



United Nations Development Programme

HIV/AIDS

Working with Global Fund Sub-recipients
Achieving results, managing risks

Sub-recipient Management Toolkit for UNDP Country Offices

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Acronyms and abbreviations

ACP	Advisory Committee on Procurement
BDP	Bureau of Development Policy
BOM	Bureau of Management
CAP	Contract, Asset and Procurement Committee
CCM	Country Coordinating Mechanism
CO	Country Office
CSO	Civil society organization
DPA	Delegated Procurement Authority
Global Fund	Global Fund to Fight AIDS, Tuberculosis and Malaria
GIU	Grant Implementation Unit
LPAC	Local Projects Appraisal Committee
LFA	Local Fund Agent
LSO	Legal Support Office
M&E	Monitoring and Evaluation
NGO	Non-governmental organization
NIM	Nationally implemented
OAI	Office of Audit and Investigations (UNDP)
OIG	Office of the Inspector General (Global Fund)
PMU	Programme Management Unit
POPP	Programme and Operations Policies and Procedures (UNDP)

PR	Principal Recipient
PSM	Procurement and Supply Management
PSO	Procurement Support Office
RACP	Regional Advisory Committee on Procurement
RFP	Request for Proposal
RFQ	Request for Quotation
RMAP	Risk Management Action Plan
RR	Sub-recipient
SR	Multi-drug Resistant
SSR	Sub-sub-recipient
VfM	Value for money (assessment)

Glossary of key terms

Contract, Contractor: In this toolkit, the terms ‘contract’ and ‘contractor’ refer to the contracting of commercial entities that are *not* Global Fund Sub-recipients. These are typically contracted to provide products or professional services to a project.

DIM: When acting as Principal Recipient, UNDP shall implement project activities under Direct Implementation (DIM). This means that UNDP will be acting as the Implementing Partner of the project. Nevertheless, please note that the former terminology, i.e. Direct Execution (DEX), is still used in non-harmonized countries which do not have a Country Programme Action Plan (CPAP).

Grant Agreement: The Grant Agreement is the formal legal financing agreement between the UNDP Country Office and the Global Fund. This includes: i) Fact Sheet; ii) UNDP–Global Fund Standard Terms and Conditions (specifically for UNDP as Principal Recipient); and iii) Annex A (Conditions Precedent and Special Terms and Conditions to be agreed by both parties), Summary Budget and Performance Framework.

Implementing Partner: The implementing partner is the entity entrusted with the implementation of the project which assumes full responsibility and accountability for the effective use of the project resources and the delivery of the project outputs. In this toolkit, the term ‘implementing partner’ refers to UNDP.

Principal Recipient (PR): This is the Global Fund term for the entity contracted to implement a Global Fund grant. The PR is responsible for programme results and legally accountable to the Global Fund. In this toolkit, ‘Principal Recipient’, or ‘PR’, means the UNDP Country Office.

Project Document: UNDP operates Global Fund-financed programmes under the framework set forth in the Country Office’s Standard Basic Assistance Agreement (SBAA) with the host country. A project document must be formulated and approved by all parties involved. In this toolkit, the project document articulates in detail how UNDP intends to implement a Global Fund programme, and the strategy, expected results, costs, etc. involved.

Project Management Unit (PMU): This is the UNDP PMU designated to implement Global Fund grants in the country and manage Sub-recipient Agreements. The PMU is headed up by the PMU Manager (who reports to the UNDP Country Director or his/her designee) and is supported by several specialists. In some countries, the PMU is called the Grant Implementation Unit (GIU).

Responsible Party: An entity that has been selected to act on behalf of the Implementing Partner on the basis of a written agreement or contract to purchase goods, provide services or carry out activities using the project budget is considered a responsible party. This, therefore, includes Contractors and Sub-recipients. All responsible parties are directly accountable to the Implementing Partner in accordance with the terms of their agreement or contract with the Implementing Partner.

Sub-recipient (SR): The Grant Agreement defines a Sub-recipient (SR) as an organization/entity to which UNDP provides funding for the implementation of certain activities within a Global Fund programme. SRs may be government entities, United Nations agencies, non-governmental organizations (NGOs), community-based organizations (CBOs), community groups, or academic organizations. In this toolkit, consistent with UNDP terminology, the term 'responsible party' refers to SRs.

Sub-sub-recipient (SSR): Sub-sub-recipients are Sub-recipients of Sub-recipients. The UNDP Country Office is legally accountable for any project implementation by SSRs – as it is for Sub-recipients – within Global Fund grants for which it is Principal Recipient.

Sub-recipient (SR) Agreement: In this toolkit, an agreement between UNDP and an SR to implement Global Fund programme activities is referred to as an SR Agreement. [Standard templates](#) are available for SR Agreements for governments, NGOs and United Nations agencies (UNICEF, UNFPA, WHO).

UNDP Country Office (CO): 'UNDP CO' means the UNDP Country Office – i.e. the official UNDP representation at the country level. The UNDP CO signs the Grant Agreement, is responsible for grant implementation and supervises the management of the SRs.

UNDP Headquarters (UNDP HQ): In this toolkit, UNDP HQ refers to any UNDP corporate-level unit, regardless of physical location.

Introduction

1. Introduction to the toolkit

a. Purpose

On 26 January 2011, UNDP's Operations Group requested that a toolkit be developed to support Country Offices (COs) serving as Principal Recipients (PRs) of Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) grants in effectively managing Sub-recipients (SRs), both in terms of achieving results and managing risk. The necessity of creating a toolkit for managing Sub-Recipients was one of the most important recommendations made by the *UNDP Global Fund Portfolio Implementation and Risk Management Review*, prepared by the UNDP Global Fund Partnership Team (BDP/HIV) and presented to the Operations Group.

This ***Sub-recipient Management Toolkit*** is a critical part of UNDP's strategy to manage risk related to the implementation of complex Global Fund grants in difficult country contexts. SR management has been identified as an especially high-risk area for UNDP when serving as PR of the Global Fund.

The purpose of this toolkit is to provide guidance for COs to manage and oversee SRs throughout the grant life cycle, including assessing, contracting, managing, monitoring and evaluating SRs and their activities.

The toolkit does not set new policies but provides additional guidance and detailed advice on implementing UNDP's corporate *Programme and Operations Policy and Procedures (POPP)*,¹ *UNDP Operations Manual for Projects Financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria*,² the *GFATM Atlas Guide* and the *Global Fund Financial Guidelines*.

The *UNDP Sub-recipient Management Toolkit* is intended to provide further guidance and advice when implementing POPP, and should not in any way be seen as replacing or altering these or any other UNDP procedures.

¹<http://content.undp.org/go/userguide>

²[UNDP Operations Manual for Projects Financed by the Global Fund \(June 2011\)](#)

b. How to use the toolkit

An attempt has been made to structure this toolkit in a manner that is logical and user-friendly. Following a first section on the imperatives of robust risk management, the toolkit follows the process of selecting, engaging and managing SRs and is divided into five parts:

- **Part 1:** Risk management
- **Part 2:** Selecting Sub-recipients
- **Part 3:** Engaging Sub-recipients
- **Part 4:** Managing Sub-recipients

2. Background

In partnership with the Global Fund since late 2002, UNDP is approved as a PR in countries where exceptional circumstances and/or special emergencies exist, and when the Global Fund and Country Coordinating Mechanism (CCM) have not found a suitable local entity. In countries where the UNDP CO is the PR, UNDP assumes overall financial responsibility and accountability for the Global Fund grant. As PR, UNDP engages national and local counterparts, known as SRs, to implement grant activities. Such an arrangement is for a limited time, during which UNDP helps to build the capacity of one or more national candidates to become the PR. UNDP assists SRs in developing the capacity and expertise to effectively manage and implement prevention, care and treatment services for AIDS, tuberculosis and malaria. UNDP is also involved in specific Health System Strengthening grants financed by the Global Fund.

Where UNDP is the PR of Global Fund funds, the UNDP CO is actively encouraged to work with organizations and to engage SRs in the implementation of Global Fund programmes. In particular, the engagement of government agencies and national/local non-governmental organizations (NGOs) as SRs is crucial to the successful implementation of the grants, the strengthening of national capacities, the promotion of country ownership and the long-term sustainability of the programmes. National organizations often possess expert knowledge about local conditions and specialized technical skills that can dramatically enhance the impact of the Global Fund programme.

On the other hand, SRs may have low operational capacity or may work on a smaller scale than is needed to deliver the anticipated Global Fund-financed programme, and they may require significant support to execute, manage and monitor their assigned role effectively.

To this end, UNDP may engage an SR to be a responsible partner in implementing a Global Fund-financed programme or some of the programme activities. Once engaged by UNDP, SRs are responsible for managing the programme activity and achieving outputs within the agreed budget and work plan. However, the UNDP CO maintains overall accountability for the grant and the use of Global Fund resources to effectively fight AIDS, tuberculosis and malaria.

To work effectively with SRs, the UNDP CO should have a strong system and/or pertinent resources for identifying and assessing SRs and for overseeing the SRs once they have been engaged. Additionally, UNDP COs need to be able to carefully address and manage any of the potential risks of working with SRs. Supporting SRs in implementing an effective and sustainable programme, based on an understanding of their needs and challenges, is the ultimate goal of this toolkit.

PART I: Risk management

Risk management is the identification, assessment and prioritization of risks (defined in ISO 31000 as “the effect of uncertainty on objectives”, whether positive or negative), followed by the application of resources and putting in place measures to minimize, monitor and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

The risks managed by UNDP in its PR role are substantial. Risks can come from the political or economic context of the country, challenging implementation environment, social unrest, security problems, possible corruption and fraud among local suppliers and implementing partners and theft and other criminal activity. It can also come from internal project failures; low capacity of the CO in key areas; legal liabilities; signed Grant Agreements with conditionalities that are beyond UNDP’s control, or that transfer too much risk to UNDP, or are simply unimplementable. Other risks can include natural, man-made disasters, terrorist attacks and social disorder.

Capacity weaknesses in government and civil society organization (CSO) SRs represent one of the greatest risk areas for UNDP.

Risk management is prevention. It is about being able to spot a problem before it has time to have an impact on the programme (early warning), having the resources, tools and procedures in place to deal with the problem in an effective and timely manner, communicating proactively with partners and managing any media cover with aplomb.

1. UNDP policy

In relation to each existing and every new grant, UNDP **requires** that there be a detailed mapping and analysis of the organization’s responsibilities and the corresponding capacities of each CO to effectively manage the associated accountabilities and risks effectively.

- Risk assessment and risk management are also formal management requirements under the UNDP’s Enterprise Risk Management (ERM) policy. The ERM policy was endorsed in 2007 by the Enterprise Risk Management Committee and serves as the basis for SR risk assessment methodology and analysis.
- In addition to that policy framework, UNDP is included under the UN policy for the Harmonized Approach to Cash Transfers (2005) which requires, *inter alia*, that UN agencies adopt a risk management approach and select specific procedures for transferring cash on the basis of the joint assessment of the financial management capacity of Implementing Partners.

