



GRANT
MANAGEMENT
SOLUTIONS

TOOLS & TEMPLATES

Organizational and Financial Management

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Item No.	Area of Opportunity	Question	Comment	Principal Recipient (PR)		Subrecipients (SRs)	
				Yes	No or Do Not Know	Yes	No or Do Not Know
INTEGRITY CHECK							
1	Data	Have you checked the source of the data and do you have supporting evidence?	Verify correctness of per diem rates, airfares, allowances, and other types of rates.				
2	Human resources	Do salaries follow national and/or organizational policies?	Verify correctness of proposed salaries as per national, organizational policies and budgeting guideline of the Global Fund to Fight AIDS, Tuberculosis and Malaria; review top-up guidelines and ascertain compliance.				
3	Management costs	Have you checked the integrity and reality of the management costs?	Make sure that the management costs are not a fixed percentage and that the amount reflects real management costs necessary for the implementation of the grant that are not covered by any other funding source.				
4	Budget assumptions	Have there been changes or fluctuations in financial terms?	Verify whether original data are still valid due to lag period.				
5	Unit costs	Have you verified that the unit cost and quantities are correctly shown?	Verify that what appears as a unit cost matches the identified unit. For example, if the unit is a box with 100 gloves, the unit consists of boxes, not gloves. Also, make sure that you are using one box, not 100 boxes, in the calculation.				
6	Formulas	Have you double-checked the formula links?	Check formula links to be sure that they are correct.				
7	Duplication	Have you checked for duplication of resources between the PR and SR budgets?	Check to be sure that the SRs and PR are not budgeting for the same thing. This can present significant savings.				
BUDGET CHECK							
1	Human resources	In your budget, do all staff members start working for the project at the appropriate time?	Be realistic about when new employees will be hired. Most projects do not start with a full staff from the first day. It takes several months to a year to be fully staffed. Be sure that your budget reflects this growth of staff over time.				
		In your budget, do all staff members stop working for the project at the appropriate time?	Stagger staff-member end dates. Just as a project activity might phase in at the beginning, an activity might also phase out near the end of the project period, or there might be a transition to different funding sources. Use a phased approach to ending the project activity.				
		Are there standard salary scales for certain levels of workers?	Establish uniform salary scales for certain levels of work that will be used by the PR and all SRs. Are budgeted salaries in compliance with established national and institutional policies?				
2	Training	Do you have standard costs for the different types of training and meetings?	Do not use one cost list for each training program and/or meeting. Each type of training is different. Some are in the district and will only require the cost of a meeting place and some refreshments. Others are located in the capital and might require travel and per diem reimbursement. Is there a training plan and are the budget costs aligned with this plan?				
		Is there a standard per diem rate that is appropriate for the location?	Verify that per diem rates for different locations (cities or villages) or international travel are correctly calculated.				
3	Technical assistance	Have you included funds for international meetings and conferences?	Verify appropriateness of participation in international meetings and conferences. Is the number of participants appropriate? Is the per diem rate by type of participant equitable and does it follow established policies?				
		Have you included a line item for technical assistance that differentiates between international, regional, and local assistance? Does the budget have a line item for technical assistance that differentiates between senior and junior support?	Review technical assistance requirements. Is there local or regional capacity for technical assistance? Is an international consultant needed? Is the budget aligned with the timing when the technical assistance is needed?				
4	Health products and health equipment	Are you pooling project procurement for equipment and other non-drug items?	Realize savings through pooled procurement of project supplies and equipment.				
		Have you standardized equipment for project facilities?	Realize savings by standardizing the type of equipment for each facility. For example, ensure that all clinics are outfitted with the same standard set of equipment.				
5	Medicines and pharmaceutical products	Have you validated your drug quantifications?	Be sure that quantifications are correct and aligned with the performance framework targets. Significant savings can be realized when the quantities of drugs required are accurate.				
6	Procurement and supply-management costs	Have you closely reviewed your procurement mechanism to be sure that any fees are fair and reasonable?	Determine whether the procurement mechanism is the most efficient one. Can additional savings be realized by having a well-established procurement agent handle drug procurement? Is the level of procurement aligned with the targets?				
		Are all the costs related to procurement processing, loading, distribution, customs clearance, and insurance included in the budget?	Verify the need to include these fees (including insurance costs) or whether they have been waived.				
		Have you validated the appropriateness of the procurement loading fees?	Determine the basis for the load factor or management fee being charged to the project.				
7	Nonmedical supplies	Does your budget include costs for office supplies, gasoline, and vehicle maintenance?	Verify that these costs have been included in the budget.				
8	Infrastructure and other equipment	Have you checked to determine whether you can use a building at a low cost or for free?	Review options to determine whether it is less costly to own, rent, or use donated facilities.				
		Have you looked at the cost-effectiveness of having a car pool, which would reduce the number of vehicles needed?	Consider running a car pool rather than purchasing one vehicle for each technician. Using shared vehicles usually lowers costs.				
9	Communication materials	Have you eliminated any items that are not necessary?	Eliminate unnecessary communication materials. Some items, such as T-shirts, might be nice to have, but are not essential to achieving program results.				
			Consider all costs including design, artwork, field testing, translation, and production.				
			Consider joint planning, using the same preselected firms, and pooled procurement led by the PR. Economies of scale and quality are likely to be achieved.				
10	Monitoring & Evaluation	Have you looked at using data that are already being collected, rather than establishing a system for collecting data on your own?	Use existing sources of data rather than funding a separate data-collection effort if at all possible.				
		Can you combine monitoring trips with other travel?	Consider joint field visits by the monitoring and evaluation and finance staff; consider joint visits with other programs covering the same geographical areas.				
11	Cost-of-living support to clients/target population	Have you standardized cost-of-living rates and allowances so that they are appropriate for the locality?	Standardize these types of allowances and payments and be sure that they are appropriate for the area of the country. For example, allowances might be higher in the big cities but lower in the provinces because of different cost-of-living levels.				
12	Overhead	Have you checked the calculations of indirect costs for accuracy?	Make sure that salary rates are correctly calculated to include fringe benefits and overhead costs (e.g., 13th month, health insurance, severance pay, etc).				
13	Management costs	Are insurance, audit and close-out costs included in the budget?	Verify existence of insurance costs if standard organizational or national policies allow it; otherwise, obtain a commitment to replace the asset; verify that audit and close-out costs have been included and are aligned with the implementation schedule.				
14	SR budgets	Have you reviewed and analyzed SR budgets to be sure that the SRs have used the same assumptions and standards as the PR? Have the overhead costs been included?	Instruct all SRs to submit their budgets using a standard template that lends itself to analysis. This will allow you to verify that assumptions and costs are the same across the board.				
		Have you checked the overhead costs of your SR?	Check the unit rates used for computing and allocating overhead costs. Avoid double funding across the grants. Harmonize allocation rates used across the grants.				
		Have you checked the SR budgets to be sure that there is no duplication of activities?	Check for duplication of activities. Are SRs budgeting for activities that are being done by someone else?		3		

