



Global Fund Guidelines

Principal Recipient Progress Update and Disbursement Request

March 2017
Geneva, Switzerland

Disclaimer

All PU/DRs will be pre-populated from the Global Fund Grant Operating System (GOS) when the platform goes live.

Until then, some Principal Recipients who have discussed and agreed with their Country Teams to wait for the availability of the pre-populated PU/DR template shall receive and report in templates that include pre-populated information. Other Principal Recipients may use the templates published on the external website under this [link](#) for grants that shifted to the New Funding Model and this [link](#) for grants that are still under the Rounds Based Model.

Going forward, and as of the next reporting wave, all PU/DRs will be pre-populated from the system to simplify the reporting process and accuracy of grant information reported against.

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Introduction

To facilitate monitoring and oversight of Global Fund-supported programs, Principal Recipients are expected to submit progress updates. These reports are necessary for the Global Fund to:

- i. Review implementation progress of each grant on programmatic, financial and management aspects;
- ii. Decide on annual funding decisions aligned to the performance-based funding principle of the Global Fund and the related disbursements;
- iii. Determine implementation issues and risks and corresponding mitigating measures;
- iv. Comply with agreed reporting to the Global Fund Board, donors and stakeholders such as results achieved, use of funding, among others.

During the lifetime of a grant, the Global Fund periodically disburses funds to the Principal Recipient based on demonstrated program performance and financial needs for the following year of implementation (i.e. execution period) plus a buffer period.

The Progress Update/Disbursement Request (PU/DR) is both a progress update on the latest completed period of program implementation and a request for funds for the following execution and buffer period. Principal Recipients are responsible for aggregating data from Sub-Recipients and submitting a consolidated report to the Global Fund.

The PU/DR completed by the Principal Recipient and verified by the Local Fund Agent or an assurance provider, if relevant, forms the basis for the Global Fund's ongoing grant monitoring and management, as well as the annual funding decision by linking historical and expected program performance with the level of financing to be provided to the Principal Recipient.

Going forward, the form will be extracted from the Grant Operating System (GOS) in Excel, with pre-populated data based on the signed grant documents, and made available to the Principal Recipient through the Global Fund Partner Portal¹, and at a later stage to the Local Fund Agent, as relevant. Based on the reporting schedule agreed with the Global Fund, the Principal Recipient prepares and submits the reports with the relevant sections completed. At the request of the Global Fund, and if required, the Local Fund Agent reviews the reports submitted by the Principal Recipient and captures their findings and recommendations in their relevant sections. Based on the Principal Recipient's report and the Local Fund Agent's findings and recommendations (as applicable), the Global Fund Country Team decides on the annual funding decision, and determines mitigation measures to identified risks and implementation issues.

The purpose of this document is to provide guidance to the Principal Recipient and Local Fund Agent, where relevant, on how to complete their respective parts of the PU/DR. Moreover, it provides guidance for Local Fund Agents on the expected scope of work and recommended level of effort for *low*-, *medium*- and *high*-risk grants, and for the differentiated portfolio categories.

The guidelines are structured per theme (i.e. programmatic, financial, etc.). The section number as well as the title are mentioned along with the relevant guidance, in order to facilitate referencing to the relevant section in the PU/DR Excel template. Each of the sections is organized as follows:

- **Overall purpose of the section:** which provides a brief overview of the section content for the Principal Recipients and Local Fund Agents.

¹ The template will be available to Principal Recipients via the Global Fund website or through email until the Global Fund Partner Portal is available.

- **Detailed description:** Each table (as in the example below) provides a summary of the key information required from the Principal Recipients and Local Fund Agents.

Principal Recipients should refer to this column for guidance when completing their section of the form.

Local Fund Agents are expected to read both columns in order to familiarize themselves with the information requested from the Principal Recipients and with the specific information required from Local Fund Agents.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <p>Section 1A. Impact/Outcome Indicators</p> <ul style="list-style-type: none"> ▪ Only the impact and outcome indicators that are due for reporting during the period or are outstanding from the previous periods will be pre-populated in the form. ▪ The baseline data and targets will be pre-populated in the form from the signed Performance Framework. ▪ The year of target corresponds to the year when the data collection is anticipated to take place, and shall be automatically pre-populated in the form. | <p><i>Only for Core and High Impact Portfolios</i></p> <p>Section 1A. Impact/Outcome Indicators</p> <p>The Local Fund Agent should consult the Global Fund Country Team and agree on the level of verification according to the risk context, latest results, existing knowledge in the Global Fund Country Team.</p> <p>If not agreed otherwise:</p> <ul style="list-style-type: none"> ▪ the Local Fund Agent should verify that the Principal Recipient has reported data for the impact and outcome indicators that are due for reporting during the period as per the Performance Framework. ▪ for each impact/outcome indicator, the Local Fund Agent should reconcile the results to relevant data sources. |

Differentiated Reporting Requirements

As the Global Fund moves towards the implementation of the new strategy for 2017-2022, an exercise was conducted to configure the working model and resources to maximize impact. This involved the review of grant management processes, to better reflect country needs.

Consequently, the scope, frequency and timeline for reporting and submitting the Progress Update was differentiated based on the portfolio category. The Global Fund has classified its portfolios into three (3) categories: Focused, Core and High Impact.

The table below provides a summary of the content of the reports, and the timeline for the report's submission, depending on the portfolio classification:

| Portfolio Category | Type of Report | Timing | Area | Requirements |
|--------------------|--|--------|------------------|--|
| Focused | Progress Update and Disbursement Request | Annual | Programmatic | <ul style="list-style-type: none"> Annual progress against impact, outcome and coverage indicators and/or work plan tracking measures Disaggregated results for relevant indicators |
| | | | Financial | <ul style="list-style-type: none"> Annual expenditure report (budget variance analysis and Annual Financial Report (AFR)) Annual cash balance report (Principal Recipient cash reconciliation and optional Principal Recipient reconciliation of funds provided to Sub-Recipients) Annual forecast (cash forecast and disbursement request) |
| | | | HPM | <ul style="list-style-type: none"> Reporting on transaction level procurement information on key health products in the Price and Quality Report (PQR). To be completed every time the Principal Recipient undertakes procurement of health products. |
| | | | Grant Management | <ul style="list-style-type: none"> Annual reporting of progress on grant agreement requirements and management actions |
| | Tax Reporting | | Financial | <ul style="list-style-type: none"> Annual tax report for import duties and VAT related to goods and services paid from Global Fund grants |

| Portfolio Category | Type of Report | Timing | Area | Requirements |
|--------------------|--|-------------|---|---|
| Core | Cash Balance Reporting | Quarterly | Financial | <ul style="list-style-type: none"> Quarterly cash balance report |
| | Progress Update | Semi-Annual | Programmatic | <ul style="list-style-type: none"> Semi-annual progress against impact, outcome and coverage indicators and/or work plan tracking measures Disaggregated results for relevant indicators |
| | | | Financial | <u>Expenditure Report</u> <ul style="list-style-type: none"> Semi-annual expenditure reporting, optional for core portfolio, <u>except</u> for the countries covered under the Implementation through Partnership (ITP) project <u>Forecast</u> <ul style="list-style-type: none"> Semi-annual cash forecast optional for core portfolio, <u>except</u> for those countries covered under the Implementation through Partnership (ITP) project |
| | | | Procurement and Supply Chain Management | <ul style="list-style-type: none"> Semi-annual reporting on procurement information on key health products (PQR tool). To be completed every time the Principal Recipient undertakes procurement of health products Analysis of risk of stock-out and expiry for key health products |
| | | | Grant Management | <ul style="list-style-type: none"> Semi-annual reporting of progress on grant agreement requirements and management actions |
| | Progress Update and Disbursement Request | Annual | Programmatic | <ul style="list-style-type: none"> Semi-annual progress against impact, outcome and coverage indicators and/or work plan tracking measures Disaggregated results for relevant indicators |
| | | | Financial | <u>Expenditure Report</u> <ul style="list-style-type: none"> Annual budget variance analysis Annual Financial Report <u>Cash Balance Report</u> <ul style="list-style-type: none"> Annual Principal Recipient cash reconciliation Principal Recipient reconciliation of funds provided to Sub-Recipients (optional) <u>Forecast</u> <ul style="list-style-type: none"> Annual cash forecast and disbursement request |
| | | | Procurement and Supply Chain Management | <ul style="list-style-type: none"> PQR Reporting Analysis of risk of stock-out and expiry for key health products |
| | | | Grant Management | <ul style="list-style-type: none"> Annual reporting of progress on grant agreement requirements and management actions |
| | Tax Reporting | Annual | Financial | <ul style="list-style-type: none"> Annual tax report for import duties and VAT related to goods and services paid from Global Fund grants |

| Portfolio Category | Type of Report | Timing | Area | Requirements |
|--------------------|--|-------------|---|---|
| High Impact | Cash Balance Reporting | Quarterly | Financial | <ul style="list-style-type: none"> Quarterly cash balance report |
| | Progress Update | Semi-Annual | Programmatic | <ul style="list-style-type: none"> Semi-annual progress against impact, outcome and coverage indicators and/or work plan tracking measures Disaggregated results for relevant indicators |
| | | | Financial | <u>Expenditure Report</u> <ul style="list-style-type: none"> Semi-annual expenditure reporting <u>Forecast</u> <ul style="list-style-type: none"> Semi-annual cash forecast |
| | | | Procurement and Supply Chain Management | <ul style="list-style-type: none"> Semi-annual reporting on procurement information on key health products (PQR tool). To be completed every time the Principal Recipient undertakes procurement of health products Analysis of risk of stock-out and expiry for key health products |
| | | | Grant Management | <ul style="list-style-type: none"> Semi-annual reporting of progress on grant agreement requirements and management actions |
| | Progress Update and Disbursement Request | Annual | Programmatic | <ul style="list-style-type: none"> Progress against impact, outcome and coverage indicators and/or work plan tracking measures Disaggregated results for relevant indicators |
| | | | Financial | <u>Expenditure Report</u> <ul style="list-style-type: none"> Annual budget variance analysis Annual Financial Report <u>Cash Balance Report</u> <ul style="list-style-type: none"> Annual Principal Recipient cash reconciliation Principal Recipient reconciliation of funds provided to Sub-Recipients (optional) <u>Forecast</u> <ul style="list-style-type: none"> Annual cash forecast and disbursement request |
| | | | Procurement and Supply Chain Management | <ul style="list-style-type: none"> PQR Reporting Analysis of risk of stock-out and expiry for key health products |
| | | | Grant Management | <ul style="list-style-type: none"> Annual reporting of progress on grant agreement requirements and management actions |
| | Tax Reporting | Annual | Financial | <ul style="list-style-type: none"> Annual tax report for import duties and VAT related to goods and services paid from Global Fund grants |

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General Guidance

1.1 The Progress Update and Disbursement Request

The Progress Update and Disbursement Request (PU/DR) form is available in Excel. The form will be pre-populated with information from the Grant Confirmation, and approved Performance Framework and Budget.

When receiving the PU/DR from the Global Fund Country Team, the Principal Recipient should ensure that the pre-populated information is accurate and the report contains all the relevant forms that need to be completed, depending on their reporting cycle and the reporting requirements applicable to the differentiated country category (tables above).

The forms were designed to accommodate, where possible and relevant, the Principal Recipient and Local Fund Agent's input and comments on the same Excel sheet. The sections that need to be completed by the Principal Recipient are in green.

The Local Fund Agent reviews the PU/DR and recommends adjustments to the Global Fund (Country Team), as appropriate, under the blue columns labelled "For LFA Use Only", following the guidance provided in these guidelines and submits the PU/DR to the Global Fund.

The Country Team reviews the PU/DR and communicates final validated figures and results in the Performance Letter to the Principal Recipient.

1.2 Completing and submitting the PU/DR

The Principal Recipients will receive a notification that the relevant reporting forms are available and will be shared by the Global Fund at the end of each reporting period. The Principal Recipient would then complete the PU/DR offline and submit it by the due date that will be communicated in the notification.

After the Principal Recipient submission, the Local Fund Agent can start their review, if relevant, and submit the verified form to the Global Fund.

When completing the PU/DR, Principal Recipients and Local Fund Agents should **not** tamper with the template. Tampering with the template will prevent the Country Team from integrating the forms with the Global Fund's system. All forms that were subject to tampering will be **rejected** and a resubmission will be requested. In addition, Principal Recipients and Local Fund Agents should only use values as they appear in drop-down lists and should not overwrite them as this will also require a resubmission.

1.3 Reporting principles

Depending on their categorization based on the Global Fund's differentiation framework, Principal Recipient(s) should select an annual reporting cycle, and consequently a semi-annual reporting cycle where applicable, for the Global Fund programmatic and financial reporting² for each grant. This reporting cycle should be aligned to the country or recipient's regular in-country reporting cycle for

² This could start at any month of the year for a 12-month period.

programmatic results and/or to their in-country financial reporting cycle. Country Coordinating Mechanisms (CCM) and other applicants are strongly encouraged to ensure that the reporting cycles across all grants in a given disease component are aligned, so as to facilitate reporting across the disease portfolio.

In order to align the grant start dates with the selected reporting cycle, the first and last reporting periods of the grant could be longer or shorter than 12 months. The first period of the grant can be as short as six months or as long as 18 months. For example, if the grant start date is 1 April and the selected annual reporting cycle is January to December, the first reporting period³ should cover the period from April to December (i.e. nine months). The Global Fund at its own discretion may allow Principal Recipients to combine the first and second period annual reports when the first period is shorter than 6 months.

In cases where in-country programmatic reporting cycles and fiscal cycles are not the same for the different implementers of the same disease component, it is recommended that the implementers agree on one common reporting cycle, aligned either to the programmatic reporting cycle or the financial cycle of the main implementer and/or country.

In order to streamline the overall reporting cycle for a country/implementer, the Global Fund allows additional flexibility to shorten or extend the grant implementation period. In the example above, a grant start date of 1 April with an annual reporting cycle of January to December could have a grant implementation period of two years and nine months or three years and nine months. The grant should be planned to end in the closing month of the annual reporting cycle (i.e. December).

³ The associated first annual funding decision and disbursement schedule will also be aligned, plus a buffer period.

Local Fund Agent Scope of Work

1.4 Overall purpose of the section

This section of the guidelines aims to assist Local Fund Agents in their task of planning and performing the verification work. Local Fund Agents need to familiarize themselves not only with the Local Fund Agent-specific guidance but also with the information and reporting requirements for Principal Recipients. Prior to commencing their work, Local Fund Agents need to agree with the Global Fund Country Team on the detailed scope of work and the verification approach. In addition to these detailed guidelines, Local Fund Agents are encouraged to exercise their own professional judgment and seek further clarifications from the Global Fund, as needed.

1.5 Scope of work

The Global Fund relies on a number of assurance providers (e.g. audits, external reviews, etc.) to confirm that the information provided by the Principal Recipient in the PU/DR is complete and accurately represents the expenditures incurred and programmatic targets achieved. The Local Fund Agent's verification is part of the Global Fund's assurance framework and its routine verification of the programmatic and financial performance of grants. The scope of the Local Fund Agent's verification varies depending on the differentiated portfolio categorization, risk, disease burden, materiality, country/grant context, Global Fund Country Team resources, etc.

The Local Fund Agent's report to the Global Fund should be timely⁴, accurate and well informed. It should be based on sound analysis that supports reliable recommendations in a risk-mitigating context. When undertaking their verification, Local Fund Agents are requested to:

- agree on the scope of the review to be undertaken, prior to conducting the review;
- verify, to the extent possible, the accuracy and completeness of the information reported by the Principal Recipient;
- perform robust analysis of the reported financial and programmatic data;
- comment on the Principal Recipient's progress in fulfilling grant requirements, management actions and other Global Fund requirements, as well as on the Principal Recipient's compliance with the standard terms and conditions of the grant confirmation; and
- offer relevant, specific and actionable recommendations aimed at improving program implementation.

1.6 Risk-based approach to verification

Local Fund Agents are expected to undertake a thorough verification of the Principal Recipient-reported programmatic, financial and other contextual information. The verification approach and scope need to be agreed upfront between the Local Fund Agent and the Global Fund Country Team based on the country portfolio, Principal Recipient and grant risks (please refer to section 1.7 for guidance).

⁴ If applicable, the Local Fund Agent submits to the Global Fund ten (10) working days after the full submission by the Principal Recipient

Any conclusions and recommendations made by the Local Fund Agent should be based on documented evidence obtained through such verification.