The UNDP risk management policies and procedures establish a five-step process as follows:

1. The **identification** and **classification** of SR risks;
2. The **measurement** and **evaluation** of these risks;
3. The **prioritization** and **ranking** of risks in relation to each other;
4. The development of a **Risk Management Action Plan (RMAP)** applicable to each programme;
5. The development of a programme of **monitoring** and follow-up.

2. Sub-recipient risk assessment

Risk assessment is a structured process that addresses the first three steps above. To undertake a risk assessment it is necessary to:

- (i) identify the risks;
- (ii) assess the risks in terms of the probability that they will occur; and
- (iii) prioritize the risks in terms of the consequences should they occur;

PSO has developed an SR risk assessment tool based on international practices in donor activities. This tool is attached as Annex 2 and represents an enlarged Harmonized Approach to Cash Transfers assessment questionnaire. It is important to note that this tool does not address all possible risk factors; many more could be added. Annex 2 provides a tool to allow administrators to identify and follow up on SR risks.

It is also a requirement that the UNDP CO must conduct an independent capacity assessment of the proposed SR prior to signing the SR Agreement and transferring any funds. That capacity assessment may complement the risk assessment tool. Since a competitive process includes a technical assessment, the latter substitutes for a separate capacity assessment, after the final outcome of the competitive process.

The capacity assessment also constitutes an *ex ante* risk assessment of the SR. It enables the UNDP CO to develop an action plan to address SR capacity weaknesses that may prove to be high risks for the project, prior to signing the SR Agreement or during contract execution. While the PR will conduct SR assessments, it may take into consideration other assessments carried out by other institutions – for instance, the Local Fund Agent (LFA), which usually conducts an assessment in Additional Safeguard Policy (ASP) countries. However, under the Grant Agreement, the PR is responsible for the results expected from the SR and is also accountable for disbursed funds and, therefore, for the SR capacity assessment.

Therefore, the first step for the development of an SR risk management framework is for the SR to be assessed in terms of capacity and risk. The risk tool of Annex 2 is designed to be simple and intuitive and should be easily applied. It should be applied regularly, where possible by an independent consultant or visiting mission or on a self-assessment basis and complemented by other data sources, including mission reports and audit reports.

The assessment will provide a risk profile for an SR and provide a guide for what capacity development is appropriate for that SR. Further information and examples of this assessment stage may be found in *UNDP Risk Assessment Tool: Risk Mapping and Assessment for UNDP as Principal Recipient*.

3. Sub-recipient minimum capacity requirements

UNDP has determined that SRs should meet minimum institutional and technical capacity requirements to become SRs and sign an SR Agreement with UNDP. The UNDP CO should assess potential SRs in terms of whether the minimum requirements are met (see Box 1 below).

Box 1. Minimum Requirements for Sub-recipients

1. Financial management systems that:

- i. correctly record all transactions and balances, including those to be supported by the Global Fund;
- ii. disburse funds to SSRs and suppliers in a timely, transparent and accountable manner;
- iii. support the preparation of regular, reliable financial statements;
- iv. safeguard Global Fund property; and
- v. are subject to acceptable auditing arrangements.

2. Institutional and programmatic:

- i. legal status to enter into the SR Agreement with the UNDP CO;
- ii. effective organizational leadership, management, transparent decision-making and accountability systems;
- iii. adequate infrastructure, transportation and technical information systems to support proposal implementation, including the monitoring of performance of SSRs and outsourced entities in a timely and accountable manner; and
- iv. adequate health care expertise (relating to HIV and AIDS, tuberculosis and/or malaria) and cross-functional expertise (finance, procurement, legal, M&E).

3. Monitoring and evaluation systems that:

- i. collect and record programmatic data with appropriate quality control measures;
- ii. support the preparation of regular reliable programmatic reports; and
- iii. make data available for the purpose of evaluation and other studies.

In addition to the minimum requirements, capacity assessments can also include a review of:

- experience and expertise of the CSO in implementing Global Fund activities or similar projects;
- experience in managing SSRs carrying out Global Fund activities or contractors providing goods and services (10 percent maximum); and
- external support of the CSO.

Practice pointer: Capacity in CSOs often hinges on the competence of a few key individuals and should be assessed in great detail; staff rotation should also be carefully assessed. **The capacity of the SR to manage human resources should be a major factor addressed by the CO risk management plan.**

A number of assessments and tools from UNDP COs are available at: UNDP Intranet > Practices > GFATM Templates and Forms. The *UNDP CSO/NGO Capacity Assessment Tool* provides guidelines for a capacity assessment. See also <http://www.undg.org/index.cfm?P=255> for the *Harmonized Approach to Cash Transfers to Implementing Partners*.

Other helpful resources include: *UNDP Capacity Assessment for Project Implementation* and *LFA Guidelines for PR Assessments*. A good financial assessment tool, used by LFAs, can be found at: UNDP Intranet > Practices > HIV/AIDS > Guidelines and Toolkits: *Financial Management & Systems (FMS) Assessment Tool*.

4. Outcome of the assessment

The UNDP CO will need to take different steps, depending on the outcome of the capacity assessment. When the UNDP CO determines that the SR represents significant risk or does not possess all the required capacity to carry out the activities envisioned under the programme, these factors need to be formally addressed. UNDP and the SR need to address the identified capacity issues prior to signing the SR Agreement – for example, through a Condition Precedent/Special Condition or a capacity development plan, as part of the Agreement, or through specific disbursement modalities (no advance or direct payment), as risk mitigation measures. The UNDP CO can also consult with the CCM and the LFA about how to address the situation most appropriately.

5. Capacity development of Sub-recipients

Capacity development of national institutions is a core mandate of UNDP and the ultimate aim of its technical assistance. UNDP works to build the skills, knowledge and experience of SRs so that they can implement Global Fund programme activities. Capacity development of SRs can take place throughout the lifetime of the SR Agreement. It should be funded through the Grant Agreement, and the UNDP CO can also contribute its own resources. It should build on the priorities, policies and desired results that have been mutually identified by the UNDP CO and the SR.

Based on the results of the capacity assessment and discussions with the SR, the UNDP CO and SR should create a Capacity Development Plan (CDP), to be annexed to the SR Agreement, addressing in detail how capacity will be developed in the identified areas of weakness, and how organizational capacities will be maintained and strengthened in other areas. The CDP can be easily organized in the following table, Table 1:

Table 1. Organization of the Capacity Development Plan

Capacity goal	Intervention	Inputs	Outputs	Time-frame	Activity cost	Measurement indicator	Responsible UNDP unit	Comments
Narrative description of results of capacity development	Training approach employed	Non-financial inputs required	Intended results of capacity development	Specific time-frame for the capacity development	Total cost (using breakdown estimate)	M&E of the capacity development	Who in the UNDP CO oversees the capacity development	Anything else of relevance

As the SR implements the activities in the SR Agreement, and the CDP is being carried out, the UNDP CO can reassess the capacity of the SR, from time to time, to address the assessment findings.

A common major risk is where there is high staff turnover. It is not sufficient to just accept this problem as an externality. It may be that there are internal management issues in the SR that are aggravating the problem or that modest changes in the office may significantly offset.

6. Risk Management Action Plan for during implementation

The risk assessment should provide the guidelines for a Risk Management Action Plan (RMAP) by identifying the areas of highest risk.

An RMAP is likely to have several aspects such as:

- Capacity development for SR
 - Procurement management
 - Financial management
 - HR management
 - Monitoring and evaluation
- CO contract management capacity
- Global Fund unit capacity
- CO financial and M&E capacity
- Risk planning and monitoring.

An example of an RMAP is provided [here](#)³ and is developed by assessing each risk within the country operating environment and developing a response for each risk customized to the country operating environment. It is essential that for each risk response, an individual is identified as responsible for oversight, and timelines are specified. Each risk item should be formally reported on at regular intervals. Actions relating to risks that are identified as high or severe should be reported on a daily or weekly basis.

An RMAP should be structured in terms of:

- (i) What can go wrong – description of the risk factor
- (ii) Risks that require action – risk rating
- (iii) Actions that need to be taken
- (iv) Who is to undertake this action, and who will verify that it has been done

³ This is an example of an RMAP from the UNDP CO in the Democratic Republic of Congo (February 2011).

- (v) By when is this action to commence, what is the planned duration

These must be addressed risk by risk for each project. It is difficult to be prescriptive of all the risk factors outside the context within which they apply. For example, an SR may outsource a function to a Sub-sub-recipient (SSR). The SR then has a contract management risk, which will depend on the quality of the SSR and the nature of the contracted tasks. It is usual practice for an entity to undertake an internal workshop for each contract and identify the risks and risk priorities. For each identified risk, a response needs to be formulated. These will also depend on the project context.

Practice pointer: Risk management of SRs is a continuing process; the UNDP CO should fully document the risk assessment and planning phases, with responsibilities for follow-up properly assigned and monitored. Once a potential SR has been identified, the UNDP CO should assess the risk of engaging that SR and continue to assess any risks posed throughout the grant life cycle. If the risk is considered to be too high in relation to the anticipated programme objectives, the UNDP CO should not work with that SR. Box 2 (below) details lessons learned, drawing from the responses received from UNDP COs that have completed the *UNDP PSO Risk Assessment Tool*, which covers all aspects of Procurement and Supply Management (PSM) activities when UNDP is the PR.

7. Actions to be taken when potential irregularities are identified

Some examples of action to be taken when and if there are initial indications of potential poor management or irregularities in financial reporting at the SR level that are not yet serious enough to launch an investigation:

- Reduce the size and increase the frequency of advances (if quarterly, make them monthly), and intensify the scrutiny of financial reporting.
- If the SR is not providing satisfactory financial reporting on advances, consider switching to Direct Payment to vendors. However, Direct Payments carry their own risks in terms of accountability and oversight that need to be carefully considered.
- If the financial reporting by the SR is more seriously inadequate or gives initial indications of irregularities, freeze further disbursement and send a management letter with conditions for the resumption of funding. If there are stronger indications of irregularities, consider suspending or cancelling agreements and alert the Office of Audit and Investigations (OAI).
- Intensify the scrutiny of the programmatic and financial reporting of advances, as this provides a key opportunity to identify problems with unsupported expenditures or other expenditure anomalies, and provides an opportunity to then stop further advances if deemed necessary.
- If it is determined that the SR has weak contract management or M&E capacity, ensure that the SR does not engage SSRs.
- If a **function** is outsourced from the SR, undertake a fresh risk assessment and develop a risk management plan for that arrangement; also require the SR to develop an RMAP.
- Consider management risks between the CO and the SR, and whether there should be different staff dealing with SRs over time to avoid managers becoming too close to their SR counterparts – this is a common action in some jurisdictions.
- Ensure each responsibility contracted to the SR has an effective performance indicator

against which the SR must report and the CO can audit. Consider undertaking spot checks on the accuracy of the SR reporting.