15	Proper timing of activities and resources	Is the timing of resources properly linked to the activities?	Link resource timing to activities. Activities will most likely be phased in over the course of the project. Resources and expenses should also be phased in to support those activities. For example, if 100 clinics will be opened, not all will be opened at the same time. Thus, phase in rent, supplies, utilities, staffing, and other expenses.				
16	High-cost activities	Have you looked at the most expensive items and activities to see if there are cost efficiencies that can be implemented?	Check your assumptions and standard cost inputs. High-cost items are always fertile ground for budget savings.				
17	Foreign exchange and inflation	Have you compared the budgeted currency-exchange rate with the current exchange rate?	Review the exchange rate assumptions in the original budget. The local currency might have become stronger since the budget was submitted, and you could take advantage of anticipated savings.				
18	Banking arrangements	Have you included the inflation rate in your budget?	Review the recent and projected inflation rates to include in your budget.				
		Have you reviewed your banking arrangements and costs for transferring funds to SRs?	Instruct all SRs to open project accounts at the bank used by the PR if possible. The PR might be able to negotiate favorable fund-transfer rates if all project funds come through a certain bank. The PR might be able to obtain from the bank set time frames for fund transfers to the accounts of SRs.				
19	Changing prices	Have you reviewed the current prices for drugs, project commodities, and fuel?	Review the current prices for drugs, equipment, project commodities, fuel and other purchases. There is a chance that costs may have dropped. If this occurs with pharmaceuticals, significant savings might be realized.				
20	Shifting costs to other funding sources	Can you shift some of the budgeted activities to another funding source?	Check to see if some of the budgeted activities can be funded by other sources, such as donors, the ministries, or nongovernmental organizations. These organizations might be able to pick up the costs of, for example, salaries, supplies, and materials for specific events, which can result in significant savings.				

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Funds Flow Analysis Guide

Purpose

The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) is a complex, performance-based funding mechanism with many stakeholders at different levels. Implementation of programs involves the flow of funds from the Global Fund to principal recipients (PRs), subrecipients (SRs), and sub-SRs at the country level.

Often, delays and bottlenecks are experienced in the flow of funds, affecting timely and effective implementation of Global Fund grant activities. Funds flow analysis aims to identify areas of bottlenecks and delays within disbursement and reporting schedules.

Possible Bottlenecks or Risks

- Outstanding conditions precedent for the PR
- Late or lengthy appointment of SRs
- Signing of subgrant agreements
- Opening of bank accounts for both PRs and SRs
- Financial and foreign currency risks associated with public (governmental) PRs whose funds need to be channeled through central pooled accounts
- Lengthy disbursement or reporting processes

- Lack of communication/notification between the PR and SRs (to facilitate continuity of implementation) about disbursements
- Nonelectronic payment methods for SRs
- Late completion of financial reporting deliverables (Progress Update/Disbursement Request or Enhanced Financial Reporting)
- Administrative delays in processing of duties and tax exemptions
- Failure to account for program income

Approach to Funds Flow Analysis

Step 1: Review funds flow structures, systems, and requirements

Develop or adapt a checklist to confirm that all structures and systems required for disbursement and flow of funds have been put in place by the PR.

Step 2: Map the disbursement process and compute lead times

- Determine and document the disbursement process:
 - Define the number of parties involved and their respective roles
 - Define documentation and approval requirements

b) Select sample transactions and compute lead time throughout the process:

- Collect and document the disbursement dates at all levels
- Compute the lead times at all levels

Step 3: Map the reporting process and compute lead times

a) Determine and document the financial reporting process:

- Define the number of parties involved and their respective roles
- Define documentation and approval requirements

b) Select sample financial reports and compute lead time throughout the process:

- Collect and document the financial reporting dates at all levels
- Compute the lead times at all levels

Step 4: Identify bottlenecks

a) Question value added by each process step to identify redundant steps

b) Identify critical documentation requirements and investigate compliance

c) Ask PRs and SRs to explain excessive lead times
Review with the CCM, Local Fund Agent and the Global Fund's Fund Portfolio Manager

Step 5: Options to Suggest

a) Remove all redundant tasks and steps within the disbursement and reporting process

b) Improve organizational planning and reporting coordination between the PR and SRs

c) Ensure that the accounting information system is standardized according to the Global Fund's guidelines and across implementers and is aligned with the flow of funds

- d) Improve documentation used in the flow of funds
- e) Set timelines for disbursement and reporting
- f) Address capacity-building needs
- g) Use electronic funds transfer wherever possible
- h) Use common bank arrangements to facilitate rapid transfer of funds between PRs and SRs
- i) Engage with the CCM, Local Fund Agent and the Global Fund's Fund Portfolio Manager to update and discuss options considered

For more information:

Please contact the GMS Project at
info@gmsproject.org.

Guía de análisis del flujo de fondos

Propósito

El Fondo Mundial de lucha contra el SIDA, la tuberculosis y la malaria (Fondo Mundial) es un mecanismo complejo de financiamiento basado en el desempeño, con muchas partes interesadas en diferentes niveles. La ejecución de los programas supone el flujo de fondos del Fondo Mundial a los receptores principales (RP), los subreceptores y los sub-subreceptores a nivel de país.

