



Global Fund Guidelines

Progress Update and Disbursement Request

January 2016
Geneva, Switzerland

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Introduction

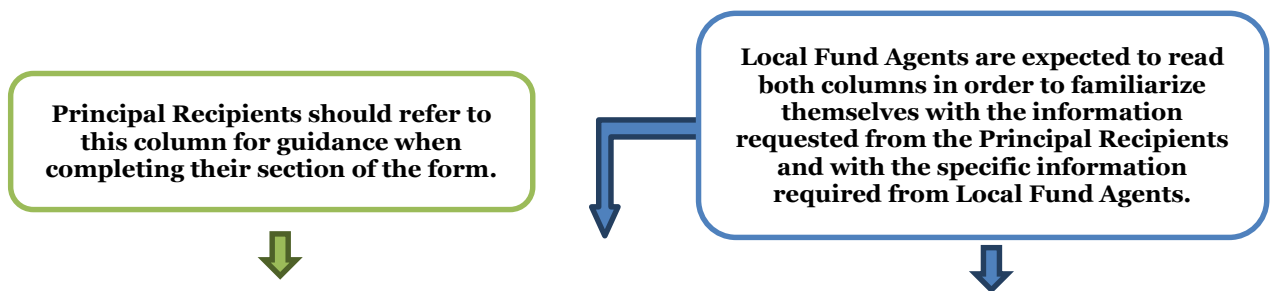
During the lifetime of a grant, the Global Fund periodically disburses funds to the Principal Recipient based on demonstrated program performance and financial needs for the following year of implementation (i.e. execution period) plus a buffer period.

The Progress Update and Disbursement Request (PU/DR) is both a progress report on the latest completed period of program implementation and a request for funds for the following execution and buffer period. Its purpose is to provide an update on the programmatic and financial progress of a Global Fund-supported grant, as well as an update on fulfillment of conditions, management actions and other requirements. The PU/DR completed by the Principal Recipient and verified by the Local Fund Agent, as required, forms the basis for the Global Fund's annual funding decision by linking historical and expected program performance with the level of financing to be provided to the Principal Recipient.

The PU/DR is an Excel template that contains three sections: one each for the Principal Recipient, Local Fund Agent and Global Fund Country Team. Based on the reporting schedule agreed during the grant-making process, the Principal Recipient prepares and submits either the PU or the PU/DR with their relevant sections completed. At the request of the Global Fund, the Local Fund Agent reviews the reporting submitted by the Principal Recipient and captures their findings and recommendations in their relevant sections. Based on the Principal Recipient report and the Local Fund Agent's findings and recommendations (as applicable), the Global Fund Country Team determines the set of programmatic, financial and management information that will be used for final reporting and decision-making.

The purpose of this document is to provide guidance to the Principal Recipient and Local Fund Agent on how to complete their respective parts of the PU/DR. Each of the three sections is organized as follows:

- **Overall Purpose of the section:** which provides a brief overview of the section content for the Principal Recipients and Local Fund Agents.
- **Detailed Description:** Each table (as in the example below) provides a summary of the key information required from the Principal Recipients and Local Fund Agents.



Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Impact/Outcome Indicators (A)</p> <ul style="list-style-type: none"> ▪ Only the impact and outcome indicators that are due for reporting during the period or outstanding from the previous periods should be listed, in accordance with the performance framework. <p>NOTE The performance framework includes a “report due date” field, which indicates the planned completion dates for surveys to report results.</p>	<ul style="list-style-type: none"> ▪ The Local Fund Agent can be asked by the Country Teams to verify that: <ul style="list-style-type: none"> - The impact and outcome indicators that are due for reporting during the period are listed in accordance with the performance framework. - The targets are identical to those specified in the performance framework.

General Guidance on the PU/DR

1.1 PU/DR templates

There are specific PU/DR templates for (i) existing grants that were signed under the rounds-based funding model, and (ii) for new grants that were signed under the new funding model. The Excel templates are available [here](#) for the rounds-based funding model and [here](#) for the new funding model. The differences are mainly regarding the structure of the programmatic reporting, the structure of the annual reporting and the annual cash forecast.

The template was designed to accommodate, where possible, the Principal Recipient and Local Fund Agent's input and comments on the same Excel sheet along with the Global Fund's Country Team analysis. The sections that need to be completed by the Principal Recipient are in green. Those to be completed by the Local Fund Agent are in blue and identified by the heading "For LFA Use Only" and those for the Global Fund's Country Team are in light orange and identified by the heading "For the Global Fund Use Only".

1.2 Requirements for the PU and PU/DR

The Excel template was built in a way that allows the forms required for the semi-annual PU or the yearly PU/DR to be tailored to the country's situation.

Unless decided otherwise by the Global Fund Country Team, the following is a list of the forms that need to be submitted as part of the annual PU/DR or the semi-annual PU:

Form	PU/DR	PU
Timing	<p>Annual</p> <p>The Principal Recipient submits to the Global Fund within 60¹ days after the end of the reporting cycle</p> <p>The Local Fund Agent submits to the Global Fund ten working days after the full submission by the Principal Recipient</p>	<p>Semi-annual²</p> <p>The Principal Recipient submits within 45 days after the end of the reporting cycle</p> <p>If applicable, the Local Fund Agent submits to the Global Fund 10 working days after the full submission by the Principal Recipient</p>
Scope	<ul style="list-style-type: none"> - Progress against Impact and Outcome Indicators - Disaggregation of Impact and Outcome Results - Progress against Coverage Indicators - Disaggregation of Coverage Results - Work Plan Tracking Measures - Principal Recipient Cash Reconciliation Statement in Grant Currency - Principal Recipient Reconciliation of funds provided to sub-recipients for the Current Implementation Period - Total Principal Recipient Budget Variance and Funding Absorption Analysis - Procurement and Supply Management Grant Management - Evaluation of Grant Performance - Enhanced/Annual Financial Report - Annual Cash Forecast - Annual Funding Request and Recommendation 	<ul style="list-style-type: none"> - Progress against Impact and Outcome Indicators - Disaggregation of Impact and Outcome Results - Progress against Coverage Indicators - Disaggregation of Coverage Results - Work Plan Tracking Measures - Procurement and Supply Management Grant Management - Evaluation of Grant Performance

1.3 Completing and printing the PU/DR

In order to have the full functionality of the PU/DR, Microsoft Excel 2000 and more recent versions should be used.

As a first step to complete the PU/DR, the Principal Recipient needs to download the file on their computer. Once the file is opened, a warning message in yellow will appear on top of the document, and the Principal Recipient should click on “Enable Content” so that the file works properly.

The Principal Recipient is then required to specify whether they are submitting a PU or a PU/DR, to ensure they are completing the relevant sections of the form. When the file is closed and reopened, the default section will be the cover sheet. The Principal Recipient needs to specify again the type of submission to generate the relevant sections again. The data will still be saved in the forms.

Accommodating the Principal Recipient, Local Fund Agent and Country Team’s input and comments on the same sheet has expanded the width of the Excel Sheet. Therefore, it is advised that the PU/DR be printed on A3-size paper. In case the Principal Recipient does not own a printer that supports printing on A3 paper, the “Print Area” can be set to the Principal Recipient section (Green) and print the document on A4.

¹ For grants on semi-annual funding decisions, PU/DRs that are not submitted with an EFR/AFR (i.e., every second PU/DR) must be submitted within 45 days.

² The PU can be submitted on a quarterly basis, in exceptional cases.

Local Fund Agent Scope of Work

1.4 Overall purpose of the section

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

1.5 Scope of work

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

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

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

1.6 Risk-based approach to verification

Local Fund Agents are expected to undertake a thorough verification of the Principal Recipient-reported data, using verification procedures adapted to the risk profile of a grant and the implementation context. The verification approach and scope need to be agreed up front between the Local Fund Agent and the Global Fund Country Team based on the country, Principal Recipient and grant risks.

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

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

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

1.7 Definition of risk by functional area

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

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

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

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

This document provides guidance for Local Fund Agents on the expected scope of work and recommended level of effort for *low*-, *medium*- and *high*-risk grants. As this depends a great deal on the country and grant context, Local Fund Agents are requested to agree with the Global Fund Country Team, prior to performing the PU/DR review, the scope of verification and the level of effort based on the Local Fund Agent’s informed understanding of the risk context of the grant. Local Fund Agents are strongly encouraged to raise any issues/risks that may require more in-depth review and verification to the Country Team prior to undertaking the work.

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

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

Low-risk grants:

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

Medium- and high-risk grants:

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

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

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

1.9 Sources of information

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

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

1.10 Findings and recommendations

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

At the end of the verification and before submitting the report to the Global Fund, the Local Fund Agent should provide a verbal debrief of the key findings to the Principal Recipient. Please refer to the Local Fund Agent In-country Communications Protocol (available at <http://www.theglobalfund.org/en/lfa/documents/>) for more information on how to share findings from the Local Fund Agent’s verifications/assessments with the Principal Recipients.

1.11 Grant rating and disbursement recommendation

The Local Fund Agent is required to provide an overall grant rating and a disbursement recommendation in line with the Global Fund’s Grant Rating Methodology (see Annexes 2 and 3 of the Operational Policy Note on [Annual Funding Decision and Disbursement](#)).

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

Annual Review of PU/DR	LOW	MEDIUM	HIGH
Finance*	3 to 5 days	7.5 to 11.5 days	12.5 to 17 days
Monitoring and evaluation	3 days maximum	4 days maximum	Average of 5 days with maximum of 10 days if poor data quality and in very complex cases
Procurement and supply management	2 days maximum	3 days maximum	4 days maximum

** Taking into account country context and complexity of reporting, additional level of effort may be authorized by the country team for the Local Fund Agent’s review of AFR/EFR and SR Cash Reconciliation as part of the annual PU/DR update.*

1.13 Expanded Scope of Work

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

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

- Principal Recipient/sub-recipient organization, accounting and control systems and operating characteristics;
- the nature of program assets, liabilities and expenditures;
- the type of the program activities financed by the Global Fund, and the risks inherent involved;
- the role of sub-recipients and sub-sub-recipients in program implementation and the Principal Recipient’s systems for sub-recipient management and oversight;
- knowledge from prior verification work;

- the risk profile of the grant, Principal Recipient, key sub-recipients and the country;
- materiality considerations; and
- other factors, as relevant.

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

1.14 Quality Assurance and Sign-off

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

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PU/DR Cover Sheet

Overall purpose of the section

The coversheet provides general information about the grant and the current PU/DR. This information only needs to be completed once by the Principal Recipient.

On the cover sheet, the Principal Recipient will specify whether they are submitting a PU or a PU/DR. This step is crucial, as it will generate the relevant forms that need to be completed by the Principal Recipient and verified by the Local Fund Agent.