- For high-risk one-off activities by SRs such as training, COs should monitor directly (send someone along and check that the appropriate training function took place to the agreed standard).
- Manage the SR relationship with a strong hand; gain a reputation for not accepting any contractual non-compliance.
- Undertake spot checks, the frequency of which should be related to risks which themselves may vary according to the geography of the SR's operations. Spot checks should not be signalled in advance and may be linked with other missions. Similarly, special audits can be undertaken. These will often be more effective than annual audits, which are often too late to anticipate a problem.
- Follow up closely on audit findings, and link further disbursement to their implementation.

If the CO identifies more serious indications of unsatisfactory reporting or potential irregularities, the following actions are required:

- Immediately notify OAI with information about potential irregularities, or indications thereof. OAI will determine if an investigation is required.
- Conduct a rapid review of financial reporting to determine the extent of the problem.
- Suspend any further disbursement to the SR. If any critical and life-saving activities must continue, UNDP should take over full implementation of the activities.
- Inform the BDP/HIV Global Fund Partnership Team and PSO to obtain guidance and support.
- Liaise with the Global Fund Secretariat and LFA as appropriate.
- Hold urgent discussions with the government about the situation.
- If the SR is a government entity, advise the government to take firm action. The BDP/HIV Global Fund Partnership Team has examples available of best practice and proactive government responses to irregularities found within Global Fund grants, including model correspondence to the Global Fund and CCM.
- Review all SR Agreements to determine whether the problem extends further.
- Urgently formulate an Action Plan to respond to the situation, including measures to be taken to further strengthen financial controls to ensure that the problem does not occur again

Box 2. Lessons Learned from UNDP PSO Risk Assessments

- SR and SSR capacity has consistently been the highest area of risk. There is a high correlation between capacity and staff turnover/retention; a team's stability appears to be as important as the presence of professional specialist staff in the SRs
- Approximately half of the UNDP COs identified Global Fund procurement planning and management as severe or high risk
- Risk management requires that the UNDP CO assume ownership of the risk assessment and risk mitigation strategy
- UNDP COs can significantly reduce their risk profiles in the short term through active management of risk plans
- Inadequate monitoring of assets is a recurring problem and must be addressed.

PART II: Selecting Sub-recipients

1. Defining Sub-recipients

An SR is an organization/entity that has been engaged by a PR to carry out programme activities that are part of a Global Fund grant. SRs are also referred to as a 'responsible party', while UNDP is the 'implementing partner'.

UNDP classifies SRs into three categories:

- government entities;
- CSOs;⁴ and
- United Nations agencies.

UNDP's selection and capacity assessment procedures vary according to the SR category.

a. Sub-recipients versus private contractors

Private contractors may also provide services in the implementation of a Global Fund programme, but private contractors are not SRs and cannot be engaged as such. Engagement of private contractors is described in detail in the POPP. Table 2 (below) can be helpful in identifying whether the entity is an SR or a private contractor.

Table 2. Criteria for differentiating between SRs and private contractors

Criteria	Sub-recipient	Private contractors
Type of organization	<ul style="list-style-type: none"> • Government entity • CSO • United Nations agency 	<ul style="list-style-type: none"> • Commercial entity • Private company/business • Provider of professional services
Type of activity	<ul style="list-style-type: none"> • Substantive development activities that require a substantive developmental approach: activities that lead directly to development outcomes and require selection of like-minded, non-commercial institutions 	<ul style="list-style-type: none"> • Specific project inputs that do not require a substantive developmental approach: services that do not directly lead to development outcomes typically sold in the open market and provided by commercial non-development entities
Example of activity	<ul style="list-style-type: none"> • Treatment • Voluntary counselling and testing (VCT) • Training • Research • Advocacy • Community development • Care of people living with HIV • Behaviour change communication 	<ul style="list-style-type: none"> • Manufacture of goods • Sale of goods • Facilitation of the procurement of goods • Innovation or delivery of services that are not directly tied to programme outcomes

⁴ For the purposes of this classification, this includes: non-governmental organizations (NGOs), faith-based organizations (FBOs), community-based organizations, community groups and academic institutions.

Criteria	Sub-recipient	Private contractors
	(BCC) <ul style="list-style-type: none"> Storage and distribution of pharmaceuticals and medical products⁵ Distribution of incentives to patients Technical assistance in the above-mentioned areas 	
Values and vision	<ul style="list-style-type: none"> Share UNDP's development values and vision 	<ul style="list-style-type: none"> Do not necessarily share UNDP's development values and vision
Availability	<ul style="list-style-type: none"> Interventions/services are not available in the open market 	<ul style="list-style-type: none"> Services or goods are readily available and traded in the open market
<p>Guiding questions:</p> <ul style="list-style-type: none"> What is the nature of the activities to be implemented? Is it procurement of goods and services for commercial use? Is there a competitive commercial market for these activities? Do activities involve capacity development such as the development of workshop agendas, advocacy campaigns, etc.? Is UNDP concerned with the sustainability of the activities, and does it support the role of responsible parties in sustaining such activities? 		

Practice pointer: If it is not clear whether an entity should be contracted as an SR or a private contractor, the UNDP CO should consult with the Procurement Support Office/Bureau of Management (PSO/BOM).

b. Excluded organizations

Certain organizations are summarily excluded⁶ from becoming SRs because they are on a list of terrorism-linked institutions, established by the Security Council Committee. Organizations must also comply with minimum standards⁷ (such as not engaging in child labour) to be SRs

2. Identifying Sub-recipients

As PR, UNDP is responsible for identifying and selecting SRs. Although the Global Fund does not take part in this process, close cooperation between UNDP and the CCM is considered best practice. The SR selection process should be detailed, transparent, open and fully documented.

There are two possible procedures for selecting SRs, depending on the type of SR required:

- UNDP identifies government entities and United Nations agencies as potential SRs exclusively through a direct engagement (see Figure 1).

⁵Although storage and distribution are sometimes commercial services, the health sector requires additional expertise that may not be available on the market in countries where UNDP is the PR.

⁶<http://www.un.org/sc/committees/1267/consolist.shtml>

⁷http://practices.undp.org/management/procurement/forms_contracts_procurement_forms_contracts_general.cfm

- UNDP identifies CSOs through either a UNDP direct engagement (see Figure 2) or a UNDP competitive engagement (see Figure 3).

Practice pointer: It is recognized best practice to ask the SR to submit a performance framework describing the indicators and targets that the SR will use to measure its performance, as part of the SR proposal.

3. Direct engagement

This approach is used only for:

- All government entities;
- CSOs, but only **if the CSO in question** is named as SR in a grant proposal submitted by the CCM to the Global Fund, **and** UNDP has assessed the entity as having the programmatic and operational capacity to take on the SR role. Also, a CSO can be engaged directly if it was a former SR or PR when there is a transfer of the PR role to the UNDP CO. Nevertheless, such direct engagement is still subject to a positive capacity assessment showing best value for money, conducted by UNDP/PSO Copenhagen;
- United Nations agencies: in certain circumstances they may be asked to serve as PRs to provide technical support to grant implementation in line with their organization's expertise and mandates.

Entities named in the grant proposal submitted by the CCM to the Global Fund or entities that were SR or PR when there is a transfer of the PR role to UNDP are **not** required to undergo a formal competitive selection process under UNDP procurement rules and procedures. However, if the UNDP CO deems that there are alternatives to the entities so named, it is entitled to undertake a competitive selection process. The naming in the CCM grant proposal or former SRs/PRs when there is a transfer is the only case in which CSOs are engaged through a programming decision of the Local Programme Advisory Committee (LPAC). For all other cases, the engagement is subject to procurement.

4. Competitive engagement

If there is no CSO named in the CCM Global Fund grant proposal or former SRs, PRs or if the UNDP CO deems it appropriate to use a competitive process, the CO should use UNDP's competitive process to select a CSO as an SR. The competitive process begins with developing terms of reference for the intended scope of work. Proposals are then solicited through either a Request for Quotation (RFQ) or a Request for Proposal (RFP),⁸ depending on the total amount of the activity/proposal. The competitive selection processes required by UNDP are fully set out in the POPP on the UNDP Intranet.⁹

Practice pointer: It is useful for the UNDP CO to hold a tender consultation meeting with all potential SRs to present the Global Fund programme and answer and clarify questions and/or concerns. It is recommended that minutes of the meeting be distributed to all attendees and posted on the UNDP CO website.

⁸ RFQ/RFP forms: http://practices.undp.org/management/procurement/forms_contracts_procurement_forms_contracts_general.cfm

⁹ POPP: <http://content.undp.org/go/userguide/cap/methods/mthds-solicit-offers/?lang=en>

Practice pointer: UNDP should advise potential SRs to read through the CCM Global Fund grant proposal before completing their quotation/proposal, and also to visit the Global Fund website to review documents relevant to their application. Proposals in response to the RFQ or RFP must include a work plan and budget as part of the proposal.

5. Assessing Sub-recipient capacity

The UNDP CO must conduct a capacity assessment of the proposed SR prior to signing the SR Agreement and transferring any funds. Since a competitive process includes a technical assessment, the latter substitutes for a separate capacity assessment, after the final outcome of the competitive process. The capacity assessment enables the UNDP CO to conclude whether the SR meets minimum UNDP requirements and to take capacity development and other risk management steps for the proposed SR, should it determine that such steps are needed prior to signing the SR Agreement or during contract execution. While the PR will conduct SR assessments, it may take into consideration other assessments carried out by other institutions – for instance, the LFA, which usually conducts an assessment in Additional Safeguard Policy (ASP) countries. However, under the Grant Agreement, the PR is responsible for the results expected from the SR and is also accountable for disbursed funds and, therefore, for the SR assessment.

a. Type of capacity assessment

i. Government entities and CSOs

As detailed above, the UNDP CO must conduct a formal capacity assessment of governmental entities and CSOs identified as potential SRs, in addition to any assessment undertaken by the Global Fund through the LFA. A positive capacity assessment should be part of the documentation submitted for UNDP internal review, prior to the SR Agreement being signed. A positive capacity assessment is also part of the documentation submitted for the ‘value for money’ assessment of CSOs. When the selection process is based on a competitive process, the capacity assessment is embedded in the process and is part of the evaluation process. The documentation on capacity assessment is always included in UNDP’s internal review.

ii. United Nations agencies

Capacity assessment of United Nations agencies intended to be SRs (the so-called ‘light capacity assessment’) is **not** a formal assessment, since it is assumed that United Nations agencies have the capacity required to act as SRs. It is, instead, an exercise to identify any specific issues that may need to be considered, given the intended role of the agency.