Following a risk-based approach, Local Fund Agents are expected to:

- identify and assess any risks of material misstatements or omissions in reported information. This includes but is not limited to *identification of the risk area(s), including fraud risks*, to be verified in detail, either periodically or on a routine basis. For example, these areas may include cash payments, procurement, training activities, bank and expenditure management, internal controls, payroll, advances to Sub-Recipients, budget monitoring, advances to employees and others.
- Agree with the Global Fund Country Team on a verification methodology that addresses the identified risks. This may include the following:
 - *defining the data sampling criteria/size, where applicable, depending on the verification methodology;*
 - *establishing whether sampled transactions are compliant with the Principal Recipient's procedures, eligible under a given grant and appropriate for the timeframe indicated;*
 - *reviewing, as appropriate, the effectiveness of internal control procedures put in place by the Principal Recipient to mitigate various risks.*

1.7 Definition of risk by functional area

In order to guide the Local Fund Agents' risk-based verification work, the Global Fund has defined some of the key factors to consider when determining the risk classifications *low*, *medium* and *high* for each functional area (finance, monitoring and evaluation, and procurement and supply management):

| Level of Risk/ Functional Area | LOW | MEDIUM | HIGH |
|------------------------------------|---|--|---|
| FINANCE | <ol style="list-style-type: none"> 1. Well-organized financial management (easy tracking of supporting documentation and good archiving system); 2. No significant issues in financial management; 3. No instance of fraud as per latest OIG and audit report; 4. Usually good quality and timely reporting; 5. Good Sub-Recipients' oversight; 6. The latest audit report is of good quality, less than 12 months old and does not have material findings; 7. Conditions and management actions are properly and timely managed by the Principal Recipient. | <ol style="list-style-type: none"> 1. Frequent issues in financial management; 2. Instance of fraud (cash and non-cash); 3. Instance of some ineligible and unsupported expenditures; 4. Reporting lacks quality and is sometimes provided late; 5. Inadequate Sub-Recipients' oversight; 6. Issues noted in financial management organization (tracking of supporting documentation and archiving system need to be improved); 7. Audit and AFR reports provided with delay and of questionable quality; 8. Spending not aligned with the budget; 9. Some unfulfilled conditions and management actions. | <ol style="list-style-type: none"> 1. Frequent significant issues in financial management; 2. Instance of fraud (cash and non-cash); 3. Instance of material ineligible and unsupported expenditures; 4. Lack of quality in reported financial data and reports are significantly delayed; 5. Poor Sub-Recipients' oversight, and/or complex implementation arrangements; 6. Poor financial management organization (poor tracking of supporting documentation and poor archiving system); 7. Audit and AFR reports not provided on time and/or of poor quality; 8. Poor spending and/or spending not aligned with the budget; 9. Large number of unfulfilled conditions and management actions. |
| Monitoring & Evaluation | <ol style="list-style-type: none"> 1. Functioning M&E system: existing M&E plan, M&E coordination; 2. HMIS coverage is national and data is complete, timely and accurate; 3. Disaggregated data is available; 4. Programmatic data is routinely analyzed, and reports available; 5. Regular information is available, including reports on disease morbidity and mortality and program quality; 6. Routine data verification procedures are followed; 7. Adequate data quality. | <ol style="list-style-type: none"> 1. M&E system is functional but there is still a number of gaps and weaknesses; 2. HMIS needs to be strengthened and coverage need to increase; 3. Disaggregated data is partially or not available; 4. Programmatic data synthesized, but reports are not easily accessible or available; 5. Some information on disease impact and outcome, however important gaps still exist; 6. Data verification procedures in place but not systematically followed; 7. Some data quality issues. | <ol style="list-style-type: none"> 1. No national M&E system; 2. Parallel project specific data collection system exists; inadequate coverage and incomplete data; 3. Major gaps in synthesis of programmatic data and reports are not produced; 4. No impact/outcome information available or data are contradictory on progress towards impact/outcome; 5. No routine data verification processes in place; 6. Major data quality issues. |

| Level of Risk/ Functional Area | LOW | MEDIUM | HIGH |
|-----------------------------------|---|--|--|
| Procurement & Supply Management | <ol style="list-style-type: none"> 1. Less than 40% of the portfolio is dedicated to PSM; 2. Procurement managed by PPM or a Procurement Agent or International Organizations; 3. No issues/only minor issues with the in-country supply chain system; Global Fund risk assessment of health products related risks: overall rating for Health Services & Products Risk category is low. | <ol style="list-style-type: none"> 1. More than 40% of the portfolio dedicated to PSM; 2. Procurement managed by a Procurement Agent or PPM; 3. Some issues with the in-country supply system; Global Fund risk assessment of health products related risks: overall rating for Health Services & Products Risk category is medium. | <ol style="list-style-type: none"> 1. Large volume or more than 70% of the portfolio dedicated to PSM 2. Weak/complex in-country supply chain: large country, geographic challenges 3. OIG report with serious issues in PSM; evidence of mismanagement 4. Additional Safeguard Policy (ASP) portfolio with PSM related issues <p>Global Fund risk assessment of health products related risks: overall rating for Health Services & Products Risk category is high.</p> |

Based on the above, the historical knowledge of the grant/country and the input by the Local Fund Agents through their routine monitoring of risks, the Global Fund defines the level of risk in the three functional areas for each grant. This risk classification impacts the Local Fund Agent's scope of work, the required level of effort and the verification methodology the Local Fund Agent will use when reviewing the information provided by the Principal Recipient in the PU/DR.

As this depends a great deal on the country and grant context, Local Fund Agents are requested to agree with the Global Fund Country Team, prior to performing the review of the PU/DR. Local Fund Agents are strongly encouraged to raise any issues/risks that may require more in-depth review and verification to the Country Team prior to undertaking the work.

There should be a clear link between the risks identified and the verification methodology adopted by the Local Fund Agent. The Local Fund Agent's verification may be undertaken as a desk review or as part of an on-site visit or both. It is strongly recommended that in addition to email and telephone communication, Local Fund Agents meet in person and on a periodic basis with the Principal Recipient's program managers, as well as monitoring and evaluation, procurement, finance and accounting staff and, as appropriate, with the personnel of key Sub-Recipients. In cases where critical issues/risks are identified outside the realm of the PU/DR scope of work (e.g. requiring verification at the level of Sub-Recipients, Sub-Sub-Recipients, suppliers and other stakeholders), the Local Fund Agent needs to discuss these with the Global Fund Country Team and agree on the extended scope of work, as required, before performing the work.

1.8 Recommended approach for the Local Fund Agents' review of financial information

Low-risk grants:

The Local Fund Agent undertakes an analytical review of the information provided by the Principal Recipient in the PU/DR. No testing procedures for individual transactions are required, unless otherwise agreed with the Global Fund Country Team.

Medium- and high-risk grants:

The Local Fund Agent undertakes an analytical review of the information provided by the Principal Recipient in the PU/DR.

Local Fund Agents are expected to apply sound professional judgment and the results of analytical and other relevant procedures performed when determining and agreeing with the Global Fund Country Team the sample size for expenditure testing, noting that there is a different inherent risk when there are many, smaller transactions as compared to few, larger transactions. As an indication:

- Where there are **higher number of smaller-value** transactions: for *medium* risk grants the **indicative** sample size is 10-30 percent by value, whereas for *high* risk grants it is 20-50 percent by value.
- Where there are **smaller number of high-value** transactions: the Local Fund Agent is expected to propose to the Global Fund Country Team the sample size for performing risk-based testing procedures based on its professional judgment and considering the grant specific context.

1.9 Sources of information

While accounting and programmatic records maintained under the program are the primary sources of information that should be used in the Local Fund Agent's analysis, other sources of information may include as needed:

- published reports on funding for the relevant disease component in a given country or country cluster from other donors, the government or civil society organizations;
- information published by the Global Fund on its website (www.theglobalfund.org), e.g. disbursements report by grant;
- tender announcements for procurement of products and services;
- regular media;
- other sources (e.g. audit reports, data quality audit reports, Office of the Inspector General reports).

1.10 Findings and recommendations

Depending on the differentiated portfolio categorization and the scope of work agreed with the Country Team, Local Fund Agents may be requested to clearly state their findings and to adequately address and bring to the Global Fund's attention any identified issues or risks. Recommendations made by the Local Fund Agent should be clearly supported by verified facts and independent analysis and should be consistent with the Local Fund Agent's findings. All recommendations have to be realistic, actionable and appropriate for managing the identified risks/issues. When presenting their findings and recommendations, Local Fund Agents are expected to demonstrate sound understanding of the linkages between the financial and programmatic aspects of grant implementation.

At the end of the verification and before submitting the report to the Global Fund, the Local Fund Agent should provide a verbal debrief of the key findings to the Principal Recipient. Please refer to the Local Fund Agent In-country Communications Protocol (available at

<http://www.theglobalfund.org/en/lfa/documents/>) for more information on how to share findings from the Local Fund Agent's verifications/assessments with the Principal Recipients.

1.11 Grant rating and disbursement recommendation

The Local Fund Agent is required to provide an overall grant rating and a disbursement recommendation in line with the Global Fund's Grant Rating Methodology (see the Operational Policy Note on [Annual Funding Decision and Disbursement](#)).

1.12 Summary of recommended level of effort per risk level and functional area

| Annual Review of PU/DR | LOW | MEDIUM | HIGH |
|---|----------------|------------------|--|
| Finance* | 3 to 5 days | 7.5 to 11.5 days | 12.5 to 17 days |
| Monitoring and evaluation | 3 days maximum | 4 days maximum | Average of 5 days with maximum of 10 days if poor data quality and in very complex cases |
| Procurement and supply chain management | 2 days maximum | 3 days maximum | Average of 4 days and max of 8 days if stock/expiry verification includes regional or sample district stores |

** Taking into account country context and complexity of reporting, additional level of effort may be authorized by the Country Team for the Local Fund Agent's review of AFR and SR Cash Reconciliation as part of the annual Progress Update and Disbursement Request.*

1.13 Expanded Scope of Work

There may be cases where the Local Fund Agent is requested to perform services beyond the tasks described within these guidelines. This may occur where significant risks have been identified by the Global Fund and/or the Local Fund Agent that may require in-depth Local Fund Agent verification and/or periodic assessments throughout the lifetime of the grant. The Local Fund Agent may be requested to perform ad-hoc verifications or provide other information at the Global Fund's request outside of or in conjunction with the verification of the PU/DR.

An expanded scope of work may be proposed either by the Global Fund or by the Local Fund Agent and should be agreed upon between the Local Fund Agent and the Global Fund Country Team prior to the start of the work. The need for an adapted/expanded scope of verification may change from one reporting period to another, depending on the identified risk areas and operational requirements. Local Fund Agents are requested to apply their professional judgement to advise the Global Fund on the specific nature, timing and extent of the verification procedures based on:

- Principal Recipient/Sub-Recipient organization, accounting and control systems and operating characteristics;

- the nature of program assets, liabilities and expenditures;
- the type of the program activities financed by the Global Fund, and the risks inherent involved;
- the role of Sub-Recipients and Sub-Sub-Recipients in program implementation and the Principal Recipient's systems for sub-recipient management and oversight;
- knowledge from prior verification work;
- the risk profile of the grant, Principal Recipient, key Sub-Recipients and the country;
- materiality considerations; and
- other factors, as relevant.

NOTE In all cases, it is important to confirm the required level of effort and to establish an agreed deadline for submitting the Local Fund Agent-verified PU/DR with the Global Fund Country Team prior to the start of the Local Fund Agent's work, based on the risk profile of the grant and the required scope of work.

1.14 Quality Assurance and Sign-off

The PU/DR verification work should be undertaken by Local Fund Agent staff with the appropriate expertise and seniority. Adequate oversight and quality assurance should be provided throughout the preparation of the verified report.

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Cover Sheet

Overall purpose of the section

The cover sheet provides general information about the grant and the current reporting period. This information will be pre-populated in the PU/DR.

Detailed description

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|--|
| <p>General Grant Information</p> <ul style="list-style-type: none"> ▪ The General Grant Information shall be automatically pre-populated from the signed Grant Confirmation. ▪ In addition to the Grant Currency, the Local Currency will also be indicated on the cover sheet. | <ul style="list-style-type: none"> ▪ The Local Fund Agent can perform a quick check to ensure the pre-populated information is accurate, otherwise flag it to the Country Team's attention. |
| <p>Period of Programmatic Information</p> <ul style="list-style-type: none"> ▪ The "period covered" will be automatically pre-populated from GOS and shall be formatted as follows: <i>dd-mmm-yy</i> (e.g. 31-Mar-17). ▪ Typically, the reporting period for programmatic information should cover six (6) months for Core and High Impact portfolios and twelve (12) months for Focused portfolios. In order to align the grant start dates with the country's programmatic and fiscal reporting cycles, the first and last reporting periods of a grant could be longer or shorter. | <ul style="list-style-type: none"> ▪ The Local Fund Agent should ensure that: <ul style="list-style-type: none"> - the period covered is correct and immediately follows the period covered by the previous Progress Report/Disbursement Request - the results are strictly attributable to the period covered. |
| <p>Period of Financial Reporting</p> <ul style="list-style-type: none"> ▪ The "period covered" will be automatically pre-populated from GOS and shall be formatted as follows: <i>dd-mmm-yy</i> (e.g. 31-Mar-17). ▪ Typically, the reporting period for financial information should cover twelve (12) months for the majority of the portfolios, unless the Country Team indicated otherwise. In order to align the grant start dates with the country's programmatic and fiscal reporting cycles, the first and last reporting periods of a grant could be longer or shorter than 12 months. | <ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that: <ul style="list-style-type: none"> - the period covered is correct and immediately follows the period covered by the previous Progress Report/Disbursement Request. - the results are strictly attributable to the period covered. |
| <p>Disbursement Request</p> <ul style="list-style-type: none"> ▪ The "period covered" will be automatically pre-populated from GOS. It should cover the following year of the grant and shall be formatted as follows: <i>dd-mmm-yy</i> (e.g. 31-Mar-17). ▪ The period covered should not include a buffer period. | <ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that: <ul style="list-style-type: none"> - the period covered by the disbursement request is correct. - the disbursement request period doesn't include a buffer period. |

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Programmatic Reporting



Overall purpose of the section

This section covers reporting for impact/outcome indicators, coverage indicators and/or workplan tracking measures, if applicable, against the targets or milestones agreed between the Principal Recipient and the Global Fund and captured in the signed Performance Framework. It contains key information from the Performance Framework (modules, indicator descriptions, baselines, performance targets, milestones and criteria for completion), results reported by the Principal Recipient and verified by the Local Fund Agent, data-collection methods and comments to explain any variance between results and targets, analysis of data quality and reporting issues.

Moreover, the Principal Recipient is expected to provide disaggregated results for selected indicators. The disaggregated results will be verified by the Local Fund Agent, if requested by the relevant Global Fund Country Team. However, they do not affect the calculation of the Quantitative Indicator Rating.

In Focused portfolios, the Local Fund Agent's review of programmatic data is not required, however based on certain risks, Country Teams may ask the Local Fund Agent to perform a tailored verification exercise.

Detailed Description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <p>Section 1A. Impact/Outcome Indicators</p> <ul style="list-style-type: none"> Only the impact and outcome indicators that are due for reporting during the period or are outstanding from previous periods will be pre-populated in the form. The baseline data and targets will be pre-populated in the form from the signed Performance Framework. The year of target corresponds to the year when the data collection is anticipated to take place, and shall be automatically pre-populated in the form. | <p><i>Only for Core and High Impact Portfolios</i></p> <p>Section 1A. Impact/Outcome Indicators</p> <p>The Local Fund Agent should consult the Global Fund Country Team and agree on the level of verification according to the risk context, latest results, existing knowledge in the Global Fund Country Team.</p> <p>If not agreed otherwise:</p> <ul style="list-style-type: none"> the Local Fund Agent should verify that the Principal Recipient has reported data for the impact and outcome indicators that are due for reporting during the period as per the Performance Framework. |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <ul style="list-style-type: none"> ▪ The Report Due Date corresponds to the date when the report will be available and shall be automatically pre-filled in the template based on the signed Performance Framework. ▪ If an indicator result is outstanding from the previous year, and there is a higher target for the current year, then the reported result will be compared against the target of the current year. ▪ If an indicator result is outstanding from the previous years, and there is no target for the present year, then this indicator should still be listed until a result is reported. ▪ The data source of the result needs to be listed for all reported results. Any variation in data source or method of data collection from that of the baseline should be clarified in the comments column. ▪ If any of the planned baseline surveys are delayed, the Principal Recipient should report the reason for the delay and revised timelines for conducting the survey. | <ul style="list-style-type: none"> ▪ for each impact/outcome indicator, the Local Fund Agent should reconcile the results to relevant data sources. <p>NOTE If results have not been verified, the Local Fund Agent should indicate this (by selecting “not verified” from the dropdown list) and provide an explanation.</p> <p>The Local Fund Agent should comment on:</p> <ul style="list-style-type: none"> ▪ the data source of the results and/or the data collection method if different from that of the baseline. The Local Fund Agent should provide their own assessment and not “copy and paste” the comments provided by the Principal Recipient. ▪ the status of completion of surveys and other methods to measure impact/outcome, as applicable, if the result is overdue. ▪ any modifications to the reported results after the Local Fund Agent’s verification should be entered in the column “Verified Results”. |
| <p>Impact / Outcome Indicators – Disaggregation</p> <ul style="list-style-type: none"> ▪ Results should be further disaggregated by age, sex, gender, status, etc. for a specific set of impact/outcome indicators. ▪ Where disaggregation is required by the Global Fund, the concerned indicators, with their relevant disaggregation categories will be automatically pre-populated in the form, along with the baselines’ value, year and source. | <p>Impact / Outcome Indicators – Disaggregation</p> <p>If requested by the Global Fund Country Team, the Local Fund Agent should verify that:</p> <ul style="list-style-type: none"> ▪ Disaggregated results are provided for those impact/outcome indicators where disaggregation is required. ▪ The reported disaggregated results are accurate and consistent with the agreed data source. |
| <p>Section 1B. Coverage Indicators</p> <ul style="list-style-type: none"> ▪ All modules, coverage indicators contained in the signed Performance Framework and due for reporting will be pre-populated automatically in the form. ▪ The “Geographic Area”, whether national or sub-national, will also be pre-filled in the form. ▪ The reported accumulation could be either (1) cumulative annually, (2) non-cumulative (A or C), or (3) non-cumulative (B). This shall be pre-filled automatically in the form. ▪ The baseline and targets will be pre-populated based on the signed Performance Framework. | <p>Section 1B. Coverage Indicators</p> <p>The Local Fund Agent should verify that:</p> <ul style="list-style-type: none"> ▪ The Principal Recipient reported results for all modules and programmatic indicators due for reporting in the current reporting period. ▪ The results are reported consistently with the way targets were set in the Performance Framework. ▪ After the Local Fund Agent’s verification, results should be entered in the column “Verified Results”. In case the verified result is different from the result reported by the |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <p>IMPORTANT Results should be reported in a manner which is consistent with the way targets were set in the Performance Framework (e.g. if a target was set as “cumulative annually,” the reported result should also be cumulative over the same annual period) and with consistent value types (e.g. if a target was set as a numerator/denominator/percentage the result should also be reported as a numerator/denominator/percentage).</p> <p>IMPORTANT For a result reported in the value type “numerator/denominator/percentage” against a target set in the same value type, the percentage part shall be used in calculating the achievement ratio automatically.</p> <ul style="list-style-type: none"> ▪ If results are significantly different from targets, the Principal Recipient must provide reasons for the deviation. The Principal Recipient should also comment on deviations from any related activities. | <p>Principal Recipient, the nature of the adjustment should be explained.</p> <p>NOTE The Local Fund Agent should not change any values in the Principal Recipient part.</p> <ul style="list-style-type: none"> ▪ For each indicator, the Local Fund Agent should specify how the results were verified (e.g. desk review or on-site verification). If other methods of verification have been used, the Local Fund Agent should explain the methodology followed. ▪ The Local Fund Agent should indicate if there are any discrepancies between the target accumulation in the Performance Framework and the reporting by the Principal Recipient to ensure that results are aligned to the appropriate reporting period. ▪ The Local Fund Agent should check that the results are consistent with the agreed measurement methods and data sources. <p><u>Recommended scope of review of reported results:</u></p> <ul style="list-style-type: none"> ▪ <i>Low-risk</i> grants: a document review of reported results should be undertaken annually. Based on an agreement with the Global Fund Country Team this can be waived for the semi-annual Progress Report if there is a history of good data quality and/or reliable programmatic reports are routinely produced. ▪ <i>Medium-</i> and <i>high-risk</i> grants: a document review of reported results, referencing information obtained through spot checks and onsite verifications, as relevant, undertaken prior to the review of the Progress Report. If feasible and in case of serious concerns with the data reported by the Principal Recipient, the Local Fund Agent may be requested by the Global Fund Country Team to undertake selected spot checks at key sites during an expanded Progress Report review. <p>NOTE If results have not been verified (as a matter of exception) the Local Fund Agent should indicate so and provide an explanation.</p> <ul style="list-style-type: none"> ▪ For a result reported in the value type “numerator/ denominator/percentage” against a target set in the same value type, both the numerator and denominator need to be verified and adjusted (if necessary). If the denominator |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| | <p>is based on estimates, its validity needs to be verified against the source (e.g. a report published by technical partners, result achieved for another indicator). If a numerator or denominator used by the Principal Recipient cannot be validated, the Local Fund Agent should highlight this in the review comments.</p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should comment on progress to date, explain any significant variance between targets and results, and any deviations from the related work plan activities. These comments <u>should not</u> be a “copy and paste” of the comments provided by the Principal Recipient. ▪ The Local Fund Agent should raise any data quality issues in the comment column next to the specific indicators. ▪ Based on (a) the quantitative indicator rating calculated by the Grant Rating Tool as per the latest reported results for each indicator and (b) the Local Fund Agent’s knowledge of programmatic performance, the Local Fund Agent should assign an indicator rating as explained in the Operational Policy Note on Annual Funding Decision and Disbursement. <p>NOTE Programmatic performance is measured through quantitative indicator rating. When an Annual Funding Decision is being recommended, the rating should be based on results from the previous execution period. For example, if the Principal Recipient submits a progress report every six months and one annual funding request, the performance rating should be based on the results achieved through both semi-annual periods. The indicator rating can be adjusted for data quality issues identified during grant implementation.</p> |
| <p>Coverage Indicators – Disaggregation</p> <ul style="list-style-type: none"> ▪ Results should be further disaggregated by age, sex, gender, status, etc. for a specific set of coverage indicators. ▪ Where disaggregation is required by the Global Fund, the concerned indicators, with their relevant disaggregation categories will be automatically pre-populated in the form, along with the baselines’ value, year and source. | <p>Coverage Indicators – Disaggregation</p> <p>The Local Fund Agent should verify that:</p> <ul style="list-style-type: none"> ▪ Disaggregated results are provided for those coverage indicators where this information is required. ▪ The reported disaggregated results are accurate and consistent with the data source. |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes | | | | | | | | | | |
|--|---|--------|---|-------------|---|---------|---|-----------|---|-----------|---|
| <p>Section 1C. Work Plan Tracking Measures</p> <p>When grants do not include any coverage/output indicators, work plan tracking measures will be used to assess performance and make annual funding decisions. Some grants may include both coverage indicators and work plan tracking measures. In this case, both should be reported in the respective sections. In the work plan tracking measures section:</p> <ul style="list-style-type: none"> ▪ The modules, interventions, activities, milestones, and criteria for completion for the specific activity will be pre-populated automatically in the form only for the period when the results are due for reporting. ▪ The progress on work plan tracking measures (i.e. milestones and targets for input and process indicators) will be categorized as: <table border="1" data-bbox="236 963 782 1305"> <thead> <tr> <th>Implementation progress during the reporting period</th><th>Status</th></tr> </thead> <tbody> <tr> <td>No progress against planned milestone or target</td><td>Not started</td></tr> <tr> <td>Less than 50% completion of the milestone or target</td><td>Started</td></tr> <tr> <td>50% or more completion of planned milestone or target</td><td>Advancing</td></tr> <tr> <td>100% achievement of planned milestone or target</td><td>Completed</td></tr> </tbody> </table> | Implementation progress during the reporting period | Status | No progress against planned milestone or target | Not started | Less than 50% completion of the milestone or target | Started | 50% or more completion of planned milestone or target | Advancing | 100% achievement of planned milestone or target | Completed | <p>Section 1C. Work Plan Tracking Measures</p> <p>The Local Fund Agent should verify the reported results and self-attributed scores against the activities in the work plan tracking measures and assign an overall rating based on the verified results.</p> |
| Implementation progress during the reporting period | Status | | | | | | | | | | |
| No progress against planned milestone or target | Not started | | | | | | | | | | |
| Less than 50% completion of the milestone or target | Started | | | | | | | | | | |
| 50% or more completion of planned milestone or target | Advancing | | | | | | | | | | |
| 100% achievement of planned milestone or target | Completed | | | | | | | | | | |

