be guided by the principles from which the GFATM has agreed to narrow the assessment of UNDP: that the assessment should focus primarily on an examination of the additional resources, particularly human resources, which may be necessary to carry out the SR's activities. It may also include a limited programmatic assessment as well as an assessment of procurement capacity, but it should not include an institutional, financial management or fiduciary assessment.

While the SR assessments are normally conducted by the PR, in since Sudan is under "additional safeguards" the LFA conducts the assessment. However, under the grant agreement, the PR is responsible for the results the SR is supposed to accomplish and financially accountable for the funds disbursed to it. In these situations there must be an

agreement on how to coordinate the assessments and share the results so that the PR has the information necessary to evaluate the SR's capacity.

Financial Management Systems (FMS)

The processes governing the SR's FMS are vital to the successful implementation of Global Fund programmes. At a minimum, the Global Fund requires SRs to have FMS that:

- can correctly record all transactions and balances, including those supported by the Global Fund;
- can disburse funds to sub-SRs in a timely, transparent and accountable manner;
- can support the preparation of regular, reliable financial statements;
- can safeguard the its assets; and
- Are subject to acceptable auditing arrangements.

The LFA assesses whether the proposed SR meets these minimum requirements. In conducting this assessment, the LFA uses the Global Fund's *Financial Management & Systems (FMS) Assessment Tool*. The *FMS Assessment Tool* is divided into five sections:

- A. Recording of transactions and balances
- B. Disbursement of funds to sub-recipients and suppliers
- C. Preparation of financial statements
- D. Safeguarding of assets
- E. Audit arrangements

The SR is expected to identify an external auditor to undertake an audit within four months of the end of the fiscal year. The audit shall be conducted in accordance with the UNDP audit procedures, UNDP should be consultant on selecting the audit firm,; if requested by the SR, UNDP can select the audit firm . The cost of this audit should be incorporated within the budget.

Institutional and Programmatic (I&P)

In order to successfully assume implementation responsibility and accountability for grant proceeds, SRs need certain capacities and systems. At a minimum, the Global Fund requires SRs to have I&P arrangements that include:

- the legal status to enter into the grant agreement with the Global Fund; including being legally registered with the appropriate authority/body (HAC)
- effective organisational leadership, management, transparent decision making and accountability systems;
- adequate infrastructure and information systems to support proposal implementation, including monitoring the performance of Sub-SRs and out-sourced entities in a timely and accountable manner;
- adequate health expertise (HIV/AIDS, tuberculosis and/or malaria) and cross-functional expertise (finance, procurement, legal, M&E); and
- adequate human resources capacity, or a plan to recruit sufficient personnel .

The LFA will assess whether the proposed SR meets these minimum requirements. Before the I&P assessment can be conducted, the SR should have completed its detailed work plan and Budget for the proposed activities and. In conducting the assessment, the LFA uses the

Global Fund's *Institutional & Programmatic (I&P) Assessment Tool*. The *I&P Assessment Tool* is divided into four sections:

- A. Legal status
- B. Management and organisation
- C. Infrastructure and information systems
- D. Health expertise

Note: It is important for the SR under assessment to prepare all required documents before LFA visit, and to communicate any documents required during the LFA visit without delay.

After the SR assessment

The Global Fund maintains the right to modify in the scope of proposed grant, e.g. Change to a goal, an objective or, in some cases, a service delivery area. These changes are negotiated with respective SR and are conducted under CCM guidance. **Any change in a proposal should be agreed upon by both SR - PR and approved by CCM.** The following would constitute a change in scope:

- Adding a goal, objective or service delivery area that was not contained in the original proposal (even if doing so does not affect the existing goals, objectives or service delivery areas). An example of this would be if the PR recognized that the SR had omitted an important service delivery area after the proposal was submitted, and felt that the goals of the proposal could not be met unless this service delivery area were included. Another example would be when activities comprise a better fit for the organizational mandate and or previous experience.
- Dropping entirety a goal, an objective or a service delivery area. An example of this would be if the PR and CCM determined that an objective can be more efficiently implemented by another SR for reasons such as institutional & programmatic capacity or geographical coverage
- Altering the targets in a service delivery area. An example would be a SR
- Modifying the budget.