Assessments of United Nations agencies as SRs should focus primarily on an examination of the additional and specific local resources – particularly human resources – that may be required for the SR to carry out its activities and meet its obligations under the SR Agreement.

b. Sub-recipient minimum capacity requirements

This has also been discussed above under risk management, but additional considerations that relate to this issue are as follows:

The UNDP CO will need to take different steps, depending on the outcome of the capacity assessment:

- **Positive assessment without reservations or significant assessed risks:** please see Figure 2 for the next step.
- **Positive assessment (with reservations):** UNDP CO determines that the SR does not possess all the required capacity to carry out the activities envisioned under the programme. UNDP and the SR need to address the identified capacity issues prior to signing the SR Agreement – for example, through a Condition Precedent/Special Condition or a capacity development plan, as part of the Agreement, or through specific disbursement modalities (no advance or direct payment), as risk mitigation measures. The UNDP CO can also consult with the CCM and the LFA about how to address the situation most appropriately.
- **Negative assessment and UNDP determines that capacity cannot be developed, even with appropriate measures:** UNDP should reject the entity as an SR and initiate a new selection process.

c. Capacity development of Sub-recipients

Capacity development of national institutions is a core mandate of UNDP and the ultimate aim of its technical assistance. UNDP works to build the skills, knowledge and experience of SRs so that they can implement Global Fund programme activities. Capacity development of SRs can take place throughout the lifetime of the SR Agreement. It should be funded through the Grant Agreement, and UNDP CO can also contribute its own resources. It should build on the priorities, policies and desired results that have been mutually identified by the UNDP CO and the SR.

Based on the results of the capacity assessment and discussions with the SR, the UNDP CO and SR should create a Capacity Development Plan (CDP), to be annexed to the SR Agreement, addressing in detail how capacity will be developed in the identified areas of weakness, and how organizational capacities will be maintained and strengthened in other areas. The format for a CDP has been shown above in Table 1 under SR risk management.

6. Value for money and approval process

a. 'Value for money' assessment

All potential SRs identified through direct engagement must undergo a 'value for money' (VfM) assessment by the UNDP CO. For potential CSO SRs, the VfM is undertaken by the CO, using the *UNDP Guidelines for Submission of VfM Assessments*.¹⁰ The VfM assessment is part of the approval process.¹¹

VfM analysis is the process of comparing the proposed total cost and benefits of the contract of several potential SRs, if there is more than one. If there is only one proposed CSO SR, which is often the case, the VfM assessment looks at the proposed management fee, salaries and other costs, and compares them with national, regional and international standards to determine if the costs are reasonable. The VfM assessment should specifically determine whether the proposed SR management fee is in line with comparable Global Fund-implemented programmes or another appropriate benchmark, whether the personnel costs are in line with market rates for the specific country, and whether the final costs of the proposed activity/service per beneficiary are reasonable and justifiable. General fees/overhead costs of SRs should, as a rule, not exceed UNDP's General Management Service (GMS) for third-party contributions.¹²

b. Approval process

The direct engagement of SRs must be submitted for review to the LPAC.

In the case of a government entity or United Nations agency, an LPAC review is sufficient before final approval by the Resident Representative (RR).

For CSO SRs, in addition to the LPAC review, the VfM assessment must be submitted to PSO/BOM for clearance. If the PSO does not approve the VfM assessment, the UNDP CO can either request the SR to revise its proposal or use the competitive process to select an SR. This description only refers to CSO SRs that have been named in the CCM proposal.

7. UNDP Country Office review

For SRs selected through a competitive process, the UNDP CO must submit the SR Agreement and accompanying documents to the appropriate UNDP procurement committee (the Contract, Asset and Procurement (CAP) Committee, Regional Advisory Committee on Procurement (RACP) or the Advisory Committee on Procurement (ACP) for review. The different levels of UNDP procurement committees review actions on the basis of the total value of commitments in the engagement. There are model SR Agreements for use with SRs in Global Fund programmes agreed with the Global Fund. Any substantive departures from these model SR Agreements must be approved by

¹⁰<https://undp.unteamworks.org/node/16825/list>

¹¹English: http://content.undp.org/go/practices/hiv/docs/download/?d_id=422120

French: http://content.undp.org/go/practices/hiv/docs/download/?d_id=236648

¹² In June 2007, UNDP's Executive Board mandated that the recovery rate for GMS for third-party contributions be 7 percent.

the Bureau of Development Policy (BDP) for operational issues and by the Legal Support Office (LSO) for legal issues.¹³ Please refer to Part 3: Engaging Sub-recipients for further details.

If the proposed commitment is below US\$30,000, the RR or a delegate of the RR reviews and approves the SR Agreement, and no further committee review is necessary. If the commitment is between US\$30,000 and up to the Delegated Procurement Authority (DPA), the SR Agreement is reviewed by the local CAP. If it is between the DPA and up to US\$1 million, the engagement is reviewed by the RACP; and if it is above US\$1 million, it is reviewed by the HQ ACP. For direct contracting, the CAP review is mandatory for the range \$30,000 and up to 50 percent of the DPA. Any amounts between 50 percent of the DPA and US\$1 million must be reviewed by the RACP. When providing the SR Agreement for approval, the UNDP CO must include comments from the chairperson of the committee one level below the reviewing committee.¹⁴

CAP Committees are established by the RR in each UNDP CO to provide written advice to the RR on engagement processes. The policies covering CAP Committees are detailed in the [POPP](#).¹⁵

Once the UNDP procurement committee has reviewed and recommended the SR Agreement for approval to the RR, the Regional Chief Procurement Officer or the Chief Procurement Officer may approve the SR Agreement. If the UNDP procurement committee does not recommend the SR Agreement for approval, the UNDP CO is required to re-start the competitive process, provided the RR, Regional Chief Procurement Officer and Chief Procurement Officer agree with this recommendation.

The LPAC, CAP, RACP or ACP may direct the UNDP CO to negotiate some of the terms of the SR Agreement with the SR. If the SR Agreement is modified, it must be re-submitted to the same committee for approval. For further assistance, refer to Annex 1, Figures 1 to 3.

¹³ If it is not clear whether the change to the SR Agreement template is substantive, the UNDP CO should contact LSO for guidance.

¹⁴ New guidelines governing the review and award of contracts were published in July 2010 and apply to all subsequent cases submitted to the CAP, RACP and ACP committees. See http://practices.undp.org/management/Review%20and%20Award_of_Contracts%20-%20New_Guidelines.cfm.

¹⁵ <http://content.undp.org/go/userguide/cap/cnt-rv-comite/cnt-ast-prcur-comite/?lang=en#top>

PART III: Engaging Sub-recipients

1. The Sub-recipient Agreement

Following the selection process, the UNDP CO will engage the SRs by entering into a specific type of agreement with the SR, called an SR Agreement.¹⁶ The SR Agreement must be consistent with the terms of the Global Fund Grant Agreement.

The SR Agreement will be based primarily on the proposal submitted by the SR. However, the UNDP CO may decide to have discussions/negotiations with the SR regarding particular aspects of the proposal, to modify the proposed SR Agreement. Discussions can encompass programmatic and performance indicators and financial issues. Negotiations are generally conducted between the designated person in the PMU and the authorized representative(s) of the SR.

Items that may be negotiated include:

- specific activities and deliverables
- reporting template and schedule
- specific budget items
- final budget amount
- geographical coverage of activities
- audit plan and calendar for follow-ups
- disbursement schedule

Items that may *not* be negotiated include:

- replacement of key SR personnel
- core activities the SR has indicated it will perform
- performance indicators of the Global Fund

As detailed above, there are [model SR Agreements](#) for use with SRs in Global Fund programmes agreed with the Global Fund. Any substantive departures from these model SR Agreements must be approved by BDP for operational issues and by LSO for legal issues.¹⁷

The SR work plan, budget, calendar, disbursement schedule and performance framework form essential parts of the SR Agreement and should be attached as annexes. While the SR activities may be part of a larger programme being carried out by the SR, the work plan, budget and performance framework should only extrapolate Global Fund activities. The UNDP CO should ensure that the SR work plan, budget, calendar, disbursement schedule and performance framework are consistent.

Practice pointer: The UNDP CO can include additional clauses in the SR Agreement as required and appropriate, subject to LSO clearance, when applicable.

The SR Agreement can initially cover the entire Phase 1 of a Global Fund grant, which is two years, or the UNDP CO can limit it to one year, with a clause of extension based on a positive performance evaluation. It may be wise to start with a one-year agreement when dealing with a completely new SR.

¹⁶ Also called Cooperation Agreements.

¹⁷ If it is not clear whether the change to the SR Agreement template is substantive, the UNDP CO should contact LSO for guidance.

The expedited amendment process is only available to SRs performing grassroots functions. For procurement of goods and services, a new selection process must be conducted. In addition, COs are not required to continue Phase 2 activities with the same SRs and may choose to conduct a new selection process.

2. Procurement by Sub-recipients

UNDP has determined that direct procurement by SRs constitutes significant organizational and operational risks to UNDP for a number of reasons, including the process itself, the amount of money involved, the risk of procuring sub-standard products, paying too much and the potential for fraud. As a result, UNDP does not permit SRs to procure health products for their activities. Procurement in the framework of SR Agreements should be limited to minor office supplies and other similar items of limited value. Capital assets should be procured by the CO. In no instance should the SR spend more than 10 percent of its budget or US\$100,000, whichever is less, for procurement.

3. Sub-sub-recipient engagement

At times, the SR may itself want to outsource a specific activity to another entity, which becomes a Sub-sub-recipient (SSR). The UNDP CO maintains overall responsibility for all SSR activities and must review and approve all SSR Agreements, as SSR appointments carry high risks for UNDP. Prior to approving the SSR Agreement, the UNDP CO should ensure that the SR has performed a capacity assessment of the prospective SSR, using a methodology acceptable to UNDP (such as the UNDP template) and that the assessment is positive. If the assessment is negative, the SR should not hire the SSR. It is important to stress that SSRs should contribute to a specific component mentioned in the SR Agreement and should not be used as vehicles to circumvent UNDP procurement rules.

Practice pointer: It is recognized best practice for the UNDP CO to be involved in the SSR capacity assessment, which should use the same format and style as the SR capacity assessment.

The UNDP CO should carefully review the utilization of SSRs to carry out some of the activities stipulated in the SR Agreement. The CO should also ensure that there is a sound rationale for using an SR as a conduit for funds to an SSR. The same rules that apply to working with SRs apply to working with SSRs:

- The SR–SSR Agreement should carry the same terms as the SR Agreement.
- Potential SSRs must be assessed by the SR.
- UNDP procurement rules also apply to SSRs, and procurement must not be delegated to SSRs.