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Financial Reporting

Overall purpose of the section

The Global Fund needs a minimum set of reliable financial information regarding the implementation of grants. This financial information is important to:

- **assist grant management**: Having financial breakdowns and variance analyses, and being able to link financial information to programmatic performance, strengthens the ability to make informed funding and investment decisions (e.g. allocations, annual funding decisions and disbursements);
- **pinpoint areas of financial risk**: Tracking expenditures against budgets also enables an analysis of financial risks across the grant portfolio. For example, where is the largest proportion of funds being allocated and used? Are the funds being spent in the planned areas? Are there any financial bottlenecks (such as in procurement)? etc.;
- **external reporting and resource mobilization**: Being able to demonstrate the efficiency of the Global Fund investments and clearly demonstrate that funding is spent in line with the approved Global Fund grant agreement to achieve maximum impact in the Disease Program is critical for external reporting and resource mobilization; and
- **transparency and accountability**: Being able to accurately report on the use of funds to donors, the general public and other stakeholders in an efficient and timely manner is one of the core principles of the Global Fund.

The information reported in the financial sections must be based on the Principal Recipient's accounting and other program records, and on those of Sub-Recipients. It needs to be supported by relevant breakdowns, schedules, summaries and notes based on the financial, accounting and management systems used.

The supporting documents should be made available for review of the Global Fund and its mandated assurance providers including the Local Fund Agent and external auditor. Where applicable, supporting documentation can be included in the annexes

Principal Recipients are not expected to replace existing accounting and financial information systems or create parallel systems but are required to adapt, as needed, accounting and financial information from their existing systems in order to meet the Global Fund's requirements.

Only *compliant* expenditures under the program are permitted for the purpose of financial reporting and disbursement requests to the Global Fund. Compliant expenditures⁵ are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund approved budget and used solely for program purposes consistent with the terms and conditions of the grant agreement. Specific guidance on ineligible transactions, is available in section 5 of the [“The Global Fund Guidelines for Grant Budgeting”](#).

Actual expenditures incurred in a currency other than the grant currency should ideally be translated into the grant currency using the spot rate applicable on the day of each transaction. If the use of daily rates is not practical, the average exchange rate (monthly or quarterly) for the reporting period should be used. The source and actual exchange rates used in the calculations should be disclosed.

⁵ The associated first annual funding decision and disbursement schedule will also be aligned, plus a buffer period.

NOTE: In cases of significant currency rate fluctuations, a separate average exchange rate should be calculated each month. Monthly average exchange rates can be obtained or calculated from the country's central/national bank or other official sources (e.g. the International Monetary Fund or other international financial institutions).

Definitions

For the purposes of the Global Fund's financial reporting, the following definitions apply:

- **Financial commitment:** A current contractual obligation to pay a specified amount of cash against goods and services already received i.e. the goods/services have been received, however, the related payment is not yet made (all or partial) either due to delay in/non-receipt of invoices, use of favourable payment terms or prolonged payment process. Financial commitments mainly include accounts payable and creditors.
For example, a contract was signed for the procurement of health products and these health products were received before the end of a reporting year. However, the related payment was not made either due to non-provision of invoices or prolonged payment process, etc.

- **Financial obligation:** A current contractual obligation to pay an agreed amount of cash (as per signed contract and/or Purchase Order) to a third party for the provision of goods/services at a certain point of time in the future, i.e. goods or services are yet to be received.

For example a contract is signed for the optimization of the financial management information system, however, as per the contract the services will be provided in the first quarter of next year.

As part of its regular reporting, the Principal Recipient should share any additional information that can improve the level of understanding of the reported financial information. The Principal Recipient should also make every possible effort to facilitate the work of the Local Fund Agent during its program review and verification process whether it is done on-site or remotely.

Special Cases

If any of the special cases outlined below apply to a given grant, the Principal Recipient should explicitly disclose the nature of the situation and any departures from these guidelines in their PU/DR.

Restatement of financial information reported previously for the same implementation period stipulated in section 3.7 of the Grant Confirmation

In certain cases, past expenditure and budget information reported in one or several previous PU/DR(s) may need to be updated to correct any material errors such as erroneous exchange rate assumptions, ineligible transactions⁶ or arithmetic errors. Adjustments made in the subsequent PU/DR to correct the reported cumulative and actual expenditure, disbursements to Sub-Recipients and budget amounts may require updating current cash balances. Following such adjustments, the Principal Recipient should issue an official letter or provide a copy of the note to file duly approved by the accountable official of the Principal Recipient to the Global Fund indicating the correct cumulative and actual cash outflow and budget amounts, as well as a description of the adjustments and reasons for these adjustments.

⁶ For purposes of progress update reporting, ineligible transactions include both non-compliant expenditure as defined in section 5 of the [Global Fund Guidelines for Grant Budgeting](#) and/or income, foreign exchange and any other adjustments required to arrive at the accurate cash position.

Reporting under fiduciary agency (including fiscal agent) arrangements

Reporting for a grant that utilizes the services of a fiduciary or management agency should be no different from reporting under regular grants managed directly by a Principal Recipient. All budgets, actual expenditures, revenues, disbursements and other financial information related to the grant should be reported as though directly managed by the Principal Recipient even if, for example, some expenditures and cash balances are to be found at the fiduciary or management agency level.

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Section 2 A,B,C,D. Principal Recipient cash reconciliation statement in grant currency

Overview

The Principal Recipient Cash Reconciliation Statement (hereinafter referred to as the cash reconciliation statement) provides information on the program's cash position as at the progress update period end, showing the movements in cash (cash inflows and outflows) during the period covered by the progress update. The cash reconciliation report to the Global Fund covers cash balance of the Principal Recipient in support of Global Fund disbursement decisions.

This statement should be completed in the currency of the grant, as stipulated in section 3.6 of the Grant Confirmation. It should take into account disbursements made directly to the Principal Recipient and on its behalf to third parties; other income received including that related to income generating activities; Principal Recipient expenditure; net gains and losses arising from exchange rate fluctuations.

The cash reconciliation statement should fully reflect all bank accounts owned and held by the Principal Recipient and Sub-Recipients (when applicable) for implementation of grant activities irrespective of physical location and currency denomination of those accounts. It should also include any grant funds held with fiduciary agents (if applicable).

The cash reconciliation statement requires the provision of information on the Principal Recipient bank statement balances and it is required that the Principal Recipient furnishes this information in the relevant table of this statement as detailed below.

The Principal Recipient is also requested to provide information on non-compliant expenditure identified under the grant to facilitate transparency and reporting of these to the Global Fund for data alignment purposes.

In addition, in case of a program continuation (signing of a new implementation period with the same Principal Recipient), the Principal Recipient should provide the reconciliation of the final cash balance for the previous implementation period, in order to provide information on any unutilized cash that may be available for the new implementation period.

When requested by the Global Fund, the Sub-Recipient cash reconciliation should be provided (See the section "Principal Recipient Reconciliation of Funds Provided to Sub-Recipients for the Current Implementation Period", below).

The cash reconciliation statement only covers financial transactions for the grant implementation period⁷ as stipulated in section 3.7 of the Grant Confirmation and is split into the following tables:

Table A. Principal Recipient cash reconciliation statement in grant currency contains the following:

1. Opening cash balance⁸
2. Grant income
3. Grant cash outflows

⁷ Including extensions and close-out periods communicated through the relevant Grant Agreement and/or Implementation/Notification Letters.

⁸ The opening cash balance at the beginning of the implementation period include balances at both Principal Recipient and Sub-Recipient level.

4. Reconciling adjustments
5. Total cash balance: end of the reporting period (Principal Recipient and Sub-Recipient, if applicable)

Table B. Principal Recipient bank statement balance and cash in-transit in grant currency contains the following:

1. Principal Recipient cash balance as per bank statement (for information purposes only)
2. Cash in-transit: both during and after the reporting period (up to the report submission date if readily available).

Table C. Principal Recipient financial commitments and other financial obligations⁹

1. Unpaid invoices, accrued expenditure for severance pay, leave and other liabilities
2. Open legal obligations (including signed contracts not yet invoiced)
3. Tenders and/or procurement contracts initiated but not yet signed as contracts

Table D. Principal Recipient ineligible transactions in grant currency contains the following:

1. Ineligible transactions validated for the reporting period
2. Ineligible transactions from previous periods for which justification was approved by the Global Fund
3. Reimbursement of ineligible transactions from previous periods
4. Cumulative ineligible transactions for the implementation period
5. Open ineligible transactions to be justified/reimbursed

Table E. Principal Recipient Reconciliation of Cash Balance from the previous Implementation Period

1. Closing Cash Balance as of the end of the previous implementation period
2. Commitment brought forward as of the end of the previous implementation period
3. Payment made against the prior implementation period financial commitments
4. Remaining commitments on previous implementation period
5. Final Cash Balances (Savings) for the previous implementation period.

The respective sections have provision for reporting on cumulative financial data for previous progress update periods, transactions incurred during the current progress update period, adjustments approved by the Global Fund (Country Team). Upon validation of the PU/DR, the Country Team shares a communication with the Principal Recipient in the form of a Performance Letter indicating the required adjustments (including any ineligible transactions) for the Principal Recipient to take appropriate actions within the stipulated timelines and prior to the submission of the PU/DR for the next reporting period.

⁹ The Global Fund is requesting information on “financial commitments and other financial obligations” for disclosure purposes and therefore it does not impact on Principal Recipient cash balance which is still strictly on cash basis of accounting.

Detailed description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | • Annual | • 60 days after end of annual reporting period |
| Core | • Annual | • 60 days after end of annual reporting period |
| High Impact | • Annual | • 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| <p>Table A. Principal Recipient Cash Reconciliation Statement in Grant Currency</p> <p>This section captures relevant financial data to calculate the Principal Recipient (and Sub-Recipient, if applicable) cash balance.</p> <p>Item 1 - Cash Balance – beginning of the period¹⁰</p> <p>The Principal Recipient's opening cash balance should correspond to the prior period's closing cash balance as reported by the Principal Recipient¹¹. Any adjustment required as per the validated figures from the Global Fund should be reported under other reconciliation adjustments for the current period and/or processed as justification or reimbursements for ineligible transactions in the current reporting period. There should be no restatement of prior period records unless required for audit purposes.</p> <p>2. Grant Income:</p> <p>This is to capture all income received under the grant cumulatively for prior periods and the progress update period:</p> <ul style="list-style-type: none"> ▪ Item 2.1 – “Disbursement made to the Principal Recipient”: direct disbursements made to the Principal Recipient by the Global Fund, based on information contained in the disbursement notification letter sent to the Principal Recipient. ▪ Item 2.2 – “Disbursement to third parties by the Global Fund on behalf of the Principal Recipient”: direct payments made by the Global Fund to third parties as authorized by the Principal Recipient (e.g. payments made under the Pooled Procurement Mechanism to | <p>The Local Fund Agent reviews²³ and proposes adjustments as appropriate (including providing explanations as relevant in the section “For Local Fund Agent Use Only” on adjustments for exceptions and/or gives additional contextual information to the Principal Recipient's reported information). The Local Fund Agent's scope of work (unless otherwise agreed with the Global Fund Country Team) would usually include the following:</p> <ul style="list-style-type: none"> ▪ Verify consistency with previous periods' information and provide comments for identified deviations. ▪ Verify the accuracy of entries for grant income in respect of disbursements from the Global Fund, third party disbursements, interest received, income generating activities and any other income received, by vouching to accounting system including source documents. ▪ Determine whether transactions and events that should have been recorded have been recorded in the correct reporting period using a risk and control-based approach. ▪ Ascertain whether the events, transactions, balances and other matters disclosed in the cash reconciliation statement: <ul style="list-style-type: none"> ✓ are clearly expressed; ✓ have occurred and/or are relevant to the |

¹⁰ The opening cash balance of the first progress update represent any available in-country cash balances (Principal Recipient, Sub-Recipients, procurement agents etc..) at the end of the previous implementation period and/or grants that were incorporated as part of the funding available for the current implementation period.

¹¹ This should be based on the accounting records and transactions of the Principal Recipient.