Summery key points in this chapter:

1. A **Sub-Recipient** (“SR”) as an entity to which UNDP provides funding in order to carry out activities contemplated under the Program.
2. The PR conducts appropriate assessments to ensure that sub-recipients have the required minimum capacities to successfully assume their implementation responsibilities
3. There are two approaches to timing of selection of sub-recipients, either prior to proposal submission or after proposal submission. This is done through their development & finalization of work-plans
4. The process used to select the SRs as implementers under a lead PR should be detailed, transparent, open and documented including the criteria that will be used by to select SRs.
5. UNDP as the principle recipient for the Global Fund invites civil society organization both national and international registered and working in Sudan to submit proposals for implementation of activities of the Global fund grant(s) via an open **Call for Proposals**. The application forms are accessed solely through the UNDP-Sudan website (<http://www.undp.sd.org>), and are available in English.
6. Applicants are usually given 3 weeks preparation period with a particular deadline. A technical review panel is identified, under CCM guidance, to assess proposals submitted by potential sub-recipients.
7. A scoring system has been designed and agreed upon in advance between all TRP members to evaluate submitted proposals
8. **Local Fund Agents (LFAs)** are firms or entities, usually based in countries receiving Global Fund grants, which provide a range of oversight services to the Global Fund
9. LFAs conduct SRs assessment through :Financial Management and Systems Institutional and Programmatic Capacity (also known as Program Management Capacity)

Chapter 3: Contracting Sub-recipients (Legal Framework)

Signing the Project Cooperation Agreement – Legal Framework

What does the Project Cooperation Agreement contain?

The Project Cooperation Agreement is the legal document of agreement between the UNDP and the sub-recipient. The document contains a total of 23 articles. The articles are fully defined in the coming section.

Article I: Definitions of all terminology utilized in the agreement.

Article II: Objective and scope of the present agreement

Article III: Duration of the agreement

Article IV: General responsibilities of the parties.

Article V: Personnel Requirements

Article VI: Terms & responsibilities of the Personnel

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SR Agreements

The PR is required to have an agreement with the SRs that is consistent with the grant agreement and acceptable to the GFATM. **UNDP has a model of agreements for use with SRs in GFATM programs that have been approved by the GFATM**, which are based on the model NGO Cooperation Agreement and the Standard Letter of Agreement between UNDP and a Non-government organization/agency or United Nations Agency. Below is an outline of the standard co-operation agreement between UNDP and an NGO.

General points

- The agreement is used when a non-governmental agency cooperates with UNDP to carry out activities when UNDP serves as principal recipient in connection with activities funded by the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)
- UNDP, as Principal Recipient, prepares this Agreement in consultation with the non-governmental organization and the GFATM
- Pursuant to Financial Rule 117.03, UNDP has to ensure that in directly executing the project/programme mentioned in this Letter, the policies and procedures governing the use of resources by UNDP under Chapter F of its Financial Regulations and Rules shall be applicable
- The present Agreement or its Annexes may be modified or amended only by written agreement between the Parties.
- Any substantial departures to this Agreement must be cleared with the Office of Legal and Procurement Support
- After signature, UNDP keeps one original and provides the NGO with the other original. UNDP will also provide a copy to the Local Fund Agent for the GFATM

The agreements clearly states that UNDP, as the Principal Recipient and in accordance with the Grant Agreement, cooperates with the Country Coordinating Mechanism –CCM as appropriate. Also, that UNDP AS A pr is authorized to provide funds and resources to other entities when necessary to carry out activities, in accordance with the Grant Agreement. Moreover, it details that the respective NGO is committed to the principles of participatory sustainable human development and development cooperation, has demonstrated the capacity needed for the activities involved, in accordance with the UNDP requirements for management. It also highlights the importance of implementing the proposed activities without discrimination, direct or indirect, because of race, ethnicity, religion or creed, status of nationality or political belief, gender, disability, or any other circumstances.

Definitions

For the purpose of the Agreement, the following definitions shall apply:

- (a) "Parties" shall mean the NGO and the United Nations Development Programme;
- (b) "UNDP" shall mean the United Nations Development Programme, a subsidiary organ of the United Nations, established by the General Assembly of the United Nations;
- (c) "SR" or "Sub-Recipient" shall mean the NGO **an** [*description of entity*] that was established in and incorporated under the laws of Sudan, with the purpose of [*the purpose or mandate of the SR*];
- (d) "GFATM" shall mean the GFATM to Fight AIDS, Tuberculosis and Malaria, a non-profit foundation established under the laws of Switzerland;

(e) "CCM" shall mean the Country Coordinating Mechanism, the organization that coordinates the submission of proposals to the GFATM and monitors the implementation of activities;

(f) "LFA" shall mean the entity that acts as the Local Fund Agent for the GFATM;

(g) "The Agreement" or "the present Agreement" shall mean the present Project Cooperation Agreement, the Project Document (Annex), which incorporates the Project Objectives and Activities, Project Work Plan, Project Inputs being provided by the grant, and Project Budget, and all other documents agreed upon between the Parties to be integral parts of the present Agreement;

(h) "Government" shall mean the Government of Sudan.