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>General Grant Information</p> <ul style="list-style-type: none"> ▪ The general grant information should be reported as stated in the face sheet or grant confirmation of the grant agreement. ▪ It is highly important to complete the component (HIV/AIDS, HIV/TB, TB, Malaria, or HSS) entry as this determines the selection of modules and indicators. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should state their organization name.
<p>Progress Update Period</p> <ul style="list-style-type: none"> ▪ The “reporting period” should first indicate the reporting cycle (i.e. quarter, semester, annual or other) and then the number of the period. ▪ The “period covered” should immediately follow the period covered by the <u>previous</u> Progress Update. ▪ The dates should be formatted as follows: <i>dd-mm-yyyy</i> (e.g. 31-Mar-2009). ▪ Typically, a Progress Update should cover one or two periods covered by the Performance Framework of a grant, and its start and end dates should correspond to those of specific periods in the Performance Framework. ▪ The “period number” refers to the reporting period through which results are being reported. <p>NOTE There should always be a Progress Update number even if funds are not being requested by the Principal Recipient. Progress updates should be numbered sequentially; in some instances their</p>	<ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that: <ul style="list-style-type: none"> - the dates are accurate and that they correspond to those contained in the Performance Framework (for the corresponding period). - the period declared in the Progress Update immediately follows the period covered by the <u>previous</u> Progress Update. - the results are strictly attributable to the period declared in the Progress Update. - the period number is accurate. - the Progress Update number is stated, even if funds are not being requested.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>numbers may be different from the Progress Update period numbers.</p>	
<p>Disbursement Request Period</p> <ul style="list-style-type: none"> ▪ The “disbursement cycle” should be indicated (i.e. quarter, semester, annual or other). ▪ The “period covered” should immediately follow the period covered by the <u>current</u> Progress Update. ▪ The “period covered” dates should be aligned with the dates of the corresponding programmatic period(s) in the Performance Framework. ▪ The “period covered” <u>should not</u> include the three-month “buffer” period. ▪ The “period number” refers to the programmatic period for which funds are being requested. If the disbursement request covers more than one programmatic period from the Performance Framework, the latest of the periods should be indicated. ▪ If funds are not being requested, “N/A” (not applicable) should be selected for the disbursement request number and the remaining fields of the disbursement request period section should be left blank. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that: <ul style="list-style-type: none"> - the Disbursement Request period immediately follows the period covered by the current Progress Update. - the “period covered” dates in the disbursement request are aligned with the dates of the corresponding programmatic period(s) in the Performance Framework. - the Disbursement Request period <u>does not</u> include the 3-month “buffer” period. - if only a Progress Update is submitted, the Principal Recipient has selected “N/A” (not applicable) for the disbursement request number.³
<p>Type of Submission</p> <ul style="list-style-type: none"> ▪ The Principal Recipient specifies whether they are submitting a Progress Update or a Progress Update and Disbursement Request and completes the relevant forms. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent verifies that the Principal Recipient selected the right option and completed all relevant forms.

³ If a Progress Update with a zero Disbursement Request is submitted, the Principal Recipient should include a Disbursement Request number.

Section 1: Programmatic Information

Overall purpose of the section

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

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

Detailed Description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Section 1A. Impact/Outcome Indicators</p> <ul style="list-style-type: none"> ▪ Only the impact and outcome indicators that are due for reporting during the period or outstanding from the previous periods should be listed from the drop-down menu or inputted manually for custom indicators, in accordance with the Performance Framework. <p>**For Principal Recipients with grants that are still under the rounds-based model, indicators should be entered manually.</p> <ul style="list-style-type: none"> ▪ The baseline data and targets should be identical to those specified in the Performance Framework. ▪ The year of target corresponds to the year when the data collection is anticipated to take place. ▪ If an indicator result is outstanding from the previous year, and there is a higher target for the current year, then the reported result will be compared against the target of the current year. ▪ If an indicator result is outstanding from the previous years, and there is no target for the present year, then this indicator should still be listed until a result is reported. ▪ The data source of the result needs to be listed for all reported results. Any variation in data 	<p>Section 1A. Impact/Outcome Indicators</p> <p>The Local Fund Agent should consult the Global Fund Country Team and agree on the level of verification according to the risk context, latest results, existing knowledge in the Global Fund Country Team.</p> <p>If not agreed otherwise:</p> <ul style="list-style-type: none"> ▪ the Local Fund Agent should verify that the impact and outcome indicators and their associated targets that are due for reporting during the period are listed in accordance with the performance framework. ▪ for each impact/outcome indicator, the Local Fund Agent should reconcile the results to relevant data sources. <p>NOTE If results have not been verified, the Local Fund Agent should indicate as such (by selecting “not verified” from the dropdown list) and provide an explanation.</p> <p>The Local Fund Agent should comment on:</p> <ul style="list-style-type: none"> ▪ the data source of the results and/or the data collection method if different from that of the baseline. These comments should not be a “copy and paste” of any comments provided by the Principal Recipient.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>source or method of data collection from that of the baseline should be clarified in the comments column.</p> <ul style="list-style-type: none"> If any of the planned baseline surveys are delayed, the Principal Recipient should report the reason for the delay and revised timelines for conducting the survey. <p>Impact / Outcome Indicators – Disaggregation</p> <ul style="list-style-type: none"> Results should be further disaggregated by age, sex, gender, status, etc. for a specific set of impact/outcome indicators where disaggregation is required by the Global Fund. These indicators will be shaded in white when selected from the drop-down list. Annex 1 of these guidelines provides a list of those indicators for which disaggregated results are required. One indicator may need to be repeated several times for each relevant category. For example, if disaggregation is required by sex for a certain indicator, then this relevant indicator should be selected twice to provide the disaggregated results for: male and female. <p>**Principal Recipients with grants that are still under the rounds-based model should not report disaggregated results.</p>	<ul style="list-style-type: none"> the status of completion of surveys and other methods to measure impact/outcome, as applicable, if result is overdue. Any modifications to the reported results after the Local Fund Agent’s verification should be entered in the column “Verified Results”. <p>Impact / Outcome Indicators – Disaggregation</p> <p>If requested by the Global Fund Country Team, the Local Fund Agent should verify that:</p> <ul style="list-style-type: none"> Disaggregated results are provided for those impact/outcome indicators where this information is required. The reported disaggregated results are accurate.
<p>Section 1B. Coverage Indicators</p> <ul style="list-style-type: none"> All modules, coverage indicators contained in the current Performance Framework should be selected from the drop-down menu or inputted manually for selected custom indicators, regardless of whether there are results for the period covered by the Progress Update or whether the targets have been met in previous periods. If an indicator is not due for reporting during the period, the indicator target field should state ‘Not due’. <p>**For Principal Recipients with grants that are still under the rounds-based model, coverage indicators should be entered manually.</p> <ul style="list-style-type: none"> The indicator and/or objective numbering should be in accordance with the Performance Framework of the grant. The baseline and targets should be identical to those specified in the Performance Framework. 	<p>Section 1B. Coverage Indicators</p> <p>The Local Fund Agent should verify that:</p> <ul style="list-style-type: none"> All modules, programmatic indicators, baselines and targets contained in the current Performance Framework are listed and the results are reported consistently with the way targets were set in the Performance Framework. After the Local Fund Agent’s verification, results should be entered in the column “Verified Results”. In case the verified result is different from the result reported by the Principal Recipient, the nature of the adjustment should be explained. <p>NOTE The Local Fund Agent should not change any values in the Principal Recipient part.</p>

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Based on the Performance Framework, the reporting type should be specified. The results reported could be either (1) cumulative annually, (2) non-cumulative, or (3) non-cumulative (other). <p>IMPORTANT Results should be reported in a manner which is consistent with the way targets were set in the Performance Framework (e.g. if a target was set as “cumulative annually,” the reported result should also be cumulative over the same annual time period) and with consistent value types (e.g. if a target was set as a numerator/denominator/percentage the result should also be reported as a numerator/denominator/percentage).</p> <p>IMPORTANT For a result reported in the value type “numerator/ denominator/percentage” against a target set in the same value type, the percentage part should be used in calculating percentage achievement, unless specified otherwise in the Performance Framework for that indicator or during follow-up communication with the Global Fund Secretariat.</p> <ul style="list-style-type: none"> ▪ If results are significantly different from targets, the Principal Recipient must provide reasons for the deviation. The Principal Recipient should also comment on deviations from any related activities. 	<ul style="list-style-type: none"> ▪ For each indicator, the Local Fund Agent should specify how the results were verified (desk review or on-site verification). If other methods of verification have been used, the Local Fund Agent should explain the methodology followed. ▪ The Local Fund Agent should indicate if there are any discrepancies between the target accumulation in the Performance Framework and the reporting by the Principal Recipient to ensure that results are aligned to the appropriate reporting period. <p><u>Recommended Scope of Review of reported results:</u></p> <ul style="list-style-type: none"> ▪ <i>Low-risk</i> grants: a document review of reported results should be undertaken annually. Based on an agreement with the Global Fund Country Team this can be waived for semester Progress Updates if there is a history of good data quality and/or reliable programmatic reports are routinely produced. ▪ <i>Medium-</i> and <i>high-risk</i> grants: a document review of reported results, referencing information obtained through spot checks and onsite verifications, as relevant, undertaken prior to the PU/DR review. If feasible and in case of serious concerns with the data reported by the Principal Recipient, the Local Fund Agent may be requested by the Global Fund Country Team to undertake selected spot checks at key sites during an expanded PU/DR review. <p>NOTE If results have not been verified (as a matter of exception) the Local Fund Agent should indicate so and provide an explanation.</p> <ul style="list-style-type: none"> ▪ For a result reported in the value type “numerator/ denominator/percentage” against a target set in the same value type, both the numerator and denominator need to be verified and adjusted (if necessary). If the denominator is based on estimates, its validity needs to be verified against the source (e.g. a report published by technical partners, result achieved for another indicator). If a numerator or denominator used by the Principal Recipient cannot be validated, the Local Fund Agent should highlight this in the review comments.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Coverage Indicators – Disaggregation</p> <ul style="list-style-type: none"> ▪ Results should be further disaggregated by age, sex, gender, status, etc. for a specific set of coverage indicators where disaggregation is required by the Global Fund. These indicators will be shaded in white when selected from the drop-down list. Annex 1 of these guidelines provides a list of those indicators for which disaggregated results are required. ▪ One indicator may need to be repeated several times for each relevant category. For example, if disaggregation is required by sex for a certain indicator, then this relevant indicator should be selected twice to provide the disaggregated results for male and female. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should comment on progress to date, explain any significant variance between targets and results, and any deviations from the related work plan activities. These comments <u>should not</u> be a “copy and paste” of the comments provided by the Principal Recipient. ▪ The Local Fund Agent should raise any data quality issues in the comment column next to the specific indicators. ▪ Based on (a) the quantitative indicator rating calculated by the Grant Rating Tool (Excel version) based on the latest reported results for each indicator and (b) Local Fund Agent’s knowledge of programmatic performance, the Local Fund Agent should assign an indicator rating as explained in the Step 1 of the Grant Rating Methodology (reference Annex 1 for detail). <p>NOTE Programmatic performance is measured through quantitative indicator rating. When an Annual Funding Decision is being recommended, the rating should be based on results from the previous execution period. For example, if the Principal Recipient submits a progress report every six months and one annual funding request, the performance rating should be based on the cumulative results achieved through both semi-annual periods. The indicator rating can be adjusted for data quality issues identified during grant implementation.</p> <p>Coverage Indicators – Disaggregation</p> <p>The Local Fund Agent should verify that:</p> <ul style="list-style-type: none"> ▪ Disaggregated results are provided for those coverage indicators where this information is required. ▪ The reported disaggregated results are accurate.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes										
<p>**Principal Recipients with grants that are still under the rounds-based model should not report disaggregated results.</p>											
<p>Section 1C. Workplan Tracking Measures</p> <p>When grants do not include any coverage/output indicators, workplan tracking measures will be used to assess performance and make annual funding decisions. Exceptionally, some grants may include both coverage indicators and workplan tracking measures. In this case, both should be reported in the workplan tracking measures section, and the Principal Recipient should include:</p> <ul style="list-style-type: none"> ▪ All modules, interventions, activities, milestones, and criteria for completion for the specific activity only when the results are due for the period covered by the progress update. Please note that modules and interventions can be selected from the drop-down menu, the rest should be inputted manually. If an activity is not due for reporting during the period, it should not be included in the PU/DR. ▪ The progress on workplan tracking measures (i.e. milestones and targets for input and process indicators) will be categorized as: <table border="1" data-bbox="236 1205 782 1552"> <thead> <tr> <th data-bbox="236 1205 595 1301">Implementation progress during the reporting period</th> <th data-bbox="595 1205 782 1301">Status</th> </tr> </thead> <tbody> <tr> <td data-bbox="236 1301 595 1361">No progress against planned milestone or target</td> <td data-bbox="595 1301 782 1361">Not started</td> </tr> <tr> <td data-bbox="236 1361 595 1422">Less than 50% completion of the milestone or target</td> <td data-bbox="595 1361 782 1422">Started</td> </tr> <tr> <td data-bbox="236 1422 595 1482">50% or more completion of planned milestone or target</td> <td data-bbox="595 1422 782 1482">Advancing</td> </tr> <tr> <td data-bbox="236 1482 595 1552">100% achievement of planned milestone or target</td> <td data-bbox="595 1482 782 1552">Completed</td> </tr> </tbody> </table>	Implementation progress during the reporting period	Status	No progress against planned milestone or target	Not started	Less than 50% completion of the milestone or target	Started	50% or more completion of planned milestone or target	Advancing	100% achievement of planned milestone or target	Completed	<p>Section 1C. Workplan Tracking Measures</p> <p>The Local Fund Agent should verify the reported results and self-attributed scores against the activities in the workplan tracking measures and assign an overall rating based on the verified results. Please refer to the recommended scope of review for the different risk levels as described under the section on coverage indicators.</p>
Implementation progress during the reporting period	Status										
No progress against planned milestone or target	Not started										
Less than 50% completion of the milestone or target	Started										
50% or more completion of planned milestone or target	Advancing										
100% achievement of planned milestone or target	Completed										