²³ Review procedures may include but not limited to the inquiry of management/staff, observation of process/procedures and inspection of financial information.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| <p>a procurement agent). This amount should match the disbursement notification letters sent to the Principal Recipient for such payments.</p> <p>NOTE: Any associated bank charges, currency translation fees and other financial transactions costs on disbursements should <i>not</i> be deducted instead these are included as expenditure under “Bank charges on disbursements and payments”.</p> <ul style="list-style-type: none"> ▪ Item 2.3 – “Interest received on bank accounts”: this represents income received during the current reporting period from bank accounts held by the Principal Recipient as indicated in bank statements. <p>NOTE: the grant agreement does not authorize the Principal Recipient to invest cash in other financial instruments or in long-term deposits. Funds deposited in an interest bearing account should be available for immediate use for program purposes as needed.</p> <ul style="list-style-type: none"> ▪ Item 2.4 – “Revenue from income-generating activities (if applicable)”: this represents additional income arising from the sale of commodities/products and other services (when applicable) (e.g. insecticides-treated nets, micro loan interest...), as well as other income-generated activities funded by the program and approved by the Global Fund. ▪ Item 2.5 – “Other income, if applicable (e.g. VAT/Other Tax refunds, income from disposal of assets etc.)”: this represents any income outside the above items which arise outside normal or regular grant activities. These include refunds (e.g. from tax authorities, suppliers, procurement agents rebates), income arising from disposal of assets and refund of funds held by Sub-Recipients¹², as well as program specific donations or contributions by third parties. ▪ Item 2.6 – “Total Grant Income”: is automatically calculated based on the financial information entered in the fields above. <p>3. Grant Cash Outflows This comprises expenditure on <i>cash basis</i> in the period of the progress update and also</p> | <p>accounting period; ✓ pertain to the entity; and ✓ are disclosed at appropriate amounts.</p> |

¹² The Principal Recipient should not “net” refunds received from Sub-Recipients against disbursements made to Sub-Recipients.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
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| <p>cumulatively for prior periods.</p> <ul style="list-style-type: none"> ▪ Item 3.1 – “Principal Recipient Expenditure (including payments and other advance payments)”: These represent the cash outflows that are attributable to activities implemented by the Principal Recipient. It also includes indirect and any overhead¹³ amounts charged to the grant. ▪ Item 3.2 – “Disbursement to third parties by the Global Fund on behalf of the Principal Recipient”: the same data as provided in (2.2) above, is automatically populated in the form. ▪ Item 3.3 – “Principal Recipient disbursement to Sub-Recipients”: this includes all disbursements made to Sub-Recipients by the Principal Recipient during the reporting period. <p>NOTE: <i>Payments made for goods or services to be rendered by suppliers as per valid purchase orders/contracts and as per agreed grant agreement budget and work plan, should be accounted for as advances and reflected in the cash reconciliation statement as Principal Recipient expenditure (i.e. under item 3.1).</i></p> <ul style="list-style-type: none"> ▪ Item 3.4 – “Bank charges on disbursements and payments”: these are all fees arising from the Principal Recipient’s normal banking relationship for transactions involving receipt (e.g. disbursement received from Global Fund) and payments for grant activities, as indicated in the Principal Recipient’s bank statements (e.g. commission on turnover, transfer fee etc.). ▪ Item 3.5 – “Total Grant Cash Outflows”: is automatically calculated based on the information entered in the fields above. <p>4. Reconciling Adjustments This section of the cash reconciliation form makes provision for adjustments required in reconciling the cash balance of the Principal Recipient. These adjustments have been categorized as follows:</p> | <ul style="list-style-type: none"> ▪ Verify that grant cash outflows constitute compliant expenditures and provide details/analysis on exceptions to eligibility as part of budget variance analysis. |

¹³ The Indirect Cost Recovery (ICR) is calculated based on actual expenditure incurred by the Principal Recipient and disbursements to Sub-Recipients (excluding any commitments). When refunds are received from Sub-Recipients, the Principal Recipient need to apply an adjustment on ICR on the refund received to reflect the accurate ICR amount.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
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| <ul style="list-style-type: none"> ▪ Item 4.1 – “Other reconciliation adjustments (including for prior periods)”: these mainly include, but are not limited to, changes arising from prior periods’ progress update financial information (i.e. any of the elements of grant income and expenditure above, impacting on the calculation of Principal Recipient cash balance) emanating from correction of errors and mispostings. This amount could be positive or negative depending on the nature of the adjustments. The Principal Recipient should also include or take into account adjustments that were validated, cleared and officially communicated by the Global Fund in Performance Letters, or otherwise, covering prior periods. ▪ Item 4.2 – “Net exchange gains/losses on translation of balances”: this adjustment is to take into account foreign exchange gains or losses from translating closing non grant currency balances (functional and/or other currencies) to grant reporting currency balances at the end of the progress update period. Where there is an overall net loss in foreign currency translation¹⁴, this is recorded as a negative value. The Global Fund accepts the application of weighted average exchange rates (monthly or quarterly) for conversion of the transactions during the period. <p>NOTE: <i>In an environment of depreciating (or devaluing, if applicable) local currency versus grant currency, it is recommended that funds disbursed by the Global Fund be held in the grant currency up to the point of being utilized for program purposes.</i></p> <ul style="list-style-type: none"> ▪ Item 4.3 – “Ineligible transactions¹⁵ from previous periods for which justification was approved by the Global Fund”: This adjustment represents approval of justification provided by the Principal Recipient on expenditure previously classified as non-compliant. Such Global Fund approvals are issued in the form of an official communication¹⁶. This amount does not impact on the calculation of Principal Recipient cash balances. This is because it does not involve actual cash flows in the reporting | <ul style="list-style-type: none"> ▪ Recommend and explain its adjustments to the reported figures due to identified ineligible transactions as appropriate and taking into account sections 3.5 and 5 of “The Global Fund Guidelines for Grant Budgeting”. ▪ Check that all prior period adjustments as officially communicated to the Principal Recipient by the Global Fund have been accurately entered in the progress update period and are backed by adequate supporting documents. ▪ Verify the accuracy of computations for net exchange gain/losses arising from foreign exchange translations with reference to applicable closing spot rates used with reference to official central bank spot rate or other applicable inter-bank rate. ▪ Verify consistency between justified/cleared ineligible transactions to Global Fund official communication letter to Principal Recipient on the issue. |

¹⁴ In the event disbursements are made by the Global Fund in local currency, the Principal Recipient will be informed by the Global Fund on the applicable exchange rate to convert transactions in the grant currency.

¹⁵ Please refer to Section 5 of [The Global Fund Guidelines for Grant Budgeting](#) for more information on eligibility of expenditure.

¹⁶ Official Letter signed by the Fund Portfolio Manager, the Regional Manager or Head of Department, Performance Letter or Notification Letter.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
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| <p>information entered in the fields above.</p> <p>Table B. Principal Recipient Bank Statement Balance & Cash In Transit in Grant Currency This section of the cash reconciliation statement provides financial information on bank statement balances of Principal Recipient, cash in transit during the current progress update period and those in transit falling outside that period¹⁹ (i.e. falling in the disbursement request period). The items under this section are as follows:</p> <ul style="list-style-type: none"> ▪ Item 6.1 – “Principal Recipient Cash Balance as per bank statements”: The Principal Recipient is requested to furnish the Global Fund with the bank statement balance as at the progress update period end for analytical purposes only as part of determining annual funding and subsequent disbursement decisions. These balances should be for bank accounts maintained in grant currency and for those in other currencies (including local currency) translated into grant currency using the prevailing official spot exchange rate. In the case of comingled account, provision of the grant allocated bank balance is required and should be referred to as “fund balances” and indicated as such in the comments field. ▪ Item 6.2 – “Cash in transit for the reporting period”: These are the disbursements made by the Global Fund²⁰ to the Principal Recipient (or to a third party on the behalf of the Principal Recipient) during the current reporting period but received by the Principal Recipient after the reporting period end date. For example, a disbursement made to the Principal Recipient on 28 June 2016 in the course of the progress update semester period ending 30 June 2016 but received by the Principal Recipient on 15 July 2016. As this constitutes cash resources at the disposal of the Principal Recipient, this amount is automatically deducted from the total forecast amount for the disbursement request period. ▪ Item 6.3 – “Cash in transit after the current reporting period”: In certain instances, the Global Fund may release disbursements to the Principal Recipient (or to a third party on | <ul style="list-style-type: none"> ▪ Vouch reported Principal Recipient bank statement balance in cash reconciliation to official bank statements. ▪ Ascertain that cash in transit amounts are accurate with reference to disbursement notification letters for disbursements to Principal Recipient and also to third parties on behalf of the Principal Recipient while ensuring that they relate to the periods as explained in the guidance section. ▪ Refer to relevant sections above, for guidance. |

¹⁹ This information is included if the Principal Recipient has received disbursement notification before the progress update submission due date to the Global Fund, otherwise, the information is not required.

²⁰ The date on the Disbursement Notification Letter transmitted by the Global Fund is during the current reporting period.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
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| <p>behalf of the Principal Recipient) after the reporting period end-date, but prior to the due date for progress update submission. When such disbursements are made to and received by the Principal Recipient after the current progress update reporting period end, this is entered here (if readily available for reporting purposes). For example the Global Fund released the disbursement for the buffer period or other disbursement to the Principal Recipient on 21 July 2016, the disbursement is received by the Principal Recipient on 31 July 2016 (after the progress update reporting period end date of 30 June 2016). The amount received will be captured here as it has been received within the progress update submission date of 31 August 2016.</p> <p>NOTE: <i>The Principal Recipient must include all “commitments and outstanding payments” in the disbursement forecast as cash balances²¹ and cash in-transits are deducted from the disbursement forecast.</i></p> <p>Table C. Principal Recipient Financial Commitments and Other Financial Obligations</p> <ul style="list-style-type: none"> ▪ Item 7.1 – “Unpaid invoices, accrued expenditure for severance pay, leave and other liabilities”: covers all expenses accruing for employees which are yet to be paid (leave, retirement, terminal benefits etc.) and any open invoices from the receipt of goods and services as at the end of the reporting period. ▪ Item 7.2 – “Open legal obligations (including signed contracts not yet invoiced)”: this represents the value of contracted goods and services or approved open purchase orders that have not been invoiced by a supplier as at the reporting period end. ▪ Item 7.3 – “Tenders and/or procurement contracts initiated but not yet signed as contracts”: this represents the value of awarded contracts as at the reporting period end (i.e. successful tenders for goods and services prior to entering into a contractual agreement with a supplier). ▪ Item 7.4 – “Total Commitments & Other | <ul style="list-style-type: none"> ▪ Verify the reasonableness of the amounts disclosed as Principal Recipient financial commitments and other financial obligations in accordance with the applicable Principal Recipient accounting principles and with reference to the above definitions on financial commitment and obligation. This includes assurance that these commitments and other obligations have third party supporting documents and represent goods and services rendered or expected to be rendered with reference to the currently approved grant budget, annual funding decisions and associated disbursements made to the Principal Recipient. |

²¹ Including fund balance for comingled bank accounts.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>Obligations”: this is the total amount of items 7.1 to 7.3, above.</p> <p>NOTE: <i>This financial information is meant for disclosure and analytical purposes only and does not impact the calculation of the Principal Recipient’s cash balance.</i></p> <p>Table D. Principal Recipient Ineligible transactions in Grant Currency</p> <p>This section of the cash reconciliation statement is meant for the tracking of ineligible transactions in order to ensure transparency and alignment on potential recoverable amounts as at the reporting period end date, arising from expenditures which have been declared as ineligible in the course of the current implementation period of the grant and formally communicated through Performance, Implementation or Notification Letters.</p> <ul style="list-style-type: none"> ▪ Item 8.1 – “Ineligible transactions validated for the reporting period”: relates to identified expenditure in the current reporting period deemed non-compliant by the Principal Recipient based on the guidelines on ineligible transactions contained in section 5 of the “The Global Fund Guidelines for Grant Budgeting”. ▪ Item 8.2 – “Ineligible transactions from previous periods for which justification was approved by the Global Fund”: is derived from the item 4.3 above. ▪ Item 8.3 – “Reimbursement of ineligible transactions from previous periods”: is derived from the item 4.4 above and reflects transactions for which the Principal Recipient has provide a physical refund to the grant bank account or transferred the funds directly to the Global Fund. ▪ Item 8.4 – “Cumulative ineligible transactions for the implementation period”: is the sum of all ineligible transactions since the start of the current implementation period. ▪ Item 8.5 – “Open Ineligible transactions to be justified and/or reimbursed”: represents the amount of ineligible transactions as of the end of the reporting period. It is automatically calculated based on the information entered in the fields above. | |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>NOTE: <i>The Principal Recipient is required to input cumulative prior periods' information on ineligible transactions in items 8.2 to 8.5, including those for which justification was approved by the Global Fund and/or reimbursement was made.</i></p> <p>Table E. Principal Recipient Reconciliation of Cash Balances from the Previous Implementation Period</p> <p>This section is meant for the reconciliation of the previous implementation period cash balance. This is required to be filled out only in the first PU/DR, in case of a program continuation (signing of a new implementation period with the same Principal Recipient).</p> <ul style="list-style-type: none"> ▪ Item 9.1 – “Closing Cash Balance from the previous implementation period”: this represent the closing balance at the end of the previous implementation period as reported by the Principal Recipient in the last PU/DR. ▪ Item 9.2 – “Commitments from the previous implementation period”: this represents the sum of all the unpaid commitments at the end of the previous implementation period. ▪ Item 9.3 – “Payments made against the prior implementation period commitments”: this represents all the payments made to date against the commitments from the prior implementation period. ▪ Item 9.4 – “Remaining Commitments from the prior implementation period”: this represents the remaining commitments that still needs to be liquidated under the previous implementation period <p>NOTE: <i>Principal Recipient can only make payments under the previous implementation period up to 6 months after the end date of the previous implementation. If a commitment has not been liquidated prior to the date, the Principal Recipient is required to request approval from the Global Fund.</i></p> <ul style="list-style-type: none"> ▪ Item 9.5 – “Savings on prior implementation period commitments”: this represents the amount of savings from the previous implementation period. | |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>NOTE: <i>The net²² cash from the prior implementation period cannot be used for the current implementation period. The Global Fund will either request the Principal Recipient to refund the cash available or adjust the grant funds from the current implementation period by the amount of the savings.</i></p> | |

²² Difference between the reported available cash at the end of the previous implementation period versus the actual cash after payment of all the financial commitments.

Section 2E. Principal Recipient Reconciliation of Funds Provided to Sub-Recipients for the Current Implementation Period

Overview

In order to provide better financial information for decision-making on annual funding decisions and cash transfer needs, the Global Fund - at its own discretion - may request the Principal Recipient to provide financial data on the management of Sub-Recipient advances. The Principal Recipient may, however, choose to provide this information to the Global Fund even when it is not requested.

The Sub-Recipient cash reconciliation statement provides the reconciliation of funds provided to Sub-Recipients at a given progress update period end date. Sub-Recipient open advances are defined as disbursements made to Sub-Recipients and other Sub-Recipient income less Sub-Recipient expenditures validated and recorded by the Principal Recipient in its records as fully liquidated amounts (i.e. recognized officially as Sub-Recipient expenditure by the Principal Recipient in its own records). In certain instances, where “zero-cash or restricted cash policy²⁴” is in place, the Principal Recipient should report payments made under such policies as actual disbursements to Sub-Recipients (item 3.3) of the “Principal Recipient cash reconciliation statement in grant currency and also treat them as Sub-Recipient expenditure in the Sub-Recipient cash reconciliation section (column 4 and 6).

For the purpose of ensuring financial control over resources at the disposal of Sub-Recipients, the Global Fund strongly recommends that Principal Recipients establish advance accounting principles for disbursements made to Sub-Recipients for program implementation. Although disbursements made to Sub-Recipients are treated as “cash-outflow” for purposes of PU/DR reporting, it is important that Principal Recipients include Sub-Recipients’ expenditure in their records upon verification and/or validation of Sub-Recipient reports (including verification by assurance providers). For the verification of Sub-Recipients’ expenditure, Principal Recipients should apply a risk-based approach, where verification can be performed on a sample basis in the event adequate controls and risk mitigation measures are in place.

Sample expenditure verification can also be performed by the Local Fund Agent or other assurance providers, depending on the country context and risk exposure²⁵.

This section contains the following fields:



1. Sub-Recipient name;
2. Cumulative Sub-Recipient expenses for prior period at Principal Recipient level
3. Sub-Recipient Open Advances at Principal Recipient Level at the end of prior period
4. Disbursement made by Principal Recipient During Reporting Period
5. Other Income during reporting period
6. Expenditure validated by Principal Recipient During the Reporting Period
7. Refunds received from the Sub-Recipient
8. Sub-Recipient Closing Balance at Principal Recipient level
9. Actual Sub-recipient Cash Balance (if applicable)
10. Variances on Sub-recipient Balances (if applicable)

Fields requiring direct Principal Recipient input are highlighted in yellow, whereas the green highlighted fields are calculation-derived.

²⁴ Such policies imply that the Principal Recipient makes direct payments on behalf of the Sub-Recipients.

²⁵ Local Fund Agent verification work is based on request from the Country Team with scope setting guided by the risk-based approach to verification described in section 1.7 of this guideline

Detailed description

| Portfolio Category |  |  |
|--------------------|---|--|
| Focused | <ul style="list-style-type: none"> Annual (at the discretion of the Global Fund) | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none"> Annual (at the discretion of the Global Fund) | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Annual (at the discretion of the Global Fund) | <ul style="list-style-type: none"> 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <p>1. Sub-Recipient name</p> <p>The Principal Recipient is required to insert the name of the Sub-Recipient(s) for which financial details are been given. Where there is a significant number of Sub-Recipient(s) involved in the implementation of the grant and in order to simplify the reporting process, the Principal Recipient may be authorized to input “Other” to group Sub-Recipients that had managed a cumulative budget below US\$ 50,000 as at the end of the progress update reporting period.</p> <p>2. Cumulative Sub-Recipient expenses for prior periods at the Principal Recipient level</p> <p>This constitutes the cumulative expenditure amount validated by the Principal Recipient and entered into its accounting records derived from amounts previously disbursed to Sub-Recipients as at the end of the previous progress update reporting period.</p> <p>3. Sub-Recipient(s) open advances at Principal Recipient level</p> <p>This represents open balances from the previous progress update period regarding advances provided to Sub-Recipients that are yet to be validated and/or booked as grant expenditure as part of the Principal Recipient’s regular accounting closure process²⁶.</p> <p>4. Disbursements made by the Principal Recipient during reporting period</p> <p>This captures all direct disbursements made by the Principal Recipient to Sub-Recipients in the course of the progress update reporting period. These are cash outflows at the Principal Recipient level, which impact</p> | <p>If requested by the Global Fund Country Team, the Local Fund Agent should review and report in the section “For Local Fund Agent Use Only” on an exceptional basis the following²⁸:</p> <ul style="list-style-type: none"> Consistency of cumulative Sub-Recipient expenses for prior periods with the amounts reported in the previous progress update. Correspondence of Sub-Recipient open advances to both closing balances for the previous progress update reporting period and Principal Recipient’s trial balance. Correspondence of the reported Principal Recipient disbursements to Sub-Recipients to disbursement notifications sent to Sub-Recipients and amounts entered in Principal Recipient’s accounting records for advances, which form the basis for the entry made on item 3.3 of the Principal Recipient cash reconciliation statement. Completeness and accuracy of “other income” reported at the level of Sub-Recipients, vouching amounts to relevant source documents. Accuracy and support for amounts booked by the Principal Recipient (by way of expenditure returns from Sub-Recipients with supporting documents such as delivery notes, invoices, payment vouchers, receipts, etc.) as constituting validated Sub-Recipient expenditures and also accuracy of closing Sub-Recipient open advances reported on by the Principal Recipient. Reasonableness of reported Sub-Recipient cash balance including recommending |

²⁶ The Global Fund strongly recommends a monthly closing of accounts by all implementers and recipients of funding.