En el flujo de fondos, suelen presentarse demoras y obstrucciones que afectan la ejecución oportuna y eficaz de las actividades de subvención del Fondo Mundial. El objetivo del análisis del flujo de fondos es determinar áreas de demoras y obstrucciones en el marco de los calendarios de desembolso y presentación de informes.

Posibles obstrucciones o riesgos

- Condiciones precedentes sin resolver para el RP
- Nombramiento tardío o prolongado de subreceptores
- Celebración de acuerdos de reasignación de subvenciones
- Apertura de cuentas bancarias para los RP y los subreceptores

- Riesgos financieros o relativos a las monedas extranjeras que guardan relación con los RP (gubernamentales) estatales cuyos fondos deben encauzarse a través de cuentas mancomunadas centrales
- Procesos prolongados de desembolso o presentación de informes
- Falta de comunicación o notificación entre el RP y los subreceptores (para facilitar la continuidad de la ejecución) en relación con los desembolsos
- Métodos de pago no electrónicos para los subreceptores
- Entrega tardía de informes financieros (informes de actualización de avances/solicitudes de desembolso o presentación de informes financieros ampliados)
- Demoras administrativas en el procesamiento de exenciones de impuestos y derechos
- Falta de rendición de cuentas de los ingresos del programa

Método del análisis del flujo de fondos

Paso 1: Revisar las estructuras, los sistemas y los requisitos del flujo de fondos

Elaborar o adaptar una lista de verificación para confirmar que el RP haya establecido todas las

estructuras y los sistemas requeridos para el desembolso y el flujo de fondos

Paso 2: Planificar el proceso de desembolso y calcular los tiempos de ejecución

a) Determinar y documentar el proceso de desembolso:

- Definir la cantidad de partes involucradas y sus funciones respectivas
- Definir los requisitos de documentación y aprobación

- b) Seleccionar transacciones de muestra y calcular los tiempos de ejecución en todo el proceso:
 - Reunir y documentar las fechas de desembolso en todos los niveles
 - Calcular las fechas de entrega en todos los niveles

Paso 3: Planificar el proceso de presentación de informes y calcular los tiempos de ejecución

- a) Determinar y documentar el proceso de presentación de informes financieros:
 - Definir la cantidad de partes involucradas y sus funciones respectivas
 - Definir los requisitos de documentación y aprobación
- b) Seleccionar informes financieros de muestra y calcular los tiempos de ejecución en todo el proceso:
 - Reunir y documentar las fechas de presentación de informes financieros en todos los niveles
 - Calcular las fechas de entrega en todos los niveles

Paso 3: Detectar obstrucciones

- a) Examinar cuidadosamente el valor agregado en cada paso del proceso para detectar pasos redundantes
- b) Determinar los requisitos críticos de documentación e investigar su cumplimiento
- c) Solicitar a los RP y a los subreceptores que expliquen los tiempos de ejecución excesivos. Revisarlos con el MCP, el Agente Local del Fondo y el Gerente de Cartera del Fondo Mundial

Paso 5: Opciones para sugerir

- a) Eliminar todas las tareas y los pasos redundantes en el marco del proceso de desembolso y presentación de informes

- b) Mejorar la planificación organizativa y la coordinación de la presentación de informes entre el RP y los subreceptores
- c) Asegurarse de que el sistema de información contable esté uniformado de acuerdo con las directrices del Fondo Mundial y entre las entidades ejecutoras y que se ajuste al flujo de fondos
- d) Mejorar la documentación utilizada en el flujo de fondos
- e) Establecer plazos para el desembolso y la presentación de informes
- f) Suplir las necesidades de fomento de la capacidad
- g) Usar la transferencia electrónica de fondos cuando sea posible
- h) Usar sistemas bancarios comunes para facilitar la rápida transferencia de fondos entre los RP y los subreceptores
- i) Colaborar con el MCP, el Agente Local del Fondo y el Gerente de Cartera del Fondo Mundial para actualizar y analizar las opciones consideradas

Para obtener más información:

Comuníquese con el Proyecto de GMS a info@gmsproject.org.

Recruiting Fiduciary Agents

Guidance to Support Implementation of Grants from the Global Fund to Fight AIDS, Tuberculosis, and Malaria

What is a fiduciary agent?

A fiduciary agent is a qualified and/or accredited agency with certified financial and management standards. In some development projects, contracts are established with fiduciary agents to account for and ensure the integrity of financial transactions. Usually, the contract is limited to a specific period of time during the grant's or project's life span.

Why should a principal recipient hire a fiduciary agent?

There are many reasons why a grant recipient or funding agency might hire a fiduciary agent. With grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), some principal recipients (PRs) have received recommendations or instructions to hire fiduciary agents in the following situations:

- a) **Low financial management capacity of PRs:** when PRs do not have sufficient and robust enough accounting systems and internal controls to manage substantial increases in funding with their existing standards and practices, the Global Fund may recommend or require that the PR hire a fiduciary agent for a fixed, initial period on the basis of the PR's assessment conducted by the Local Fund Agent (LFA) before the start of the grant.
- b) **Mismanagement of grant funds:** The Global Fund might instruct a PR to hire a fiduciary agent when the Global Fund lacks confidence in the financial management integrity of the PR or when cases of fraud or conflict of interest are identified within the PR's management practices. Independent audits, LFA verifications, and reports from the Office of the Inspector General (OIG) can prompt the Global Fund secretariat to take safeguard actions and measures, including the recruitment of an external agent to handle the PR's financial management for a limited period of time.
- c) **Postconflict countries:** in many postconflict countries, the Global Fund may require recruitment of a fiduciary agent to manage and account for resources acquired with grant funds. This commonly happens in such circumstances as when a United Nations agency, such as the United Nations Development Programme (UNDP), is appointed as PR in a country with high financial management risks.

What is the mandate of the fiduciary agent?

The mandate of the fiduciary agent can vary considerably depending on the issue that prompted its recruitment.