(i) "UNDP Country Director shall mean the UNDP official in charge of the UNDP office in the country, or the person acting on his/her behalf;

(j) "Expenditure" shall mean the sum of disbursements made and valid outstanding obligations incurred in respect of goods and services rendered;

(k) "To advance" shall mean a transfer of assets, including a payment of cash or a transfer of supplies, the accounting of which must be rendered by the SR at a later date, as herein agreed upon between the Parties;

(l) "Income" shall mean the interest on the Project funds and all revenue derived from the use or sale of capital equipment, and from items purchased with funds provided by UNDP or from revenues generated from Project outputs;

(m) "*Force majeure*" shall mean acts of nature, invasion or other acts of a similar nature or force;

(n) "Project" shall mean the activities to be carried out by the NGO in support of the program entitled "[*title of program*]" which UNDP is administering pursuant to its agreement with the GFATM;

(o) "Project Work Plan" shall mean a schedule of activities, with corresponding time frames and responsibilities, that is based upon the Project Document, deemed necessary to achieve Project results, prepared at the time of approval of the Project, and revised annually.

(p) "Resources" shall mean funds, equipment, supplies and any other thing of value.

Objective and Scope of the Present Agreement

This section identifies the general terms and conditions of the cooperation as those set out in the project document which is usually enclosed as an annex. It also stipulates that the Parties agree to join efforts and to maintain close working relationships, in order to achieve the Objectives of the Project.

Duration of Agreement

This section explicitly identifies the start and end dates of the project as provisions of the Agreement that are necessary to permit an orderly settlement of accounts between the parties shall survive the Agreement's termination.

General Responsibilities of the Parties

Parties should carry out their respective responsibilities in accordance with the provisions of the present Agreement, and to undertake the Project in accordance with UNDP policies and procedures as set out in the UNDP Programming Manual. A focal person/unit with the ultimate authority and responsibility for the project should be nominated by the NGO and communicated to the UNDP. There should be constant communication between the parties with all information pertaining to the Project and shall consult once every three months or as circumstances arise , with a view to reviewing the Project Work Plan and Budget. The parties shall also cooperate in the preparation of any reports, statements or disclosures, which are required by the GFATM or national law. The activities under the present Agreement are in support of the efforts of the Government of Sudan and the CCM, and therefore the SR will communicate with the members of the CCM, including representatives of the Government, as necessary. The UNDP Country Director will act as the principal channel for communicating with the Government and the CCM regarding the activities under the Agreement unless otherwise agreed with the Parties. The UNDP Country Director will facilitate access to information, advisory services, technical and professional support available to UNDP and will assist the SR to access the advisory services of other United Nations organizations, whenever necessary. The Parties shall cooperate in any public relations or publicity exercises, when the UNDP Country Director deems these appropriate or useful.

Personnel Requirements

The SR shall be fully responsible for all services performed by its personnel, agents, employees, or contractors - referred to as "Personnel". The SR Personnel shall not be considered in any respect as being the employees or agents of UNDP. The SR shall ensure that all relevant national labour laws are observed. The SR shall ensure that its Personnel meet the highest standards of qualification and technical and professional competence necessary for the achievement of the Objectives of the Project, and that decisions on employment related to the Project shall be free of discrimination on any basis.

UNDP does not accept any liability for claims arising out of the activities performed under the present Agreement, or any claims for death, bodily injury, disability, damage to property or other hazards that may be suffered by SR Personnel as a result of their work pertaining to the project. The SR shall maintain adequate medical and life insurance for SR personnel, as well as insurance coverage for service-incurred illness, injury, disability or death.

Terms and Obligations of Personnel

The Personnel shall be under the direct charge of the SR, which will function under the general guidance of UNDP. They shall not seek nor accept instructions regarding the activities under the present Agreement from any Government other than Sudanese Government of National Unity or other authority external to UNDP. Information that is considered confidential shall not be used without the authorization of UNDP. The SR may communicate with the media regarding the methods and scientific procedures used by the SR; however, UNDP clearance is required for the use of the name UNDP in conjunction with Project Activities

Supplies, Vehicles and Procurement

UNDP shall contribute to the Project the goods and services indicated in the Budget section of the Project Document. The SR, in consultation with UNDP, will develop the specifications and/or Terms of Reference for the goods and services identified.