If an SSR is appointed, the UNDP CO is required to monitor the SR's management of the SSR. This monitoring should be a key component of the CO risk management plan and should be covered in the SR Agreement.

4. Renewal of Sub-recipient Agreement

In Phase 2, or if the Global Fund Grant Agreement is renewed,¹⁸ the UNDP CO may choose to renew the SR Agreement of an SR that has received a positive evaluation. However, the UNDP CO is not obliged to continue with the same SR in Phase 2 if that SR received a negative evaluation or if there are changes in the overall context that would justify a variation. In those cases, UNDP should conduct a new SR selection process.

Where the UNDP CO intends to renew the SR Agreement, it may amend the current SR Agreement to enable the SR to continue the same activities without a gap or delay in the implementation of activities. The amendment should include the SR's new work plan, budget, calendar, disbursement schedule and performance framework for the Phase 2 or continued activities. The UNDP CO must obtain a new VfM statement connected to the new activities/budget, but a new capacity assessment is **not** required.

The renewal request must be submitted to the appropriate review committee: SRs initially selected through direct engagement should be recommended for approval by the LPAC. CSOs that have been selected by competitive engagement should be recommended for approval by the CAP, RACP or ACP, depending on the monetary thresholds in the new proposal. The renewal request should include a statement from the RR or Country Director, confirming that the SR achieved all Phase 1 deliverables to the satisfaction of the beneficiaries and received a positive evaluation. The statement should also list the expected new deliverables, along with cost justification and the VfM statement.

¹⁸ Global Fund's Phase II Renewals, Questions and Answers: http://content.undp.org/go/practices/hiv/docs/download/?d_id=212814; http://content.undp.org/go/practices/hiv/docs/download/?d_id=377578; Global Fund's Guidance for the LFA Review of Phase II Budgets: http://content.undp.org/go/practices/hiv/docs/download/?d_id=236175

PART IV: Managing Sub-recipients

1. Sub-recipient management

The UNDP CO should manage SRs according to the terms of the SR Agreement. During implementation, any deviation from the SR Agreement must be approved in writing by the UNDP CO. See Box 3 (below) for key elements of the Global Fund Grant Agreement relating to management of SRs.

Once the SR Agreement has been signed, the UNDP CO should identify which persons will be in charge of monitoring the SR Agreement and overseeing the SR. This task should be included in the job description of a staff member of the PMU. The UNDP CO should inform the SR of the UNDP contact persons. Depending on the PMU organizational chart, this person could be an M&E staff member or, for programmatic topics, a member of the programme unit. Financial topics should be supervised by a finance person. Asset management, including inventory, should be done by procurement staff.

Box 3. Key elements of the UNDP–Global Fund Grant Agreement (STCs) related to management of Sub-recipients

- The PR is programmatically and financially accountable for the funds disbursed to the SRs (Article 10b(1)).
- The PR shall ensure that SR Agreements are consistent with the Grant Agreement and include an anti-terrorism clause (Article 10b(1)).
- The PR shall assess the capacity of the SRs, supervise and monitor their activities and reporting under the programme (Article 10b(2)).
- SR audit will be organized by UNDP under the NIM modality. UNDP shall submit an SR audit plan to the Global Fund and upon request share SR audit reports with the Global Fund (Article 7d).
- The PR shall provide to the Global Fund the opportunity of ad hoc site visits (Article 7e).
- UNDP shall return all assets to the Global Fund at the end of the Grant Agreement; UNDP may transfer ownership to SRs, but only with the written consent of the Global Fund (Article 19).
- The Global Fund may request that UNDP refund any disbursements to SRs that were not used, in accordance with the Grant Agreement (Article 8).

Practice pointer: The UNDP CO should organize an induction workshop for the SRs, prior to the start of the SR Agreement, on the specifics of Global Fund-financed programmes (including the requirements and processes of financial and programmatic reporting), and provide reporting forms and templates.

2. Sub-recipient funding requests

SRs request funds at the same time that they submit their progress reports to the UNDP CO, except for the first funding request. The first funding instalment is provided to the SR as an advance so that implementation of activities can be initiated, on the basis of the SR Agreement, through an [Agreement on Advances](#) and an [Addendum to Agreement on Advances](#). The first instalment should cover the initial start-up cost and the cost of bridging the reporting period for the first quarter. The second and subsequent disbursements will be advanced on a quarterly basis. Total disbursement for the fiscal year should not exceed the approved annual work plan and budget. The BOM can authorize advances for up to four months of programme expenditures without a bank guarantee if it is not possible to obtain one. Any advances outside this time-frame must be cleared by the UNDP Comptroller's Division.

After the first funding request, subsequent requests are made in tandem with SR progress reports. The funding request must be signed by the person or persons authorized by the SR to do so and, in form and substance, be agreed by the UNDP CO.

Funding is provided on the basis of performance, which includes project management and financial performance as well as external factors that may have had an impact on performance. SR progress reports, containing both financial and programmatic data, and other agreed documentation, must show satisfactory management and use of Global Fund resources before the UNDP CO can provide the funds requested. The amount of funding that the UNDP CO approves will depend on the information provided in the progress report. The UNDP CO can also provide funds to SRs over shorter or longer time-frames than requested, depending on an assessment of programme needs and the nature of activities.

It is of paramount importance that the SR Agreement emphasizes this performance-based funding mechanism; hence the agreed budget is a maximum figure that could be reduced if performance is not adequate. The SR Agreement shall list measurable deliverables and link them to the corresponding costs. It is also strongly recommended that supporting documents demonstrating the achievement of each deliverable be specifically listed.

Practice pointer: SRs that have been assessed as having weak financial management capacity should be given smaller instalments of funds more frequently or be given funds in connection with carrying out specific activities. Financial oversight of SRs is probably the greatest risk management issue faced by PRs and should be a leading factor in the CO risk management plan.

The UNDP CO may request that SRs provide clarification and supporting documents with respect to funding requests.

Prior to fulfilling a funding request, the UNDP CO should verify that at least 80 percent of the funds provided to the SR in the previous disbursement have been utilized and that 100 percent of all disbursements before the previous disbursement have been spent in accordance with the SR

Agreement. No new funds should be given to an SR for any of the activities it is implementing until the previously allocated funds have been fully utilized.¹⁹

The UNDP CO may require that the SR refund any funds that have been used to finance goods or services not stipulated in the SR Agreement, within 15 days of the request. This is clearly stated in the SR Agreement template. Otherwise, all unspent SR funds shall be returned to UNDP within three months after the expiry of the Agreement.

3. Payment procedure

Payment of Global Fund funds must comply with UNDP policies and procedures. The UNDP CO should only make payments to SRs after the relevant funds have been received in full from the Global Fund. SR payments should be made in the local currency. In extraordinary circumstances, the UNDP CO can accept a payment request in a foreign currency, in which case the official United Nations operational exchange rates should be used to make the payment in local currency.

UNDP's internal procedure for recording SR funding requests depends on the type of organization (governmental entity, CSO or United Nations agency).²⁰ The [Global Fund Atlas Guide](#)²¹ contains detailed instructions on managing SR funding requests using UNDP's Atlas system.

a. Sub-recipient bank accounts

Bank account arrangements are a major risk area for UNDP, and policies must be strictly complied with. SRs must open a separate bank account to receive Global Fund funds. If local conditions permit, the bank account should be opened under the name of the Global Fund programme. Alternatively, an existing bank account under the SR's name may be used, but only with the agreement of the UNDP CO. The SR bank account must not have access to any credit (i.e. overdrafts) or be used for investments. If the SR project needs to make payments in local currency and US dollars, then two bank accounts should be opened, or one bank account with two currencies. Upon completion of the project, it is the responsibility of the SR to close the related bank account(s) and reimburse any remaining balances to UNDP.

Practice pointer: The UNDP CO should strongly insist that SRs operate bank accounts with a double signature. This double signature should be in line with the internal control framework of the SR.

Practice pointer: The UNDP CO is responsible for ensuring that acceptable SR banking arrangements are in place before transferring funds to the SR.

¹⁹ This is the same disbursement requirement that the Global Fund applies to PRs.

²⁰ Disbursements to government entities should be recorded as an advance, in conformity with UNDP policy for NIM projects; disbursements to United Nations agencies and NGO/CSO/private-sector organizations should be recorded as expenditures at the time of disbursement. The UNDP CO should contact UNDP Global Fund Partnership – Implementation Support and Capacity Development – BDP – HIV Group – New York Office for guidance.

²¹ http://content.undp.org/go/practices/hiv/docs/download/?d_id=422218

Note that bank accounts opened by the SR should be considered SR accounts, and **not** UNDP accounts. The UNDP CO should **not** make arrangements for opening or closing such accounts, and should **not** be a signatory for these accounts. The SR must maintain strict control of such bank accounts, making bank reconciliations at least quarterly (preferably monthly), and must keep on file all documentation related to account transactions. Any interest earned on SR bank accounts must be credited to the project and recorded as miscellaneous income. Bank statements must be provided to the UNDP CO by the SR with each progress report.

b. Direct payments to suppliers

In the framework of SR Agreements, the UNDP CO can make payments directly to suppliers. However, such payments must be requested by the SR and accompanied by accurate and complete financial and programmatic reporting by the SR. In addition, SRs may request that UNDP make direct payments to other institutions such as SSRs or other entities undertaking programme activities as specified in the SR work plan and budget. Direct payment requests should be formally authorized by the PMU against the SR work plan, budget and performance framework.

Practice pointer: To minimize risk and ensure financial accountability, the UNDP CO may prefer to make direct payments to suppliers used by the SRs.

The UNDP CO will not be liable for any expenses, fees, tolls or other financial costs incurred by the SR, unless explicitly agreed in writing prior to the expenditure. UNDP financial rules do not permit the Global Fund to make direct payments to SRs or to suppliers when UNDP is the PR.

4. Sub-recipient Agreement closure

The UNDP CO will close a Global Fund grant²² when the grant expires or if the grant is terminated by the Global Fund for unforeseen reasons. A grant close-out may also occur due to the transfer of PR responsibilities from UNDP to another PR. UNDP has developed a *Grant Closure How-to-Guide* that details the process of SR grant closure.²³

5. Sub-recipient reporting

The UNDP CO is required to provide regular progress reports to the Global Fund containing financial and programmatic information about the Global Fund grant and information about SR activities. The UNDP CO should require SRs to use the same template for progress reports that the UNDP CO uses for reporting to the Global Fund as PR. The frequency of reporting by SRs should match the frequency of reporting by the UNDP CO to the Global Fund so that the information received from SRs can be included in UNDP reports. Additionally, the risk assessment conducted by

²² For further information on Global Fund grant closure, see

<http://www.theglobalfund.org/documents/lfa/training/Grant%20Closure%20session%20documents.pdf>.