Often, the core responsibilities of the fiduciary agent during grant implementation are the following:

- a) **Accounting system:** This can include both provision of required accounting applications and maintenance of the PR's accounts (e.g., tracking expenses, entering data, generating financial statements, etc.).
- b) **Financial reporting:** The fiduciary agent may take over the PR's financial reporting responsibility. The fiduciary agent is then responsible for collecting and generating financial data through the accounting system, completing reports using formats and/or templates donors provide, and complying with all other donor reporting requirements.
- c) **Capacity building and training:** Usually, fiduciary agents are not hired for an indefinite period or for the grant's life time; PRs need to make sure that fiduciary agents outline a clear plan for building capacity and transferring skills to the permanent staff of the recipient entity. Many PRs will choose to have their finance personnel mentored and supervised by senior and key experts from the fiduciary agent.

Who Can Be a Fiduciary Agent?

In most cases, fiduciary agents are recruited from a limited number of suitable accounting and management firms. Potential strong candidates are one of the following:

- Country offices (or their local representatives) of international accounting firms (usually among the “big four”)
- Local chartered accounting firms
- Financial and management organizations with a good understanding of the process of implementing development projects
- Self-employed chartered accounts
- Established, experienced accountants with Global Fund experience

The country's LFA cannot be hired to fulfill the role of fiduciary agent for the PR.

What are the advantages and disadvantages of hiring a fiduciary agent for the PR?

Hiring fiduciary agents to work with PRs is not always a straightforward process. Many countries argue that having a fiduciary agent is against the Global Fund's principle of country ownership and use of national existing standards. But in some cases, there is no other alternative to rescue suspended or vulnerable grants without bringing in external expertise.

Advantages and disadvantages of involving fiduciary agents in Global Fund grant implementation processes are outlined below.

Advantages

- ✓ Brings high-quality financial and management expertise to the PR
- ✓ Exposes PR finance staff to best practices in financial management
- ✓ Provides coaching and mentoring to PR finance staff
- ✓ Provides timely reporting to allow the Country Coordinating Mechanism (CCM), LFA, and Global Fund to monitor performance and recovery
- ✓ Builds partners' confidence in the PR's financial accounts and statements
- ✓ Provides opportunities for learning, capacity building, and skills transfer to the PR's staff
- ✓ Ensures continuity of grant implementation

Disadvantages

- ✓ Might require providing external fiduciary agent with lengthy orientation to organization and program implementation arrangements
- ✓ Might delay organizational learning and development
- ✓ Might not lead to capacity building at the end of the contract
- ✓ Might entail high hiring and maintenance costs

Sample: Call for Proposals for Recruiting a Fiduciary Agent

1. Background and Context

The CCM, in agreement with the Global Fund, has decided to engage a fiduciary agent to build the financial management capacity of the PR and the subrecipients (SRs).

The project's fiduciary implementation strategy is based on the financial and institutional support of all national actors in the fight against HIV/AIDS, tuberculosis, and malaria, in both the public and private sectors. This strategy takes into consideration the project's visibility and the extremely sensitive nature of the project-related activities.

The timely implementation of the financial plan while ensuring adherence to Global Fund's procedures is the primary focus of the fiduciary agent's assignment.

While implementing activities, the PR experienced difficulties in monitoring and financial management, which led the Global Fund to seek a new fiduciary arrangement.

The following special circumstances justify using a fiduciary agency:

- a. The dysfunction and irregularities noted in the management provided by the PR and the main SRs
- b. The large number of SRs (especially in the HIV/AIDS grant)
- c. The need to ensure quick and effective implementation with close monitoring
- d. The failure of the internal control mechanisms of the PR and the SRs to function properly

Therefore, the fiduciary agent offers an effective solution for proper fiduciary implementation of the HIV/AIDS, tuberculosis, and malaria programs. In addition, the fiduciary agent will help train the PR and SRs in financial management.

2. Title of the Position

The agent or entity to recruit is named the fiduciary agent. The fiduciary agent is a private, autonomous entity that supports the PR. The agency must have no functional relationship with the LFA or the CCM.

3. Contract Reference

The fiduciary agent will be paid under the Global Fund grant *[provide all contract and budget information for the FA assignment]*.¹

4. Location and Work Arrangements

The fiduciary agent will provide services at the PR's premises using facilities the PR has available. If the fiduciary agent needs to relocate some of its staff to perform this assignment, it will specify this clearly in the proposal.

The fiduciary agent will report on its daily activities to the manager of the PR. The fiduciary agent will send quarterly reports to the CCM and the LFA via the PR.

¹ Note: All italicized text in this document is intended to be replaced with text adapted and appropriate to the local context. Please use italics as a cue to delete the text and insert an appropriate replacement. Once this document is adapted, please delete this footnote.

The PR must cooperate with the fiduciary agent to facilitate the fiduciary agent's completing its tasks, described in its terms of reference.

5. Roles and Responsibilities of the Fiduciary Agent

The fiduciary agent will help the PR with the implementation of financial management systems and contracting activity in accordance with the Global Fund's norms and procedures, especially those provisions in the grant agreement for the project, including conditions related to project management tools (as for example administrative, financial, and accounting procedures manuals and project management software). The LFA will verify and evaluate the internal control mechanisms that the FA has available to accomplish its mission.

The fiduciary agent will have, among other things, responsibility for executing and monitoring payment for all project expenses authorized by the PR, making use of the various expense categories cited in the grant agreement, and will compare them with the approved budgets.

The fiduciary agent may be one of the signatories for checks and other bank documents.

The fiduciary agent will implement financial management-strengthening plans including:

- a. Financial management for PRs
- b. Development of processes and procedures, training, and financial oversight of SRs
- c. Drafting of disbursement requests and financial templates and reports
- d. Development of budgets, including new ones
- e. Harmonization of the PR's procedures manual
- f. Oversight of the financial aspect of the procurement and supply management (PSM) plan
- g. Updates to the PSM budget

The fiduciary agent will manage the funds made available to the PR by the Global Fund. The fiduciary agent must draw up the consolidated financial statements. These quarterly financial statements must be prepared following the schedule and format required by the Global Fund's regulations.

6. Qualifications and Experience of the Fiduciary Agent

The fiduciary agent will provide detailed information regarding the team of experts who will be mobilized for the assignment:

- Key personnel
- Team leader (a specialist in internal auditing, training, and financial management)
- Public accountant
- Short-term temporary and support staff

The fiduciary agent must comply with the minimum requirements in terms of qualifications and experience of key staff for this contract.