²⁸ Depending on risk factors, Local Fund Agent financial verification work may include site visits to Sub-Recipients in addition to verifying Principal Recipient-held financial information on Sub-Recipients.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
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| <p>the cash balance, however, these do not constitute expenditure in the form of payments for goods and services. This amount should fully reconcile and correspond to the amount reported in item 3.3 (i.e. "Principal Recipient disbursement to Sub-Recipients") in the Principal Recipient cash reconciliation statement.</p> <p>5. Other income during the reporting period These constitute income arising from regular grant activities as covered in the grant confirmation's budget such as income generating activities and bank interest income. This may also include income arising outside normal grant activities, such as realized proceeds from the approved disposal of grant assets.</p> <p>6. Expenditure validated by Principal Recipient during reporting period These are in relation to expenditure accepted and/or validated by the Principal Recipient as Sub-Recipient expenditure for the progress update reporting period, following a formal process of verifying supporting documents²⁷ of expenditure transactions.</p> <p>7. Refunds received from Sub-Recipient This represents the refunds received (if any) from the Sub-Recipient(s) during the reporting period.</p> <p>8. Sub-Recipient closing balance at Principal Recipient level This is open Sub-Recipient advances maintained by the Principal Recipient as at progress update period end date and it represents combination of expenditure which is yet to be officially validated, cleared and recognized by the Principal Recipient in its accounting records; funds for activities which are yet to be implemented by sub-recipient and/or savings from activities implemented. It does not require any direct input from the Principal Recipient and is the product of point numbers 3, 4, 5, 6 and 7 above.</p> <p>9. Actual Sub-Recipient(s) cash balance (if applicable) This should be filled in by the Principal</p> | <p>adjustments to these balances where there is inaccuracy, provided the Principal Recipient has been requested to provide Sub-Recipient cash balance information in the column "Actual Sub-Recipient Cash Balance (if applicable)". Where a Principal Recipient elects to provide Sub-Recipient cash balance information, Local Fund Agent review would happen upon request from the Global Fund.</p> <ul style="list-style-type: none"> ▪ Review and comment on exceptional basis, the adequacy of underlying systems and oversight controls in the management of Sub-Recipient advances by the Principal Recipient. ▪ The level of effort should be agreed between the Global Fund Country Team and the Local Fund Agent, depending on the requirements of the Country Team. |

²⁷ The verification of Sub-Recipient expenditure should be based on a risk-based approach and can be performed on a sample basis in cases when adequate controls and risk mitigation measures are in place.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>Recipient upon proper verification and validation of Sub-Recipient cash balances as at the reporting period. In all cases, the Principal Recipient must have oversight mechanisms in place to provide assurance on reasonableness of Sub-Recipient expenditure and cash balances.</p> <p>10. Variances on Sub-Recipient(s) balances This does not require any direct input from the Principal Recipient and is the difference between the closing balance at Principal Recipient level in respect of open Sub-Recipient advances and actual Sub-Recipient cash balances. The Principal Recipient should ensure that it takes all steps necessary to ensure that this variance is kept to a reasonably low level by ensuring proper oversight on Sub-Recipient(s) expenditure and timely reporting.</p> | |

Section 2F. Total Principal Recipient budget variance and funding absorption analysis

Overview

This section provides a summary of key financial data for variance and funding absorption analysis for the grant through the period of the progress update, including:

- an update on the Principal Recipient's spending vis-à-vis the budget, both for the period covered by the progress update and on a cumulative basis from the beginning of the implementation period;
- disaggregation of the reported budget and expenditure amounts for "Principal Recipient's total expenditures (including any direct-disbursements to third-parties)" and "disbursements to Sub-Recipients";
- disaggregation of "Health Products - Pharmaceutical Products" and "Health Products - Non-Pharmaceuticals & Equipment"

This summary of budget and expenditure data, as well as explanations of variances, is an important aspect in the mitigation of funding absorption related risks and disbursement decision-making by the Global Fund.

Total Principal Recipient cash outflow represents payments against expenditures incurred at the Principal Recipient level and disbursements to sub-recipients during the reporting period covered by the Progress Update and since the beginning of program implementation in the current implementation period of the grant.

Detailed Description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | • Annual | • 60 days after end of annual reporting period |
| Core | • Annual | • 60 days after end of annual reporting period |
| High Impact | • Annual | • 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| <p>Total Principal Recipient cash outflow versus budget (1)</p> <ul style="list-style-type: none"> ▪ The "Total Principal Recipient cash outflow vs budget" (1) will be automatically calculated by summing the "Principal Recipient's total expenditure (including any direct-disbursements to third-parties)" (1a) and "Disbursements to Sub-Recipients" (1b). ▪ The "Principal Recipient's total expenditure (including any direct-disbursements to third-parties)" (1a) should cover the Principal Recipient's <u>direct</u> expenditure related to its own activities. This field should not include disbursements to Sub-Recipients. This field is calculated | <p>The Local Fund Agent should review that:</p> <ul style="list-style-type: none"> ▪ The total "Budget for Reporting Period" reconciles with the approved budget amount for the relevant period as per the summary budget signed with the grant confirmation or a budget subsequently approved through an implementation letter. ▪ The cumulative budget and expenditure figures reflect the aggregated amounts from the beginning of the implementation period to the end of the period covered by the progress update. ▪ "Total Principal Recipient cash outflow vs budget" already includes the amounts for "Health Products - |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <p>automatically and the sum of item 3.1 “Principal Recipient Expenditure (including payments and other advance payments)”, item 3.2 “Disbursement to third parties by the Global Fund on behalf of the Principal Recipient” and item 3.4 “Bank charges on disbursement and payment” in the Principal Recipient cash reconciliation statement.</p> <ul style="list-style-type: none"> ▪ The “Budget for Reporting Period” should correspond to the approved budget amount for the relevant period, as per the summary budget attached to the grant agreement or subsequent implementation letter. Budgetary adjustments emerging from reallocations through the application of +/-15% ²⁹ flexibility are only explained in the reasons for variances and not as a change to the budget amount. ▪ The “cumulative budget through period of progress update” and the “Cumulative Actual Grant Expenditure - Cash Basis through period of progress update” should reflect the cumulative amounts (including any adjustments) from the beginning of the implementation period to the end of the period covered by the current progress update. <p>NOTE: <i>The cumulative budget should be adjusted in line with any changes to Summary Budgets as per the Grant Confirmation or subsequent Implementation Letter. Both the Principal Recipient and the Local Fund Agent should ensure that the cumulative budget is not overstated when budgeted funds from the previous periods have been brought forward to subsequent periods.</i></p> <ul style="list-style-type: none"> ▪ “Disbursements to Sub-Recipients” (1b) should indicate for the current reporting period and cumulative for the implementation period, all disbursements from the Principal Recipient to Sub-Recipients (this amount should not reflect actual expenditures by the Sub-Recipients). <p>The variance between the budget and expenditure needs to be explained in light of programmatic performance to date and the main financial drivers of the variance (e.g. overachievement in a given Intervention, for example, due to savings in negotiated drug prices, impact of exchange rate, unit cost</p> | <p>Pharmaceutical Products” and other “Health Products - Non-Pharmaceuticals and Equipment”.</p> <ul style="list-style-type: none"> ▪ The reasonableness of any adjustments to cumulative budgets and actual expenditures proposed by the Principal Recipient. ▪ The reported amounts (budget and actual expenditures) from the Principal Recipient will automatically appear in the tables. Following the verification exercise, the Local Fund Agent should enter the verified figures in the designated fields in the form in respect of budgets for the cumulative and reporting periods. Verified LFA cumulative and reporting period expenditure or PR Cash Outflow data in section 2A automatically gets populated in the LFA section in 2E. ▪ The reported Principal Recipient financial information on procurement of health products, both cumulatively and for the reporting period, is accurate. This verified expenditure data should be captured in the relevant fields in section 2E on the basis of supporting documents availed the LFA. <p><i>For Medium and High risk grants only:</i></p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should complete the “Local Fund Agent analysis of variance” specifying the main factors and amounts generating the variance between the budget and reported expenditures. This <u>should not</u> be a “copy and paste” of the reasons provided by the Principal Recipient (an explanation should be given even if the Local Fund Agent is in agreement with the Principal Recipient). <p>In all cases:</p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should report to the Global Fund any recommended adjustments to the financial information reported by the Principal Recipient, as appropriate. ▪ The Local Fund Agent should check that the Principal Recipient has completed this section of the table in line with the guidance. |

²⁹ This percentage may be lower for some country portfolio as stipulated in the specific grant agreement.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>savings/upcharges, change in quantities, delay/acceleration of activities, change in payment terms and timing). The materiality of thresholds for the variance analysis and the level of details to be provided by the Principal Recipient should be agreed with the Global Fund Country Team. Recognizing the format limitations of the PU/DR section for cumulative variance explanations, Principal Recipients are encouraged to use an optional Variance Analysis template or attach their own detailed workings. The detailed explanation should analyze both cumulative and current reporting period variances along the following drivers:</p> <ul style="list-style-type: none"> Cancelled outflows and other budget savings Plus Contractual Commitments or obligations Plus Cash outflows postponed to later periods Plus Cash outflows paid for in prior periods (relevant to current variance analysis) Minus Overspending Minus Advanced from future budget periods Equals <u>Cumulative/Current Variance</u> <p>The total of all positive variances represents a cumulative or current underspent on the budget, whereas negative variances represent an overspent on the cumulative or current budget. Any overspending on the approved budget should be in line with the provisions of Section 3.5 of “The Global Fund Guidelines for Grant Budgeting”.</p> <p>Total pharmaceutical & non-pharmaceutical incl. equipment expenditures vs. budget (2)</p> <p>NOTE: Pharmaceutical and other health products are defined in the Grant Regulations of the Grant Confirmation.</p> <p>The Principal Recipient should complete this section of the table taking into account that:</p> <ul style="list-style-type: none"> ▪ The budget and expenditure amounts of the “Total pharmaceutical & non-pharmaceutical incl. equipment expenditures vs. budget” (2) are a subset of the “total Principal Recipient cash outflow” (1). ▪ “Total pharmaceutical and non-pharmaceutical including equipment expenditure vs. budget” should cover expenditures and budgets <u>both at</u> | |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---------------------------------|
| <p><u>Principal Recipient and Sub-Recipient levels</u>, including Pooled Procurement Mechanism (PPM) arrangements.</p> <ul style="list-style-type: none"> ▪ The budget for “Health Products- Pharmaceutical Products “(2a) and “Health Products - Non-Pharmaceuticals and Equipment” (2b) for the period covered by the progress update should be reported by the Principal Recipient based on the latest approved program budget. ▪ The actual grant-level expenditures for “Health Products- Pharmaceutical Products “(2a) and “Health Products - Non-Pharmaceuticals and Equipment” (2b) for the period covered by the progress update are reported by the Principal Recipient based on payments to suppliers. This should include direct payments made to third parties by the Global Fund on behalf of the Principal Recipient for pharmaceuticals and other health products. | |

Section 7A&B. Expenditure/Annual Financial Reporting³⁰

Overview

The purpose of this section is to enhance the overall expenditure analysis on Global Fund investments. The report covers in-country expenditures and variance analysis against the approved activity plan and funding for Principal Recipient and Sub-Recipients. In line with the approved detailed budget for grants, the annual financial reporting requirement provides a standardized reporting approach that incorporates the costing dimension (cost grouping/inputs) as an integral part of the overall modular approach, which further enhances the standardized modules and interventions.

This integrated approach and standardized menu for cost and modular classification removes ambiguity and provides greater alignment with partners, country data systems, and national health accounts. It also provides analytical granularity for both budgeting and expenditure reporting and would thus enhance strategic and operational information in the management of Global Fund investments. The annual financial reporting is thus fully aligned to the modular approach and costing and provides additional visibility to better understand in-country expenditures. It also provides information on Global Fund investments and their linkages to programmatic results and impact

Reporting schedule

Principal Recipients should submit the annual financial reporting for each grant at least annually from the agreed grant start date (i.e. month 12, month 24, etc.). The first annual financial reporting for any grant, depending on the start date and alignment to country/Principal Recipient reporting cycles, could cover a period of six to 18 months, and every 12 months thereafter.

Principal Recipients implementing in country portfolios categorized as High Impact under the Global Fund differentiation framework are required to submit a semi-annual expenditure report, in addition to an Annual Financial Report that should still cover the entire year of implementation. **Only** the Annual Financial Report will be verified by the Local Fund Agent, unless the Global Fund Country Team decided otherwise.

The Global Fund at its own discretion may request more frequent reporting (i.e., every quarter for certain Principal Recipients from High Impact countries or every semester for certain Principal Recipients from Core countries³¹).

Financial Information

The reported financial information should include the approved budgets, expenditures and variance analysis by (a) cost groupings; (b) modules and interventions; and (c) implementers (Principal Recipients and Sub-Recipients). The total budget and expenditure amounts across all three breakdowns should be the same.

In the Global Fund annual financial reporting, reported expenditures should include all activities for which the goods and services have been received by the grant implementer. This will include:

³⁰ The annual financial reporting is applicable to grants that have transitioned to the new funding model. For grants under the Rounds-Based Model, the [Enhanced Financial Reporting](#) will still apply.

³¹ In particular, the Core countries that were covered under the Implementation through Partnership (ITP) project: Mali, Niger, Chad, Guinea, Burkina Faso, Benin, Cameroon, South Sudan, Malawi.

- Payments made for Good and Services delivered³² during the reporting period, **and**
- Open financial commitments³³ at the end of the period.

Expenditure reporting for Global Fund purposes

| | | Current Reporting Period | Next Reporting Period (s) | Included in AFR? |
|-------------------|--|--------------------------|---------------------------|------------------|
| <i>Scenarios:</i> | | | | |
| 1 | Delivery and payment of goods and services in the Reporting Period | | | Yes |
| 2 | Delivery of goods and services during the Reporting Period, payment of goods in the next period (s) | | | Yes |
| 3 | Goods and services not delivered but payment made (partially or totally) during the Reporting Period | | | No |
| 4 | Goods and services not delivered payment not made | | | No |

The reporting by costing dimension grouping is based on the cost grouping and cost inputs (outlined in Appendix 1) of “[The Global Fund Guidelines for Grant Budgeting](#)”.

The reporting by implementing entity should include both the name and the type of implementing entity. This reporting should be done at the Principal Recipient and Sub-Recipient levels (it is not necessary to report at the Sub-Sub-Recipient level).

Financial information should be reported for the current financial reporting period (whether on semi-annual or annual basis) and cumulatively from the beginning of the implementation period. Reporting should cover the entire grant implementation period budget and expenditure information.

Any adjustments and modification in the expenditures of the financial statements should also be incorporated in a revised annual financial reporting, in accordance with the final audited statements. The revised annual financial reporting (if applicable) would then be submitted, along with the external audit report.

Annual depreciation expenses will not be considered in the Annual Financial Report and equipment acquired during the year need to be expensed fully in the year of acquisition. Consequently, the full cost of equipment will be included in the Annual Financial Report of the year of acquisition.

³² Including indirect and any overhead amounts charged to the grant.

³³ A current contractual obligation to pay a specified amount of cash against goods and services already received i.e. the goods/services have been received however the related payment is not yet made (all or partial) either due to delay in/non-receipt of invoices, use of favorable payment terms or prolonged payment process. Financial commitments mainly include accounts payable and creditors.

Treatment of budget variances

The financial reporting, whether submitted annually or on a semi-annual basis for certain portfolios, will be used to explain all variances from the most recent approved budget for each module/intervention and cost grouping/cost input.

As a general principle, even in the case of non-material budgetary adjustments³⁴, detailed variance analysis for expenditures is required for variances that are below 95% and above 105% of the official approved budget for the specific intervention, or the agreed granularity of reporting using the modular approach costing dimension under the differentiated reporting requirement.



Based on automated controls, an annual financial reporting would not be fully compliant if a variance exceeds the above-mentioned threshold and the relevant variance analysis has not been provided by the Principal Recipient.

Adjustments to reported expenditures

All adjustments to Principal Recipient and sub-recipient expenditures in annual financial reports which have already been reported and approved (prior period annual financial reporting) should be made in the current reporting period and explained in the variance analysis of the most current reporting cycle.

It is not possible to change expenditure data in the reports which have already been submitted to and approved by the Global Fund, because prior period expenditure data is locked for further changes. Such changes may be as a result of finalization of expenditure verification, refunds received from suppliers/procurement agents or other audit adjustments for Principal Recipient/Sub-Recipient/Sub-Sub-Recipient activities. Consequently, the adjustment would need to be captured as part of the current annual financial reporting and not as a re-statement of the previous annual financial reporting to which the adjustment relates.

Detailed description

| Portfolio Category |  |  |
|--------------------|--|---|
| Focused | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none"> Semi-annual for Core portfolios previously covered under the ITP project, only Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <ul style="list-style-type: none"> Column “Budget for Reporting Period”: is pre-populated and corresponds to the approved budget amount for the relevant period, as per the Grant Confirmation or subsequent revisions formalized through an implementation letter. | <p>The Local Fund Agent should review the Annual Financial Report and verify that:</p> <ul style="list-style-type: none"> The total “Budget for Reporting Period” corresponds to the approved budget amount for the relevant period as per the summary |

³⁴ See Section 3.5 of “The Global Fund Guidelines for Grant Budgeting”.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <ul style="list-style-type: none"> ▪ Column “Actual Expenditure”: should correspond to the actual expenditure (Principal Recipient direct expenditure and Sub-Recipient direct expenditure) incurred during the current reporting period. <p>NOTE: <i>The Principal Recipient should not report the disbursements to Sub-Recipients as expenditure as they have to report the actual expenditure incurred by the Sub-Recipients. All Sub-Sub Recipient expenditures as validated and compliant should be captured as part of Sub-Recipient expenditures</i></p> <ul style="list-style-type: none"> ▪ Column “Budget Vs Actual Variances”: is automatically calculated based on the information entered in the fields above. ▪ Column “Absorption Capacity”: is automatically calculated based on the information entered in the fields above. ▪ Column “Explanation of Variances”: It is mandatory to provide an explanation for variances below 95% and above 105% of the budget. The Principal Recipients should be as specific as possible when commenting on variances and must ensure that they explain the link with programmatic results. <p>NOTE: <i>In cases where a more detailed analysis of the variance is necessary to ensure an adequate explanation of the variance and the relationship to the programmatic results, the Principal Recipient should summarize the explanation in the “Explanation of Variances” Column and then elaborate further in a an empty Worksheet in the template to provide additional information justifying the variance. Please ensure to include in the “Explanation of Variances”, the reference to the detailed explanation if applicable (e.g. See Worksheet 1, 2, 3, etc.).</i></p> <ul style="list-style-type: none"> ▪ The “Cumulative Budget”, the “Cumulative Actual Expenditure”, the “Cumulative Budget Vs Actuals Variances” and the “Absorption Capacity” columns should reflect the aggregated amounts (including any adjustments) from the beginning of the implementation period to the end of the period covered by the current progress update. | <p>budget submitted with the grant confirmation or a revised budget subsequently approved through an implementation letter.</p> <ul style="list-style-type: none"> ▪ The Actual expenditure are eligible. <u>Eligible</u> expenditures are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund approved budget and used solely for program purposes consistent with the terms and conditions of the grant confirmation. Specific guidance on ineligible transactions is contained in section 5 of the “The Global Fund Guidelines for Grant Budgeting”. ▪ Recommend and explain its adjustments to the reported figures due to identified ineligible transactions (including mistakes/inaccuracies) as appropriate and taking into account sections 3.5 and 5 of “The Global Fund Guidelines for Grant Budgeting”. ▪ Comment on the Principal Recipient’s explanation of variances. ▪ The cumulative budget and expenditure figures reflect the aggregated amounts from the beginning of the implementation period to the end of the period covered by the progress update. ▪ The reasonableness of any adjustments to cumulative budgets and actual expenditures proposed by the Principal Recipient. |

Section 8A. Cash Forecast

Overview

This section contains a calculation of the cash expenditure forecast for the period immediately following the period covered by the progress update (as well as for an extra cash “buffer” period of up to six months). The person responsible for the forecast should have a solid understanding of grant implementation and discuss the forecast with relevant program staff.