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Section 2: Financial Information

Overall purpose of the section

The information reported in the financial sections should be based on the Principal Recipient's accounting and other program records, and – to a certain extent – on those of sub-recipients. It needs to be supported by relevant breakdowns, schedules, summaries and notes based on the financial, accounting and management systems used. Supporting documentation can be included in the annexes. Principal Recipients are not expected to replace existing accounting and financial information systems or create parallel systems but are required to adapt, as needed, accounting and financial information from their existing systems in order to meet the Global Fund's requirements.

The Principal Recipient's actual expenditures in the cash reconciliation of the PU/DR should be reported on a *cash basis*. Cash-basis accounting can be broadly defined as recording a transaction based on the timing of the cash inflow or outflow, independently of when the underlying goods or services were received. Other methods of accounting - such as the accrual method, the modified method of accrual/cash accounting may be included as expenditure in the AFR/EFR (see Section 7 for more details) if the goods/services have been delivered/rendered and/or invoiced and **not paid** as at the reporting period end-date.

Only *eligible* expenditures under the program are permitted for the purpose of financial reporting to and disbursement requests from the Global Fund. Eligible expenditures are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund-approved budget and used solely for program purposes consistent with the terms and conditions of the grant agreement. For specific guidance on ineligible transactions, this is available in section 4.4 of the [“The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting”](#).

Actual expenditures incurred in a currency other than the grant currency should be translated into the grant currency using an exchange rate valid on the day of transaction or the average exchange rate (monthly or quarterly) for the reporting period (usually, the average is calculated based on the exchange rates at the beginning and in the end of the reporting period). The source and date of the exchange rates used in the calculations should be disclosed.

NOTE: The average exchange rate for the reporting period should be calculated as a mean of monthly average exchange rates for all months covered by the reporting period in cases of significant currency rate fluctuations. Monthly average exchange rates can be obtained from the country's central bank/national bank or other sources (e.g. the International Monetary Fund website or those of similar organizations).

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

Special Cases

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

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

In certain cases, past expenditure and budget information reported in one or several previous PU/DR(s) may need to be updated to correct any material errors such as erroneous exchange rate assumptions, ineligible transactions⁴ or arithmetic errors. Adjustments made in the subsequent PU/DR to correct the reported cumulative and actual expenditure, disbursements to sub-recipients and budget amounts may require updating current cash balances. Following such adjustments, the Principal Recipient should issue an official letter or provide a copy of the note to file duly approved by the accountable official of the Principal Recipient to the Global Fund indicating the correct cumulative and actual cash outflow and budget amounts, as well as a description of the adjustments and reasons for these adjustments.

Reporting under fiduciary agency (including fiscal agent) arrangements

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

Section 2A-C. Principal Recipient cash reconciliation statement in grant currency

This section provides information on the program's cash position as at the progress update period end, showing the movements in cash during the period covered by the progress update. The cash reconciliation report to the Global Fund covers cash balance of the Principal Recipient in support of Global Fund disbursement decisions. This statement should be completed in the currency of the grant, as stipulated in section 3.6 of the Grant Confirmation. It should take into account disbursements made directly to the Principal Recipient and on its behalf to third parties; other income received including that related to income generating activities; Principal Recipient expenditure; net gains and losses arising from exchange rate fluctuations.

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

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

⁴ For purposes of progress update reporting, ineligible transactions include both "ineligible expenditure as defined in section 4.4 of the Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting" and/or income, foreign exchange and any other adjustments required to arrive at the accurate cash position.

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

When requested by the Global Fund, the sub-recipient cash reconciliation should be provided (See Section 2D, below).

The cash reconciliation statement only covers financial transactions for the grant implementation period⁵ as stipulated in section 3.7 of the Grant Confirmation and is split into the following sections. The respective sections have provision for reporting on cumulative financial data for previous progress update periods, transactions incurred during the current progress update period, adjustments approved by the Global Fund (Country Team). Upon validation of the Progress Update, the Country Team transmits a communication to the Principal Recipient in the form of a Performance Letter indicating the required adjustments (including any ineligible transactions) for the Principal Recipient to take appropriate actions within the stipulated timelines and prior to the submission of PU/DR for the next reporting period.

Section 2A. Principal Recipient cash reconciliation statement in grant currency contains the following:

1. Opening cash balance⁶
2. Grant income
3. Grant cash outflows
4. Reconciling adjustments
5. Total cash balance: end of the reporting period (Principal Recipient and sub-recipient, if applicable)
6. Commitments and other obligations (for information purposes only)⁷

Section 2B. Principal Recipient bank statement balance and cash in-transit in grant currency contains the following:

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

Section 2C. Principal Recipient ineligible transactions in grant currency contains the following:

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

⁵ Including extensions and close-out periods communicated through the relevant Grant Agreement and/or Implementation/Notification Letters.

⁶ The opening cash balance at the beginning of the implementation period include balances at both Principal Recipient and Sub-Recipient level.

⁷ The Global Fund is requesting information on “commitments and other obligations” for disclosure purposes and therefore it does not impact on Principal Recipient cash balance which is still strictly on cash basis of accounting.

General Guidance

- The Principal Recipient enters PU/DR information in the section “Principal Recipient”. Data from the previous progress update reporting periods is entered in the column “Cumulative for Previous Periods” and financial data for the current reporting period is entered in the column “Current Period” following the guidance below. Included in the cash reconciliation statement is a column for PR’s comments, as may be necessary, to provide more contextual information or explanations to amounts entered in the statement.
- Local Fund Agent reviews PU/DR and recommends adjustments to the Global Fund (Country Team), as appropriate, under the columns “For LFA Use Only”, following the guidance below and submits PU/DR to the Global Fund.
- Country Team reviews PU/DR and makes the relevant adjustments under the columns “For the Global Fund Use Only” and communicates final validated PU/DR figures in the Performance Letter to the Principal Recipient.

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Section 2A. Principal Recipient Cash Reconciliation Statement in Grant Currency</p> <p>This section captures relevant financial data to calculate the Principal Recipient (and sub-recipient, if applicable) cash balance.</p> <p>1. Item 1.1 - Cash Balance – beginning of the period⁸ The Principal Recipient’s opening cash balance should correspond to the prior period’s closing cash balance as reported by the Principal Recipient⁹. Any adjustment required as per the validated figures from the Global Fund should be reported under other reconciliation adjustments for the current period and/or processed as justification or reimbursements for ineligible transactions in the current reporting period. There should be no restatement of prior period records unless required for audit purposes.</p> <p>2. Grant Income: This is to capture all income received under the grant cumulatively for prior periods and the progress update period:</p> <ul style="list-style-type: none"> ▪ Item 2.1 – “Disbursement made to the Principal Recipient”: direct disbursements made to the Principal Recipient by the Global Fund, based on information contained in the disbursement notification letter sent to the Principal Recipient. 	<p>The Local Fund Agent proposes adjustments as appropriate (including providing explanations as relevant in the section “For Local Fund Agent Use Only” on adjustments for exceptions and/or gives additional contextual information to the Principal Recipient’s reported information). The Local Fund Agent’s scope of work (unless otherwise agreed with the Global Fund Country Team) would usually include the following:</p> <ul style="list-style-type: none"> ▪ Verify consistency with previous periods’ information and provides comments for identified deviations. ▪ Verify the accuracy of entries for grant income in respect of disbursements from the Global Fund, third party disbursements, interest received, income generating activities and any other income received, by vouching to accounting system including source documents.

⁸ The opening cash balance of the first progress update represent any available in-country cash balances (Principal Recipient, Sub-Recipients, procurement agents etc..) at the end of the previous implementation period and/or grants that were incorporated as part of the funding available for the current implementation period.

⁹ This should be based on the accounting records and transactions of the Principal Recipient.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Item 2.2 – “Disbursement to third parties by the Global Fund on behalf of the Principal Recipient”: direct payments made by the Global Fund to third parties as authorized by the Principal Recipient (e.g. payments made under the Pooled Procurement Mechanism to a procurement agent). This amount should match the disbursement notification letters sent to the Principal Recipient for such payments. <p>NOTE: Any associated bank charges, currency translation fees and other financial transactions costs on disbursements <u>should not</u> be deducted instead these are included as expenditure under “Bank charges on disbursements and payments”.</p> <ul style="list-style-type: none"> ▪ Item 2.3 – “Interest received on bank accounts”: this represents income received during the current reporting period from bank accounts held by the Principal Recipient as indicated in bank statements. <p>NOTE: the grant agreement does not authorize the Principal Recipient to invest cash in other financial instruments or in long-term deposits. Funds deposited in an interest bearing account should be available for immediate use for program purposes as needed.</p> <ul style="list-style-type: none"> ▪ Item 2.4 – “Revenue from income-generating activities (if applicable)”: this represents additional income arising from the sale of commodities/products and other services (when applicable) (e.g. insecticides-treated nets, micro loan interest...), as well as other income-generated activities funded by the program and approved by the Global Fund. ▪ Item 2.5 – “Other income, if applicable (e.g. VAT/Other Tax refunds, income from disposal of assets etc.)”: this represents any income outside the above items which arise outside normal or regular grant activities. These include refunds (e.g. from tax authorities, suppliers, procurement agents rebates), income arising from disposal of assets and refund of funds held by Sub-Recipients¹⁰, as well as program specific donations or contributions by third parties. ▪ Item 2.6 – “Total Grant Income”: is automatically calculated based on the financial information entered in the fields above 	

¹⁰ The Principal Recipient should not “net” refunds received from Sub-Recipients against disbursements made to Sub-Recipients.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Item 4.1 – “Other reconciliation adjustments (including for prior periods)”: these mainly include, but are not limited to, changes arising from prior periods’ progress update financial information (i.e. any of the elements of grant income and expenditure above, impacting on the calculation of Principal Recipient cash balance) emanating from correction of errors and mispostings. This amount could be positive or negative depending on the nature of the adjustments. The Principal Recipient should also include or take into account adjustments that were validated, cleared and officially communicated by the Global Fund in Performance Letters, or otherwise, covering prior periods. ▪ Item 4.2 – “Net exchange gains/losses on translation of balances”: this adjustment is to take into account foreign exchange gains or losses from translating closing non grant currency balances (functional and/or other currencies) to grant reporting currency balances at the end of the progress update period. Where there is an overall net loss in foreign currency translation¹², this is recorded as a negative value. The Global Fund accepts the application of weighted average exchange rates (monthly or quarterly) for conversion of the transactions during the period. <p>NOTE: In an environment of devaluing local currency versus grant currency, it is recommended that funds disbursed by the Global Fund be held in the grant currency up to the point of being utilized for program purposes.</p> <ul style="list-style-type: none"> ▪ Item 4.3 – “Ineligible transactions¹³ from previous periods for which justification was approved by the Global Fund”: This adjustment represents approval of justification provided by the Principal Recipient on expenditure previously classified as ineligible. Such Global Fund approvals are issued in the form of an official communication¹⁴. This amount does not impact on the calculation of Principal Recipient cash balances. This is because it does not involve actual cash flows in the reporting period since cash outflow from this expenditure has occurred in prior 	<ul style="list-style-type: none"> ▪ Check that all prior period adjustments as officially communicated to the Principal Recipient by the Global Fund have been accurately entered in the progress update period and are backed by adequate supporting documents. ▪ Verify the accuracy of computations for net exchange gain/losses arising from foreign exchange translations with reference to applicable closing spot rates used with reference to official central bank spot rate or other applicable inter-bank rate. ▪ Verify consistency between justified/cleared ineligible transactions to Global Fund official communication letter to Principal Recipient on the issue.