7. Contract Deliverables

The activities and deliverables expected from the fiduciary agent include the following:

Related to finances

- Support for all of the PR's financial activities, including contracting activities
- Support for meeting all of the PR's financial management and reporting requirements
- Accounting and disbursement activities. These activities will have a manager who will support the PR in budget and accounting management (including drafting and following a budget, disbursing funds, and replenishing the funds in special accounts).
- Management of funds in an effective, transparent, and verifiable way.
- Development of an accounting system that is implemented and maintained at the PR's and SRs' level
- Timely submission of progress reports to the CCM, LFA and the Global Fund, drafted in collaboration with the PR
- A financial procedures manual harmonizing PR and GF procedures available 45 days after the contract's start date

Related to human resources and training

- An organization chart showing PR staff responsible for finance activity, due three months after the contract's start date
- A training plan for building the PR's organizational and managerial capacities that the PR has approved
- Strengthening of the management capacities of the PR and SRs by the end of the 12-month contract (see section 8 below)
- Skills transfers to build national capacity and expertise of members of the PR's and SRs' teams by the end of the contract (see section 8 below)

The fiduciary agent will generate a quarterly programmatic and financial report that will summarize

- How the fiduciary agent has administered the grant funds
- Goals
- Accomplishments
- Limitations
- Solutions to issues faced and next steps
- Internal financial work by the fiduciary agent

8. Contract Duration

The fiduciary agent's contract will run for twelve (12) months *[provide start or end date or both dates]*.

9. Submission Process

The PR must describe here the submission process, all the documents to be submitted and the various deadlines (if more than one) of the process. For example:

- *Technical proposal (including all CVs), due [fill in due date]*
- *Separate cost proposal, due [fill in due date]*
- *Deadlines for questions, for proposal submission, for selection of finalists, etc.*

10. Evaluation Methodology and Criteria

[To be decided and inserted here by the PR.]



Rapid Functional Analysis of the Principal Recipient

Background

The architecture of the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) provides for the appointment of a principal recipient (PR), an in-country institution contractually responsible for the management of Global Fund grant implementation and resources. This responsibility requires the PR to execute six core functions: (1) financial management, (2) partnership coordination, (3) technical coordination, (4) managing or oversight of procurement, (5) technical monitoring and reporting, and (6) grant implementation monitoring and reporting.

PRs have experienced and continue to experience capacity challenges resulting in poor grant implementation, nonachievement of results, and poor accounting of grant funds. Consequently, a significant proportion of technical assistance requests received by Grant Management Solutions (GMS) from PRs are requests for technical support to strengthen capacity in finance management, partnership coordination, procurement and supply management, and monitoring and evaluation (M&E) systems.

The GMS approach to providing technical support to the PRs starts with a diagnosis of the PR's structures and systems aimed at identifying structural and systemic gaps and implementation challenges. The gaps that are identified inform the development of interventions. GMS uses a participatory approach involving the PR's staff and other stakeholders in this process. The diagnosis is conducted during the first visit of the technical support team. The output of the

process is an action plan that guides subsequent activities.

Purpose

The purpose of this checklist is to guide the GMS consultants in conducting a quick and effective diagnostic review of the functioning of the PR to identify areas that need strengthening.

Scope

The diagnostic checklist covers analysis of the overall grant management and then focuses on the six core functions. It has seven sections:

- Overall management of the grant
- Financial management
- Partnership coordination
- Technical coordination
- Managing or oversight of procurement
- Technical monitoring and evaluation
- Grant implementation monitoring and evaluation

Application

The checklist is applied during the first visit to the PR. The GMS team completes the checklist, discusses the findings with the client, and uses the results to identify suitable interventions. The checklist highlights the need to apply a holistic approach to technical support to the PR so that management gaps in the six core functions of the PR are identified and addressed. The checklist is a guide and it is the responsibility of GMS teams to decide how it is applied.

Checklist

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
Section 1.0: Overall Grant Management					
1.1	Project implementation structure	Has the PR clearly allocated the responsibility for management implementation of the Global Fund grant to specific structures or departments?	<ul style="list-style-type: none"> - Fully - Mostly - Partly - Not at all 		
1.2	Staff selection and training	<p>i) Has the PR defined tasks for specific officers, including those for program management, finance management, procurement oversight, and M&E tasks?</p> <p>ii) Are the tasks included in the specific job descriptions of the individuals?</p> <p>iii) Has the PR developed a staff training plan?</p>			
1.3	Organizational structure	<p>i) Does the PR's organizational chart depict Global Fund functions?</p> <p>ii) Does the organizational structure show internal coordination of the Global Fund programs?</p>			
1.4	Grant implementation manual	Has the PR developed a Global Fund operations manual? <i>Obtain and review a copy.</i>			
1.5	Subrecipient (SR) agreements	Have all the SRs involved in Global Fund grant implementation signed subagreements with the PR? <i>Obtain and review the subagreements.</i>			

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
1.6	Outstanding conditions precedent or special conditions	Are there any outstanding conditions precedent, time-bound actions, or recommendations from the Global Fund? <i>Obtain and review the list.</i>			
Section 2.0: Financial Management					
2.1	Organization of the finance and accounting function	Has the PR established a Global Fund finance and accounting structure? <i>Obtain an organogram.</i>			
2.2	Staffing of the finance and accounting function	i) Has the PR assigned qualified and adequate staff members to the finance and accounting function? <i>Obtain the list of staff members and their qualifications.</i> ii) Does each staff member have a job description? <i>Obtain the job descriptions.</i>			
2.3	Financial and accounting systems	i) Has the PR developed a financial and accounting manual? <i>Obtain and review a copy.</i> ii) Does the accounting system include a chart of accounts? <i>Obtain and review the chart of accounts.</i> iii) Does the system have the capacity for comparison of budgets and actual performance and variance analysis? <i>Obtain and ascertain the most recent report.</i>			
2.4	Bank accounts, interest and program	i) Does the PR operate a Global Fund dedicated bank account for each grant? <i>List the bank account details.</i>			

