

Financial Guidelines for Unitaid Grant Implementers

Frequently Asked Questions

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FREQUENTLY ASKED QUESTIONS FINANCIAL GUIDELINES FOR UNITAID GRANTEES

SCOPE OF APPLICATION, DEFINITIONS AND OTHER GENERAL QUESTIONS	2
[1]. What are Unitaid’s requirements in terms of how Financial guidelines should be used by lead implementers/sub-implementers?.....	2
[2]. What are “unsupported” expenses?.....	2
[3]. Where can we find the various financial templates (e.g. budget and financial report template)?	2
ABOUT GENERAL ADMINISTRATIVE EXPENSES (EX-INDIRECT COSTS)	2
[4]. What is Unitaid’s approach to funding indirect costs?	2
[5]. Can both the lead implementer and its consortium member(s) charge general administrative expenses on the grant budget?	2
[6]. Can you give examples on how to calculate the maximum funding level for general administrative expenses?	3
[7]. What is Unitaid’s approach to funding in-country administrative expenses?.....	5
ABOUT FUNDING SEVERANCE COSTS	5
[8]. What is Unitaid’s approach to funding severance costs?	5
BUDGETING	5
[9]. What does Unitaid look for when reviewing budgets during grant development?	5
[10]. What are Unitaid requirements regarding budget granularity? What does Unitaid mean by “higher-level budget”?	6
REPROGRAMMING AND FINANCIAL FLEXIBILITIES	6
[11]. How should grantees use the 25% budget flexibility vs. the reprogramming process?.....	6
[12]. Budget flexibilities are up to 25% on annual budget: what does this mean in practice?.....	6
[13]. How should grantees use the 25% budget flexibility regarding staff costs?	7
[14]. Can the budget flexibilities be applied to country-level budgets?	7
FINANCIAL REPORTING	7
[15]. What does Unitaid look for when reviewing financial reports?	7
[16]. What does “significant” means in terms of financial reporting/variance analysis?	7
GRANT FINANCIAL AND ADMINISTRATIVE CLOSURE	7
[17]. What is Unitaid’s approach to grant closure and what are the various financial steps?	7
[18]. Does Unitaid have a standard closure plan template?	8

SCOPE OF APPLICATION, DEFINITIONS AND OTHER GENERAL QUESTIONS

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

Unitaid expects that lead implementers share the Financial guidelines with consortium members/sub-implementers 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 21 of the Financial guidelines.

[2]. What are “unsupported” expenses?

Unsupported expenses are project expenses which are not supported by adequate evidence. The term refers to 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 implementer’s applicable policies and procedures. More details can be found in article 3 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 and any other relevant time.

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 to the organizations it funds. For these reasons, Unitaid funds a share of indirect costs up to acceptable limits that contribute to the financial sustainability of the organizations it partners with. Note Unitaid does not refer to indirect costs but instead uses the term “general administrative expenses”. More details can be found in article 5 of the Financial guidelines.

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

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

- The calculated rate should first follow the organization’s policy (e.g. indirect cost policy). When the organization’s verified rate is above 13% then the maximum of 13% as per Unitaid’s guideline should be applied. In case the organization has no organizational policy nor any established methodology to identify and calculate general administrative expenses, it is not allowed to charge any general administrative expenses to the project.
- There can be no overlapping layers of indirect costs across the lead’s and the sub-implementers’ budgets (e.g. in case the lead implementer’s policy is to use a 11% standard indirect cost recovery rate, they cannot double-charge the 11% on top of the subimplementer’ own indirect expenses).
- The total amount of general administrative expenses charged on the project does not exceed a maximum calculated using the 2%/13% maximum rates, as informed by the Financial guidelines.

[6]. Can you give examples on how to calculate the maximum funding level for general administrative expenses?

General administrative expenses (GAE) is the terminology Unitaid uses to speak to expenses linked to head office administrations and corporate functions. The funding threshold should be calculated by applying 13% to all project expense except commodity and large pass-through expenses such as subcontracts/subgrants for which:

- 13% can be applied for the first US\$500'000, and 2% beyond; and for a maximum of US\$200'000;
- Subgrants should be excluded from the passthroughs if general administrative expenses are already claimed by the sub-implementers.