To the extent that the SR has been authorized in the Project Work Plan and Budget to directly procure any goods or services, the SR shall ensure that, when placing orders or awarding contracts, it will safeguard the principles of highest quality, economy and efficiency, and that the placing of such orders will be based on an assessment of competitive quotations, bids, or proposals unless otherwise agreed to by UNDP. Equipment, non-expendable materials, or other property furnished or financed by UNDP shall remain the property of UNDP and shall be returned to UNDP upon completion of the Project or upon termination of the present Agreement, unless otherwise agreed upon between the Parties, and in consultation with the GFATM. During Project implementation, all equipment and materials shall be devoted to the Program, and the SR shall be responsible for their proper custody, maintenance and care. The SR shall, for the protection of such equipment and materials during implementation of the Project, obtain appropriate insurance in the amounts agreed upon between the Parties and incorporated in the Project Budget. The SR will identify supplies, equipment and other materials furnished or financed by UNDP as property of UNDP.

UNDP shall make every effort as appropriate to assist the SR in clearing all equipment and supplies through customs at places of entry into the country where Project activities are to take place.- The SR shall maintain complete and accurate records of equipment, supplies and other property furnished or financed by UNDP and shall take periodic physical inventories. The SR shall provide UNDP biannually with the inventory of such equipment, property and non-expendable materials and supplies, and at such time and in such form as UNDP may request.

Financial and Operational Arrangements

If authorized in the Project Work Plans and Budget, UNDP will make available to the SR funds up to the maximum specific amount. The funds will be paid to the SR quarterly, after a financial report and other agreed-upon documentation, as referenced in Article X, below, for the activities covered by the relevant quarter have been submitted to and accepted by UNDP as showing satisfactory management and use of UNDP Resources. The SR agrees to utilize all Resources furnished or financed under this Agreement in strict accordance with the Project Document. UNDP has no obligation to provide any Resources that are different than or whose value exceeds what is set forth in the Project Work Plan and Budget, except that the SR may authorize budget variations (funds re-allocation) not exceeding ten (10) percent on any one item of the Budget (budget line) if the total Budget allocated by UNDP is not exceeded and if the targets achievement will not be affected by funds re-allocation. Any variations exceeding ten (10) per cent on any one-line item and any variations that involve purchases or activities that are different than what is set forth in the Project Document shall be subject to prior consultations with and approval by UNDP. The SR shall notify UNDP about any expected variations in the Quarterly Reports—

Unless otherwise agreed to in writing by UNDP, the SR further agrees to return within two weeks of the termination or end of the present Agreement or the completion of the Project any remaining Resources that have been furnished or financed by UNDP, except for unspent funds, which shall be returned within two months of the termination of the present Agreement or the completion of the Project. UNDP shall not be liable for the payment of any expenses, fees, tolls or any other financial cost not outlined in the Project Work Plan or Project Budget unless UNDP has explicitly agreed in writing to do so prior to the expenditure by the SR. The SR recognizes

that all Resources are subject to availability from the GFATM and that the amount of Resources contemplated under this Agreement could be reduced or eliminated if funds are not received from the GFATM. The SR agrees to accept any amendment to the annexed Project Document, including modifications and reductions to the budget, necessary for the successful implementation of the program as a whole.

In the case of any disbursement that is not made or used in accordance with this Agreement, or that finances goods or services that are not used in accordance with this Agreement, UNDP, notwithstanding the availability or exercise of any other remedies under this Agreement, may require SR to refund the amount of such disbursement within fifteen (15) days after SR receives UNDP's request for a refund.

The right to reimbursement set forth in the above article will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

Maintenance of Records

The SR shall keep accurate and up-to-date records and documents in respect of all Resources received under this agreement and any expenditure incurred with the funds made available by UNDP to ensure that all expenditures are in conformity with the provisions of the Project Work Plan and Project Budgets. For each resource received or disbursement, proper supporting documentation shall be maintained, including original invoices, bills, and receipts pertinent to the transaction. Any Income arising from the management of the Project shall be promptly disclosed to UNDP. The Income shall be reflected in a revised Project Budget and Work Plan and recorded as accrued income to UNDP unless otherwise agreed between the Parties. Upon completion of the Project/or Termination of the Agreement, the SR shall maintain the records for a period of at least four years unless otherwise agreed upon between the Parties.

Reporting Requirements

The SR shall provide UNDP with periodic reports on the progress, activities, achievements and results of the Project, as agreed between the Parties. At a minimum, the SR agrees to provide :

Quarterly Reports: SR agrees to provide UNDP with a Financial and Programmatic Report in form and substance acceptable to UNDP within thirty (15) days after the end of each of UNDP's fiscal quarters. The Quarterly Reports shall reflect (i) the financial activity during the quarter in question and cumulatively from the beginning of the Program until the end of the reporting period, and (ii) a description of the progress achieved toward the milestones set forth in the Project Document. **The SR shall explain in the report any variation between the planned and actual achievements for the period in question.** If authorized by the Project Work Plan and Budget, the financial section of the Quarterly Reports should also request a quarterly disbursement of funds.