Detailed description

The forecast information reported should include activities in the approved budgets required for the payment of goods and services for the next 6 or 12 months and the buffer period. This should be provided by:

- (a) cost grouping (at minimum);
- (b) modules - interventions; and
- (c) implementers (Principal Recipients and Sub-Recipients).

In addition, the forecast should be broken down by:

- (a) quarter
- (b) the recipient of the funds (Principal Recipient, direct disbursement from the Global Fund or Pooled Procurement Mechanism)



The forecast should include new activities to be implemented (new contracts/procurement for goods and services), open existing contracts (financial commitments and financial obligations) from which payments will be made during the period covered by the forecast.

The Principal Recipient will need to take into account a number of factors in determining its forecast of cash needs, including (but not limited to) the following:

- **Program absorption capacity:** what are the current budget absorption rates (expenditure/budget) over the most recent periods and are they high or low? What are the factors causing this, and do any of these factors affect the current period?
- **Changes to the work plan:** have there been major changes to the work plan for the next period of implementation, such as postponement or acceleration of activities, or delays or advances in major procurements which have an impact on the cash needed for the period?
- **Unit price changes:** how do current/expected unit prices compared to those in the budget?
- **Cash balances:** are there significant cash balances at the Sub-Recipient’s level, which may reduce the additional cash required from the Principal Recipient and consequently the Global Fund? The Principal Recipient should state whether and to what extent the information on the sub-recipient’s cash balances has been used in the calculation of the requested disbursement amount.
- **Financial Commitments and Financial Obligations:** current confirmed commitments and obligations to be paid during the disbursement request period.
- **Macroeconomic factors:** have there been major changes in inflation or exchange rates that would affect the cash needs for the period?

If the forecasted expenditure is significantly different from budgeted amounts, the Principal Recipient should specify the factors that are the major drivers of the deviation and their impact on the variance (in terms of specific amounts). Some of the common drivers of a variance are listed in the disbursement request section of the PU/DR form.

In case of significant variances between forecasted expenditures and budget, the Principal Recipient should present an updated work plan and budget at the Local Fund Agent's and/or Global Fund's request.

| Portfolio Category |  |  |
|--------------------|--|---|
| Focused | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none"> Semi-annual for Core portfolios previously covered under the ITP project, only | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period |
| | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Semi-annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period |
| | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <ul style="list-style-type: none"> ▪ Column “Budget for Forecast Period”: is pre-populated and corresponds to the approved budget amount for the disbursement request period that excludes the buffer, as per the grant confirmation or subsequently revised budget formalized through an implementation letter. ▪ Column “Principal Recipient Forecast for the period (not including the Buffer)”: should correspond to what the Principal Recipient anticipates to spend during the forecasted period. ▪ Column “Budget for the Buffer Period”: is pre-populated and corresponds to the approved budget amount for the next quarter following the disbursement request period, as per the grant confirmation or subsequently revised budget formalized through an implementation letter. ▪ Column “Principal Recipient Forecast for the Buffer Period”: should correspond to what the Principal Recipient anticipates to spend during the Buffer period. ▪ Column “Total Principal Recipient Forecast (including Buffer)”: corresponds to what the Principal Recipient anticipates to spend during the period covered by the disbursement request (including the buffer period). | <ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that the budget amounts for the disbursement request period (including buffer period) correspond to those specified in the latest approved budget in line with the grant confirmation or a subsequently revised budget formalized through an implementation letter. ▪ The Local Fund Agent should analyze the reasonableness of the forecast amount based on program performance, absorption capacity, any major changes to the work plan, any major unit price changes, cash balances at the Sub-Recipient level, the likelihood of existing commitments requiring cash during the forecasted period and any macroeconomic factors. ▪ The Local Fund Agent should comment on variances between the forecasted expenditures and the latest approved budget. <p>NOTE: The Local Fund Agent may use the accuracy of the Principal Recipient's forecasting over the past periods as contextual information.</p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should pay particular attention to the accuracy of forecasted amounts as the grant approaches the end of the current grant agreement as it will not be possible to recover over-disbursed amounts by reducing subsequent disbursements. |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---------------------------------|
| <p>Summary Breakdown by Quarter</p> <ul style="list-style-type: none"> ▪ “Calendar Period”: is pre-populated and corresponds to quarters covered by the disbursement request period including a maximum of six months of buffer. ▪ “Approved Budget”: is prepopulated and corresponds to the budget (by quarter) covered by the disbursement request period. ▪ “Forecasted Disbursement to Principal Recipient”: represents the anticipated direct disbursement needs of the Principal Recipient. ▪ “Forecasted Direct Disbursement”: represents the forecasted disbursement to be made to third parties by the Global Fund on behalf of the Principal Recipient (should not include disbursements made under the Pooled Procurement Mechanism). ▪ “PPM/Wambo.org forecasted disbursement”: represents the forecasted disbursement to be made by the Global Fund under the Pooled Procurement Mechanism). | |

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Section 8B. Disbursement Request and Recommendation

Overview

This section contains a calculation of the disbursement amount requested by the Principal Recipient based on the cash balance, the forecasted expenditure for the period immediately following the period covered by the progress update (as well as for an extra cash “buffer” period of up to six months) and cash “in transit” (if any).

Detailed description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | • Annual | • 60 days after end of annual reporting period |
| Core | • Annual | • 60 days after end of annual reporting period |
| High Impact | • Annual | • 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|--|
| <ul style="list-style-type: none"> ▪ “Calendar Period”: is pre-populated and corresponds to the quarters covered by the disbursement request period. ▪ “Approved Budget”: is prepopulated and corresponds to the budget (by quarter) covered by the disbursement request period. ▪ “Principal Recipient Forecast”: is pre-populated and represents the cash forecast (by quarter) of the Principal Recipient. ▪ “Cash Balance: End of period covered by Progress Update” is completed automatically based on the closing cash balance (Item 5.1 of the Principal Recipient Cash Reconciliation). ▪ “Cash in Transit for the reporting period (Disbursements to Principal Recipient & third party disbursements)” is completed automatically based on the cash in transit for the reporting period (Item 6.2 of the Principal Recipient Cash Reconciliation). ▪ “Cash in Transit after the current reporting period (Disbursements to PR & third party disbursements)” is completed automatically based on the cash in transit after the reporting period (line 6.3 of the Principal Recipient Cash Reconciliation). | <ul style="list-style-type: none"> ▪ The forecast and disbursement request need to take into account the analysis performed by the Local Fund Agent on the Principal Recipient’s variance analysis between budget and actual expenditures for the latest progress update period in the “Budget Variance” section. ▪ The Local Fund Agent should specifically inquire whether and to what extent the information on Sub-Recipient expenditures versus disbursements made to Sub-Recipients has been used by the Principal Recipient when calculating the requested disbursement amount. In this regard, the Local Fund Agent needs to carefully consider the impact of significant disbursements from the Principal Recipient to Sub-Recipients towards the end of the progress update period on cash needs for the period covered by the disbursement request. |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <ul style="list-style-type: none"> ▪ “Disbursement Request”: is automatically Calculated based on the information from the fields above. <p>NOTE: <i>When payments made by the Global Fund to third parties are received in the following reporting period, they should be reflected in “Cash in Transit after the current reporting period (Disbursements to Principal Recipient & third party disbursements)” (line 6.3 of the Principle Recipient Cash Reconciliation).</i></p> <ul style="list-style-type: none"> ▪ Forecasted Disbursement to Principal Recipient: represents the anticipated direct disbursement needs of the Principal Recipient ▪ “Forecasted Direct Disbursement”: is completed automatically based on the entry made in the “Cash Forecast” report. ▪ “PPM/Wambo.org forecasted disbursement”: is completed automatically based on the entry made in the “Cash Forecast” report. ▪ “Disbursement Request”: is automatically calculated based on the information from the fields above. <p>Exchange Rate</p> <ul style="list-style-type: none"> ▪ The Principal Recipient should indicate the exchange rates used in converting opening/closing cash balances and total Principal Recipient cash outflow, and the date and source of these exchange rates. | <p>NOTE: The Local Fund Agent is not expected to verify Sub-Recipient cash balances unless specifically agreed with the Global Fund Country Team, but should rather review the work performed by the Principal Recipient in this area and the documentation available at the Principal Recipient level, consider the information reported by Sub-Recipients and whether the Principal Recipient has properly included this in the calculation of the forecasted amount.</p> <p>NOTE: The Local Fund Agent should also ascertain any significant cash balances held on behalf of the Principal Recipient by other entities and comment on the relevance of this to the recommended disbursement amount.</p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should verify the amounts of any “cash in transit” disbursed by the Global Fund to the Principal Recipient or third parties on behalf of the Principal Recipient. ▪ The Local Fund Agent should comment on the reasonableness of exchange rates used by the Principal Recipient to convert the opening and closing cash balances and propose necessary adjustments, as required. ▪ The Local Fund Agent should provide a clear explanation for the disbursement recommendation in light of programmatic performance and funding needs, and, where necessary, specify the adjustments made to the Principal Recipient -requested amount. |

Section 10. Focused Portfolio Financial Triggers

The Focused Portfolio Financial Triggers tab is a requirement for grants within countries categorized as Focused under the Global Fund differentiation framework. This tab is not required for grants within the Core or High Impact portfolio.

The Principal Recipient needs to assess whether any of the circumstances (i.e., triggers) listed below apply and respond with a YES or NO, depending on the existence of the trigger. For any YES answer, the Principal Recipient is required to provide comments with further details, including rationale for why existence of the trigger is justified and how the compliance with the Global Fund policies will be achieved.

In certain circumstances, the Principal Recipient may choose to provide additional comments even in cases of NO answer.

When reviewing the PU/DR, the Local Fund Agent is expected to verify the responses provided by the Principal Recipient and include additional comments where needed.

The table below includes the listing of the Focused Countries Financial Triggers:

| Financial Triggers | |
|--------------------|--|
| 1. | Cash balance not reconciled to the cash reconciliation and bank account with significant (+/-5%) and unexplained differences |
| 2. | Audit Report overdue |
| 3. | Qualified, adverse or disclaimer of opinion received for the latest audit |
| 4. | Enhanced Financial Report/Annual Financial Report has not been fully completed or does not include all the grant's expenditures for the period |
| 5. | Inadequate explanation of significant variance (+/-10%) between budget and actual expenditures by intervention/Service Delivery Area and/or cost grouping/cost category linked to programmatic results |
| 6. | Critical recommendations by auditors, OIG or the Global Fund on internal controls are not implemented or being addressed by the PR |
| 7. | Presence of major issues identified with respect to the Financial Management and Systems Area |
| 8. | Expenditure vs. Budget (in EFR/AFR) rate below 50% for the prior annual period. |
| 9. | If answer to point 8 is "yes", the Annual Cash Forecast has been adjusted to take into consideration the past absorption |
| 10. | Finance related Conditions are not met or are partly met |

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Principal Recipient Cash Information

Overview



The purpose of the Cash Balance Report is to provide the in-country cash balance and inform the decision on the release of funds by the Global Fund. This is a requirement only for portfolios categorized as High Impact and Core under the Global Fund differentiation framework. The standard information to be collected includes:

- Principal Recipient's bank balance as per the bank statement
- Principal Recipient's financial commitments
- Open advances at Sub-Recipient level as per the Principal Recipient's accounting records

The Principal Recipient has to submit the following documents as supporting documentation:

- Cash book/Cash Ledger (showing the closing balance)
- Bank statement(s)
- Bank reconciliation statement(s) for (i) and (ii) above

Detailed description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | Not applicable | Not applicable |
| Core | • Quarterly | • 30 days after end of calendar quarter |
| High Impact | • Quarterly | • 30 days after end of calendar quarter |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <p>Principal Recipient Bank Statement Balance & Cash In Transit in Grant Currency</p> <ul style="list-style-type: none"> ▪ Item 1.1 – “Principal Recipient Cash Balance as per bank statements”: the Principal Recipient should enter the Cash Balance (in grant currency) held in his bank account(s) as of the reporting date. <p>NOTE: <i>The balance of the bank account(s) held in local currency needs to be converted in the grant currency. The Principal Recipient needs to communicate the exchange rate use in the comments column.</i></p> <ul style="list-style-type: none"> ▪ Item 1.2 – “Transactions not yet processed by the bank but recorded in the Principal Recipient accounts”: the Principal Recipient should enter the amount for the transactions incurred and recorded in his accounts before the reporting date but not yet processed by the bank. ▪ Item 1.3 – “Total Principal Recipient Cash | <ul style="list-style-type: none"> ▪ The review of the Principal Recipient Cash Information form is not part of the scope of work of the Local Fund Agent, unless otherwise agreed with the Global Fund Country Team. |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>Balance”: is automatically calculated based on the financial information entered in the fields above.</p> <ul style="list-style-type: none"> ▪ Item 1.4 – “Cash in transit for the reporting period”: These are the disbursements made by the Global Fund³⁵ to the Principal Recipient during the current reporting period but received by the Principal Recipient after the reporting period end date. For example, a disbursement made to the Principal Recipient on 28 June 2016 in the course of the quarter period ending 30 June 2016 but received by the Principal Recipient on 15 July 2016. ▪ Item 1.5 – “Cash in transit after the current reporting period”: In certain instances, the Global Fund may release disbursements to the Principal Recipient after the reporting period end date, but prior to the due date for the quarterly submission. When such disbursements are made to and received by the Principal Recipient after the current reporting period end, this is entered here (if readily available for reporting purposes). For example, the Global Fund released a disbursement to the Principal Recipient on 15 July 2016, the disbursement is received by the Principal Recipient on 21 July 2016 (after the quarterly reporting period end date of 30 June 2016). The amount received will be captured here as it has been received within the quarterly reporting period submission date of 31 July 2016. <p>Open Advances at Principal Recipient Level</p> <p>Open advances are defined as disbursements made to Sub-Recipients³⁶ less Sub-Recipients expenditures validated and passed by the Principal Recipient in its records as fully liquidated amounts (i.e. recognized officially as Sub-Recipients expenditure by the Principal Recipient in its own records)</p> <ul style="list-style-type: none"> ▪ Item 3.1 – “Total Principal Recipient Cumulative Disbursement to Sub-Recipients for the current implementation period”: the Principal Recipient should enter the total disbursements made to Sub- | |

³⁵ The date on the Notification Letter transmitted by the Global Fund is during the current reporting period.

³⁶ Sub-Recipients and/or Regions/Districts/Health Facilities, Procurement Agents.

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---------------------------------|
| <p>Recipients since the start of the current implementation period as of the reporting date.</p> <ul style="list-style-type: none"> ▪ Item 3.2 – “Open Advances to Sub-Recipients”: the open advances from the Principal Recipient to the Sub-Recipients since the start of the current implementation period as of the reporting date. ▪ Item 3.3 – “Total Principal Recipient Disbursement to Regions/districts/Health Facilities for the current implementation Period (if applicable)”: the Principal Recipient should enter the total disbursements made to Regions/Districts/Health Facilities since the start of the current implementation period as of the reporting date. ▪ Item 3.4 – “Open Advances to Regions/Districts/Health Facilities (if applicable)”: the open advances from the Principal Recipient to Regions/Districts/Health Facilities since the start of the current implementation period as of the reporting date. ▪ Item 3.5 – “Total Principal Recipient Disbursement to Procurement Agents for the current implementation Period (if applicable)”: the Principal Recipient should enter the total disbursements made to Procurement Agents since the start of the current implementation period as of the reporting date. It should exclude the Global Fund Pooled Procurement Mechanism (PPM) agents. ▪ Item 3.6 – “Open Advances to Procurement Agents (if applicable)”: the open advances to procurement agents since the start of the current implementation period as of the reporting date. It should exclude the Global Fund Pooled Procurement Mechanism (PPM) agents. <p>Principal Recipient Ineligible Transactions in Grant Currency</p> <ul style="list-style-type: none"> ▪ Item 4.1 – “Ineligible transactions as at the end of the previous quarter”: represents the amount of ineligible transactions as of the end of the previous reporting period. ▪ Item 4.2 – “Ineligible transactions validated during the current quarter”: relates to | |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---------------------------------|
| <p>identified expenditure in the current reporting period deemed non-compliant based on the guidelines on ineligible transactions contained in section 5 of the “The Global Fund Guidelines for Grant Budgeting”.</p> <ul style="list-style-type: none"> ▪ Item 4.3 – “Ineligible transactions from previous periods for which justification was approved by the Global Fund”: This adjustment represents approval of justification provided by the Principal Recipient on expenditure previously classified as non-compliant. Such Global Fund approvals are issued in the form of an official communication³⁷. ▪ Item 4.4 – “Reimbursement of ineligible transactions from previous periods”: reflects transactions for which the Principal Recipient has provide a physical refund to the grant bank account or transferred the funds directly to the Global Fund. ▪ Item 4.5 – “Open ineligible transactions to be justified and/or reimbursed”: represents the amount of ineligible transactions as of the end of the reporting period. It is automatically calculated based on the information entered in the fields above. | |

³⁷ Official Letter signed by the Fund Portfolio Manager, the Regional Manager or Head of Department, Performance Letter or Notification Letter.

Principal Recipient Tax Information

Overview

As stipulated in Section 3.5 of the Global Fund Grant Regulations (2014) applicable to the allocation based model grants, Global Fund funding is based on the principle that grant funds are intended to be free from taxation, so that all of the grant funds provided by the Global Fund contribute directly to the prevention, diagnostic and treatment of the three diseases in the country.

The required tax exemption for Global Fund purposes mainly includes (but is not limited to):



- customs duties, import duties, taxes or fiscal charges of equal effect levied or otherwise imposed on the “Health Products”³⁸ imported into the Host Country under the Grant Agreement or any related contract (collectively “Custom/Import Duties”); and
- VAT levied or otherwise imposed on the goods and services purchased using grant funds.

The Global Fund has been requested by Donors to report on how this provision is applied across all our grants before donor commitments are released to the Global Fund. In order to verify compliance with grant agreements, Principal Recipients are required to report on tax exemption related information once a year.

The purpose of the Tax report is to collect information for Import Duties and VAT related to Goods and Services (including commodities and other health products) paid from Global Fund grants in every Global Fund fiscal year (January to December).

It is a mandatory requirement for all grants and must be submitted to the Global Fund by **31st July** at the latest.