The following three examples provide concrete guidance as to how this maximum would be calculated.

Example 1 - Grant budget inclusive of sub-grants with sub-implementers not claiming any general administrative expenses

Budget example 1	US\$ Amount	
Health commodities	3 000 000	
External Professional Services	5 100 000	
Consultants	400 000	
Large study	1 500 000	
Subgrants *	3 200 000	* with no GAE included
Other expenses	6 000 000	
Staff	4 400 000	
Travel	1 200 000	
Comms materials	400 000	
Total project expenses	14 100 000	
1 Commodity and Pass-Throughs	7 700 000	
13% of the first 500k	65 000	
2% beyond	144 000	
Total calculated	209 000	
Total retained	200 000	capped
2 Other expenses at 13%	6 400 000	
Total calculated and retained	832 000	Lead implementer's GAE >13% in this example
Total Maximum Funding for GAE	1 032 000	[1+2] 7%

Example 2 Grant budget inclusive of sub-grants with sub-implementers claiming general administrative expenses

Budget example 2	US\$ Amount
Health commodities	3 000 000
External Professional Services	5 100 000
Consultants	400 000
Large study	1 500 000
Subgrants *	3 200 000 * GAE included
Other expenses	6 000 000
Staff	4 400 000
Travel	1 200 000
Comms materials	400 000
Total project expenses	14 100 000

1 Commodity and Pass-Throughs	4 500 000
13% of the first 500k	65 000
2% beyond	80 000
Total calculated	145 000
Total retained	145 000

2 Other expenses at 13%	6 400 000
Total calculated and retained	832 000

Lead implementer's GAE >13% in this example

3 Subgrant expenses	2 900 000
GAE on subgrant	300 000
Total calculated and retained	300 000

10,3% Sub-implementer's GAE: 10% or so in this example

Total Maximum Funding for GAE **1 277 000** [1+2+3]
9,1%

Example 3 - Grant budget with commodity and pass-through costs

Budget example 2	US\$ Amount
Health commodities	500 000
External Professional Services	3 600 000
Consultants	400 000
Large study	-
Subgrants *	3 200 000 * GAE included
Other expenses	6 000 000
Staff	4 400 000
Travel	1 200 000
Comms materials	400 000
Total project expenses	10 100 000

1 Commodity and Pass-Throughs	500 000
13% of the first 500k	65 000
2% beyond	-
Total calculated	65 000
Total retained	65 000

2 Other expenses at 13%	6 800 000
Total calculated and retained	884 000

Lead implementer's GAE >13% in this example

3 Subgrant expenses	2 900 000
GAE on subgrant	300 000
Total calculated and retained	300 000

10,3% Sub-implementer's GAE: 10% or so in this example

Total Maximum Funding for GAE **1 249 000** [1+2+3]
12,4%

[7]. What is Unitaid’s approach to funding in-country administrative expenses?

Unitaid funds country infrastructures and functions supporting the implementation of the Unitaid project activities on a case-by-case basis, and in commensurate terms. Implementers can include funding needs for the relevant in-country administrative expenses under the following conditions;

- The cumulative amount of general and in-country administrative expenses cannot exceed 15% of the total budget, and
- Details of in-country administrative expenses should be provided to specifically explain the nature of such expenses, and how they have been allocated to the Unitaid grant versus other funding sources.

ABOUT FUNDING SEVERANCE COSTS

[8]. What is Unitaid’s approach to funding severance costs?

The following are the guidance in regard to severance costs:

- Staff working on the Unitaid projects may be entitled to severance rights and payment upon separation, as set out in applicable and relevant labor laws and regulations, and/or as part of the employer’s organizational policy. Such benefits are accrued for as liabilities until the obligation to pay the severance allowance materialize.
- Severance costs are eligible for funding under Unitaid Financial guidelines for reasonable amounts and as supported by and calculated according to the relevant obligations, limited to the amount, time and LOEs encumbered under the Unitaid grant.
- Accrued costs should be reported under the staff expense group as part of the regular financial reporting process.
- In case the severance payment does not materialize during the grant period, the amount accrued for remains eligible for funding.
- At grant closure, accrued costs funded under the Unitaid grant shall be subject to a final audit in the last year of the grant.
- In case the severance payment rights and obligations ceases without payment for various reasons, the amount written off and already funded by Unitaid should be returned to Unitaid, both during and outside the grant period.