¹² In the event disbursements are made by the Global Fund in local currency, the Principal Recipient will be informed by the Global Fund on the applicable exchange rate to convert transactions in the grant currency.

¹³ Please refer to “[Section 4.4 of The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting](#)” for more information on eligibility of expenditure.

¹⁴ Official Letter signed by the Regional Manager or Head of Department, email from the Fund Portfolio Manager, Performance Letter or Notification Letter.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>periods¹⁵.</p> <ul style="list-style-type: none"> ▪ Item 4.4 – “Reimbursement of ineligible transactions from previous periods”: the amount of refunds¹⁶ made to the grant bank account or transferred directly to the Global Fund during the progress update period by the Principal Recipient. This impacts on Principal Recipient cash balance computation only (i.e. an increase in cash balance). <p>5. Total cash balance: end of the reporting period</p> <ul style="list-style-type: none"> ▪ Item 5.1 – “Principal Recipient Cash Balance”: closing cash balance at the Principal Recipient level reported in grant currency is a calculated field. It is translated at the spot exchange rate as of the end date of the reporting period (in the event the cash is held in non-grant currency). The foreign exchange adjustment derived from the translation is entered in item 4.2 of the cash reconciliation. <p>NOTE: The closing cash balance is derived as the Principal Recipient opening cash balance, adding the total grant income for the period less total in-country expenditures on a <u>cash basis</u> and adding reconciling adjustments for the period.</p> <ul style="list-style-type: none"> ▪ Item 5.2 – “Sub-Recipient Cash Balance”: closing cash balance of sub-recipients reported in grant currency at the spot exchange rate as of the end date of the reporting period. <p>NOTE: Reporting on sub-recipient cash balances is a risk-based exercise and ensures a comprehensive absorption analysis and cash management approach. For certain portfolios, the Global Fund may request mandatory reporting of Sub-Recipient balances. In this instance the Principal Recipient needs to fill out these Sub-Recipient cash balances in the SR Cash Reconciliation sheet (refer to section 2D, below).</p> <ul style="list-style-type: none"> ▪ Item 5.3 – “Total Cash Balance”: is automatically calculated based on the information entered in the fields above <p>6. Commitments and Other Obligations This relates to accrued expenses as at the</p>	<ul style="list-style-type: none"> ▪ Check supporting documents (such as pay-in slips, wire transfers, bank statements etc.) for refunds made to the program, cross-referencing amount to Global Fund official letter on refunds. ▪ Verify accuracy and consistency of closing cash balances (Principal Recipient and Sub-Recipient, latter which is based on special request by the Country Team) ensuring that the spot exchange rate is reasonable with reference to official central bank spot rate or other applicable inter-bank rate and that the amounts agree with updated cash book balances from month end bank reconciliations. ▪ Verify the reasonableness of exchange rates used to convert period and cumulated expenditures into the grant currency. ▪ Verify the reasonableness of the amounts disclosed as Principal Recipient commitments

¹⁵ This entry helps in tracking of ineligible expenditure and decisions made on such expenditure by ensuring transparent alignment of the Principal Recipient and the Global Fund records.

¹⁶ In the event such refunds are in the form of replacement of assets or commodities, the Global Fund would issue a formal letter accepting this mechanism and updating the ineligible expenditure accordingly in the Global Fund records.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>reporting period end date in accordance with generally accepted accounting principles (GAAP) used by the Principal Recipient for expenditure recognition. The Principal Recipient is required to disclose the GAAP being used for recognition of expenditure in the comments section of the cash reconciliation statement.</p> <ul style="list-style-type: none"> ▪ Item 6.1 – “Unpaid invoices, accrued expenditure for severance pay, leave and other liabilities ”: covers all expenses accruing for employees which are yet to be paid (leave, retirement, terminal benefits etc.) and any open invoices from the receipt of goods and services as at the end of the reporting period ▪ Item 6.2 – “Open legal obligations (including signed contracts not yet invoiced)”: this represents the value of contracted goods and services or approved open purchase orders that have not been invoiced by a supplier as at the reporting period end ▪ Item 6.3 – “Tenders and/or procurement contracts initiated but not yet signed as contracts”: this represents the value of awarded contracts as at the reporting period end (i.e. successful tenders for goods and services prior to entering into a contractual agreement with a supplier) ▪ Item 6.4 – “Total Commitments & Other Obligations”: this is the total amount of items 6.1 to 6.3, above. <p>NOTE: This financial information is meant for disclosure and analytical purposes only and does not impact the calculation of the Principal Recipient’s cash balance.</p> <p>Section 2B. Principal Recipient Bank Statement Balance & Cash In Transit in Grant Currency</p> <p>This section of the cash reconciliation statement provides financial information on bank statement balances of Principal Recipient, cash in transit during the current progress update period and those in transit falling outside that period¹⁷ (i.e. the disbursement request period). The items under this section are as follows:</p> <ul style="list-style-type: none"> ▪ Item 7.1 – “Principal Recipient Cash Balance as per bank statements”: The Principal Recipient is requested to furnish the Global 	<p>and other obligations in accordance with the applicable Principal Recipient accounting principles. This includes assurance that these commitments and other obligations have third party supporting documents and represent goods and services rendered or expected to be rendered with reference to the currently approved grant budget, annual funding decisions and associated disbursements made to the Principal Recipient.</p> <ul style="list-style-type: none"> ▪ Vouch reported Principal Recipient bank statement balance in cash reconciliation to official bank statements

¹⁷ This information is included if the Principal Recipient has received disbursement notification before the progress update submission due date to the Global Fund, otherwise, the information is not required.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Fund with the bank statement balance as at the progress update period end for analytical purposes only as part of determining annual funding and subsequent disbursement decisions. These balances should be for bank accounts maintained in grant currency and for those in other currencies (including local currency) translated into grant currency using the prevailing official spot exchange rate. In the case of comingled account, provision of the grant allocated bank balance is required and should be referred to as “fund balances”.</p> <ul style="list-style-type: none"> ▪ Item 7.2 – “Cash in transit for the reporting period”: These are the disbursements made by the Global Fund¹⁸ to the Principal Recipient (or to a third party on its behalf) during the current reporting period but received by the Principal Recipient after the reporting period end date. For example, a disbursement made to the Principal Recipient on 28th June 2015 in the course of the progress update semester period ending 30th June 2015 but received by the Principal Recipient on 15th July 2015. As this constitutes cash resources at the disposal of the Principal Recipient, this amount is automatically deducted from the total forecast amount for the disbursement request period. ▪ Item 7.3 – “Cash in transit after the current reporting period”: In certain instances, the Global Fund may release disbursements to the Principal Recipient (or to a third party on behalf of the Principal Recipient) after the reporting period end-date, but prior to the due date for progress update submission. When such disbursements are made to and received by the Principal Recipient after the current progress update reporting period end, this is entered here (if readily available for reporting purposes). For example the Global Fund released the disbursement for the buffer period or other disbursement to the Principal Recipient on 21st July 2015, the disbursement is received by the Principal Recipient on 31st July 2015 (after the progress update reporting period end date of 30th June 2015). The amount received will be captured here as it has been received within the progress update submission date of 31st August 2015. <p>NOTE: The Principal Recipient must include all “commitments and outstanding payments” in the disbursement forecast as cash balances¹⁹ and</p>	<ul style="list-style-type: none"> ▪ Ascertain that cash in transit amounts are accurate with reference to disbursement notification letters for disbursements to Principal Recipient and also to third parties on behalf of the Principal Recipient while ensuring that they relate to the periods as explained in the guidance section ▪ Refer to relevant sections above, for guidance.

¹⁸ The date on the Notification Letter transmitted by the Global Fund is during the current reporting period.

¹⁹ Including fund balance for comingled bank accounts.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>cash in-transits are deducted from the disbursement forecast.</p> <p>Section 2C. Principal Recipient Ineligible transactions in Grant Currency</p> <p>This section of the cash reconciliation statement is meant for the tracking of ineligible transactions in order to ensure transparency and alignment on potential recoverable amounts as at the reporting period end date, arising from expenditures which have been declared as ineligible in the course of the current implementation period of the grant and formally communicated through Performance, Implementation or Notification Letters.</p> <ul style="list-style-type: none"> ▪ Item 8.1 – “Ineligible transactions validated for the reporting period”: relates to identified expenditure in the current reporting period deemed ineligible by the PR based on the guidelines on ineligible transactions contained in section 4.4 of the “The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting”. The cumulative amount for previous periods should be as communicated by the Global Fund Country Team through the “Performance letter”. ▪ Item 8.2 – “Ineligible transactions from previous periods for which justification was approved by the Global Fund”: is derived from the item 4.3 above. ▪ Item 8.3 – “Reimbursement of ineligible transactions from previous periods”: is derived from the item 4.4 above and reflects transactions for which the Principal Recipient has provide a physical refund to the grant bank account or transferred the funds directly to the Global Fund. ▪ Item 8.4 – “Cumulative ineligible transactions for the implementation period”: is the sum of all ineligible transactions since the start of the current implementation period. ▪ Item 8.5 – “Open Ineligible transactions to be justified and/or reimbursed”: represents the amount of ineligible transactions as of the end of the reporting period. It is automatically calculated based on the information entered in the fields above. <p>NOTE: The Principal Recipient is required to input cumulative prior periods’ information on ineligible transactions in items 8.1 to 8.5, including those for which justification was approved by the Global Fund and/or reimbursement was made.</p>	

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

General guidance

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

The sub-recipient cash reconciliation statement provides the reconciliation of funds provided to sub-recipients at a given progress update period end date. Sub-recipient open advances are defined as disbursements made to sub-recipients and other sub-recipient income less sub-recipient expenditures validated and recorded by the Principal Recipient in its records as fully liquidated amounts (i.e. recognized officially as sub-recipient expenditure by the Principal Recipient in its own records). In certain instances, where “zero-cash or restricted cash policy²⁰” is in place, the Principal Recipient should report payments made under such policies as actual disbursements to sub-recipients (section 3.2)” and also treat them as sub-recipient expenditure in the sub-recipient cash reconciliation section (column 4 and 6).