For example: The reports will cover the following time periods and will be due on the following dates:

<u>Period Covered By Report</u>	<u>Report Due Date</u>
Jan. 1- March 31	April 15
April 1- June 30	July 15
July 1- Sept. 30	October 15
Oct. 1- Dec. 31	Jan. 15

The financial section of the Quarterly Reports should list the disbursements incurred on the Project by budgetary component on a quarterly basis, and reconcile outstanding advances and foreign exchange loss or gain during the quarter. It should reflect the transactions of a project on a cash basis. For this reason, unliquidated obligations or commitments should not be reported to UNDP, i.e., the reports should be prepared on a "cash basis", not on an accrual basis, and thus include only disbursements made by the SR and not commitments. However, the SR shall provide an indication when submitting reports as to the level of unliquidated obligations or commitments, for budgetary purposes.

The Quarterly Reports contain information that form the basis of a periodic financial review and its timely submission is a prerequisite to the continuing funding of the Project. Unless the Quarterly Report is received, UNDP will not act on requests for disbursements.

In addition to the Quarterly Reports, SR will provide UNDP no later than January 30 of each year of program implementation, with an annual financial and programmatic report in form and substance acceptable to UNDP, covering the preceding fiscal year. Within two months of the completion of the Project or of the termination of the present Agreement, the SR shall submit a final report on the Project activities and include a final financial report on the use of UNDP funds, as well as an inventory of supplies and equipment. The SR also agrees to provide, compile and have available for UNDP whatever other record or information, verbal or written, that UNDP, the CCM and/or the LFA may reasonably request with respect to the Resources it has received.

Tax Exemptions

Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, *inter-alia*, that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations exemption from such taxes, duties or charges, the SR shall immediately consult with UNDP to determine a mutually acceptable procedure. Accordingly, the SR authorizes UNDP to deduct from the SR's invoice any amount representing such taxes, duties or charges, unless the SR has consulted with UNDP before the payment thereof and UNDP has, in each instance, specifically authorized the SR to pay such taxes, duties or charges under protest. In that event, the SR shall provide UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.

Audit Requirements

The SR shall complete an audit of its expenditure statements within four (4) months of the end of the fiscal year and shall submit the audited statement to the PR. *The audit shall be conducted in accordance with UNDP audit procedures, which are described in section 6.8 of the UNDP Programming Manual.* The SR shall consult with the PR to ensure that the audit firm has the necessary qualifications to conduct the audit. If requested by the SR, the PR will select and contract the audit firm. The cost of the audit will be charged to the "audit" budget line.

Suspension and Early Termination

The Parties hereto recognize that the successful completion and accomplishment of the purposes of a technical cooperation activity are of paramount importance, and that UNDP may find it necessary to terminate the Project, or to modify the arrangements for the management of a Project, should circumstances arise that jeopardize successful completion or the accomplishment of the purposes of the Project. The provisions of the present Article shall apply to any such situation.

UNDP shall consult with the SR if any circumstances arise that, in the judgment of UNDP, interfere or threaten to interfere with the successful completion of the Project or the accomplishment of its purposes. The SR shall promptly inform UNDP of any such circumstances that might come to its attention. The Parties shall cooperate towards the rectification or elimination of the circumstances in question and shall exert all reasonable efforts to that end, including prompt corrective steps by the SR, where such circumstances are attributable to it or within its responsibility or control. The Parties shall also cooperate in assessing the consequences of possible termination of the Project on the beneficiaries of the Project.

UNDP may at any time after occurrence of the circumstances in question, and after appropriate consultations, suspend the Project by written notice to the SR. UNDP may indicate to the SR the conditions under which it is prepared to authorize management of the Project to resume.

If the cause of suspension is not rectified or eliminated within fourteen (14) days after UNDP has given notice of suspension to the SR, UNDP may, by written notice at any time thereafter during the continuation of such cause: (a) terminate the Project; or (b) terminate the management of the Project by the SR, and entrust its management to another institution. The effective date of termination under the provisions of the present paragraph shall be specified by written notice from UNDP.

Subject to paragraph 4 (b), above, of the present Article, the SR may terminate the present Agreement in cases where a condition has arisen that impedes the SR from successfully fulfilling its responsibilities under the present Agreement, by providing UNDP with written notice of its intention to terminate the present Agreement at least thirty (30) days prior to the effective date of termination if the Project has a duration of up to six months and at least sixty (60) days prior to the effective date of termination if the Project has a duration of six months or more.