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
	income	ii) Are the bank accounts interest-bearing accounts? iii) Are there policy guidelines and procedures for the management of program income? <i>Obtain and review a copy of the policy.</i> iv) Does the PR report all program income? <i>Ascertain whether the PR reports all program income from the most recent reports.</i>			
2.5	Disbursements	i) Has the PR documented the disbursement and funds flow processes? ii) Are disbursements from the Global Fund up to date? <i>Review the latest disbursements against the plan.</i> iii) Are disbursements to the SR and SSRs up to date? <i>Review disbursement schedule against work plans.</i>			
2.6	Financial reporting	i) Are financial reporting timelines clear? <i>Obtain the financial reporting timelines.</i> ii) In the last 12 months has the PR submitted all Progress Update and Disbursement Request forms on time? iii) Have the SRs and SSRs submitted all financial reports on time?			
2.7	Asset management	i) Has the PR developed an asset-management policy? ii) Does the PR maintain an up-to-date asset register?			
2.8	Taxes and duties	i) Has the PR developed procedures for taxes and duty exemptions?			

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
2.9	FOREX management	ii) Has the PR put in place a mechanism for managing foreign exchange gains and losses?			
2.10	PR's project management unit management costs	i) Has the PR developed a budget for management and administration of the Global Fund grants? <i>Obtain and review the budget.</i>			
2.11	Internal audit	i) Has the PR put in place a mechanism for an internal audit of the Global Fund grants?			
2.12	External audit	i) Has the PR put in place a mechanism for an independent audit of Global Fund grants? ii) Has an external auditor been selected?			
Section 3.0: Partnership Coordination					
3.1	Communication between the PR and Country Coordinating Mechanism (CCM)	i) What forums do the PR and CCM use to communicate and share information with one another?			
3.2	Communication among PRs	ii) What forums do PRs use to communicate and share information with one another?			
3.3	Communication between the PR and SRs	iii) What forums do the PR and SRs use to communicate and share information with one another?			
3.4	Communication between SRs and SSRs	What forums do SRs and SSRs use to communicate and share information with one another?			

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
3.5	Communication between the PR and Local Fund Agent (LFA)	What forums do the PR and LFA use to communicate and share information with one another??			
3.6	Communication between the PR and technical partners	What forums do the PR and technical partners use to communicate and share information with one another?			
Section 4.0: Technical Coordination					
4.1	SR management plan	Has the PR developed an SR management plan outlining SR selection and management procedures? <i>Obtain and review a copy.</i>			
4.2	Annual work plan and budget	i) Does the PR coordinate the preparation of SR annual work plans and budgets? <i>Obtain a copy of the planning schedule.</i> ii) Does the PR approve SR annual work plans and budgets? <i>Obtain and review copies of approved work plans and budgets.</i>			
4.3	SR staff orientation and training	i) Does the organization conduct orientation and training programs for SR staff on Global Fund guidelines? <i>Obtain and review list of SR staff members who have been trained on Global Fund guidelines.</i>			
4.4	Technical assistance	i) Does the PR have an SR technical assistance plan? <i>Obtain and review a copy of the plan.</i> ii) Does the PR conduct midterm assessments of the SR's management capacity?			
4.5	Supervision	i) Has the PR developed a plan for SR			

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
	support	supervisory visits? ii) Does the PR conduct field supervisory visits?			
Section 5.0: Procurement Management and Oversight					
5.1	Procurement policy and procedures manual	Has the PR developed a procurement policies and procedures manual? <i>Obtain and review a copy.</i>			
5.2	Procurement and supply-management plan	Is the PR guided by the procurement and supply-management plan in its procurement activities?			
5.3	Tendering	Does the PR comply with competitive tendering procedures?			
5.4	Storage and distribution	i) Does the PR have adequate storage facilities? ii) Are the distribution systems efficient?			
5.5	Monitoring	If the PR does not do procurement, does it have a system for monitoring procurement and supply of the products it needs?			
Section 6: Technical Monitoring and Reporting					
6.1	M&E unit	Has the PR established an M&E unit?			
6.2	M&E staff	Do the designated M&E unit staff members have clearly defined roles and responsibilities?			
6.3	M&E plan	Does the M&E unit have an M&E plan? Is the PR guided by an M&E costed work plan?			
6.4	Programmatic reports	Have all Progress Updates and Disbursement Request forms been submitted by the PR on time and with complete programmatic results in the last 12 months?			

No.	Component	Activity/Questions	Yes/No or Differentiated Rating	Source of Information	Comments or Findings
6.5	Data quality	Does the PR validate data through regular visits to SRs and sites using standardized tools and procedures?			
6.5	SR M&E	i) Do all SRs have designated staff members trained in M&E? ii) Do SRs have M&E plans aligned with the PR's M&E plan? ii) Do the SRs use standardized M&E tools?			
6.6	SR reporting	iii) Do the SRs submit complete and timely reports?			
Section 7.0: Grant Implementation Monitoring and Reporting					
7.1	Regular performance review	Does the PR have a system for reviewing grant performance based on monitoring data?			
7.2	Regular performance review	Does the PR management systematically review grant-implementation performance?			How often?
7.3	Feedback	Does the PR management provide feedback and follow-up points to the SRs on grant performance?			
7.4	Data validation	Does the PR have a data-validation process involving regular visits to SRs?			
7.5	Midterm review	Does the PR management conduct midterm grant-review meetings?			
7.6	PR or CCM	Does the PR bring issues or concerns to the attention of the CCM?			

GUIDELINES: OPERATIONAL AND PROCEDURES MANUALS FOR GRANT RECIPIENTS

Background

An operational policy and procedures manual helps principal recipients (PRs) function in a transparent, standardized, and sustainable manner. An operational policy is generally a principle or rule to guide operational decision making, whereas a procedure (or protocol) is how a process is actually performed.

Organizations that become recipients of grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) are generally required to develop such manuals prior to grant signature or in the first months of implementation, if they do not already have them. While many organizations have broad policies and procedures, it is critical that these also define the policies and procedures by which their Global Fund grant(s) will be managed. This generally requires that the PR develop additional policies and procedures to cover the Global Fund grant or that the existing set of policies and procedures be considerably enhanced.