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

Sample expenditure verification can also be performed by the Local Fund Agent or other assurance providers, depending on the country context and risk exposure²¹.

This section contains the following fields:

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

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

²⁰ Such policies imply that the Principal Recipient makes direct payments on behalf of the Sub-Recipients.

²¹ Local Fund Agent verification work is based on request from the Country Team with scope setting guided by the risk-based approach to verification described in section 1.7 of this guideline

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>1. Sub-recipient Name The Principal Recipient is requested to insert the name of the sub-recipient(s) for which financial details are been given. Where there is a significant number of sub-recipient(s) involved in implementation and in order to simplify the reporting process, the Principal Recipient can enter “other” to group minor sub-recipients as a category to cover the aggregation of financial data of Sub-Recipients with a cumulative budget below US \$50,000 as at the end of the progress update reporting period.</p> <p>2. Cumulative sub-recipient expenses for prior periods at the Principal Recipient level This constitutes the cumulative expenditure amount validated by the Principal Recipient and entered into its accounting records derived from amounts previously disbursed to sub-recipients as at the end of the previous progress update reporting period.</p> <p>3. Sub-recipient(s) Open Advances at Principal Recipient level This represents open balances from the previous progress update period regarding advances provided to sub-recipients as validated and confirmed as part of the Principal Recipient’s regular accounting closure process²².</p> <p>4. Disbursements made by Principal Recipient During Reporting Period This captures all direct disbursements made by the Principal Recipient to sub-recipients in the course of the progress update reporting period. These are cash outflows at Principal Recipient level, which impact the cash balance, however, these do not constitute expenditure in the form of payments for goods and services. This amount should fully reconcile and correspond to the amount reported in item 3.2 (i.e. “Principal Recipient disbursement to Sub-Recipients”) in the cash reconciliation statement under Section 2A (tab 2A, B, C).</p> <p>5. Other Income during the reporting period These constitute income arising from regular grant activities as covered in the grant agreement’s work plan and budget such as income generating activities and bank</p>	<p>If requested by the Global Fund Country Team, the Local Fund Agent should review and report in the section “For Local Fund Agent Use Only” on an exceptions basis the following²⁴:</p> <ul style="list-style-type: none"> ▪ Consistency of cumulative sub-recipient expenses for prior periods with the amounts reported in the previous progress update. ▪ Correspondence of sub-recipient open advances to both closing balances for the previous progress update reporting period and Principal Recipient’s trial balance. ▪ Correspondence of the reported Principal Recipient disbursements to sub-recipients and disbursement notifications sent to sub-recipients and also amounts entered in Principal Recipient’s accounting records for advances, which form the basis for the entry made on item 3.2 of the cash reconciliation statement. ▪ Completeness and accuracy of “other income’ reported at the level of sub-recipient, vouching amounts to relevant source documents. ▪ Accuracy and support for amounts booked by the Principal Recipient (by way of expenditure returns from sub-recipients with supporting documents such as delivery notes, invoices, payment vouchers, receipts, etc.) as constituting validated sub-recipient expenditures and also accuracy of closing sub-recipient open advances reported on by the Principal Recipient. ▪ Reasonableness of reported sub-recipient cash balance including recommending adjustments to these balances where there is inaccuracy, provided the Principal Recipient has been requested to provide sub-recipient cash balance information in the column “Actual Sub-Recipient Cash Balance (if applicable)”. Where a Principal Recipient elects to provide sub-recipient cash balance information, Local Fund Agent review would be based on request from the Global Fund. ▪ Review and comment on exceptions basis,

²² The Global Fund strongly recommends a monthly closing of accounts by all implementers and recipients of funding.

²⁴ Depending on risk factors, Local Fund Agent financial verification work may include site visits to sub-recipients in addition to verifying Principal Recipient-held financial information on sub-recipients.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>interest income. This may also include income arising outside normal grant activities, such as realized proceeds from the approved disposal of grant assets.</p> <p>6. Expenditure validated by Principal Recipient during reporting period These are in relation to expenditure accepted and/or validated by the Principal Recipient as official sub-recipient expenditure for the progress update reporting period, following a formal process of verifying supporting documents²³ of expenditure transactions.</p> <p>7. Closing balance at Principal Recipient level This is open Sub-Recipient advances maintained by the Principal Recipient as at progress update period end date and it represents combination of expenditure which is yet to be officially validated, cleared and recognized by the Principal Recipient in its accounting records; funds for activities which are yet to be implemented by sub-recipient and/or savings from activities implemented.</p> <p>8. Actual sub-recipient(s) cash balance (if applicable) This should be filled in by the Principal Recipient upon proper verification and validation of sub-recipient cash balances as at the reporting period. This is only mandatory for certain grant portfolios and countries as communicated by the country team. In all cases, the Principal Recipient must have oversight mechanisms in place to provide assurance on reasonableness of sub-recipient expenditure and cash balances.</p> <p>9. Variances on sub-recipient(s) balances This does not require any direct input from the Principal Recipient and is the difference between the closing balance at Principal Recipient level in respect of open sub-recipient advances and actual sub-recipient cash balances. The Principal Recipient should ensure that it takes all steps necessary to ensure that this variance is kept to a reasonably low level by ensuring proper oversight on sub-recipient(s) expenditure and timely reporting.</p>	<p>the adequacy of underlying systems and oversight controls in the management of Sub-Recipient advances by the Principal Recipient.</p> <ul style="list-style-type: none"> ▪ The level of effort should be agreed between the Global Fund Country Team and the Local Fund Agent, depending on the requirements of the Country Team.

²³ The verification of sub-recipient expenditure should be based on a risk-based approach and can be performed on a sample basis in cases when adequate controls and risk mitigation measures are in place.

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

General guidance

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

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

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

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

Detailed Description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Total Principal Recipient Cash Outflow versus Budget (1)</p> <ul style="list-style-type: none"> ▪ The “Total Principal Recipient cash outflow vs budget” (1) will be automatically calculated by summing the “Principal Recipient’s total expenditure (including any direct-disbursements to third-parties)” (1a) and “Disbursements to Sub-Recipients” (1b). ▪ The “Principal Recipient’s total expenditure (including any direct-disbursements to third-parties)” (1a) should cover the Principal Recipient’s <u>direct</u> expenditure related to its own activities. This field should not include disbursements to Sub-Recipients. This field is calculated automatically and the sum of item 3.1 “Principal Recipient Expenditure (including payments and other advance payments)”, item 3.2 “Disbursement to third parties by the Global Fund on behalf of the Principal Recipient” and item 3.4 “Bank 	<p>The Local Fund Agent should review that:</p> <ul style="list-style-type: none"> ▪ The total “Budget for Reporting Period” corresponds to the approved budget amount for the relevant period as per the summary budget submitted with the grant agreement or a budget subsequently approved through an implementation letter. ▪ The cumulative budget and expenditure figures reflect the aggregated amounts from the beginning of the implementation period to the end of the period covered by the progress update. ▪ “Total Principal Recipient cash outflow vs budget” already includes the amounts for “Health Products - Pharmaceutical Products” and other “Health Products - Non-Pharmaceuticals and Equipment”.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>charges on disbursement and payment” in the cash reconciliation statement under tab 2A,B,C.</p> <ul style="list-style-type: none"> ▪ The “Budget for Reporting Period” should correspond to the approved budget amount for the relevant period, as per the summary budget attached to the grant agreement or subsequent implementation letter. Budgetary adjustments emerging from reallocations through the application of +/- 15% ²⁵ flexibility are only explained in the reasons for variances and not as a change to the budget amount. ▪ The “cumulative budget through period of progress update” and the “Cumulative Actual Grant Expenditure - Cash Basis through period of progress update” should reflect the cumulative amounts (including any adjustments) from the beginning of the implementation period to the end of the period covered by the current progress update. <p>NOTE: The cumulative budget should be adjusted in line with any changes to Summary Budgets as per the Grant Agreement or subsequent Implementation Letter. Both the Principal Recipient and the Local Fund Agent should ensure that the cumulative budget is not overstated when budgeted funds from the previous periods have been brought forward to subsequent periods.</p> <ul style="list-style-type: none"> ▪ “Disbursements to Sub-Recipients” (1b) should indicate for the current reporting period and cumulative for the implementation period, all disbursements from the Principal Recipient to Sub-Recipients (this amount should not reflect actual expenditures by the Sub-Recipients). <p>The variance between the budget and expenditure needs to be explained in light of programmatic performance to date and the main financial drivers of the variance (e.g. overachievement in a given Intervention, for example, due to savings in negotiated drug prices, impact of exchange rate, unit cost savings/upcharges, change in quantities, delay/acceleration of activities, change in payment terms and timing). The materiality threshold for the variance analysis and the level of details to be provided by the Principal Recipient should be agreed by the Principal Recipient with the Global Fund Country Team. Recognizing the format limitations of the PU/DR</p>	<ul style="list-style-type: none"> ▪ The reasonableness of any adjustments to cumulative budgets and actual expenditures proposed by the Principal Recipient. ▪ The reported amounts (budget and actual expenditures) from the Principal Recipient will automatically appear in the tables. Following the verification exercise, the Local Fund Agent should enter the verified figures in the designated fields in the form in respect of budgets for the cumulative and reporting periods. Verified LFA cumulative and reporting period expenditure or PR Cash Outflow data in section 2A automatically gets populated in the LFA section in 2E. ▪ The reported PR financials on procurement of health products, both cumulatively and for the reporting period, is accurate. This verified expenditure data should be captured in the relevant fields in section 2E on the basis of supporting documents availed the LFA. <p><i>For Medium and High risk grants only:</i></p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should complete the “Local Fund Agent analysis of variance” specifying the main factors and amounts generating the variance between the budget and reported expenditures. This <u>should not</u> be a “copy and paste” of the reasons provided by the Principal Recipient (an explanation should be given even if the Local Fund Agent is in agreement with the Principal Recipient). <p>In all cases:</p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should report to the Global Fund any recommended adjustments to the financial information reported by the Principal Recipient, as appropriate. ▪ The Local Fund Agent should check that the Principal Recipient has completed this section of the table in line with the guidance.

²⁵ This percentage may be lower for some country portfolio as stipulated in the specific grant agreement.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>section for cumulative variance explanations Principal Recipients are encouraged to use an optional Variance Analysis template or attach their own detailed workings. The detailed explanation should analyze both cumulative and current reporting period variances along the following drivers:</p> <ul style="list-style-type: none"> Cancelled outflows and other budget savings Plus Contractual Commitments or obligations Plus Cash outflows postponed to later periods Plus Cash outflows paid for in prior periods (relevant to current variance analysis) Minus Overspending Minus Advanced from future budget periods Equals <u>Cumulative/Current Variance</u> <p>The total of all positive variances represents a cumulative or current underspent on the budget, whereas negative variances represent an overspent on the cumulative or current budget. Any overspending on the approved budget should be in line with the provisions of Section 3.5 of “The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting”.</p> <p>Total pharmaceutical & non-pharmaceutical incl. equipment expenditures vs. budget (2)</p> <p>NOTE: Pharmaceutical and other health products are defined in the standard terms and conditions of the Grant Agreement.</p> <p>The Principal Recipient should complete this section of the table taking into account that:</p> <ul style="list-style-type: none"> ▪ The budget and expenditure amounts of the “Total pharmaceutical & non-pharmaceutical incl. equipment expenditures vs. budget” (2) are a subset of the “total Principal Recipient cash outflow” (1). ▪ “Total pharmaceutical and non-pharmaceutical including equipment expenditure vs. budget” should cover expenditures and budgets <u>both at Principal Recipient and Sub-Recipient levels</u>, including Pooled Procurement Mechanism (PPM) arrangements. ▪ The budget for “Health Products-Pharmaceutical Products “(2a) and “Health Products - Non-Pharmaceuticals and Equipment” (2b) for the period covered by the progress update should be reported by the Principal Recipient 	

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

Section 3: Procurement and Supply Management

Overall purpose of the section

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

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

Price and Quality Reporting

General guidance

Why:

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

What:

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

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

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

Who:

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

When:

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

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

How:

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

Special cases:

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

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

Detailed description

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

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

Risk of Expiry and Stock-Out

General guidance

Why:

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

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

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

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

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

What:

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

- Antimalarial medicines
- Insecticide-treated bed nets (LLINs)
- In-vitro Diagnostic products
- Condoms
- Anti-retrovirals

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

Who:

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

When:

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

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

How:

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

Among others, the **risk of stock-out exists** if (i) the proportion of understocked sites in the country is high regardless of the level aggregate national stock position; (ii) there is imminent expiry of a large proportion of stock; (iii) there are critical disparities in the distribution and location of stock at different sites in the country; (iv) LMIS reporting/recording compliance rates are low and/or data quality is unreliable; (v) the central level stock position is below the minimum recommended; and (vi) the national stock position is lower than the minimum recommended; etc.