Additionally

The SR recognizes that the GFATM awarded the project funds that are the subject of this Agreement on the condition that the grant is in addition to the normal and expected Resources that the NGO normally receives or budgets from external or domestic sources. In the event such other Resources are reduced to an extent that it appears that the grant is being used to substitute for other Resources, UNDP may terminate this Agreement upon request from the GFATM.

Force Majeure

In the event of and as soon as possible after the occurrence of any cause constituting *Force Majeure*, , the Party affected by the *Force Majeure* shall give the other Party notice and full particulars in writing of such occurrence if the affected Party is thereby rendered unable, in whole or in part, to perform its obligations or meet its responsibilities under the present Agreement. The Parties shall consult on the appropriate action to be taken, which may include

suspension of the present Agreement by UNDP or termination of the Agreement, with either Party giving to the other at least seven days written notice of such termination.

Child Labor and Mines

The SR represents and warrants that neither it, nor any of its suppliers is engaged in any practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical mental, spiritual, moral or social development.

The SR represents and warrants that neither it nor any of its suppliers is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines or in such activities in respect of components primarily utilized in the manufacture of Mines.

Any breach of this representation and warranty shall entitle UNDP to terminate this Agreement immediately upon notice to the SR, without any liability for termination charges or any other liability of any kind of UNDP.

Conflicts of Interest; Anti-Corruption

The parties agree that it is important that all necessary precautions are taken to avoid conflicts of interest and corruption. To this end, the SR shall maintain standards of conflict that govern the performance of its staff, including the prohibition of conflicts of interest and corrupt practices in connection with the award and administration of contracts, grants, or other benefits. If the SR has knowledge or becomes aware of any actual, apparent or potential conflict between the financial interests of any person affiliated with the SR, the Country Coordinating Mechanism, the LFA, or the Global Fund and that person's duties with respect to the implementation of the Program, the SR shall immediately disclose the actual, apparent or potential conflict to UNDP.

The SR shall neither offer a third person nor seek accept or be promised directly or indirectly for themselves or for another person or entity any gift or benefit that would or could be construed as an illegal or corrupt practice.

General Provisions

With respect to all insurance required to be purchased under this Agreement (except workmen's compensation insurance), the insurance policies shall:

- (i) Name UNDP as additional insured;
- (ii) Include a waiver of subrogation of the SR's rights to the insurance carrier against UNDP;
- (iii) Provide that UNDP shall receive thirty (30) days written notice from the insurers prior to any cancellation or change of coverage.

The SR shall, upon request, provide UNDP with satisfactory evidence of this insurance .The SR understands that UNDP is responsible for monitoring and evaluating the activities of the program. The SR agrees to cooperate with UNDP in its monitoring and evaluation and to perform every obligation set forth in a Monitoring and Evaluation plan to be agreed to by the parties. The SR shall allow authorized representatives of UNDP, the GFATM, and/or their designated agents, to visit its sites on an ad hoc basis, at the time and places designated by these entities. The purpose of such ad hoc site visits is to allow UNDP, the GFATM, and/or their agents to oversee implementation, including the verification of data contained in reports on implementation and to determine whether value for money has been obtained. The SR understands that the GFATM has the discretion to conduct an independent evaluation of the program that will focus on results, transparency, and substantive accountability. The SR agrees to cooperate fully in the execution of the evaluation. The SR shall not cause or permit any lien, attachment or other encumbrance by any person to be placed on file or to remain on file in any public office or on file with UNDP against any monies due or to become due for any work done or materials furnished under this Agreement, or by reason of any other claim or demand against the SR.

Chapter 4: Financial Management

Payment to SRs

Total Global Fund funding for the Programme is limited to the Grant. Each disbursement of Grant funds shall be subject to the availability of funds to the Global Fund for such purpose at the time of the disbursement. Disbursements to the SRs are done according to the received funds from the GFATM within the PR's financial system. The available funds, the anticipated funds, SRs performance & savings are taken in-consideration when programming the disbursements to the SRs. The PR *usually* disburses funds to SRs on quarterly basis, however in some particular situations -taking in consideration the program needs & nature of activities- disbursements can be done bi-quarterly or on annual basis.

The UNDP conducts a financial capacity assessment to all SRs prior to their official nomination as SRs. (*see SR selection criteria module*). If the potential SR does not have the financial capacity to handle disbursed funds, then it can not be nominated as an SR for the GFATM project regardless of the type of SR (govt., NGO, private sector). In some cases weak financial capacity can be addressed through smaller disbursements, more frequent reporting periods, activity based disbursements, and/or direct payments

Funds for Training Activities are usually disbursed on annual basis, considering the essentiality of all training activities in the grant; therefore SRs are advised to budget for training activities in the first two quarters.