²³ <https://undp.unteamworks.org/bitcache/97a06ec4ba058581d9d7703716b41f5916a1b911?vid=32998&disposition=inline&op=view>

the UNDP CO and the nature of the grant programme can have an impact on how frequently the UNDP CO requests that the SR provide reports.

Practice pointer: It is recommended that SRs be required to provide Progress Update/Disbursement Requests within 15 days after the end of the quarter.

The UNDP CO should require that SRs provide written notification of any expected delays in submitting reports. The SR should be contacted if reports have not been received in a timely manner. It is important to insist that the reports be formally signed by a designated SR official.

Accurate and timely reporting is an essential instrument for risk management of SRs and SSRs, and needs to be maintained as a high priority. Common SR reporting errors include: funding request not signed/dated; workshop attendance lists not provided; document signatures do not match; financial reconciliation is inaccurate or incomplete; and a lack of explanation of any inability to achieve targets or carry out activities set out in the SR Agreement. It is important that the UNDP CO and the SR agree on the minimum required supporting documentation and that this be specified in an annex to the SR Agreement. Ideally, the minimum supporting documentation should be standardized for all grants and SRs.

Global Fund disbursements depend on accurate UNDP reporting, which, in turn, depends on accurate SR reporting.

a. Financial progress report

The financial section of SR reports should include the following minimum information for the reporting period:

- a request for a quarterly disbursement;
- detailed financial activity during the reporting period, and cumulatively from the beginning of the project until the end of the reporting period;
- a description of the progress achieved in relation to expenditure;
- an explanation of any variation between planned and actual expenditures;
- a reconciliation of the outstanding advances and foreign exchange fluctuations; and
- a bank statement reflecting expenditure against the budget and the closing balance.

The SR must keep accurate and up-to-date records and documents of expenditures incurred against funds provided by the UNDP CO. Supporting documentation, including original invoices, bills and receipts pertinent to any transactions, must be maintained and provided to the UNDP CO, if requested.

SRs should indicate outstanding obligations or commitments incurred in the reporting period, such as contract amounts to be paid for services rendered, any goods ordered and/or

received or invoices that will be paid in the next quarter. Non-purchase of planned items and planned expenditures for the next reporting period should also be reported.

The SR must utilize all funds in accordance with the approved work plan and budget. UNDP procedures allow for variations of not more than 10 percent of any budget line item, provided that the total budget is not exceeded.

Foreign exchange losses or gains during the reporting period should be reconciled. The SR should not accept refunds from suppliers for goods or services procured through the UNDP CO. Any offer of a refund should be promptly reported to the UNDP CO. The SR shall promptly disclose any income arising from management of the Global Fund activity, such as interest generated on any unspent balance and other revenue-generating activities, in the financial report. Any additional funds or income should be reflected in a revised budget and work plan and included for future use, unless otherwise agreed with UNDP.

Practice pointer: The [Global Fund Financial Guidelines](#)²⁴ contain useful resources for financial management of SRs.

b. Programme progress report

The programmatic section of SR reports should contain a narrative detailing activities carried out during the reporting period and a progress analysis based on the key indicators. The report should make reference to the work plan and performance framework and present an overall result summary. Impact on direct and indirect beneficiaries, as well as challenges in implementation and lessons learned, should also be included. The report should include information related to the reporting period and overall progress towards established targets.

Any modification of the activities in the work plan (including a justification or a request for adjustment to the work plan and performance framework) should be reported.

c. Annual and final report

The SR must provide the CO with an annual report no later than 30 days after the end of each year of programme implementation. The annual report must include all financial and programmatic information for the year.

When a Global Fund grant is closing, the UNDP CO is required to submit a final report by the date agreed with the Global Fund for grant closure. Similar to the progress and annual reports, the SR reports must be requested and obtained in time for the UNDP CO to meet its deadline for the Global Fund.

²⁴ http://content.undp.org/go/practices/hiv/docs/download/?d_id=213162

6. Local Fund Agent review

The LFA will review and verify the financial and programmatic information contained in the UNDP CO Progress Update/Disbursement Request and inform the Global Fund of any key issues or risks faced by the programme. The LFA review may involve site visits to the SR. The LFA also provides a performance rating on the progress to date and a recommended disbursement amount for the next period of implementation.

7. Monitoring and evaluating Sub-recipient performance

Monitoring is the ongoing routine tracking of key elements of SR performance through review of regular reports and on-site observation. Evaluation is the point-in-time assessment of achievement of targets directly attributed to SR activity. Monitoring and evaluation (M&E) provide the UNDP CO with the information needed to make evidence-based decisions for programme management and improvement as well as SR funding requests. Standard SR Agreements contain an M&E framework, and the SR agrees to cooperate with the UNDP CO in its M&E plan. The UNDP CO conducts the same M&E activities with all types of SRs.

The UNDP CO should have comprehensive M&E systems in place to continually monitor implementation of SR activities and to assess SR project progress against intended results through regular on-site visits and periodic evaluations. The SRs, in turn, should have adequate operations and information systems that enable them to prepare progress reports for UNDP.

Practice pointer: The UNDP CO should organize training for SRs in M&E and quality assurance standards related to the collection of data and documentation in accordance with UNDP procedures.

If the UNDP CO's M&E show that an SR is not performing according to the SR Agreement, the UNDP CO and the SR should work together to address these deficiencies. Future funding requests may be halted, reduced or made contingent upon corrective measures being implemented. Depending on circumstances, an SR Agreement can also be terminated for non-performance.

a. Monitoring Sub-recipient training activities

Training activities organized by SRs pose a particular risk to UNDP COs in terms of both possible fraud and inefficient use of funds. Specific new procedures were recently issued by the Global Fund, as training activities require close monitoring and fraud-avoidance strategies. There are several ways to verify that proposed and incurred expenses are reasonable and in line with common training practices, as shown in Table3 (below)

Table 3. Questions for monitoring SR training activities

Expense type	Questions	Documents required/tips
Geographical location	Is the training site reasonably located, relative to location of participants?	List of participants, stating home base
Facility	Is the facility of an appropriate standard?	Quote from facility; evaluation of facility
Participants	Have the participants been appropriately selected? Did participants actually attend?	List of participants, stating job and functions/contact information; list of attendance signed by participants for each day
Facilitator and/or outside experts	Are they needed? Are their rates in accordance with standard rates? Are they needed for the entire training?	Training agenda; terms of reference and CVs; UNDP CO consultant rates
Per diem	Are the per diem rates in accordance with UNDP, government or local standards? Have per diems been reduced where appropriate?	UNDP daily subsistence allowance (DSA) tables; official government per diem tables
Materials	Is the cost of developing materials reasonable? Is the cost of producing materials similar to previous experience?	Quotes and invoice: comparison with similar materials
Meals	Is the food order appropriate for the number of participants?	Verify menu; amount and type of food should be reasonable
Alcohol	Will there be alcohol during the dinner or reception? Has it been approved by UNDP management?	Verify menu in advance

b. Sub-recipient site visits

Visits to an SR's facilities are important to ensure that funds and physical items provided through the SR Agreement are being used and maintained according to the Agreement and that record-keeping is up to date. The UNDP CO should conduct regular site visits, both planned and unannounced. Site visits include access to all items and documentation related to the Global Fund-financed activity, as well as informal discussions with key SR personnel. A short site visit report should be discussed and shared with the SR. Recommendations should be clearly stated and follow-up actions clearly spelled out.

Practice pointer: There is no standard UNDP form to record SR site visit information, but many COs have developed their own template.

SR asset accountability is a major area of risk for UNDP. As part of the site visit, the UNDP CO should conduct a physical count of SR inventory connected to the SR Agreement to ensure that the inventory at the SR location corresponds to UNDP records. SR inventory should be checked at least once annually to safeguard any and all physical items purchased with Global Fund funds from loss, theft, fraud, waste and abuse.

As part of the SR Agreement, the SR is required to maintain a separate and accurate record of all property and equipment acquired with Global Fund funds. SR records should reflect the economic lifespan of any given item – from acquisition to disposal – and should correspond with UNDP's records. The SR should also ensure that there is insurance to cover damage and/or loss of physical items, the cost for which should be included in the initial budget.

Practice pointer: In Global Fund-financed projects, the SR is the custodian, not the owner, of items purchased with Global Fund funds.

If the site visit indicates differences, errors or other problems, the UNDP CO should inform the SR, in writing, of the situation. UNDP may suspend the next SR funding request until the issue is resolved or may terminate the SR Agreement.

The Global Fund Grant Agreement allows authorized representatives of the Global Fund and its agents access to sites and operations financed by the Global Fund on an *ad hoc* basis. Usually, SR site visits are conducted by the LFA. The *ad hoc* site visits are not audits; their function is to follow up on programme implementation. A site visit by the LFA typically follows the same format as a site visit conducted by the CO as PR. SR site visits by the LFA **do not** include a site visit to the UNDP CO.

The [protocol and terms](#) for *ad hoc* site visits are laid out in the SR Agreement templates.²⁵

Practice pointer: If a visitor to the SR site wants to look at numerous programmatic records, the SR should be given reasonable prior notice to allow time for them to respond to the request. If sufficient time has not been given, the UNDP CO should notify the Global Fund in writing, thereby pre-empting any unwarranted complaint by the LFA that insufficient documentation was made available. Such notification can also pre-empt any unjustified low performance rating by the LFA.

²⁵ http://content.undp.org/go/practices/hiv/docs/download/?d_id=730902

c. M&E resources

The Global Fund provides the following extensive M&E resources useful for working with SRs:²⁶

- [Monitoring and evaluation toolkit](#) contains information on how to prepare an M&E plan, which the UNDP CO should use as a guide in assisting SRs to develop their M&E plans.
- [M&E manual](#), a comprehensive set of guidelines on M&E standards and practices throughout the life cycle of Global Fund grants, can be used by SRs.
- [M&E self-assessment tool](#) includes instruments that can be used by SRs to track data and information and improve their M&E systems.
- [Top ten indicators](#) is a Global Fund document that provides a list of specific indicators for HIV, TB and malaria that SRs can use to develop M&E components for their projects.
- [Framework for operations research](#) is a useful tool that can be used by SRs to develop and include research components in their projects. The Global Fund encourages the inclusion of operational research in the HIV and AIDS, TB and malaria programmes, with a view to facilitating scale-up.
- [M&E training courses](#) are offered online by the Global Fund.

8. Global Fund independent evaluations

The Global Fund may, at its discretion, conduct an independent evaluation of a Global Fund programme, focusing on results, transparency and substantive accountability. The template SR Agreements require that SRs cooperate in such an evaluation. The Global Fund is required to provide the UNDP CO with a copy of the evaluation report and can share it with the SR.

As a result of an evaluation, the UNDP CO may decide that an SR be replaced, for performance and risk management reasons. In doing so, the CO will hold discussions with the CCM to ensure that the process is transparent and consultative.