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

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Risks of stock-out or expiry of key pharmaceuticals and other health products in the next period of implementation (2)</p> <p>This information will help measure the level of risk of program implementation delays and treatment interruption, or risks of wastage and highlight the need for any action to mitigate the risk.</p> <p>NOTE Any scale-up or program acceleration plans need to be taken into account when estimating future needs and assessing risk of stock-out.</p>	<p>Recommended scope of work:</p> <ul style="list-style-type: none"> ▪ <i>Low</i> and <i>medium</i> risk grants: review of stock information as per the description below; the PSM expert at the Local Fund Agent level may provide inputs through a desk review, if required. ▪ <i>High</i> risk grants: review of stock information as per the description below with spot checks at the central warehouse level, if requested by the Global Fund Country Team; the PSM expert should provide inputs through a desk review, if required. ▪ Based on the most up-to-date information on stock levels at the <u>central</u> level, consumption data and procurement planning or, in their absence, other best available information, the Local Fund Agent should comment on the reasonableness of the Principal Recipient's description of risks of stock-outs and actions taken to address them. ▪ No fieldwork is required unless specifically requested by the Global Fund Country Team, or proposed by the Local Fund Agent and agreed by the Global Fund. ▪ In cases where major risks exist, the Local Fund Agent should describe the risks in the Findings and Recommendations section, and make actionable recommendations to improve information systems and procurement planning. The Local Fund Agent should discuss identified issues with the Principal Recipient. <p>IMPORTANT In grants with a major procurement component, poor information systems for pharmaceuticals and other health products should be identified as an important management issue in the Findings and Recommendations section of the PU/DR.</p>
<p>Additional issues related to procurement and supply management (3)</p> <ul style="list-style-type: none"> ▪ The Principal Recipient should raise any issue(s) or information on the procurement and supply management of pharmaceuticals and health products that could impact program implementation and highlight any mitigation measure in place or to be implemented. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should comment on issues reported by the Principal Recipient and any additional issues related to the procurement and supply management of pharmaceuticals and other health products and the mitigation action in place or to be implemented which have come to the Local Fund Agent's attention. The Local Fund Agent should assess the impact of these issues (current and/or future) on the program

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
	<p>implementation. The PSM expert part of the Local Fund Agent team may provide input through a desk review in all risk settings, depending on the specific requirements and complexities of the grants.</p>

Section 4: Grant Management

Overall purpose of the section

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

General guidance

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

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

Detailed Description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Conditions Precedent and/or other Special Conditions (A)</p> <ul style="list-style-type: none"> ▪ All conditions precedent and special conditions contained in the Grant Agreement/Grant Confirmation or in any subsequent implementation letters that are due for reporting during the period covered by the Progress Update should be listed. This also includes all conditions precedent and special conditions outstanding from previous periods. The Principal Recipient must provide a status update on all listed conditions precedent and special conditions. The condition precedent number (according to grant agreement) should also be stated. ▪ The status of fulfillment of each condition precedent and special condition should be selected from the dropdown menu options as applicable: “met,” “unmet – in progress” and “unmet – not started.” <p>NOTE Answer to the fulfillment of conditions precedent and special conditions only represents the Principal Recipient’s own assessment of its accomplishments. This will be subject to the Local Fund Agent’s verification and Global Fund review. A condition</p>	<ul style="list-style-type: none"> ▪ The Local Fund Agent should ensure that: <ul style="list-style-type: none"> - All conditions precedent and special conditions applicable to the period covered by the Progress Update have been accurately listed by the Principal Recipient. These include all conditions outstanding from previous periods, as well as all conditions that were due during the period covered by the progress update (whether or not they were met). - If any applicable condition has <u>not</u> been listed by the Principal Recipient, the Local Fund Agent should point out to the Principal Recipient the missing conditions precedent, and request they include them and the status of their implementation, before including the Local Fund Agent’s comment. ▪ The Local Fund Agent should indicate the fulfillment status of all applicable conditions and provide comments on progress toward the achievement of the conditions which are not yet fulfilled. These comments <u>should not</u> be a “copy

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>precedent/special condition will be effective until formally cleared by the Global Fund in writing.</p> <ul style="list-style-type: none"> ▪ For “met” conditions, it is sufficient to provide a status update only. The Principal Recipient may nevertheless include any details on progress if they are considered necessary for understanding the fulfillment of the condition. ▪ For conditions with the status “unmet – in progress,” comments on the progress toward their achievement should be provided. Reasons for the delay should be clearly explained and timelines for expected completion should be indicated. ▪ For conditions with the status “unmet – not started,” reasons for nonfulfillment should be clearly explained and timelines for expected completion should be indicated, unless a condition has been waived by the Global Fund. <p>NOTE Some special conditions may apply to more than one period of grant implementation (e.g. counterpart financing). Their fulfillment during one period does not automatically imply fulfillment in subsequent periods. The Local Fund Agent will verify that the status of such conditions is reported by the Principal Recipient during each period concerned.</p>	<p>and paste” of the comments provided by the Principal Recipient.</p> <p>NOTE If a condition precedent/special condition that was previously fulfilled is reopened due to new circumstances, and the issue addressed by this condition is considered critical, the issue should be disclosed in the Findings and Recommendations Section. At the discretion of the Global Fund Country Team, the issue may be followed up through the management actions assigned by the Global Fund to the Principal Recipient.</p>
<p>Implementation of Outstanding Management Actions (B)</p> <ul style="list-style-type: none"> ▪ All management actions which have been assigned to the Principal Recipient by the Global Fund and are outstanding should be listed with a reference to the date of the respective Performance Letter and action number. ▪ Comments on progress toward fulfillment should be provided for each management action. ▪ For unfulfilled management actions, reasons for nonfulfillment and/or delay should be clearly explained and timelines of expected completion should be indicated. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should ensure that all management actions assigned by the Global Fund to the Principal Recipient and applicable to the reporting period, or outstanding from previous periods, have been accurately listed by the Principal Recipient. ▪ If any required management actions have not been listed by the Principal Recipient, the Local Fund Agent should list them in their section of the table and seek clarification on their status from the Principal Recipient. ▪ The Local Fund Agent should provide comments on progress toward the fulfillment of each management action. <u>These comments should not be a “copy and paste” of the comments provided by the Principal Recipient.</u>
<p>Annual Grant Reporting Requirements (C)</p> <ul style="list-style-type: none"> ▪ For each reporting requirement (e.g. audit report, AFR/EFR), a due date for the report should be indicated. In case the report is overdue, the preceding due date should be indicated (instead of the due date for the following year). ▪ For overdue reports, reasons for the delay(s) should be clearly stated and timelines for expected completion should be indicated. 	<ul style="list-style-type: none"> ▪ For each annual grant reporting requirement, the Local Fund Agent should confirm whether or not the fulfillment of the requirement is overdue and provide relevant comments. ▪ In case of any discrepancies between the Local Fund Agent’s and the Principal Recipient’s perspectives of the fulfillment of the requirements, the Local Fund Agent should clarify with the Principal Recipient prior to informing the Global Fund.

Section 5: Evaluation of Overall Performance

Overall purpose of the section

This section contains:

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

Detailed Description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Overall Self-evaluation of Grant Performance (A)</p> <p>In this section, the Principal Recipient should provide a high-level self-assessment from the grant start date through to the end date of the current Progress Update period on:</p> <ul style="list-style-type: none"> ▪ Programmatic performance, including a qualitative overview of key programmatic achievements and main weaknesses from the grant start. <i>Refer to Programmatic Progress section.</i> ▪ Financial performance, including an analysis of linkages between disbursed, budgeted and spent amounts. Here the Principal Recipient is expected to disclose any issues requiring attention in terms of absorption of funds at either/both the Principal Recipient and Sub-Recipient levels. A qualitative analysis should be complemented by the following ratios: <ul style="list-style-type: none"> – Cumulative burn rate, calculated as a ratio of cumulative Principal Recipient cash outflow to cumulative budget amounts to date. ▪ Links between financial performance and programmatic achievements. <p>NOTE For example, lower than expected burn rate needs to be explained in connection with</p>	<ul style="list-style-type: none"> ▪ In this section the Local Fund Agent should provide an overall assessment of the grant performance and rate the grant based on the Grant Rating Methodology (Refer to Annex 1). ▪ The Local Fund Agent should include the indicator rating, indicate as ‘Yes’ or ‘No’ if there are major management issues in any of the functional areas that results in a rating downgrade and, finally, provide an overall grant rating. These steps should be performed in line with the Grant Rating Methodology (reference Annex 1 for detail). ▪ The Local Fund Agent is requested to include any relevant comments that will help better understanding the rationale for a given overall rating, including a summary of any major issues in functional areas that may put successful program implementation under risk (the section LFA Findings and Recommendations or other sections of the report should contain details of these issues; the respective sections should be cross-referenced). ▪ As part of this review the Local Fund Agent is also expected to pay specific attention to highlight any issues identified by the Local Fund Agent which relate to the utilization or possible misappropriation of funds at the Principal Recipient and Sub-Recipient levels.

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

Section 6: Findings and Recommendations

Overall purpose of the section

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

IMPORTANT In evaluating the grant performance and assigning the overall grant rating (which influences the disbursement amount), the Local Fund Agent should take into account management issues in all of the functional areas in line with the Grant Rating Methodology (reference **Annex 1** for detail). The rationale for taking management issues into account in the performance evaluation is that critical management issues (e.g. poor data quality, procurement delays, ineligible expenditures, etc.) may ultimately compromise future program implementation and the ability of the program to achieve the objectives and goals of the proposal. In addition, it is important to ensure that grants comply with Global Fund requirements, especially in the areas of M&E, health products management, financial management and governance.

Detailed description

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

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

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

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

Local Fund Agent-specific notes

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

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

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

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

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

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

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

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

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

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

Local Fund Agent-specific notes

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

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

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

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

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

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

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

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Section 7: Annual/Enhanced Financial Reporting²⁶

Overall purpose of the section

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

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

General guidance

Reporting schedule

Principal Recipients should submit the annual financial reporting for each grant at least annually from the agreed grant start date (i.e. month 12, month 24, etc.).

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

This annual reporting cycle should be aligned to the country or recipient's regular in-country reporting cycle for programmatic results and/or to their in-country financial reporting cycle. Country Coordinating Mechanisms and other applicants are strongly encouraged to ensure that the annual reporting cycles across all grants in a given disease component are aligned, so as to facilitate reporting across the disease portfolio.