Detailed description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | • Annual | • No later than 31 July of each year |
| Core | • Annual | • No later than 31 July of each year |
| High Impact | • Annual | • No later than 31 July of each year |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| <p>Principal Recipient Tax Exemption Status</p> <ul style="list-style-type: none"> ▪ Item 1.1 – “Grant Tax Exemption Status at Principal Recipient Level”: The Principal Recipient should select the appropriate Principal Recipient Tax exemption status from the drop-down menu list. Tax exemption related to social contributions and salary income tax does not need to be reported. <p>NOTE: <i>The Principal Recipient should ensure the documentation confirming the tax exemption</i></p> | <ul style="list-style-type: none"> ▪ The review of the Principal Recipient Tax Information form is not part of the scope of work of the Local Fund Agent, unless otherwise agreed with the Global Fund Country Team. |

³⁸ As such term is defined in the Global Fund’s “Guide to Global Fund’s Policies on Procurement and Supply Management of Health Products” (2012, as may be amended from time to time).

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p><i>status is available upon request.</i></p> <ul style="list-style-type: none"> ▪ Item 1.2 – “Grant Tax Exemption Status at Sub-Recipient Level”: the Principal Recipient should select the appropriate Sub-Recipient tax exemption status from the drop-down menu list. Tax exemption related to social contributions and salary income tax does not need to be reported. When different Sub-Recipients have different tax exemption status, please choose the option that covers the majority of funds managed by the Sub-Recipients. <p>NOTE: <i>The Principal Recipient should ensure the documentation confirming the tax exemption status of the Sub-Recipient(s) is available upon request.</i></p> <ul style="list-style-type: none"> ▪ Item 1.3 – “Overall Tax Exemption Status”: is automatically calculated based on the financial information entered in the fields above ▪ Item 1.4 – “Comments”: the Principal Recipient should enter any relevant comments that will facilitate the review of the Global Fund. <p>Principal Recipient Tax Information</p> <ul style="list-style-type: none"> ▪ Item 2.1 – “Reporting Year”: is pre-populated. ▪ Item 2.2 – “Total Taxes Paid during the Reporting Year in Grant Currency”: the Principal Recipient should enter the total Taxes (in grant currency) paid by the Principal Recipient and Sub-Recipient(s) in the reporting year. ▪ Item 2.3 – “Total Taxes Recovered during the Reporting Year in Grant Currency”: the Principal Recipient should enter the total taxes (in grant currency) recovered from the Government by the Principal Recipient and Sub-Recipient(s) in the reporting year. <p>NOTE: <i>The Principal Recipient should enter in the comments field the amount of additional recoveries expected for the period.</i></p> <ul style="list-style-type: none"> ▪ Item 2.4 – “Unrecoverable Taxes in Grant Currency”: is automatically calculated and represents the total taxes (in grant currency) not recovered from the Government by the | |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---------------------------------|
| <p>Principal Recipient and Sub-Recipient(s).</p> <ul style="list-style-type: none"> ▪ Item 2.5 – “Total Grant Expenditure for the Reporting Year in Grant Currency”: the Principal Recipient should enter the total Grant Expenditure for the reporting year in grant currency. <p>NOTE: <i>This amount should match the total grant expenditures reported on the Annual Financial Reporting (AFR) when the reporting year and the Principal Recipient fiscal year are aligned.</i></p> <ul style="list-style-type: none"> ▪ Item 2.6 – “Comments”: the Principal Recipient should enter any relevant comments that will facilitate the review of the Global Fund. | |

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Procurement and Supply Management Reporting

Overall purpose of the section

This section provides an update on key procurement and supply management activities/requirements, namely:

- the status of reporting in the Price and Quality Reporting (PQR) of the procurement of key pharmaceuticals and health products;
- the levels of risk of stock-out and expiry of key pharmaceuticals and health products and other health products critical to the delivery of major health interventions, such as methadone for opioid substitution therapy (OST), syringes for harm reduction programs, etc.;
- any issues related to procurement and supply management of pharmaceuticals and other health products.

Section 3. Price and Quality Reporting

General guidance

Why:

The update of the PQR system with complete and accurate procurement related data is a prerequisite for any disbursement decision.

What:

Not all procurement data needs to be reported into the PQR. The Global Fund requires that Principal Recipients report into the PQR all purchases of health products from the following seven item categories:

- a. Antimalarial medicines
- b. Insecticide-treated bed nets (LLINs)
- c. In-vitro Diagnostic products
- d. Condoms
- e. Anti-retrovirals
- f. Anti-TB medicines;
- g. Indoor residual spraying products

Purchases of health products that do not fall within these seven categories should not be entered into the PQR. Products such as syringes, medicines to treat opportunistic infections, etc. do not need to be reported. Refer to the “Quick Guide on Global Fund’s PQR system” www.theglobalfund.org/documents/psm/PSM_PQRQuick_Guide_en/ for additional information.

Who:

The Principal Recipient is ultimately responsible for the accuracy and completeness of information reported into the PQR system. Upon agreement with the Principal Recipient, this data can be entered in the PQR system directly by Sub-Recipients receiving products and invoices or by contracted procurement agents.

When:

The required procurement data should be entered in the PQR system upon receipt of the consignment at the Principal Recipient/Sub-Recipient and/or procurement agent levels, as applicable, using the best information available at the time (pro-forma invoice, supplier cost estimate, manufacturer's invoice or final invoice).

IMPORTANT: Principal Recipients (or Sub-Recipients/procurement agents, as applicable) should not wait for a final invoice before entering the required data.

How:



Unit costs for health products should be entered net of freight and insurance that are to be entered as separate line items. The values reported for freight, insurance, handling fees and taxes should be based on the best information available to the Principal Recipient at the time of data entry (e.g. actual invoices, cost estimates or pro forma invoices provided by the manufacturer or supplier). If entering unit costs net of freight and insurance is not possible because the freight/insurance costs are not separated in the source documentation, the Principal Recipient may enter unit costs inclusive of freight and insurance.

Special cases:

- The Principal Recipient is responsible for updating the PQR on purchases made by procurement agents such as the United Nations Children's Fund (UNICEF), or Global Drug Facility (GDF), or United Nations Population Fund (UNFPA).
- Purchases made through the Pooled Procurement Mechanism (PPM) are reported directly in the PQR by the procurement agent of the PPM and do not need to be reported by the Principal Recipient in the PQR. However, the Principal Recipient should verify that the information entered is correct.

The Local Fund Agent's role in data verification: The Local Fund Agent is expected to systematically verify completeness of the PQR data entered by the Principal Recipient and reflect the state of completeness in the Progress Report (both for the reporting period and on a cumulative basis since the beginning of the grant). The Local Fund Agent should explain major reasons for variances between (a) the values of products received (during the reporting period/since the beginning of the grant) and (b) values of products entered by the Principal Recipient in the PQR and verified as correct by the Local Fund Agent (during the reporting period/since the beginning of the grant).

Detailed description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <p>Updated Price and Quality Reporting (1a)</p> <ul style="list-style-type: none"> The Principal Recipient should indicate whether the PQR has been updated with the required information on the pharmaceuticals and other health products received during the period covered by the Progress Report. If not, the Principal Recipient should explain the reasons. If the data entered into the PQR is based on a cost estimate or pro-forma invoice and the final invoice differs significantly (over 5% difference in unit costs) from the data entered originally, the Principal Recipient should update the data entries based on the newly available information in the final invoice. It is important that the Principal Recipient provides all supplier invoices for PQR product categories to the Local Fund Agent for verification for the relevant reporting periods. <p>NOTE It is not necessary to update the PQR if the differences between the final invoice and the PQR data entries are limited to freight, insurance, customs, duties or handling costs. The Local Fund Agent will receive an automatic e-mail message from the PQR system with the request to revalidate the entry after it has been updated by the Principal Recipient.</p> | <p>Updated Price and Quality Reporting (1a)</p> <ul style="list-style-type: none"> The Local Fund Agent should comment in the Progress Report form on the accuracy and completeness of the procurement data entered in the PQR by the Principal Recipient as verified by the Local Fund Agent. The cumulative values of products verified as correct should be based on verified/validated amounts derived from cost estimates and/or pro-forma invoices in the absence of the final invoice. However, the amounts need to be updated by the Principal Recipient and re-validated by the Local Fund Agent in case of a difference of over 5% in unit costs between the entered cost data and the final invoice. Accurate data should be marked as “complete” by the Local Fund Agent within the PQR system. In cases where the Local Fund Agent disagrees with the Principal Recipient regarding the information reported in the PQR, it should comment on this in the Local Fund Agent comments/analysis field of the PSM section and directly in Table 1B Value of Pharmaceuticals and other Health Products in the PQR. In the PQR system, the Local Fund Agent should state its requests for corrections in the field “Remarks on Consignment”. This will return the entry to the Principal Recipient for correction. |
| <p>Value of health products to be entered into the PQR (1b)</p> <p>NOTE Only relevant to the Local Fund Agent section.</p> | <p>Value of health products to be entered into the PQR (1b)</p> <p>This table is included to enable verification of completeness of information in the PQR system, and <u>not</u> for comparing PQR amounts vis-à-vis expenditure amounts in the total Principal Recipient cash outflow section.</p> <p>NOTE The amounts in the PQR and expenditure amounts on health products may not be equal due to a time-lag between payments and delivery of</p> |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| | <p>health products, and due to the fact that the PQR includes only seven types of pharmaceuticals and other health products.</p> <ul style="list-style-type: none"> ▪ For periodic reporting of PQR completeness, the Local Fund Agent should compare the amount actually reported by the Principal Recipient and verified as correct in the PQR against the amount due for reporting. If there is any variance between the amounts due for reporting and actually reported in the PQR, the Local Fund Agent should investigate and document the reasons. The periodic reconciliation of values verified in the PQR against values of products received during the reporting period can be done in the currency of the invoice or PQR value concerned. ▪ For cumulative reporting of PQR completeness, the Local Fund Agent <u>should select</u> a reporting currency, as appropriate, and use this currency for reporting <u>throughout</u> the grant lifetime. The selected currency does not have to be the same as the currency of the grant. Typically, it should be a currency in which the majority of invoices are expected (if this is known). In cases when there is a mixture of invoices in multiple currencies, the Local Fund Agent should convert to the selected currency using the appropriate exchange rates. ▪ Local Fund Agents can download an Excel summary of the PQR entries by using the Transaction Summary Report which is available on the PQR homepage (http://pqr.theglobalfund.org) and at http://www.theglobalfund.org/en/pqr/. The Local Fund Agent can use this summary to aggregate information to assist completing the table. ▪ The Local Fund Agent should debrief the Principal Recipient on any identified issues. |

Section 3. Risk of Expiry and Stock-Out

General guidance

Why:

Based on a country's most recent national stock status data, Principal Recipients will highlight the risk of expiry and/or stock-out for specific products where it is imminent within the next reporting period and the mitigation measures in place or to be implemented.

It is intended that the summary covers the Principal Recipient/Local Fund Agent's analysis of important supply and demand factors in order to reach a conclusion regarding the optimality of the national inventory position and the likelihood of stock-outs and/or expiry of products in the country over the next six months. In addition, the Principal Recipient shall provide notes on key challenges and bottlenecks in commodity management as well as comments on the decisions made to mitigate the reported risks including, if required, a request for capacity building and technical assistance.

OPTIONAL: The Principal Recipient shall be informed by the respective Country Team, in a separate communication prior to the preparation of the Progress Report/Disbursement Request, if a copy of the national stock status report for a selection of health products as specified by the Country Team, should form part of the PU/DR submission.

To adequately respond to the Country Team's request, a country's national stock status report should include the minimum information below. The Principal Recipient and Local Fund Agent should use existing formats of a country's national stock status report. **The Principal Recipient may request the Country Team's guidance in preparing and utilizing a national report format that meets these minimum requirements.**

- **Stock on Hand (SoH):** Refers to the aggregate quantity of usable stock available in the country covering all sources (e.g. government, Global Fund, PEPFAR, etc.) and all levels of stock management (i.e. central stores, peripheral stores, service delivery points).
- **Average Monthly Consumption (AMC):** This is the average quantity of the item utilized per month based on the analysis of the reported total consumption in the last three to six months appropriately adjusted to reflect future demand levels. The national AMC is determined based on LMIS consumption information reported to the Ministry of Health (MOH) from the pool of all health facilities in the country, including NGO or private health facilities contributing to the national program supported by the Global Fund.
- **Quantity on Order (& expected delivery dates):** This is the aggregate quantity of stock (on the different confirmed purchase orders) that has been formally requested from supplier(s) by one or more funding sources and which is expected to arrive in the country at a named point in time during the next six months. This quantity should exclude planned procurements which have not yet been initiated/confirmed, but the Principal Recipient is encouraged to include comments on any imminent planned procurements.
- **Months of Stock:** This is the stock on hand and Quantity on order expressed in the estimated number of months of service coverage. It is determined by dividing the quantity by the adjusted average monthly consumption.
- **Expiry date:** Principal Recipients are required to report on any product batches at risk of expiry over the next six months regardless of funding source. Where possible, the Principal Recipient

should report on the quantity of product expired in the last reporting period regardless of funding source.

What:

The analysis of the expiry and stock-out risks may cover the following category of pharmaceuticals and other health products (the specific products in each category shall be determined through dialogue between the Country Team, Principal Recipient and Local Fund Agent).

- Antimalarial medicines
- Insecticide-treated bed nets (LLINs)
- In-vitro Diagnostic products
- Condoms
- Anti-retrovirals
- Anti-TB medicines;
- Indoor residual spraying products
- Others products (where applicable) that form a significant investment and/or are critical to delivery of a major health intervention as determined by the Country Team, Local Fund Agent or Principal Recipient, e.g. needles and syringes, methadone in a programs for Opioid Substitution Therapy.

Who:

The Principal Recipient is ultimately accountable for the accuracy and completeness of the information in the PU/DR. The Principal Recipient shall collaborate with various implementing partners responsible for procurement and national stock monitoring to obtain the data required to complete this section of the PU/DR.

When:

Stock status, including pipeline monitoring, are an ongoing activity essential for proper management of the national inventory. The Principal Recipient should use the most up-to-date stock status data.

IMPORTANT: Principal Recipients (or Sub-Recipients/procurement agents, as applicable) should inform the Country Team and in-country stakeholders at any time outside of the PU/DR process when a risk of expiry or stock-out becomes imminent.

How:



Among others, the **risk of expiry exists** if (i) the months of stock in the country exceed the product shelf life; (ii) the months of stock in the country exceed the maximum levels recommended in the country's inventory management policy without planned scale up of consumption during this period; (iii) there is a serious disparity in the distribution and location of stock at the different sites in the country; and (iv) there is a significant number of sites holding redundant or slow moving stock; etc.

Among others, the **risk of stock-out exists** if (i) the proportion of understocked sites in the country is high regardless of the level aggregate national stock position; (ii) there is imminent expiry of a large

proportion of stock; (iii) there are critical disparities in the distribution and location of stock at different sites in the country; (iv) LMIS reporting/recording compliance rates are low and/or data quality is unreliable; (v) the central level stock position is below the minimum recommended; and (vi) the national stock position is lower than the minimum recommended; etc.

Local Fund Agent's role in data verification: The Local Fund Agent is expected to systematically verify completeness and accuracy of the information entered by the Principal Recipient. The Local Fund Agent should provide additional information on the risk of expiry and stock-out based on the guidance above provided to the Principal Recipient including the assessment of the adequacy of the risk mitigation measures adopted by the Principal Recipient.

Detailed description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | Not applicable | Not applicable |
| Core | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| <p><i>Only for Core and High Impact Portfolios</i></p> <p>Risks of stock-out or expiry of key pharmaceuticals and other health products in the next period of implementation (2)</p> <p>This information will help measure the level of risk of program implementation delays and treatment interruption, or risks of wastage and highlight the need for any action to mitigate the risk.</p> <p>NOTE Any scale-up or program acceleration plans need to be taken into account when estimating future needs and assessing risk of stock-out.</p> | <p><i>Only for Core and High Impact Portfolios</i></p> <p>Recommended scope of work:</p> <ul style="list-style-type: none"> Low and <i>medium</i> risk grants: review of stock information as per the description below; the PSM expert at the Local Fund Agent level may provide inputs through a desk review, if required. High risk grants: review of stock information as per the description below with spot checks at the central warehouse level, if requested by the Global Fund Country Team; the PSM expert should provide inputs through a desk review, if required. Based on the most up-to-date information on stock levels at the <u>central</u> level, consumption data and procurement planning or, in their absence, other best available information, the Local Fund Agent should comment on the reasonableness of the Principal Recipient's description of risks of stock-outs and expiry, including actions taken to address them. No fieldwork is required unless specifically requested by the Global Fund Country Team, or proposed by the Local Fund Agent and agreed by the Global Fund. In cases where major risks exist, the Local Fund Agent should describe the risks in the Findings and Recommendations section, and make actionable recommendations to improve information systems and procurement planning. The Local Fund Agent should discuss identified issues with the Principal Recipient. <p>IMPORTANT In grants with a major procurement component, poor information systems for pharmaceuticals and other health products</p> |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| | should be identified as an important management issue in the Findings and Recommendations section of the PU/DR. |
| <p>Additional issues related to procurement and supply management (3)</p> <ul style="list-style-type: none"> ▪ The Principal Recipient should raise any issue(s) or information on the procurement and supply management of pharmaceuticals and health products that could impact program implementation and highlight any mitigation measure in place or to be implemented. | <ul style="list-style-type: none"> ▪ The Local Fund Agent should comment on issues reported by the Principal Recipient and any additional issues related to the procurement and supply management of pharmaceuticals and other health products and the mitigation action in place or to be implemented which have come to the Local Fund Agent's attention. The Local Fund Agent should assess the impact of these issues (current and/or future) on the program implementation. The PSM expert part of the Local Fund Agent team may provide input through a desk review in all risk settings, depending on the specific requirements and complexities of the grants. |

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Grant Management

Overall purpose of the section



This section provides an overview of progress on all grant requirements and management actions that were due to be fulfilled during the period covered by the progress update (including those whose fulfillment was outstanding from previous periods). While grant requirements may vary in importance, all of them should be met within the specified timelines for any further disbursements to be authorized by the Global Fund.

General guidance

The adequate and timely fulfillment of grant requirements and management actions will be taken into account in the assessment of the overall grant performance.

Specific Note to the Local Fund Agent: A full Local Fund Agent review of grant requirements and management actions is required in all risk settings (low, medium and high) in each functional area. Whether the input of the PSM or M&E/Public Health expert (through a desk review or onsite) is required depends on the nature of the requirements/management actions and the Global Fund Country Team's request for review. As part of the Local Fund Agent's discussion with the latter on the required scope of work, the need for the involvement of the various functional experts in the PU/DR review must be agreed upon.