After the first disbursement is done to the SR, the second and subsequent installments will be advanced to the SR when a Quarterly Report and other agreed upon documentation for the activities completed have been submitted to and accepted by UNDP as showing satisfactory management and use of UNDP resources.

The SR must utilize all resources furnished or financed by UNDP in strict accordance with the Project Work Plan and Budget. SRs are authorized to make variations not exceeding 10 % on any budget line of the Project's Work Plan, provided that the total Budget allocated by UNDP is not exceeded.

UNDP (The PR) must be notified, if the SR expects any variations in the quarterly reports. The same applies to the possible variations exceeding 10% in any budget-line involving or not purchasing of items or the modification of some activities that were agreed upon in the work plan.

Un-spent funds by the SR must be returned to the UNDP within two months after the termination of the SR Agreement or the completion of the project. Should different arrangement take place, such as extension of the agreement with the SR, the UNDP will follow the official procedures for the written extension upon the agreement between the two parties.

UNDP will not be liable for the payment of any expenses, fees, tolls or any other financial cost not outlined in the Project Work Plan or Project Budget unless UNDP has explicitly agreed in writing to do so prior to the expenditure by the SR.

In the case of any disbursement that is not made or used in accordance with the SR Agreement, or that finances goods or services that are not used in accordance with this Agreement, UNDP may require the SR to refund the amount of such disbursement within fifteen (15) days after SR receives UNDP's request for a refund.

Quarterly Financial Reports

The Quarterly Reports contain information that form the basis of a periodic financial review and its timely submission is a prerequisite to the continuing funding of the Project. Unless the Quarterly Report is received UNDP will not act upon a request for disbursement.

Since all SRs are required to submit Quarterly Reports to UNDP, as UNDP has agreed to report quarterly to the GFATM. From a financial point of view, the SR reports should reflect at a minimum:

- (i) Detailed financial activity during the quarter in question and cumulatively from the beginning of the Program until the end of the reporting period.
- (ii) A description of the progress achieved toward the indicators set forth in Annex A to the Grant Agreement including the relationship between the progress and the expenditure in the reporting period.
- (iii) The SR must explain in the report any variation between the planned and actual expenditures for the period in question.
- (iv) The SRs financial report must reflect clearly - in details - the SR's expenditure breakdown against the planned activities and budgeting lines. UNDP (the PR) shall provide the forms for this item of the financial report
- (v) The SRs must submit a Bank statement reflecting the: Expenditure against the Budget & the Balance in the respective reporting period.

The financial section of the Quarterly Reports should request a quarterly disbursement of funds. (See attachment 4)

SRs should reconcile outstanding advances and foreign exchange loss or gain during the quarter. It should reflect the transactions of a project on a cash basis including only disbursements made by the SR and not commitments. However, the SR shall provide an indication when submitting reports as to the level of unliquidated obligations or commitments, for budgetary purposes.

Accurate & up-to-date records & documents related to each & every expenditure incurred with the funds disbursed from UNDP must be kept by the SR. This is for ensuring that all expenditures confirm with the work plan and project budgets.

For each disbursement, **proper supporting documentation** shall be maintained, including original invoices, bills, and receipts pertinent to the transaction. **Supporting documentation must be produced to UNDP if requested** in order for a disbursement request to be processed.

Any Income arising from the management of the Project shall be promptly disclosed to UNDP. The Income shall be reflected in a revised Project Budget and Work Plan and planned for reprogramming from UNDP's side unless otherwise agreed between the Parties.

The SR will not accept refunds from suppliers for goods or services procured through UNDP. Any offer of a refund should be promptly reported to UNDP. Any refund on goods or services that the SR was authorized to procure directly should be reflected on the financial section of the report as a reduction of disbursements on the component to which it relates.

Upon completion of the Project/or Termination of the SR Agreement, the SR shall maintain its records for a period of at least four years unless otherwise agreed upon between the Parties.

Annual Report

In addition to the Quarterly Reports, SR will provide UNDP no later than 30 days after the end of each year of program implementation, with an annual financial report, including all the elements mentioned above for the quarterly reports , and reflecting the SR's total expenditure against the budget plus balance in the respective implementation year.