In order to align the grant start dates with the selected annual reporting cycle, the first and last reporting periods of the grant could be longer or shorter than 12 months. The first period of the grant can be as short as six months or as long as 18 months. For example, if the grant start date is 1 April and the selected annual reporting cycle is January to December, the first reporting period²⁷ should cover the period from April to December (i.e. nine months). The Global Fund at its own discretion may allow Principal Recipients to combine the first and second period annual reports when the first period is shorter than 6 months.

²⁶ The annual financial reporting is applicable to grants that have transitioned to the new funding model. For grants under the Rounds-Based Model, the [Enhanced Financial Reporting](#) will still apply.

²⁷ The associated first annual funding decision and disbursement schedule will also be aligned, plus a buffer period.

Financial Information

The figures in the annual financial reporting must be fully aligned and reconciled to the financial statements of the Principal Recipient²⁸; any adjustments and modification in the expenditures of the financial statements should also be incorporated in a revised annual financial reporting, in accordance with the final audited statements. The revised annual financial reporting (if applicable) would then be submitted, along with the external audit report.

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

The reporting by costing dimension grouping is based on the new cost grouping and cost inputs (these are outlined in Appendix 2) of [“The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting”](#).

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

Financial information should be reported for the current grant cycle year and cumulatively from the beginning of the implementation period. Reporting should cover the entire grant implementation period budget and expenditure information.

The consolidated approach for producing annual financial reporting is identical to the assumption and process that Principal Recipients should use in preparing consolidated financial statements for Global Fund grants, which can then be audited to generate a consolidated audit report for the grant. Thus, where financial statements and annual financial reporting dates are aligned, expenditures as reported in the annual financial report and financial statements should be exactly equal. This would be part of the Global Fund verification during the review of the financial statements and audit reports. Related details of consolidation requirements for consolidated financial statements are covered in the [Global Fund Audit Guidelines](#).

²⁸ The Annual Financial Report's (AFR) should include obligations incurred by the implementers (Principal Recipient and Sub-Recipients) for the purposes of Global Fund reporting. Annual depreciation expenses will not be considered in the Annual Financial Report and equipment acquired during the year need to be expensed fully in the year of acquisition. Consequently, the full cost of equipment will be included in the Annual Financial Report of the year of acquisition.

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Column “Budget for Reporting Period”: should correspond to the approved budget amount for the relevant period²⁹, as per the grant agreement or subsequent implementation letter. ▪ Column “Actual Expenditure”: should correspond to the actual expenditure (Principal Recipient direct expenditure and Sub-Recipient direct expenditure) incurred during the current reporting period. <p>NOTE: The Principal Recipient should not report the disbursements to Sub-Recipients as expenditure as they have to report the actual expenditure incurred by the Sub-Recipients.</p> <ul style="list-style-type: none"> ▪ Column “Budget Vs Actual Variances”: is automatically calculated based on the information entered in the fields above. ▪ Column “Absorption Capacity”: is automatically calculated based on the information entered in the fields above. ▪ Column “Explanation of Variances”: It is mandatory to provide an explanation for variances below 95% and above 105% of the budget. The Principal Recipients should be as specific as possible when commenting on variances and must ensure that they explain the link with programmatic results. <p>NOTE: In cases where a more detailed analysis of the variance is necessary to ensure an adequate explanation of the variance and the relationship to the programmatic results, Principal Recipient should summarize the explanation in the “Explanation of Variances” Column and then elaborate further in the Annex Worksheets of the template which are available to provide additional information to explain the variance. Please ensure to include in the “Explanation of Variances”, the reference to the detailed explanation if applicable (e.g. See Annex 1, 2, 3, etc).</p> <ul style="list-style-type: none"> ▪ The “Cumulative Budget”, the “Cumulative Actual Expenditure”, the “Cumulative Budget Vs Actuals Variances” and the “Absorption Capacity” columns should reflect the aggregated amounts (including any adjustments) from the beginning of the implementation period to the end of the period covered by the current progress update. 	<p>The Local Fund Agent should review that:</p> <ul style="list-style-type: none"> ▪ The total “Budget for Reporting Period” corresponds to the approved budget amount for the relevant period as per the summary budget submitted with the grant agreement or a budget subsequently approved through an implementation letter. ▪ The Actual expenditure are eligible. <u>Eligible expenditures</u> are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund approved budget and used solely for program purposes consistent with the terms and conditions of the grant agreement. Specific guidance on ineligible transactions is contained in section 4.4 of the “The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting”. ▪ Recommend and explain its adjustments to the reported figures due to identified ineligible transactions (including mistakes/inaccuracies) as appropriate and taking into account sections 3.5 and 4.4 of “The Global Fund Guidelines for Grant Budgeting & Annual Financial Reporting. ▪ Comment on the Principal Recipient’s explanation of variances. ▪ The cumulative budget and expenditure figures reflect the aggregated amounts from the beginning of the implementation period to the end of the period covered by the progress update. ▪ The reasonableness of any adjustments to cumulative budgets and actual expenditures proposed by the Principal Recipient. ▪ The Local Fund Agent should also comment on the Principal Recipient’s explanation of variances between the latest approved budget and the actual expenditure.

²⁹ This period is normally the 12-month reporting period as per the agreed reporting cycle in the grant confirmation or agreement. This period may be less than or more than the 12-month period, depending on the reporting period agreed upon with the Global Fund

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Section 8: Annual Cash Forecast and Disbursement Recommendation

8.1 Annual Cash Forecast

Overall purpose of the section

This section contains a calculation of the annual cash expenditure forecast for the period immediately following the period covered by the progress update (as well as for an extra cash “buffer” period of up to three months³⁰).

Detailed description

The forecast information reported should include activities in the approved budgets required for the payment of goods and services for the next 12 months including the buffer period. This should be provided by cost grouping (at minimum) and by (a) modules - interventions; and (b) implementers (Principal Recipients and Sub-Recipients) upon the request of the Country or if readily available. The forecast should include new activities to be implemented (new contracts/procurement for goods and services), open existing contracts (commitment and payables) from which payments will be made during the period covered by the forecast.

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

- **Program absorption capacity:** what are the current budget absorption rates (expenditure/budget) over the most recent periods and are they high or low. What are the factors causing this, and do any of these factors affect the current period?
- **Changes to the work plan:** have there been any major changes to the work plan for the next period of implementation, such as postponement or acceleration of activities, or delays or advances in major procurements which have an impact on the cash needed for the period?
- The person responsible for the forecast should have a solid understanding of grant implementation and discuss the forecast with relevant program staff.
- **Unit price changes:** how do current/expected unit prices compared to those in the budget?
- **Cash balances:** are there significant cash balances at the sub-recipient’s level, which may reduce the additional cash required from the Principal Recipient and consequently the Global Fund?

The Principal Recipient should state whether and to what extent the information on the sub-recipient’s cash balances has been used in the calculation of the requested disbursement amount.

³⁰ In special circumstances the buffer period may be for a period of up to six months. These circumstances include the need for alignment of the reporting period of the Principal Recipient and/or other emergency and country specific circumstances.

- **Commitments³¹:** current confirmed commitments (signed contracts and/or payables) to be paid during disbursement request period.
- **Macroeconomic factors:** have there been any major changes in inflation or exchange rates that would affect the cash needs for the period?

For the purposes of the Global Fund’s grant forecasts, commitments are defined as actual liabilities (invoices received not paid) or obligations (contracts signed but not yet invoiced) incurred by grant implementers for which payment has not been made as at the progress update end-date. Both commitments and bidding or tender processes without a signed contract (even if they relate to the progress update period) are included in the forecast as “Adjustment for the period (based on implementable activities”

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

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

When the additional (cash buffer) period is 1 or 2 months, the approved budget and forecasted amounts should be calculated as a proportion of budget/forecasted amount for the period following the default “cash buffer” period.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Column “Budget for Forecast Period”: should correspond to the approved budget amount for the disbursement request period that excludes the buffer, as per the grant agreement or subsequent implementation letter. ▪ Column “Unspent from previous periods”: should correspond to the cumulative variances in the EFR/AFR for periods up to the progress update end-date of the current implementation period. ▪ Column “Budget for the Buffer Period”: should correspond to the approved budget amount for the next quarter following the disbursement request period, as per the grant agreement or subsequent implementation letter. 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that the budget amounts for the disbursement request period (and the “buffer” for the next quarter) correspond to those specified in the latest approved budget in line with the grant agreement or a subsequent implementation letter. ▪ The Local Fund Agent should analyze the reasonableness of the forecast amount based on program performance, absorption capacity, any major changes to the workplan, any major unit price changes, cash balances at the sub-recipient level, the likelihood of existing commitments requiring cash during the forecasted period and any macroeconomic factors.

³¹ Allowable commitments should be limited to valid liabilities (and encumbrances in the UN system), which, if not honored in time and in the full amount, may result in administrative or commercial penalties including lawsuits.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
	<ul style="list-style-type: none"> ▪ The Local Fund Agent should comment on variances between the forecasted expenditures and the latest approved budget. ▪ NOTE: The Local Fund Agent may use the accuracy of Principal Recipient forecasting over the past periods as contextual information.
<ul style="list-style-type: none"> ▪ Column “Total budget available (including the buffer)”: Corresponds to the total funding available for the forecast period (including unspent from previous periods and the buffer period). This field is calculated automatically ▪ Column “Adjustment for the forecast period (based on implementable activities)”: these are forecast changes to adjust the period budget (including unspent from previous periods) to the actual cash needs for the forecast period. ▪ Column “Adjustment for the Buffer Period”: these are forecast changes to adjust the buffer budget to the actual cash needs for that period. ▪ Column “Total Principal Recipient Forecast (including Buffer)”: corresponds to what the PR anticipates to spend during the period covered by the disbursement request (including the buffer period) 	<ul style="list-style-type: none"> ▪ The Local Fund Agent should pay particular attention to the accuracy of forecasted amounts as the grant approaches the end of the current grant agreement as it will not be possible to recover over-disbursed amounts by reducing subsequent disbursements.