9. Auditing Sub-recipients

As part of managing its SRs, UNDP as PR is required to submit to the Global Fund and carry out a plan for the audit of SRs.²⁷ The audit of the SR's expenditure shall be completed within the deadline established by OAI. This audit requirement does not apply to United Nations agency SRs that are audited by their respective external and internal auditors.

²⁶ http://www.theglobalfund.org/en/me/guidelines_tools

²⁷ As per Article 7d, Standard Terms and Conditions, July 2009.

a. Sub-recipient audit procedure

All SRs shall undergo an annual audit performed by external auditors. The SR audit plan shall, as a minimum, contain information on the following key areas:

- the auditor selection process and criteria in accordance with UNDP procedures for non-governmental/nationally implemented (NGO/NIM) project audits;
- terms of reference and audit schedule which are established by OAI for the audit of NGO/NIM projects; and
- a description of how the UNDP CO plans to follow up and implement audit recommendations.

The auditor for the SR is selected in accordance with UNDP procedures for NGO/NIM audits. COs shall advise OAI, in their annual NGO/NIM audit plans, of the SRs that will be audited. COs are responsible for selecting and engaging auditors by using the standard terms of reference established by OAI for the audit of NGO/NIM projects. The cost of the audit shall be charged to the grant. SRs shall ensure that necessary documents and materials are available for the auditor.

All SRs, except United Nations agencies, shall be audited in accordance with UNDP audit procedures and with the SR audit plan.²⁸ United Nations agencies, even in their role as SR, are subject only to their own external and internal audit regime. The UNDP CO shall submit all SR audit reports to the UNDP OAI for review by uploading them on the Comprehensive Audit and Recommendations Database System (CARDS).

Audit recommendations have to be followed by the UNDP CO and may result in an amendment to the SR Grant Agreement to include Conditions Precedents or Special Conditions to address audit findings. In addition, as a result of the SR audit, the UNDP CO may choose to undertake a repeat assessment of the SR, or may modify payments and/or level of funding.

b. The role of the LFA and Global Fund

The LFA reviews the SR audit plan, which must be approved by the Global Fund. Once the SR audit is completed, the LFA then reviews the findings and recommendations and advises the Global Fund on necessary actions. The Global Fund can monitor implementation of audit recommendations and may withhold funding to the UNDP CO in case of non-compliance.²⁹ It is expected that the PR closely monitor the implementation of audit recommendations by SRs.

The Global Fund created the Office of the Inspector General (OIG) as an independent unit of the Global Fund. Any contact with the OIG shall be handled directly by OAI.³⁰

Practice pointer: If a UNDP CO receives notification from the OIG that it is to conduct an audit of a Global Fund programme, it should advise OAI and the Senior Programme Advisor of the Global Fund Partnership Team.

²⁸According to the Exchange of Letters, audits of United Nations agency SRs are carried out in the same manner as the UNDP CO audit.

²⁹http://www.theglobalfund.org/documents/lfa/VerificationOfImplementation/LFA_Annual_Audits_of_Financial_Statements_guideline.pdf

³⁰The UNDP CO should seek advice from the OAI for guidance on the relationship between OIG, OAI and LFA and access to COs, SRs and documents.

Additional Resources

The UNDP–Global Fund Partnership Workspace³¹ has links to several helpful resource documents. It is strongly recommended that this toolkit be used in conjunction with the *UNDP Operations Manual for Projects Financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria*, which can also be found on the Workspace.

³¹ <http://content.undp.org/go/global-fund/?src=gfatm>

Annex 1. Process for Selecting Sub-recipients

Figure 1. Selecting Government and UN Agencies by Direct Engagement

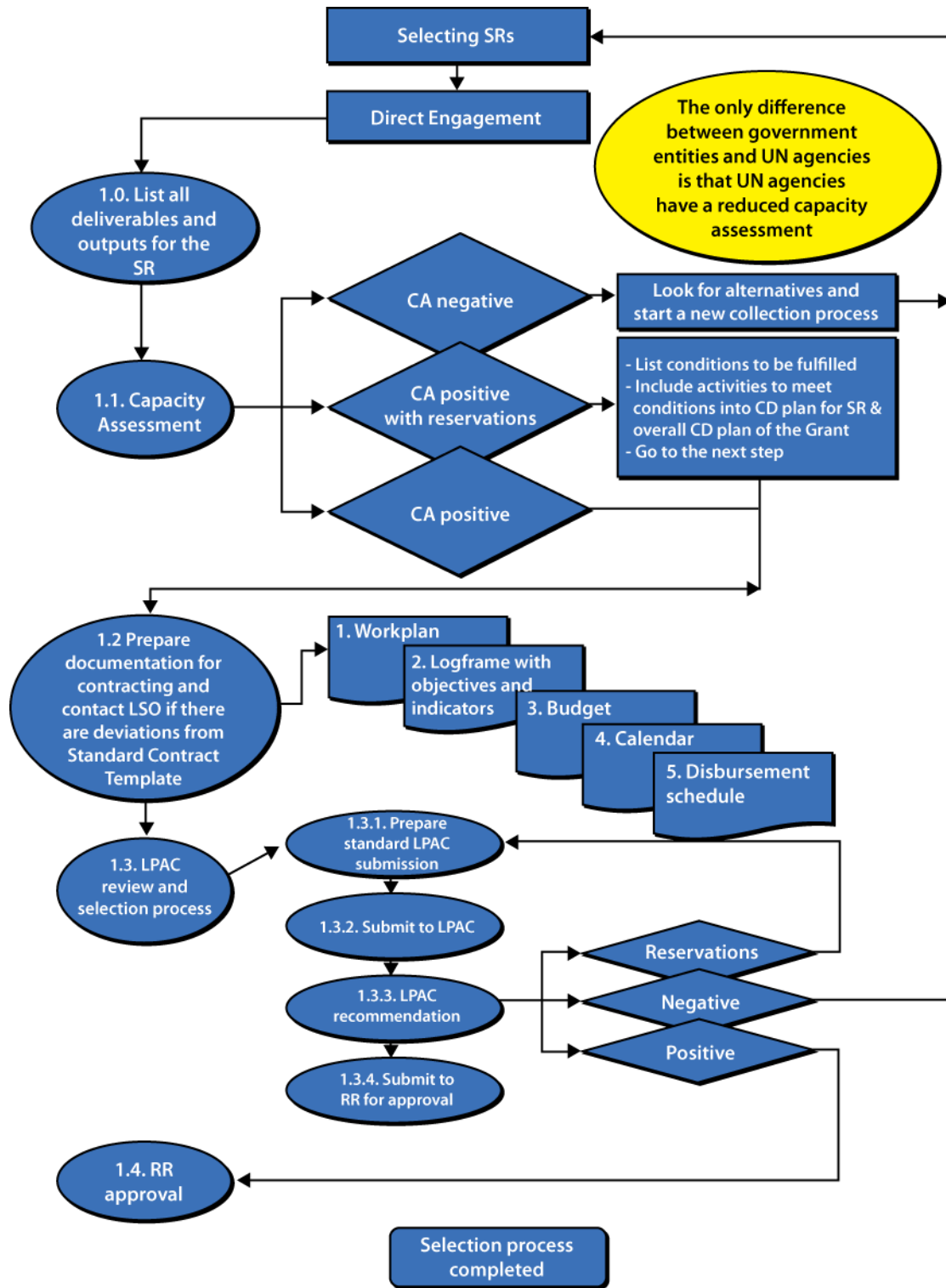


Figure 2. Selecting CSOs by Direct Engagement

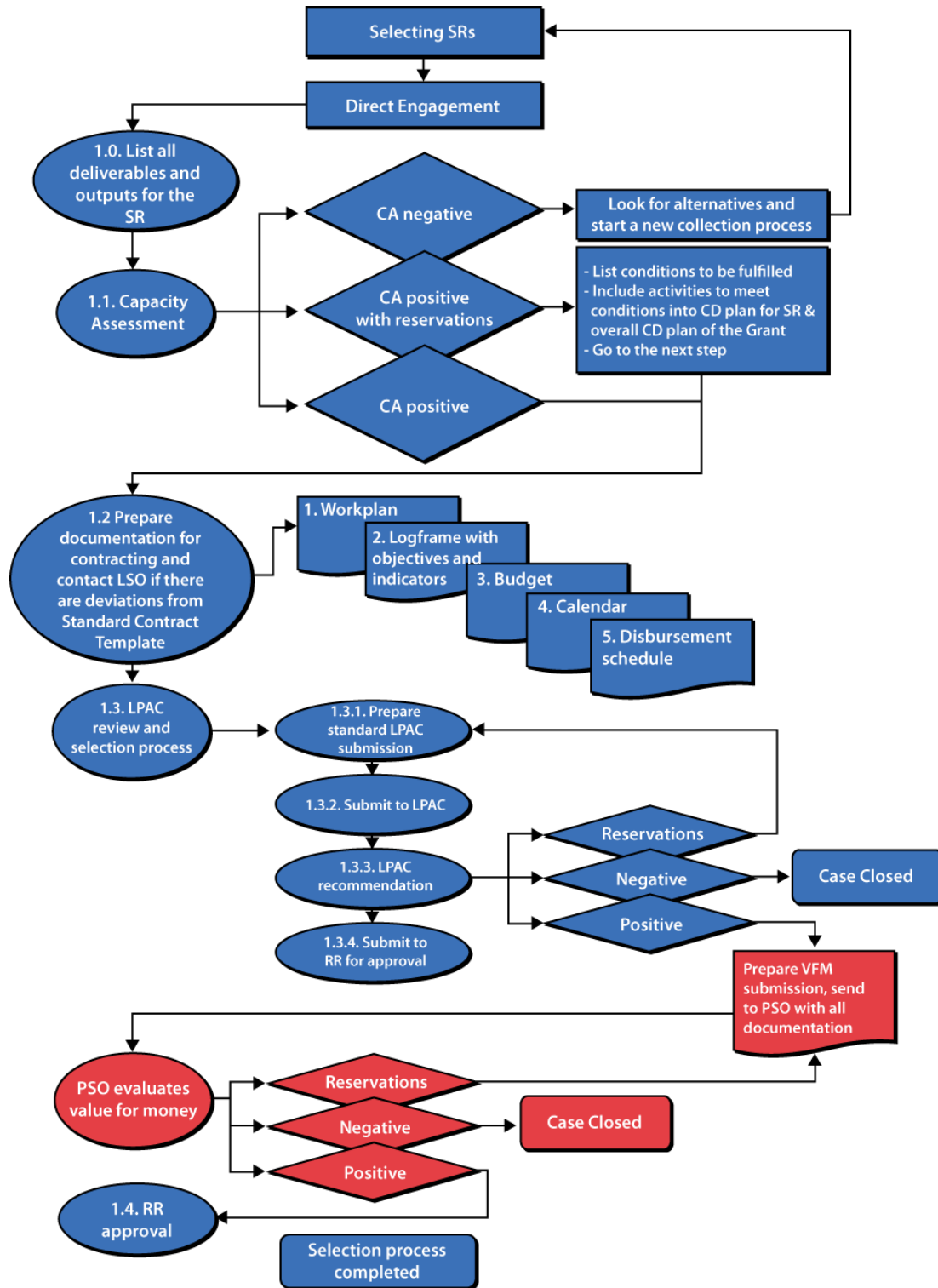
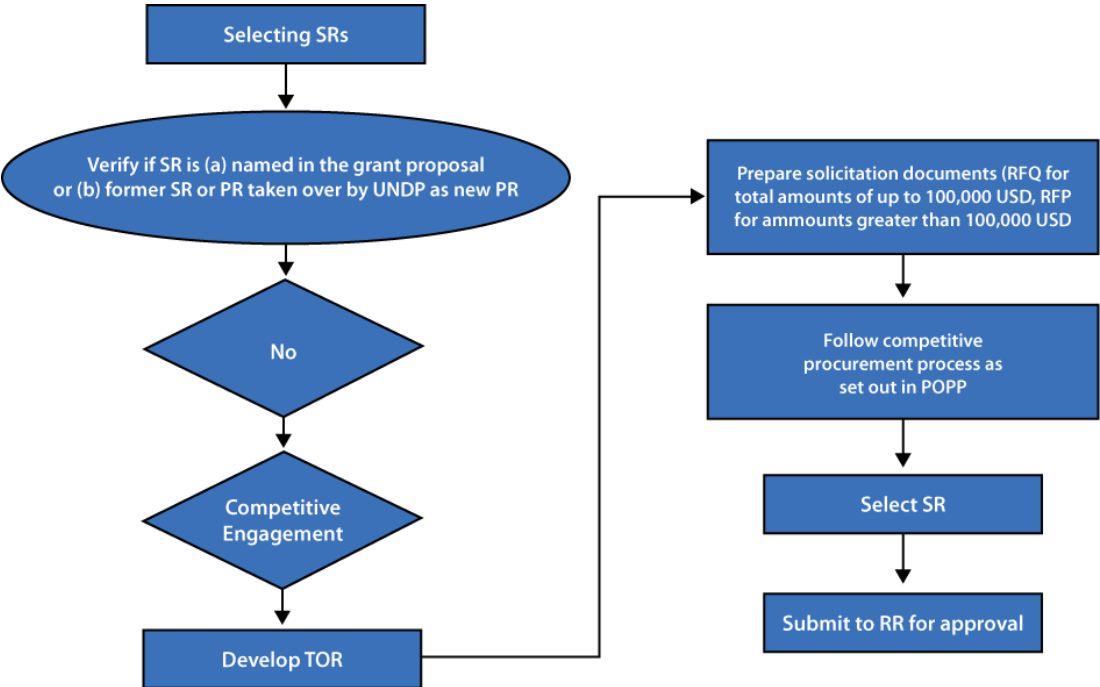


