

FREQUENTLY ASKED QUESTIONS FINANCIAL GUIDELINES FOR UNITAID GRANTEES

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SCOPE OF APPLICATION, DEFINITIONS AND OTHER GENERAL QUESTIONS

[1]. What are Unitaid’s requirements in terms of how Financial guidelines should be used by consortium members/sub-grantees?

Unitaid requires that lead grantees share the guidelines with consortium members/sub-grantees as well as with any relevant third party recipients, and ensure their adherence to requirements set forth in the guidelines as well as in terms and conditions of the grant agreement.

More details can be found in article 19 of the Financial guidelines.

[2]. What are “unsupported” expenses?

Unsupported expenses are project expenses which are not supported by adequate evidence. This typically includes expenses with insufficient, unclear or contradicting documents failing to support and justify the nature and/or the amount of the project expenses. This also includes project expenses which have not been approved in compliance with the grantee’s applicable policies and procedures.

More details can be found in article 2 of the Financial guidelines.

[3]. Where can we find the various financial templates (e.g. budget and financial report template)?

Unitaid grant budget and financial report templates are excel files, available upon request. They are shared during grant development.

ABOUT GENERAL ADMINISTRATIVE EXPENSES (EX-INDIRECT COSTS)

[4]. What is Unitaid’s approach to funding indirect costs?

Unitaid believes that indirect costs are essential to the effective management of the projects and the organizations it funds, and has decided to fund a fair-share contribution to the financial sustainability of the organizations it partners with.

Unitaid has established funding thresholds as a testimony of its commitment to fund such a fair-share as well as to share its expectations transparently before any grant development is initiated.

Unitaid no longer refers to indirect costs but instead uses the term “general administrative expenses”. More details can be found in articles 5 and 6 of the Financial guidelines.

[5]. Can both the lead organization and its consortium member(s) charge general administrative expenses on the grant budget?

Yes. The lead organization and the sub-recipients can both request funding for their general administrative expenses under the following conditions;

1. There are no overlapping layers across the lead's and the sub-recipients' budgets (e.g. in case the lead organization's policy is to use a 11% standard indirect cost recovery rate, they cannot charge the 11% on top of the subgrantees' own indirect expenses), and
2. The total amount of general administrative expenses charged on the project does not exceed a maximum calculated using the 2%/13% ceiling rates.

BUDGETING

[6]. What does Unitaid look for when reviewing budgets during grant development?

When reviewing budgets during grant development, Unitaid assesses whether financial plans have been established in accordance with the Financial guidelines and whether budget costs are critical to the successful implementation of the project. This includes, but is not limited to, ensuring that:

- Budget expenses are necessary, incremental and complementary and reasonable;
- Quantity, cost and time assumptions underpinning the budgetary allocations are commensurate with the scope and nature of the project activities, aligned with the timelines and schedules of activities, and consistent with the key activity drivers and targets of the project.

More details can be found in the Budgeting chapter of the Financial guidelines.

[7]. What are Unitaid requirements regarding budget granularity? What does Unitaid mean by “higher-level budget”?

Unitaid cannot accept lump sums, buffer or any form of unsupported reserves in grant budgets. Budgets serve as a basis for Unitaid Executive Board to approve the project funding ceiling. However, in some cases, Unitaid recognizes it is difficult to elaborate detailed budgets, especially for periods beyond the forthcoming 12 months. Unitaid may accept high-level budget envelopes or high-level budget assumptions to the extent that the basis for the budgetary amounts can be explained. The following practical guidance can be followed:

- Higher-level budget provisions or high-level assumptions should be applied only to parts of the project for which there is not enough information or the information available is uncertain at the time of budget preparation. Unitaid and the grantee will apply professional judgment in deciding what should be subject to higher level budget provisions based on financial materiality and availability of information.
- High-level budget provisions should always be done by providing details at expense group, output and country level – these being the three fundamental financial reporting dimensions of the Unitaid reporting framework.
- High-level budgets should be supported with appropriate rationale and a clear justification as to how the budget envelopes have been determined.
- High-level budgets and underlying assumptions should be unpacked for annual budget revisions, through the review of the expense forecast supporting a disbursement request, and-or anytime information can be further specified.