8.2 Funding request and recommendation

General guidance

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

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Line 1: the “period beginning date” for the disbursement period corresponds to the day immediately following the end of the period covered by the progress update. Likewise, the “end date” corresponds to the last day of the 12th month following the end of the period covered by the progress update. This field is calculated automatically. ▪ Line 2a: the “cash buffer” period (by default) is equal to three months. The beginning and end dates for the “buffer” period are also calculated automatically. ▪ Line 2b: additional “cash buffer” period needs to be completed only when there is a prior agreement with the Global Fund about the need for additional “cash buffer”. The Principal Recipient should select the number of months (between one and three months) for which the additional buffer amount is requested. <p>NOTE: Additional “cash buffer” can be requested if the next PU/DR report will contain a completed Annual Financial Reporting report or a completed Annex on Sub-Recipient financials at the request of the Global Fund, or if there are any additional Global Fund specific requirements that cannot be delivered within 45 days. An agreement in principal from the Global Fund should be obtained prior to requesting an additional cash buffer in the PU/DR form.</p>	<ul style="list-style-type: none"> ▪ The Local Fund Agent should verify that the budget amounts for the disbursement request forecast period (including buffer period) correspond to those in the latest approved budget as per grant agreement or subsequent implementation letter ▪ The Local Fund Agent should verify the reasonableness of the forecast amount based on program performance, absorption capacity, any major work plan changes, any major changes to unit prices, cash balances at the Sub-Recipient level, the likelihood of existing commitments requiring cash during the forecasted period and any macroeconomic factors. The Local Fund Agent should comment on variance between the forecasted expenditures and the latest approved budget. ▪ The forecast and disbursement request need to take into account the analysis performed by the Local Fund Agent on the Principal Recipient’s variance analysis between budget and actual expenditures for the latest progress update period in Section 2E’s “Budget Variance”. ▪ The Local Fund Agent should specifically inquire whether and to what extent the information on Sub-Recipient expenditures versus disbursements made to Sub-Recipients has been used by the Principal Recipient when calculating the requested disbursement amount. In this regard, the Local Fund Agent needs to carefully consider the impact of significant disbursements from the Principal Recipient to sub-recipients towards the end of the progress update period on cash needs for the period covered by the disbursement request.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Line 3: the field “Cash Balance: End of period covered by Progress Update” is completed automatically based on the closing cash balance (line 5.3 of Section 2A of the Principal Recipient Cash Reconciliation) ▪ Line 4: the field “Cash in Transit for the reporting period (Disbursements to Principal Recipient & third party disbursements)” is completed automatically based on the cash in transit for the reporting period (line 6.2 of Section 2A of the Principal Recipient Cash Reconciliation) ▪ Line 5: the field “Cash in Transit after the current reporting period (Disbursements to PR & third party disbursements)” is completed automatically based on the cash in transit for the reporting period (line 6.3 of Section 2A of the Principal Recipient Cash Reconciliation) <p>NOTE: When payments made by the Global Fund to third parties are received in the following reporting period, they should be reflected in “Cash in Transit after the current reporting period (Disbursements to Principal Recipient & third party disbursements)” (line 6.3 of Section 5B of the PR form).</p> <ul style="list-style-type: none"> ▪ Line 6: the Principal Recipient’s disbursement request is calculated automatically based on the forecasted expenditure for the period immediately following the period covered by the progress update (plus a cash “buffer”), closing cash balance, and cash “in transit” (if any). ▪ Line 7: the Principal Recipient should indicate if the disbursement request includes funds for health product procurement. ▪ Line 8: the Principal Recipient should indicate the exchange rates used in converting opening/closing cash balances and total Principal Recipient cash outflow, and the date and source of these exchange rates. 	<p>NOTE: The Local Fund Agent is not expected to verify Sub-Recipient cash balances unless specifically agreed with the Global Fund Country Team, but should rather review the work performed by the Principal Recipient in this area and documentation available at the Principal Recipient level, consider the information reported by Sub-Recipients and whether the Principal Recipient has properly included this in the calculation of the forecasted amount.</p> <p>NOTE: The Local Fund Agent should also ascertain any significant cash balances held on behalf of the Principal Recipient by other entities and comment on the relevance of this to the recommended disbursement amount.</p> <ul style="list-style-type: none"> ▪ The Local Fund Agent should verify the amounts of any “cash in transit” disbursed by the Global Fund to the Principal Recipient or third parties on behalf of the Principal Recipient. ▪ The Local Fund Agent should comment on the reasonableness of exchange rates used by the Principal Recipient to convert the opening and closing cash balances and propose necessary adjustments, as required. ▪ The Local Fund Agent should provide a clear explanation for the disbursement recommendation in light of programmatic performance and funding needs, and, where necessary, specify the adjustments made to the Principal Recipient -requested amount.

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Section 9: Authorization

9.1 Principal Recipient Authorization

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

9.2 Local Fund Agent Authorization

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

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

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Annex 1: List of Impact, Outcome and Coverage Indicators Requiring Disaggregation

Tuberculosis Indicators

Indicator code	Core List of Indicators		Disaggregation Categories
	Type	Indicator	
DOTS 1a	Coverage	Number of notified cases of all forms of TB	<ul style="list-style-type: none"> • Sex (female, male) • Age (<15; 15+) • HIV status (positive, negative, not documented)
DOTS 2a	Coverage	Treatment success rate- all forms	<ul style="list-style-type: none"> • Sex (female, male) • Age (<15; 15+) • HIV status (positive, negative, not documented)
DOTS 6	Coverage	Number of TB cases (all forms) notified among key affected populations/high risk groups	<ul style="list-style-type: none"> • Prisoners • Migrants/Refugees/IDPs • Others (specify)
MDR TB-2	Coverage	Number of bacteriologically confirmed, drug resistant TB cases (RR-TB and/or MDR-TB) notified	<ul style="list-style-type: none"> • Sex (female, male) • Age (<15; 15+)
MDR TB-3	Coverage	Number of cases with drug resistant TB (RR-TB and/or MDR-TB) that began second-line treatment	<ul style="list-style-type: none"> • Sex (female, male) • Age (<15; 15+)

Malaria Indicators

Indicator code	Core list of indicators		Disaggregation categories
	Type	Indicator	
Malaria I-1	Impact	Reported malaria cases (presumed and confirmed)	<ul style="list-style-type: none"> Sex (female, male) Age (<5; 5+)
Malaria I-2	Impact	Confirmed malaria cases (microscopy or RDT) per 1000 persons per year	<ul style="list-style-type: none"> Sex (female, male) Age (<5; 5+) Species (Pf, Pv, others)
Malaria I-3	Impact	In-patient malaria deaths per 1000 persons per year	<ul style="list-style-type: none"> Sex (female, male) Age (<5; 5+)
Malaria I-4	Impact	Malaria test positivity rate	<ul style="list-style-type: none"> Species (Pf, Pv, others) Type of testing (Microscopy, RDT)
Malaria I-5	Impact	Malaria Parasite prevalence: Proportion of children aged 6-59 months with malaria infection	<ul style="list-style-type: none"> Sex (female, male)
Malaria I-6	Impact	All-cause under-5 mortality rate per 1000 live births	<ul style="list-style-type: none"> Sex (male, female)
Malaria O-1a	Outcome	Proportion of population that slept under an insecticide-treated net the previous night	<ul style="list-style-type: none"> Sex (male, female)
Malaria O-3	Outcome	Proportion of population using an insecticide-treated net among those with access to an insecticide-treated net	<ul style="list-style-type: none"> Sex (male, female)
VC-3	Coverage	Number of long-lasting insecticidal nets distributed to- targeted risk groups through continuous distribution	<ul style="list-style-type: none"> Pregnant women Children <5 Migrant workers/Refugees/ IDPs Others (specify)
VC-4	Coverage	Proportion of targeted risk groups receiving long-lasting insecticidal-net	<ul style="list-style-type: none"> Pregnant women Children <5 Migrant workers/ refugees/IDPs Others (specify)
CM-1a	Coverage	Proportion of suspected malaria cases that receive a parasitological test at public sector health facilities	<ul style="list-style-type: none"> Age (<5, 5+ year) Type of testing (Microscopy, RDT)

Indicator code	Core list of indicators		Disaggregation categories
	Type	Indicator	
CM-1b	Coverage	Proportion of suspected malaria cases that receive a parasitological test in the community	<ul style="list-style-type: none"> • Age (<5, 5+ year) • Type of testing (Microscopy, RDT)
CM-1c	Coverage	Proportion of suspected malaria cases that receive a parasitological test at private sector sites	<ul style="list-style-type: none"> • Age (<5, 5+ year) • Type of testing (Microscopy, RDT)
CM-2a	Coverage	Proportion of confirmed malaria cases that received first-line antimalarial treatment according to national policy at public sector health facilities	<ul style="list-style-type: none"> • Age (<5, 5+ year)
CM-2b	Coverage	Proportion of confirmed malaria cases that received first-line antimalarial treatment according to national policy in the community	<ul style="list-style-type: none"> • Age (<5, 5+ year)
CM-2c	Coverage	Proportion of confirmed malaria cases that received first-line antimalarial treatment according to national policy at private sector sites	<ul style="list-style-type: none"> • Age (<5, 5+ year)
CM-3a	Coverage	Proportion of estimated malaria cases (presumed and confirmed) that received first line anti- malarial treatment at public sector health facilities	<ul style="list-style-type: none"> • Age (<5, 5+ year)
CM-3b	Coverage	Proportion of estimated malaria cases (presumed and confirmed) that received first line anti- malarial treatment in the community	<ul style="list-style-type: none"> • Age (<5, 5+ year)
CM-3c	Coverage	Proportion of estimated malaria cases (presumed and confirmed) that received first line anti- malarial treatment at private sector sites	<ul style="list-style-type: none"> • Age (<5, 5+ year)

HIV Indicators

Indicator code	Core list of indicators		Disaggregation categories
	Type	Indicator	
HIV I-1	Impact	Percentage of young people aged 15-24 who are living with HIV	<ul style="list-style-type: none"> Sex (female, male), when based on survey
HIV I-2	Impact	HIV incidence among 15-49 age group	<ul style="list-style-type: none"> Sex (female, male) Age (15-24) *
HIV I-4	Impact	AIDS related mortality per 100,000 population	<ul style="list-style-type: none"> Sex (female, male) Age (<15 and 15+) Age (15-24) *
HIV I-9a	Impact	Percentage of men who have sex with men who are living with HIV	<ul style="list-style-type: none"> Age group (<25 and 25+)
HIV I-9b	Impact	Percentage of transgender people who are living with HIV	<ul style="list-style-type: none"> Age group (<25 and 25+)
HIV O-1	Outcome	Percentage of adults and children with HIV, known to be on treatment 12 months after initiation of antiretroviral therapy	<ul style="list-style-type: none"> Sex (female, male) Age (<15; 15+) Duration of treatment 24 & 36 months
HIV O-2	Outcome	Percentage of women and men aged 15–49 who have had sexual intercourse with more than one partner in the past 12 months	<ul style="list-style-type: none"> Sex (female, male) Age groups 15-19; 20-24
HIV O-3	Outcome	Percentage of women and men aged 15-49 who had more than one partner in the past 12 months who used a condom during their last sexual intercourse	<ul style="list-style-type: none"> Sex (female, male) Age groups 15-19; 20-24
HIV O-5	Outcome	Percentage of sex workers reporting the use of a condom with their most recent client	<ul style="list-style-type: none"> Sex (female, male)
HIV O-6	Outcome	Percentage of people who inject drugs reporting the use of sterile injecting equipment the last time they injected	<ul style="list-style-type: none"> Sex (female, male)
HIV O-8	Outcome	Current school attendance among orphans and non-orphans other children	<ul style="list-style-type: none"> Sex (female, male)
GP-1	Coverage	Number of women and men aged 15+ who received an HIV test and know their results	<ul style="list-style-type: none"> Sex (female, male) Test result (positive, negative) Age (15-24) *

Indicator code	Core list of indicators		Disaggregation categories
	Type	Indicator	
PMTCT-1	Coverage	Percentage of pregnant women who know their HIV status	<ul style="list-style-type: none"> • Women with known (positive) HIV infection at antenatal care • Women newly identified as HIV positive • Women testing HIV negative
TCS-1	Coverage	Percentage of adults and children currently receiving antiretroviral therapy	<ul style="list-style-type: none"> • Sex (female, male) • Age (<15, 15+) • Age (15-24) *
TCS-2	Coverage	Percentage of people living with HIV that initiated ART with a CD4 count of <200	<ul style="list-style-type: none"> • Sex (female, male)
TCS-3	Coverage	Percentage of People living with HIV that initiated ART, with an undetectable viral load at 12 months (<1000 copies/ml)	<ul style="list-style-type: none"> • Sex (female, male) • Age (15-24) *

** Note: Required disaggregation by age group 15-24 applies only to the following countries: Kenya, Lesotho, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe (10 PEPFAR DREAMS Countries). This list may be expanded to meet the reporting needs emerging under the newly launched Women and Girls initiative. This will be communicated in due course.*

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Annex 2: Useful Resources

For general guidance:

[The Operational Policy Manual](#)

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

For guidance on the programmatic section:

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

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

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

For guidance on the PSM section:

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

For guidance on the finance section:

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

[The Global Fund Audit Guidelines](#)