When operational policy and procedures manuals are developed, the following requirements must be met:

- There is a defined process for organizational approval of the policies and procedures so that it is clear that the organization has formally adopted them for implementation
- Staff of the organization are oriented and trained in the procedures that are relevant to their roles
- The policies and procedures are widely available and are followed, and compliance with the policies and procedures is monitored
- The policies and procedures are periodically reviewed and updated to reflect the following:
 - Environmental, legislative, or Global Fund changes that make changing the relevant policy or procedure necessary
 - Lessons learned about best practices
 - The need to address identified weaknesses in existing policies and procedures during the grant implementation phase

Guidelines: Operational and Procedures Manuals For Grant Recipients

The format for operational policy and procedural manuals that is appropriate for any particular grant recipient varies.¹ Frequently, an organization has existing documentation templates and may choose to use these or adapt them if necessary

Similarly, the structure of manuals that is appropriate for any grant recipient varies and the choice of structure rests with the organization. Some organizations prefer to have all policies and procedures in one comprehensive document, while others find it useful to have a set of separate manuals that can be tailored to allow specific needs to be addressed, referenced, and updated. Regardless of the structure used by a particular organization, operational and procedures documents might include the following:

- General grant management information on Global Fund structures and processes, country and PR policies and operational frameworks, and grants
- Financial policies and procedures covering the financial management requirements for management of a Global Fund grant and the detailed procedures to be used in the grant
- Subrecipient (SR) management procedures covering the selection, assessment, appointment, coordination, monitoring, and capacity building of SRs
- Human resource management procedures covering relevant information for staff engaged under the grant, especially staff engaged for program management
- Project management structure and roles
- Procurement supply management (PSM) procedures (as appropriate for the grant)
- Monitoring and evaluation (M&E) procedures

In addition, a key companion document to the documents described above is the project implementation plan that details the scheduling, responsible officers, and expected product for each activity under the grant. The project implementation plan is updated regularly to reflect the latest status of activities, links between activities, and required time to complete activities.

Sample Content of an Operational or Grant Implementation Manual

As mentioned, grant management information is included in an operational or grant implementation manual that might be a single comprehensive manual or, alternatively, part of a series. Even if the grant management document is part of a series of manuals, it is useful for the operational manual to include an overview of all components, such as financial management, human resource management, and SR management. An operational or grant implementation manual might include the sections listed in annex 1 to this document.

Table of contents

Attachments

Acronyms

Preface

¹ Some organizations choose to call this document an “operations manual”; the document described here can be referred to either way.

Guidelines: Operational and Procedures Manuals For Grant Recipients

1. **Introduction**

- 1.1 Users of the handbook
- 1.2 How to use the implementation handbook
- 1.3 Modifying the handbook
- 1.4 Structure of the handbook

2. **Background information**

- 2.1 Overview of the Global Fund
- 2.2 Overview of Global Fund grants in the country

3. **In-country institutional structures, roles, and responsibilities**

- 3.1 Country coordinating mechanism (CCM)
 - 3.1.1 CCM oversight
 - 3.1.2 Reporting obligations of the PR
- 3.2 CCM secretariat
- 3.3 Local fund agent (LFA)
- 3.4 Principal recipient (PR)
- 3.5 Subrecipient(s) (SR)
- 3.6 Communication and coordination
 - 3.6.1 Reporting and communication between the Global Fund, CCM, PR, and LFA
 - 3.6.2 Reporting and communication between PRs and SRs

4. **Program implementation**

- 4.1 The PR
- 4.2 Program description
- 4.3 Annual work plans and budgets
- 4.4 Program phases
 - 4.4.1 Implementation period 1
 - 4.4.2 Implementation period 2
 - 4.4.3 Review of implementation by LFA
- 4.5 Reprogramming
 - 4.5.1 Background
 - 4.5.2 Reprogramming procedure
- 4.6 Technical harmonization with other in-country programs
- 4.7 Programmatic reporting
 - 4.7.1 Global Fund reporting requirements
 - 4.7.2 Progress Update and Disbursement Request
 - 4.7.3 Enhanced financial reporting and annual progress report

Guidelines: Operational and Procedures Manuals For Grant Recipients

5. Termination of project or grant

- 5.1 Grant termination or suspension by Global Fund
 - 5.1.1 At the sole discretion of Global Fund
 - 5.1.2 Procedures on termination
 - 5.1.3 Transfer of grant to another PR
- 5.2 Project termination or suspension by PR or SR
 - 5.2.1 Successful completion of project activities
 - 5.2.2 Suspension and termination of project activities
 - 5.2.3 Force majeure
 - 5.2.4 Breach of contract
 - 5.2.5 Suspension of activities
 - 5.2.6 Termination of activities

6. Management of SRs

- 6.1 Global Fund guidelines
- 6.2 LFA's preassessment of PR's SR-management capacity
- 6.3 SR management plan
- 6.4 Selection, assessment, and appointment of SRs
- 6.5 Subgrant agreements
- 6.6 Monitoring and reporting
- 6.7 Selection of sub-SRs

7. Financial management

This section can provide comprehensive financial management procedures. Alternatively, this section can provide an overview of the financial management requirements and procedures that are covered in a separate detailed manual that is the reference document for staff undertaking financial management functions on a day-to-day basis. Sample detailed contents for financial management are outlined in annex 2 to this document.

Whereas the operations or grant implementation manual provides an overview of financial management matters (with detailed procedures in the separate manual below only), the following content might be included:

- 7.1 Financial management objectives
- 7.2 Global Fund requirements
- 7.3 Institutional requirements
- 7.4 Financial roles and responsibilities of Global Fund recipients
- 7.5 Financial management capacity assessment
- 7.6 Financial accounting policies, systems, and requirements
- 7.7 Banking requirements
- 7.8 Financial reporting
- 7.9 Disbursement and flow of funds
- 7.10 Financial record keeping
- 7.11 Taxes and duties
- 7.12 Program income
- 7.13 External audit
- 7.14 Asset management

Guidelines: Operational and Procedures Manuals For Grant Recipients

8. PSM

Individual grants might have significant procurement elements, so the extent and content of any section on PSM needs to be tailored to the situation. In addition to an operational or grant implementation manual providing broad information on procurement (as shown below), an appropriately detailed procedures manual might be developed as the reference document used by staff who undertake PSM activities on a day-to-day basis.