The SRs will provide clarifications and supporting documents to UNDP if requested

Summery Key points in this chapter:

1. Disbursement of Grant funds shall be subject to the availability of funds to the Global Fund for such purpose at the time of the disbursement. Disbursements to the SRs are done according to the received funds from the GFATM within the PR's financial system. The available funds, the anticipated funds, SRs performance & savings are taken in-consideration when programming the disbursements to the SRs.
2. Disbursement of funds to SRs are done on quarterly basis, however in some particular situations -taking in consideration the program needs & nature of activities- disbursements can be done bi-quarterly or on annual basis.
3. Funds for Training Activities are usually disbursed on annual basis, considering the essentiality of all training activities in the grant; therefore SRs are advised to budget for training activities in the first two quarters.
4. The SR must utilize all resources furnished or financed by UNDP in strict accordance with the Project Work Plan and Budget. SRs are authorized to make variations not exceeding 10 % on any budget line
5. UNDP (The PR) must be notified, if the SR expects any variations in the quarterly reports. The same applies to the possible variations exceeding 10% in any budget-line.
6. SRs will provide detailed quarterly financial reports and annual financial report to the PR

Chapter 5: Program Key Concepts: Additional Safe Guard Policy:

The Global Fund's approved grants for the Northern Sudan are managed under "Additional Safe Guard Policy:"

The Additional Safe Guard policy is an applied alternative funding mechanism due to the existence of particular constraints concerning funding proposals for recipients & sub-recipients in Sudan & a number of other countries.

The Use of the Additional Safeguard Policy: The Additional Safeguard Policy would be invoked by the Global Fund's Secretariat when the existing systems to ensure the accountable use of Global Fund financing reveal conditions that suggest that Global Fund monies could be placed in jeopardy without the use of such additional measures. Examples could include significant concerns about governance; the lack of a transparent process for identifying a broad range of implementing partners; major concerns about corruption; or a widespread lack of public accountability. The application of the policy would be decided upon by the Secretariat.

Operating principles/procedures: To ensure the necessary transparency, Fiduciary accountability, and reporting when dealing with constrained partnerships, the Secretariat would introduce additional procedures and criteria during the proposal/grant cycle. These would continue through the entire life of the grant. The alternative funding Mechanism would, therefore, have operating principles based on the Framework Document guidelines, the Global Fund's existing policies/procedures and the additional compliance criteria.

The Additional Safeguard Policy could include the following procedure/criteria:

a) *Selection of PRs:* The nomination of the Principal Recipients would, in consultation with other development partners who have experience in working within the constrained environment, be the responsibility of the Secretariat. PRs could include multilaterals, bilaterals, NGOs, or other suitable entities. As is the current practice, these entities would be assessed for their ability to successfully implement the program. The final selection of PRs will be based on the PR assessment and remain with the Secretariat.

The Grant agreement will only be signed after the PR implements the recommendations of the full PR assessment.

b) In addition to the normal assessment of the PR, which is based on the Global Fund's PR Assessment Tool Kit, a special emphasis will be placed on the *Transparency and accountability of the flow of funds to sub-recipients*, and in certain cases, contractors, and sub-contractors. This would include a review of the nature, type, and past experiences of sub-recipients, contractors, and sub-contractors proposed.

c) As with other grants, *disbursement of funds will be made based on achieving performance indicators*. In addition, consideration will be given to disbursing funds based on statement of expenditures and actual contracts to further ensure accountability use of Global Fund financing. Where possible the Global Fund may arrange for direct payment to contractors/vendors in order to avoid direct or indirect payments to constrained partners.

d) Where there are major distortions between the official exchange rate and the market rate, the Global Fund will work with other development partners and participate in acceptable currency exchange rate baskets to remove any distortions.

e) The Global Fund will, at its discretion, instruct the LFA to carry out *detailed assessments* of any or all proposed sub-recipients. The LFA will also be instructed to provide more frequent site visits and accounting reviews than under normal circumstances. The Global Fund, as part of the grant negotiations process, should receive assurances in the form of a side letter between the LFA and the government that these additional steps will be permitted by the host government.

Reporting and Follow-up: The Secretariat will report to the GPC the cases in which the Additional Safeguard Policy has been used. The Secretariat will furnish information on why the policy was invoked and how particular obstacles were or were not overcome in reaching a grant agreement (e.g., the selection of the Principal Recipient, if there were major discrepancies between the official and market exchange rates, etc.). **The Additional Safeguard Policy will be reviewed and updated as necessary based on specific cases and experiences.**

Summery Key Points in this Chapter:

- The additional Safe Guard Policy is an alternative funding mechanism applied upon the decision of the GFATM for a number of countries (including: Sudan, North Korea, Cuba & Iran)
- The application of the Safe Guard Policy is done through out the entire life cycle of the grant/Proposal.
- Special additional measures are applied to the countries operating under additional safe guard policy, regarding PRs & SRs selection, LFA assements and disbursements to SRs