Detailed Description

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | • Annual | • 60 days after end of annual reporting period |
| Core | • Semi-annual • Annual | • 45 days after end of semi-annual reporting period • 60 days after end of annual reporting period |
| High Impact | • Semi-annual • Annual | • 45 days after end of semi-annual reporting period • 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|--|
| <p>Section 4A. Grant Requirements</p> <ul style="list-style-type: none"> All grant requirements contained in the Grant Confirmation or in any subsequent implementation letters that are due for reporting shall be populated in the form. This also includes all requirements outstanding from previous periods. The Principal Recipient must provide a status update on all listed requirements. The grant requirement number (according to the grant confirmation/grant agreement) should also be stated. The status of fulfillment of each requirement should be selected from the dropdown menu | <ul style="list-style-type: none"> The Local Fund Agent should ensure that: <ul style="list-style-type: none"> All grant requirements applicable to the period covered by the Progress Update have been accurately listed by the Principal Recipient. These include all outstanding requirements from previous periods, as well as all requirements that were due during the period covered by the progress update (whether or not they were met). If any applicable requirement has <u>not</u> been listed by the Principal Recipient, the Local Fund Agent should point out to the Principal Recipient the missing requirements, and request they include them and the status of |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <p>options as applicable: “met,” “unmet – in progress” and “unmet – not started.”</p> <p>NOTE Answer to the fulfillment of grant requirements only represents the Principal Recipient’s own assessment of its accomplishments. This will be subject to the Local Fund Agent’s verification and Global Fund review. A requirement will be effective until formally cleared by the Global Fund in writing.</p> <ul style="list-style-type: none"> For “met” requirements, it is sufficient to provide a status update only. The Principal Recipient may nevertheless include any details on progress if they are considered necessary for understanding the fulfillment of the requirement. For requirements with the status “unmet – in progress,” comments on the progress toward their achievement should be provided. Reasons for the delay should be clearly explained and timelines for expected completion should be indicated. For requirements with the status “unmet – not started,” reasons for non-fulfillment should be clearly explained and timelines for expected completion should be indicated, unless a requirement has been waived by the Global Fund. <p>NOTE Some requirements may apply to more than one period of grant implementation (e.g. counterpart financing). Their fulfillment during one period does not automatically imply fulfillment in subsequent periods. The Local Fund Agent will verify that the status of such requirements is reported by the Principal Recipient during each period concerned.</p> | <p>their implementation, before including the Local Fund Agent’s comment.</p> <ul style="list-style-type: none"> The Local Fund Agent should indicate the fulfillment status of all applicable requirements and provide comments on progress toward the achievement of the requirements which are not yet fulfilled. These comments <u>should not</u> be a “copy and paste” of the comments provided by the Principal Recipient. <p>NOTE If a requirement that was previously fulfilled is reopened due to new circumstances, and the issue addressed by this requirement is considered critical, the issue should be disclosed in the Findings and Recommendations Section. At the discretion of the Global Fund Country Team, the issue may be followed up through the management actions assigned by the Global Fund to the Principal Recipient.</p> |
| <p>Section 4B. Implementation of Outstanding Management Actions</p> <ul style="list-style-type: none"> All management actions which have been assigned to the Principal Recipient by the Global Fund and are outstanding should be listed with a reference to the date of the respective Performance Letter and action number. Comments on progress toward fulfillment should be provided for each management action. For unfulfilled management actions, reasons for nonfulfillment and/or delay should be clearly explained and timelines of expected completion should be indicated. | <ul style="list-style-type: none"> The Local Fund Agent should ensure that all management actions assigned by the Global Fund to the Principal Recipient and applicable to the reporting period, or outstanding from previous periods, have been accurately listed by the Principal Recipient. If any required management actions have not been listed by the Principal Recipient, the Local Fund Agent should list them in their section of the table and seek clarification on their status from the Principal Recipient. The Local Fund Agent should provide comments on progress toward the fulfillment of each management action. <u>These comments should not be a “copy and paste” of the comments provided by the Principal Recipient.</u> |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|---|
| <p>Section 4C. Annual Grant Reporting Requirements</p> <ul style="list-style-type: none"> ▪ For each reporting requirement (e.g. audit report, AFR/EFR), a due date for the report should be indicated. In case the report is overdue, the preceding due date should be indicated (instead of the due date for the following year). ▪ For overdue reports, reasons for the delay(s) should be clearly stated and timelines for expected completion should be indicated. | <ul style="list-style-type: none"> ▪ For each annual grant reporting requirement, the Local Fund Agent should confirm whether or not the fulfillment of the requirement is overdue and provide relevant comments. ▪ In case of any discrepancies between the Local Fund Agent's and the Principal Recipient's perspectives of the fulfillment of the requirements, the Local Fund Agent should clarify with the Principal Recipient prior to informing the Global Fund. |

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Evaluation of Overall Performance

Overall purpose of the section

This section contains:

- the Principal Recipient's self-evaluation of grant performance to date, undertaken by taking into account programmatic achievements, financial performance and program issues in various functional areas (M&E, finance, procurement and program management, including management of Sub-Recipients);
- a description of external contextual factors that have had or may have an impact on program performance;
- a description of any planned changes to the program; and
- the Local Fund Agent's overall evaluation and rating of grant performance based on the Global Fund's Grant Rating Methodology.

Detailed Description

| Portfolio Category |  |  |
|--------------------|--|---|
| Focused | • Annual | • 60 days after end of annual reporting period |
| Core | • Semi-annual • Annual | • 45 days after end of semi-annual reporting period • 60 days after end of annual reporting period |
| High Impact | • Semi-annual • Annual | • 45 days after end of semi-annual reporting period • 60 days after end of annual reporting period |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|--|--|
| <p>Section 5A. Overall Self-evaluation of Grant Performance</p> <p>In this section, the Principal Recipient should provide a high-level self-assessment from the grant start date through to the end date of the current Progress Update period on:</p> <ul style="list-style-type: none"> ▪ Programmatic performance, including a qualitative overview of key programmatic achievements and main weaknesses from the grant start. <i>Refer to Programmatic Progress section.</i> ▪ Financial performance, including an analysis of linkages between disbursed, budgeted and spent amounts. Here the Principal Recipient is expected to disclose any issues requiring attention in terms of absorption of funds at either/both the Principal Recipient and Sub-Recipient levels. A qualitative analysis should be complemented by the following ratios: | <ul style="list-style-type: none"> ▪ In this section the Local Fund Agent should provide an overall assessment of the grant performance and rate the grant based on the Grant Rating Methodology (Refer to the Operational Policy Note on Annual Funding Decisions and Disbursements). ▪ The Local Fund Agent should include the indicator rating, indicate as 'Yes' or 'No' if there are major management issues in any of the functional areas that results in a rating downgrade and, finally, provide an overall grant rating. These steps should be performed in line with the Grant Rating Methodology (refer to the Operational Policy Note on Annual Funding Decisions and Disbursements). ▪ The Local Fund Agent is requested to include any relevant comments that will help better understanding the rationale for a given overall rating, including a summary of any major issues in functional areas that may put successful |

| Guidance for both Principal Recipient and Local Fund Agent | Local Fund Agent-specific notes |
|---|---|
| <ul style="list-style-type: none"> – Cumulative burn rate, calculated as a ratio of cumulative Principal Recipient cash outflow to cumulative budget amounts to date. ▪ Links between financial performance and programmatic achievements. <p>NOTE For example, lower than expected burn rate needs to be explained in connection with delayed activities or savings realized in health product prices.</p> <ul style="list-style-type: none"> ▪ Most significant issues in any of the functional areas (M&E, finance, procurement, program management) which put successful program implementation under risk. ▪ When possible, the Principal Recipient should also aim to cover in this section: <ul style="list-style-type: none"> – comments on the latest evidence of outcome and impact on the disease, if reported (based on recent surveys, impact studies, etc.) and how this evidence relates to the activities implemented by the grant; and – any success stories or lessons learned from program implementation. | <p>program implementation under risk (the section LFA Findings and Recommendations or other sections of the report should contain details of these issues; the respective sections should be cross-referenced).</p> <ul style="list-style-type: none"> ▪ As part of this review the Local Fund Agent is also expected to pay specific attention to highlight any issues identified by the Local Fund Agent which relate to the utilization or possible misappropriation of funds at the Principal Recipient and Sub-Recipient levels. <p>IMPORTANT In assessing overall performance the Local Fund Agent should provide an analysis on how programmatic and financial performance to-date are linked and any major implications of historical performance on the future performance.</p> <p>NOTE In this section, the Local Fund Agent may also comment on the evidence of impact, success stories and/or lessons learned from program implementation, if this information is included in the form completed by the Principal Recipient.</p> |
| <p>Section 5B. Planned Changes in Program (if any)</p> <ul style="list-style-type: none"> ▪ The Principal Recipient should describe any planned changes in programmatic activities vis-à-vis the grant agreement (including the performance framework). <p>NOTE If there are significant changes to the scope of the grant, they should be discussed with the Country Team who will advise on the next steps.</p> | <ul style="list-style-type: none"> ▪ If the Principal Recipient has indicated any planned changes in the program, the Local Fund Agent should comment on these planned changes, specifically with regard to their rationale and expected benefits, as well as the Principal Recipient's capacity to implement these changes. ▪ In the event that the Local Fund Agent is aware of planned changes that have not been mentioned by the Principal Recipient, the Local Fund Agent should mention these changes and also seek clarification from the Principal Recipient. |
| <p>Section 5C. External Factors Beyond the Control of the Principal Recipient That Have Impacted or May Impact the Program</p> <ul style="list-style-type: none"> ▪ The Principal Recipient should describe any issues or risks that external factors (e.g. force majeure, political and civil issues at the country level, etc.) have posed or may pose to the successful delivery of the program. | <ul style="list-style-type: none"> ▪ The Local Fund Agent should review the Principal Recipient's comments on contextual factors (e.g. force majeure, political and civil issues at the country level) which are beyond control of the program and which have or may have an impact on the program, and amend them with any additional comments as appropriate. |

LFA Findings and Recommendations

Overall purpose of the section

This is a Local Fund Agent-specific section. The purpose of this section is to document important issues and the Local Fund Agent's recommendations to address such issues in the areas of M&E, health products management, financial management and systems, and program management and governance, including management of Sub-Recipients by the Principal Recipient.

IMPORTANT In evaluating the grant performance and assigning the overall grant rating (which influences the disbursement amount), the Local Fund Agent should take into account management issues in all of the functional areas in line with the Grant Rating Methodology (reference Annex 2 and 3 of the [Operational Policy Note on Annual Funding Decisions and Disbursements](#) for detail). The rationale for taking management issues into account in the performance evaluation is that critical management issues (e.g. poor data quality, procurement delays, ineligible expenditures, etc.) may ultimately compromise future program implementation and the ability of the program to achieve the objectives and goals of the proposal. In addition, it is important to ensure that grants comply with Global Fund requirements, especially in the areas of M&E, health products management, financial management and governance.


Detailed description

This section should contain a description of important issues identified in each functional area (including program management) and an analysis of their immediate or anticipated adverse impact on program implementation. An issue should be classified as "important" if it impacts or is likely to impact program implementation and results. Based on the Local Fund Agent's judgment of the severity, all identified important issues should be listed, beginning with the most important ones. In case where an issue was already covered in detail in another section (for example in 'Grant Management' section), it is also acceptable to state the issue and reference the section containing the details.

Identified issues should be classified into one of the five categories – (1) program management, including Sub-Recipients' management, (2) financial management and systems, (3) M&E, (4) health products management (5) other management issues – by selecting an appropriate option from the dropdown list.

For each of the identified issues, the Local Fund Agent should recommend remedial actions and/or capacity-building measures to be implemented by the Principal Recipient. The recommended remedial actions and capacity-strengthening measures should be relevant, specific and actionable by the Principal Recipient within a reasonable time frame. These recommended measures serve as a basis for the Global Fund to assign management actions to the Principal Recipient.

The table below lists frequently occurring examples of issues in each functional area; these lists are not exhaustive.

| Portfolio Category |  |  |
|--------------------|---|---|
| Focused | <ul style="list-style-type: none"> Annual | <ul style="list-style-type: none"> 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none"> Semi-annual Annual | <ul style="list-style-type: none"> 45 days after end of semi-annual reporting period 60 days after end of annual reporting period |

Section 6. Local Fund Agent-specific notes

Program Management (1) (including management of Sub-Recipients). In this category, issues may relate, for example, to:

- established program governance structure;
- Principal Recipient staffing (adequacy of expertise and capacities, timeliness of recruitment);
- availability of up-to-date work plans and corresponding budgets;
- Principal Recipient's management capacity of Sub-Recipients, and notably evidence of adequate oversight and monitoring of activities implemented by Sub-Recipients;
- timeliness and adequacy of implementation of conditions precedent, special conditions and management actions.

While making recommendations on improvements, the Local Fund Agent should take into consideration any of its earlier assessments of the Principal Recipient's program management, including progress on its earlier recommendations, if any.

Financial Management and Systems (2). In this category, issues may relate, for example, to:

- the adequacy of financial and accounting personnel;
- the adequacy of financial policies and systems;
- rigor of forecasting and tracking of actual expenditures at Principal Recipient and/or Sub-Recipient level;
- ineligibility of expenditures;
- inadequate explanation of significant variance between budget and actual expenditures;
- non-agreement of detailed budget and/or activities deviate from agreed budget;
- cash balance not reconciled to bank account, where applicable, with significant and unexplained differences;
- audit report overdue by more than six months;
- critical issues revealed by audit report(s) and/or OIG findings/reports which are not being addressed by the Principal Recipient;
- overall compliance with the Global Fund financial reporting requirements outlined in these PU/DR guidelines;
- data security and access authorization levels in the case of computerized systems.

While making recommendations on improvements, the Local Fund Agent should take into consideration its earlier assessments of the Principal-Recipient's and/or Sub-Recipient's financial management systems (including progress on earlier recommendations, if any), as well as findings expressed in audit reports (as relevant).

Monitoring and Evaluation (3). In this category, issues may relate, for example, to:

- activities deviating from the agreed M&E Plan;
- absence of an approved performance framework for the period corresponding to the next disbursement period;
- critical M&E system issues revealed by M&E assessment report and/or OIG reports which are not being addressed by the Principal Recipient;
- poor data quality uncovered through desk reviews of submitted reports, on-site data verifications or DQAs;
- inappropriate impact measurement framework (i.e. without standard indicators, targets, data source and/or corresponding budget);

Section 6. Local Fund Agent-specific notes

- inconsistencies and/or lack of clarity in indicator measurements and reporting (i.e. data do not make sense or measurement not consistent with the indicator definition).

While making recommendations on improvements, the Local Fund Agent should take into consideration its earlier assessments of the Principal Recipient's M&E systems (such as previous progress reviews, the M&E systems strengthening (M&ESS) action plan and on-site data verifications), including progress on earlier recommendations, if any.

NOTE It is advisable to consider different components of the M&E plan (see M&E plan guidelines) when providing the description of findings and recommendations.

NOTE Any specific updates on M&E system strengthening activities may be required at the request of the Global Fund Country Team and based on the specific country context.

Health Product Management (4). In this category, issues may relate, for example, to:

- activities deviating from agreed PSM Plan;
- incomplete and/or inaccurate information reported in the PQR;
- procurement practices in violation of the Global Fund policies and guidelines;
- delays in procurement of pharmaceuticals and other health products;
- inadequate storage and/or distribution arrangements of pharmaceutical and other health products;
- other critical issues revealed by audit report(s) and/or OIG findings/reports which are not being addressed by the Principal Recipient.

IMPORTANT In grants with a major procurement component, poor information systems for pharmaceuticals and other health products should be identified as an important management issue in the Local Fund Agent Findings and Recommendations section of the PU/DR.



While making recommendations on improvements, the Local Fund Agent should take into consideration its earlier assessments of the Principal Recipient's and/or Sub-Recipient's pharmaceutical and other health product management systems, including progress on earlier recommendations, if any.

Other Management Issues (5). In this category, for example:

- The Local Fund Agent is required to highlight any evidence of financial irregularities or misappropriation of Global Fund funds and to highlight any emerging fraud risks.
- The Local Fund Agent should highlight any issues and provide recommendations concerning the Principal Recipient's capacity to produce complete, quality and timely programmatic and financial progress reports, such as the PU/DR. In this regard, the Local Fund Agent should comment on the extent of needed clarifications, follow-up and iterations with the Principal Recipient in order for the latter to finalize the PU/DR.
- The Local Fund Agent should indicate whether there are any other management issues that may have an immediate or anticipated adverse effect on program implementation.

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Authorization

| Portfolio Category |  |  |
|--------------------|---|--|
| Focused | <ul style="list-style-type: none">• Annual | <ul style="list-style-type: none">• 60 days after end of annual reporting period |
| Core | <ul style="list-style-type: none">• Semi-annual• Annual | <ul style="list-style-type: none">• 45 days after end of semi-annual reporting period• 60 days after end of annual reporting period |
| High Impact | <ul style="list-style-type: none">• Semi-annual• Annual | <ul style="list-style-type: none">• 45 days after end of semi-annual reporting period• 60 days after end of annual reporting period |

Section 9A. Principal Recipient Authorization

After completing the PU/DR, the Principal Recipient should sign a printed version of the PU/DR and submit it electronically to the Global Fund, copying the Country Coordinating Mechanism (CCM) of their country. This is to acknowledge that all the information is complete and accurate; that the funds disbursed in accordance with the request made through the PU/DR can be deposited in the bank account specified in the Core Data Forms; and the funds disbursed shall be used in accordance with the Grant Agreement.

Section 9B. Local Fund Agent Authorization

In this section, the Local Fund Agent should summarize the approach used for verification of the financial, programmatic and procurement data. They are also requested to comment on the nature of their internal quality assurance initiatives undertaken in each of the three domains of finance, M&E and procurement.

Moreover, the Local Fund Agent should sign a printed version of the verified PU/DR and submit it to the Global Fund as a PDF file, by e-mail, or include an electronic signature in the Excel file submitted to the Global Fund.

Annex 1: Useful Resources

For general guidance:

[The Operational Policy Manual](#)

[Guidelines on Implementers of Global Fund Grants](#)

For guidance on the programmatic section:

[Monitoring and Evaluation Indicator Guidance Sheet – HIV](#)

[Monitoring and Evaluation Indicator Guidance Sheet - Tuberculosis](#)

[Monitoring and Evaluation Indicator Guidance Sheet - Malaria](#)

For guidance on the PSM section:

[Guide to Global Fund Policies on Procurement and Supply Management of Health Products](#)

For guidance on the finance section:

[The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting](#)

[The Global Fund Audit Guidelines](#)