- For obvious reasons, while Unitaid accepts high-level budgets for financial planning purposes, Unitaid does not release funds on the basis of high-level budgets.

More details can be found in articles 15 and 16 of the Financial guidelines.

REPROGRAMMING AND FINANCIAL FLEXIBILITIES

[8]. What does “significant” mean in terms of reprogramming?

The definition of “significant programmatic” changes is specified in article 21 of the Financial guidelines. In case of any doubt, it is preferable that further guidance is sought with the Unitaid project team.

[9]. How should grantees use the 10% budget flexibility vs. the reprogramming process?

The 10% budget flexibilities can be used by grantees to reprogram budgets from one expense group to another without consulting Unitaid. The reprogramming is a simple process that requires grantees to put together a request to Unitaid, in case either the 10% flexibilities are exceeded or when changes are due to significant programmatic changes.

[10]. Budget flexibilities are up to 10% on annual budget: what does this mean in terms of operationalization?

In 2018, Unitaid introduced 10% of budget flexibilities to allow grantee to reallocate budget expenses from one expense group to others (calculated as a % of the annual expense group budgets) without consulting Unitaid, and thereby make grantees more agile in reprogramming financial resources. Such financial flexibilities were not existing in the past.

More details can be found in article 20 of the Financial guidelines.

[11]. Why are budget flexibilities not applied to staff costs and vehicles?

Because of the diversified, and often labor-intensive, nature of its grants, Unitaid pays a particular attention to staff costs and FTEs, as well as to any changes that may affect original staffing plans and associated budget assumptions. Unitaid requests that changes in the original staff costs are approved by Unitaid project team using the Reprogramming request form.

Pertaining to vehicles, Unitaid funds such assets only on an exceptional basis, and therefore requests any funding request to be routed to Unitaid using the Reprogramming request form.

[12]. Can the budget flexibilities be applied to the country budgets?

The 10% budget flexibilities across the expense groups on annual budget(s) can be applied to the budgets of the approved countries to the extent that reallocation of funds from one country to another (or others) does not affect the approved programmatic plans and the targeted impact. If the reallocation impacts the programmatic plans and/or the targeted impact in any of the affected

countries, this should be considered as a reprogramming to be dealt with in accordance with Article 21 of the Financial Guidelines.

FINANCIAL REPORTING

[13]. What does Unitaid look for when reviewing financial reports?

When Unitaid reviews financial reports, it looks for budget/actual variances at various levels by outputs, country and expense groups to ascertain that the financial progress of the grant is consistent with the programmatic progress.

- In addition to this budget/actual variance analysis, additional updates are provided through the financial reporting process (e.g. implementation of audit recommendations).
- More details can be found in articles 27 to 32 of the Financial guidelines.

[14]. What does “significant” means in terms of financial reporting/variance analysis?

Significant variances are variances that are 10% or more, overspend or underspend, at expense group and output level. Please note that Unitaid may request additional explanations for variances below 10% in cases where dollar values are deemed to be material or in the case of sensitive expenses.

More details can be found in article 32 of the Financial guidelines.

GRANT FINANCIAL AND ADMINISTRATIVE CLOSURE

[15]. What is Unitaid’s approach to grant closure and what are the various financial steps?

The grant financial and administrative closure is a process that starts before the grant ends (6 to 12 months before the grant end date) and that finishes upon settlement of all obligations (up to 12 months after the grant end date). It primarily consists in submitting the project end financial report, completing the project end financial audit, reconciling the audited financial report and processing any adjustments, and returning unexpended funds left in case of any.

More details can be found in article 18 of the Financial guidelines.

[16]. Does Unitaid have a standard closure plan template?

No. As for now, the grant closure plans are coordinated by Unitaid project teams who provide guidance that is specific to the grant following internal standard operating procedures.