Figure 3. Selecting CSOs by Competitive Engagement



Annex 2. Draft SR Risk Assessment

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No Info
1.	The SR or its executive members have faced criminal allegations or other legal claims (including fraud) within the last five years	Yes			No	
2.	The annual budget contains all significant government expenditures, including relevant donor contributions	No	Not adequate, not kept up to date	Mostly	Yes	
3.	Budget and performance	Budget decisions are only nominally debated. Little consideration of previous performance is taken into account when setting future budgets.	Some discussion but not based on expert advice or recent experience with the operational context	Budget decisions are subject to reasonable discussion, but there is no expert budget committee	Budget decisions are fully debated with assistance from expert committees. Full consideration of previous performance is taken into account when setting future budgets.	
4.	The procedures manual (written or best practices) for the procurement of goods and services includes: (i) minimum amount for purchase of goods (direct contracting), (ii) cost comparison requirements for specified amounts (shopping), (iii) minimum amounts for obtaining estimates/tendering goods and services, (iv) procedures for contracting external consultants	No manual	Some procedures adequately documented	Mostly adequate	Yes, a comprehensive procedures manual	
5.	Formal roles and responsibilities are assigned within the Institution for the procurement, management and oversight of goods and services	No formal assignment	Partially allocated but varies according to work load	Mostly allocated and complied with	Yes, strictly allocated	

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No Info
6.	Adherence to internal controls and financial procedures	Procedures are largely non-existent. Emergency procedures are routinely used.	Procedures are generally followed. However, there are significant exceptions. Doubt exists as to whether or not the internal control system can be relied upon.	Procedures are generally followed. While exceptions exist, they are not frequently enough to prevent reliance on the internal control system.	Always	
7.	Bank reconciliations	Many accounts are not reconciled monthly. Reconciliations are often poorly performed.	A number of significant accounts are not reconciled monthly. Quality in some instances is poor.	Generally banks are properly reconciled each month. Exceptions exist, but appropriate follow-up action is taken in all cases.	Performed to a high standard for all bank accounts at least once a month.	
8.	Transfer of cash resources	Cash transfers from central/regional levels to projects level takes more than one month.	Cash transfers from central/regional levels to projects level takes between two weeks and one month.	Cash transfers from central/regional levels to projects level takes between one and two weeks.	Cash transfers from central/regional levels to projects level take a week or less.	
9.	Financial systems	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and performance is generally poor.	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance problems, generally the system is stable.	Financial systems are adequate for most but not all existing data capture and reporting needs. They are reliable and properly maintained.	Financial systems are adequate for all existing data capture and reporting needs. They are reliable and properly maintained.	
10.	Reporting of cash and asset position to government	Analysis of cash and asset position made to government contains significant omissions.	Frequently out of date	Mostly satisfactory, but records not always up to date	Full analysis of cash and asset position is made to government.	
11.	The code of ethics and/or clear policies regarding conflicts of interest include sanctions with regard to procurement and contracting processes, such as the involvement of family members and/or upper-level managers.	No formal code	Generalized code does not target procurement	Documented for procurement but not well communicated	Yes, clearly documented and communicated. Targets procurement activity	

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No Info
12.	Separation of duties is maintained within the Institution for procurement activities (i.e. the person who receives the goods is not the same person who does the purchasing and is not the same one that adjudicates/awards the contract)	No, or not managed	Sometimes	Mostly complied with	Yes, strictly applied	
13.	The contracts administration system (electronic or manual) makes it possible to identify terms of the contract and establish a link with respective payments	No formal system	Yes, but unreliable; sometimes links are not entered	Mostly reliable, some errors	Yes, very clear	
14.	Assigned staff to archive documents on procurement and administer a secure filing system	No	Filing room secure, but staff not assigned specialist access	Secure room, but access not always strictly managed	Yes	
15.	The Institution has a selection committee for the procurement of goods and services	No such committee	Sometimes	Mostly except for small value procurement	Yes	
16.	The SR has previous experience administering projects that have been funded by donor organizations or other external financing sources. Specify the organizations in 'Comments' section.	No	Little	Some	Extensive	
17.	The Institution has an updated organizational chart indicating the chain of command for the entire staff	No	Partial and often out of date	Not fully up to date and some omissions	Yes, comprehensive and up to date	
18.	The Institution has job descriptions or profiles for upper management staff	No	Some, but descriptions are inadequate	Mostly	Yes	
19.	The managerial team of the Institution has remained stable in the last two years	No, there has been a lot of turnover	Not stable	Reasonably stable, some significant departures	Yes, very stable	

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No Info
20.	The Institution has adequate and sufficient hardware, software and internet connectivity to carry out their activities (at least two computers no older than five years)	No, little use of technology	Some technology, but not trained staff, systems not reliable, poor backup	Reasonable use of technology, some paper systems, software is not adequate	Modern technology-based organization	
21.	The Institution has dedicated senior staff to carry out financial management duties (e.g. budget, treasury and accounting)	No	A book-keeper	Some accounting staff	Well-qualified and experienced staff	
22.	The receipts generated by the electronic accounting system include the adequate number of copies to be issued , identifies to whom they should be issued and the necessary signatures required for each	No electronic system	Some records remain only on paper	Yes, but staff not fully trained	Yes	
23.	The Institution has an accounting and financial procedures manual (providing details on staff roles and responsibilities concerning established accounting processes)	No manual	Significant weaknesses and/or not easily accessed	Mostly reasonable	Yes, comprehensive and well communicated	
24.	A separation of duties exists for adequate financial/administrative management (e.g. the person who authorizes cheques is not the same person who issues the payment)	No, or not managed	Sometimes	Mostly complied with	Yes, strictly applied	
25.	The Institution has annual audited financial statements with clean opinion	No recent audit	Audit has significant findings	Audit mostly reasonable, with some issues	Recent audit with clean opinion	
26.	External audit/the auditor general (supreme audit body)	External audit covers less than 80% of central government expenditures	External audit covers 80 to 90% of central government expenditures	External audit covers 90% of central government expenditures	External audit covers all central government expenditures	

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No Info
27.	Follow-up action to audit reports	Points raised by external audit are infrequently followed up.	Points raised by external audit are usually, but not always, followed up. A significant number of points recur in following years.	Points raised by external audit are always followed up. In a few cases points recur in following years.	Points raised by external audit are always properly followed up. Points generally do not recur in following years.	
28.	Transparency of audit process	Statutory external audit reports are infrequently published. These are rarely debated in the press, even where of public interest.	Most statutory external audit reports are published. These are sometimes debated in the press when of public interest.	All statutory external audit reports are published. These are usually debated in the press when of public interest.	All statutory external audit reports are published. They are debated in the press when of public interest.	
29.	Staff qualifications and skills	It is often not clear that staff have the skills and qualifications necessary to discharge their duties.	In some cases it is not clear if staff do not have the skills and qualifications necessary to discharge their duties.	In only some isolated case is it not clear if staff do not have the skills and qualifications necessary to discharge their duties.	It is always clear that all staff have the skills and qualifications necessary to discharge their duties.	
30.	Financial systems: the SR has administrative, financial, internal control and auditing system(s) in place. (Briefly explain the main components of the system.)	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and performance is generally poor.	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance problems, generally the system is stable.	Financial systems are adequate for most but not all existing data capture and reporting needs. They are reliable and properly maintained.	Financial systems are adequate for all existing data capture and reporting needs. They are reliable and properly maintained.	
31.	The Institution has staff with relevant experience in the activities and the subject matter of the project.	No experience	Very little	Some	Significant experience	
32.	The current institutional Annual Operating Plan includes details regarding activities, corresponding indicators, defined roles and responsibilities for staff, timing and an itemized budget.	No proper plan	The plan has significant deficiencies	Yes, with some details missing	Yes	

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