BUDGETING

[9]. 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 relevant to the successful implementation of the project by ensuring that:

- Budget expenses are necessary, incremental, complementary and reasonable;
- Quantity, unit cost and time assumptions underpinning 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.

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

Unitaid does not accept lump sums, buffers 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 higher level budgets or high-level assumptions to the extent that the basis for their determination 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.
- Budgets, even if high-level, should always be articulated by expense group, output and country.
- Written explanations as to how the high-level budgets have been determined should be provided.
- High-level budgets can be subsequently unpacked through (1) annual budget revisions, (2) expense forecasts supporting disbursement requests, and-or (3) anytime information can be further specified.

While Unitaid accepts high-level budgets for financial planning purposes, Unitaid generally does not release funds on the basis of such high-level budgets.

More details can be found in articles 14 and 15 of the Financial guidelines.

REPROGRAMMING AND FINANCIAL FLEXIBILITIES

[11]. How should grantees use the 25% budget flexibility vs. the reprogramming process?

The 25% budget flexibility 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 25% flexibilities are exceeded or when changes are due to significant programmatic changes.

[12]. Budget flexibilities are up to 25% on annual budget: what does this mean in practice?

In October 2021, Unitaid increased budget flexibilities from 10% to 25% to allow its grant implementers to pivot financial resources more agilely without seeking approval from Unitaid. These new flexibilities are applicable to all active grants. Such financial flexibilities however do not apply to budgetary changes entailing or supporting major programmatic reprogramming.

Importantly, such increased flexibilities build on the sustained capacity of implementers to maintain robust and real-time budgetary controls, and to eventually uphold high fiduciary safeguards during the grant implementation. Such flexibilities can be reduced or even fully revoked, i.e. in case of material control deficiencies or noncompliances with principles and requirements set forth in the Financial guidelines.

More details can be found in article 22 of the Financial guidelines.

[13]. How should grantees use the 25% budget flexibility regarding staff costs?

While the 25% budget flexibilities can be applied to staff expense group, changes in key staff positions of the project (considered as a significant programmatic change) or any increase in individual staff level of efforts of more than 50%, as well as any addition of new staff of more than 50% LOEs during the project implementation, should be agreed by Unitaid before they are implemented.

[14]. Can the budget flexibilities be applied to country-level budgets?

The 25% budget flexibilities can be applied at expense group level based on annual budget. There are no limits at country level. However, in case the budgetary reallocations translate into or lead to a significant change in the programmatic plans or the targeted impact in any of the implementation countries, this change may be considered as a major reprogramming (as defined in the article 23 of the Financial guidelines). In this instance, Implementers are advised to first seek guidance with their respective Unitaid project team.

FINANCIAL REPORTING

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

When Unitaid reviews financial reports, it first and foremost looks for quality and meaningful financial information showing the financial progress of the grant vis-à-vis its programmatic achievements. It is important that financial reports are reviewed for accuracy before they are submitted to Unitaid and that reported financial information articulates logically with the programmatic progress, especially through the budget variance analysis.

More details can be found in articles 25 to 32 of the Financial guidelines.

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

Significant variances are by default variances that are 25% or more, overspend or underspend, at expense group level.

In reviewing budget variances, Unitaid first and foremost seeks to understand the variances contributing the most to the total annual budget variance (e.g. covering 80% of the budget variance) and to analytically compare budget against programmatic implementation. In doing so, Unitaid may request additional information on variances below 25% but with high US\$ value, or on budget and activity areas with potential disjoints or inconsistencies between the budget execution rates and the programmatic implementation indicators.

More details can be found in article 30 of the Financial guidelines.

GRANT FINANCIAL AND ADMINISTRATIVE CLOSURE

[17]. 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). The closure budget has to be included within the project funding ceiling and all closure activities should be concluded within the maximum of four months after the

end of the grant agreement. It primarily consists of 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 19 of the Financial guidelines.

[18]. 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.

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