- 8.1 Procurement guidelines
 - 8.1.1 National procurement law
 - 8.1.2 Global Fund procurement requirements and guidelines
 - 8.1.3 PR guidelines on PSM
- 8.2 PR responsibility for PSM
 - 8.2.1 Rapid PR procurement and supply capacity assessment
 - 8.2.2 Responsibility for pharmaceuticals and other health products
 - 8.2.3 Responsibility for nonhealth products
 - 8.2.4 Human resources for PSM
 - 8.2.5 Selection of procurement method(s)
- 8.3 PSM plan and/or country profile
- 8.4 Forecasting and/or quantification for pharmaceutical and other health products
- 8.5 Distribution and inventory management
- 8.6 Logistics management information systems
- 8.7 Budgeting and budget harmonization
- 8.8 Tax exemption and role of PSM staff
- 8.9 Insurance for goods in transit and warehouse

9. M&E

Broad information regarding M&E principles and processes is usually provided in the operational or grant implementation manual, as shown below. In addition, an appropriately detailed M&E operational manual might be developed as the reference document used by staff undertaking M&E activities on a routine basis.

- 9.1 Global Fund's M&E principles
- 9.2 Key elements of an M&E plan
- 9.3 PR's monitoring, supervision, and evaluation processes
 - 9.3.1 Data collection and analysis
 - 9.3.2 Data management
 - 9.3.3 Data reporting
 - 9.3.4 Data quality
- 9.4 SR reporting and links with PR
- 9.5 Activities and norms
- 9.6 Coordination of M&E activities (especially if a grant has more than one PR)
- 9.7 Information system
- 9.8 Tools

Guidelines: Operational and Procedures Manuals For Grant Recipients

10. Human resource policies and procedures

Most organizations appointed as recipients of Global Fund grants have established human resource policies and procedures. The extent to which these are well documented, however, varies. How to apply the organization's existing human-resource policies and procedures to staff appointed through the Global Fund grant may be addressed in an operational or grant implementation manual. If a human resources manual for the PR is not currently available, the organization can develop a detailed human resources manual covering the day-to-day processes, templates, and tools related to the project management staff.

The broad overview of human-resource policies and procedures included in an operational or grant -implementation manual might cover the following items:

- 10.1 Recruitment of project and other staff
- 10.2 Staff structure and responsibilities
- 10.3 Global Fund requirements regarding human resources
- 10.4 Compliance with PR's policies and procedures
- 10.5 Recruitment process
- 10.6 Appointment and termination
- 10.7 Payment of salaries and other benefits

SEPARATE DETAILED MANUALS

Financial Policies and Procedures Manual

Sometimes, the operational or grant implementation manual provides comprehensive financial policies and procedures. However, grant recipients frequently find it useful to have a separate detailed reference document for staff undertaking financial management functions on a day-to-day basis. Sample detailed contents for financial management are outlined below.

1. Introduction
2. Overview of financial management
3. Financial management objectives
 - Global Fund requirements
 - Institutional requirements
4. Financial roles and responsibilities of PRs
5. Financial management capacity assessment
6. Financial risk management
 - Internal controls
 - Antifraud and conflict-of-interest policies
7. Planning and budgeting
8. Accounting system
 - Chart of accounts
 - Computerized systems
 - Budget and expenditures analysis
 - Financial statements and accounts

Guidelines: Operational and Procedures Manuals For Grant Recipients

9. Disbursements
 - From Global Fund to PRs
 - From PRs to SRs
10. Cash management
 - Bank accounts
 - Bank interest
 - Petty cash
 - Cash advances
11. Procurement expenditure
 - Local procurement
 - International procurement
12. Travel and per diem rates
 - Local travel
 - International travel
13. Financial reporting
 - Progress Update and Disbursement Request reports
 - Enhanced financial reporting
14. Foreign exchange management
15. Taxes and duties
16. Program income
17. Record keeping
18. Payroll
 - Payroll system
 - Payroll processing
19. Asset management
 - Acquisition
 - Labeling
 - Safeguards
 - Insurance
 - Inventory
 - Disposal
20. Audits
 - Internal audit
 - External audit
21. Closeout
22. Annexes

Project Management Structure and Roles

While broad information on project management structure and roles is included in an operational or grant implementation manual, providing detailed information on project management structure and roles in an accessible document that is available for regular reference and updates can be useful. Such a document might cover the following information:

1. Organization and structure of grant recipient
2. Organization and structure of project or grant management unit
3. Roles and responsibilities of project management staff

Guidelines: Operational and Procedures Manuals For Grant Recipients

4. Job descriptions and job profiles
5. Coordination of Global Fund project with other components of the grant recipient organization

SR Management Plan

Operational or grant -implementation manuals usually describe the processes for SR management (see section 6 above). However, because effective grant implementation usually relies heavily on the effective management and coordination of SRs and other implementers, the Global Fund generally requires PRs to prepare a detailed SR management plan. The SR management plan is an important guidance and reference tool for SRs. Such plans generally include the following sections:

1. Background and broad Global Fund requirements regarding SRs
2. Implementing partners in the grant
3. Selection of SRs
4. Assessment of SRs
5. Appointment of SRs
6. Coordination and oversight of SRs
 - General
 - Orientation and general updates for SRs
 - Coordination and harmonization meetings
 - Monitoring and oversight of SRs
 - o Monitoring visits
 - o Review and approval of financial and programmatic reports
 - o Review and replanning
 - o Audits
 - CCM's role in SR coordination and monitoring
7. SR work plans
8. Reporting
 - Formats, time lines
9. Banking arrangements for SRs
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11. Asset management
12. Procurement and supply matters (including pooled procurement if relevant)
13. Disbursement of funds from PR to SRs
 - First disbursement
 - Second disbursement
 - Means and records of disbursement
14. Capacity building of SRs
15. Termination and closeout of subgrants
16. Reprogramming requests
17. Communication processes and communication points
18. Annex: SR assessment tool template
19. Annex: Criteria for assessment of SRs
20. Annex: SR agreement template
21. Annex: SR reporting templates